

June 20, 2018

Item Name: 2018-19 Enterprise Risk Management Plan

Program: Enterprise Risk Management Division

Item Type: Action

Executive Summary

Approve the 2017-18 Enterprise Risk Management Plan.

Strategic Plan

The Enterprise Risk Management Division (ERMD) prepared the proposed 2018-19 Enterprise Risk Management Plan (Plan) for the Risk and Audit Committee's (Committee) review and approval. The Plan is designed to continue efforts that will enhance and embed risk management functions and awareness throughout the enterprise. The Plan is comprised of three key areas of focus: enhancement of the Internal Control Framework, refinement of the Enterprise Risk Management Framework, and educational and awareness efforts.

Background

To construct the Plan, ERMD assessed our current performance against industry best practices, the prior 2017-18 Enterprise Risk Management Plan, updates to the 2017-22 CalPERS Strategic Plan (Strategic Plan), and results of the 2017 Integrated Assurance risk assessment interviews conducted in coordination with Enterprise Compliance (ECOM) and the Office of Audit Services (OFAS).

Analysis

The initiatives outlined in this Plan align with the Strategic Goal, Risk Management, and are designed to help cultivate a risk-intelligent organization at CalPERS that reflects the Board's appetite for risk. ERMD seeks to meet this goal by proactively collaborating with the program areas to advance assurance activities and risk awareness.

ERMD will complete the following initiatives in the coming year as we continue to advance toward the organization's goal of Risk Management:

Internal Control Framework

ERMD will partner with the enterprise to implement Operational Risk Event Reporting to capture program-level risks. An Operational Risk Event is defined as a risk occurrence resulting from inadequate or failed internal control processes. ERMD will partner with the program areas to deliver training to team members on internal control types, how to report an event, and our personal responsibility to report events as they occur. Additionally, ERMD will collaborate with program areas throughout the enterprise to process map and document entity-level controls for the enterprise-wide functions. ERMD will establish a repository of the controls for use by the Integrated Assurance functions that include Financial Reporting & Accounting Services Division (FRAS), Information Security Office (ISOF), Legal Office (LEGO), ECOM, and OFAS teams.

Enterprise Risk Management Framework

As we continue to mature the Enterprise Risk Management Framework, ERMD will partner with the program areas to conduct the annual enterprise-wide risk assessment; finalize thresholds for the Strategic Risk Measures; and begin to incorporate the evaluation of entity-level controls into the risk assessment process, in partnership with the Integrated Assurance functions.

Risk Awareness

To cultivate a risk-intelligent organization, ERMD will work 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. Team members will also partner with the enterprise to continue Asset Liability Management and Enterprise Data Governance efforts in support of the Fund Sustainability, Reduce Complexity, and Risk Management Strategic Goals.

Please refer to the full Plan included as Attachment 1 for details on each of the focus areas identified. ERMD will refresh the Plan periodically and adjust according to the changing risk environment and priorities. Updates and proposed changes will be presented to the Committee for review and approval during the Quarterly Risk Report agenda items.

Budget and Fiscal Impact

Funding for the proposed activities will be provided through the approved Enterprise Risk Management Division budget.

Attachments

Attachment 1 – 2018-19 Enterprise Risk Management Plan

Forrest Grimes

Chief Risk Officer

Marcie Frost

Chief Executive Officer