

November 14, 2017

**Item Name:** Quarterly Status Report – Enterprise Risk Management

**Program:** Enterprise Risk Management

**Item Type:** Information Consent

### **Executive Summary**

The purpose of this item is to provide the Risk and Audit Committee (Committee) with the first quarter activities of the Enterprise Risk Management Plan for the period July 1, 2017 through September 30, 2017.

### **Strategic Plan**

This agenda item supports CalPERS Strategic Plan Goal: Cultivate a Risk-Intelligent Organization. Enterprise Risk Management provides assurance to the Board through the implementation of an effective enterprise-wide risk management program and the continued cultivation of a risk-intelligent organization.

### **Background**

ERMD developed the 2017-18 Enterprise Risk Management Plan (Plan) to communicate priorities in support of CalPERS' Strategic and Business Plans, vision, and mission (Attachment 1). In June 2017, ERMD received Risk and Audit Committee approval for the Plan, which aligns program initiatives to the strategic goals of Fund Sustainability and Risk Management:

### **Analysis**

ERMD significant activities and accomplishments for the first quarter of fiscal year 2017-18 include:

#### *Fund Sustainability*

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.
- coordinating efforts for the Asset Liability Management Board workshop in November 2017.

#### *Risk Management*

ERMD matured enterprise internal control systems by:

- developing an Operational Risk Event Framework to track and analyze internal control failures at the program-level. Risk Liaisons throughout the enterprise were trained on the identification of internal controls and the reporting process. The framework is currently being piloted in two program areas and results will be compiled in January 2018.

- continuing to develop and refine integrated assurance maps to identify and assess controls within the three lines of defense.

ERMD continued to collaborate with the enterprise on the Enterprise Risk Management Framework by:

- completing the annual enterprise risk assessment with the Senior Leadership and Executive Team by reviewing and re-assessing the current enterprise risks and updating the Enterprise Risk Profiles, Dashboard and Heat Map.

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

- Fund Sustainability –
  - 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.
- Risk Management –
  - partnering with the program areas to develop and implement Key Risk Indicators;
  - submitting the State Leadership Accountability Act report to the Department of Finance in December 2017;
  - developing and initiating an enterprise risk training plan and communication plan to inform CalPERS' team members on the importance of risk management and personal accountability towards reporting risk.

### **Budget and Fiscal Impacts**

Not Applicable

### **Attachments**

Attachment 1 – 2017-18 Enterprise Risk Management Plan

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**Forrest Grimes**  
Chief Risk Officer

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**Charles Asubonten**  
Chief Financial Officer