
September 19, 2017**Item Name:** Quarterly Status Report – Enterprise Risk Management**Program:** Enterprise Risk Management**Item Type:** Information Consent**Executive Summary**

The following provides the Enterprise Risk Management Division's (ERMD) quarterly report for the period April 1, 2017, through June 30, 2017. This status report concludes the activities delineated in the 2016-17 Enterprise Risk Management Plan. Fourth quarter progress updates are provided for the following items:

- Asset Liability Management (ALM);
- Enterprise Risk Management Framework (Framework);
- Education and Communication efforts.

Strategic Plan

This agenda item supports CalPERS Strategic Plan Goal Risk Management: Cultivate a risk-intelligent organization. ERMD leads the integration of strategic and operational risk management through implementing an effective enterprise-wide risk management program and promoting a risk aware culture.

Background

In alignment with the CalPERS Business Plan, ERMD developed the 2016-17 Enterprise Risk Management Plan (Plan) to communicate priorities in support of CalPERS' Strategic Plan, vision, and mission. In June 2016, ERMD received Risk and Audit Committee approval for the Plan, which includes four focus areas:

- Education and Communication
- Asset Liability Management
- Refined Enterprise Risk Management Framework
- Integration of Leadership and Governance

Analysis

ERMD significant activities and accomplishments for the fourth quarter of fiscal year 2016-17 include:

Asset Liability Management

ERMD continued to advance ALM within the enterprise by:

- facilitating Asset Liability Management Advisory Committee (ALMAC) meetings that include Financial, Investment, Actuarial, Legal, and Public Affairs Senior Leadership

- taking a project lead role in collaboration with ALMAC members to develop the Asset Liability Management Policy approved by the Risk and Audit Committee at the April 2017 meeting.

Enterprise Risk Management Framework

ERMD continued to refine the Framework by:

- providing the Risk and Audit Committee with the finalized risk appetite statements, with the exclusion of the Pension Funding Risk, at the June 2017 meeting.

Education and Communication

ERMD continued to promote risk management education and communication by:

- developing training modules for team members, including a risk management overview for new employees and an introduction to internal controls for the Compliance and Risk liaisons.

Key areas ERMD will address in the coming fiscal year include:

- Asset Liability Management – Working with ALMAC to set pension funding risk appetite, develop reporting metrics, and help to facilitate a cross-functional and stakeholder approach to addressing long-term funding solutions.
- Enterprise Risk Management Framework – Partnering with the program areas to conduct the annual enterprise-wide risk assessment, develop and implement Key Risk Indicators, and implement an internal control framework to document internal controls and monitor operational risk events. Findings of the Annual Enterprise Risk Assessment and Risk Performance Analysis will be presented to the Committee at the November 2017 meeting.
- Risk Awareness – Working with our internal partners to train and educate our fellow CalPERS' team members on the importance of risk management and personal accountability towards reporting risk.

Budget and Fiscal Impacts

Not Applicable

Forrest Grimes

Chief Risk Officer

Marlene Timberlake D'Adamo

Interim Chief Financial Officer

