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**February 12, 2018****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 second quarter activities of the Enterprise Risk Management Plan for the period October 1, 2017 through December 31, 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. 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.

The ERMD team created a new dashboard to aid in tracking progress made on Plan initiatives for current and future reporting (Attachment 1).

**Analysis**

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

*Fund Sustainability*

ERMD continued to advance ALM within the enterprise by:

- coordinating efforts for the Asset Liability Management Board workshop in November 2017.
- facilitating Asset Liability Management Advisory Committee (ALMAC) meetings that include Financial, Investment, Actuarial, Legal, and Public Affairs Senior Leadership that culminated in Board adoption on strategic asset allocation mix, actuarial assumptions, and discount rate.

*Risk Management*

ERMD matured enterprise internal control systems by:

- completing the Operational Risk Event Pilot to track and analyze internal control failures at the program-level, ending December 2017. The risk team anticipates full

implementation will continue over the next two years as the team works with the individual programs to train team members on internal controls and the reporting process.

- 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 entire organization on maturing 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.
- 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 Dashboard

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Chief Risk Officer

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Chief Financial Officer