

2017–18 STRATEGIC RISK MEASURES: OVERVIEW

BACKGROUND AND PURPOSE

ERMD developed Strategic Risk Measures (SRMs) that will serve as leading indicators by monitoring when a risk poses a threat to achieving a strategic goal. To do this, the 2017–22 Strategic Plan—Alignment Map for 2017–18 was used to align the Enterprise Risks to the Strategic Goals. ERMD has identified potential SRMs for each strategic goal. The proposed risk measures were developed using the following resources:

- » Enterprise Risk Profiles
- » Existing Strategic Measures
- » Industry standards and best practices
- » Stakeholder Assessment/Employee Engagement/Health Plan Member survey questions

ERMD identified cross-functional workgroups to assist in developing the proposed risk measures. The workgroups determined which risk measures are the most suitable leading indicators as well as identified other metrics (that are either currently being measured or data is readily available) that would be better suited as risk rather than performance indicators. Outcomes from the workgroups were vetted by the Division Chiefs and Deputy Executive owners for each underlying risk. Thresholds will be established for each risk measure and presented to the Risk and Audit Committee.










How to use this material

- » SRM Overview
 - Provides an overview of recommended risk measures for each Strategic Goal.
- » SRM Data Sheets
 - Detailed description of the recommended risk measures for each Strategic Goal: measure description, calculation, threshold placeholder, and limitations and assumptions.

FUND SUSTAINABILITY

Strategic Goal: Strengthen the long-term sustainability of the pension fund













Enterprise Risk: Pension Funding, Stakeholder Confidence

Strategic Risk Measure	PERF funding levels below 50% (current strategic performance measure)	Sharp employer contribution rate increase (current strategic performance measure)	High employer contribution rate (current strategic performance measure)
Measure Owner	ALMAC	ALMAC	ALMAC
Measure Description	This is a leading indicator for unrecoverable draw downs	This is a leading indicator of short-term budget impact to employers	This is a leading indicator of the overall affordability of contribution rates for employers
Measure Calculation	Probability of PERF falling below 50% funded over the next 30 years	Probability of sharp increase in employer contribution rates	Probability of high contribution rates
Thresholds			
Attention Required			
Monitoring Required			
Managed Appropriately			
Current Status			
System of Record	AVS (ACTO)	AVS (ACTO)	AVS (ACTO)
Reporting Frequency	Annual	Annual	Annual

HEALTH CARE AFFORDABILITY

Strategic Goal: Transform health care purchasing and delivery to achieve affordability










Enterprise Risk: Health Care Administration

Strategic Risk Measure	% of contracting agencies retained <i>(potential performance measure)</i>	Total covered lives (TCLs) <i>(potential performance measure)</i>	Legislation that negatively impacts CalPERS	Health Care Fund (HCF) required reserve
Measure Owner	HPRD	HPRD	HPRD	HPRD
Measure Description	This is a leading indicator as agencies leaving the CalPERS Health Program will drive up cost	This is a leading indicator as a drop in the number of covered lives under the CalPERS Health Program will drive up cost	Unfavorable changes in federal/state regulations can impact health care cost (Cadillac tax)	This is a leading measure that indicates if the reserve drops, a surcharge maybe added to increase the reserve back to the required level
Measure Calculation	Number of contracting agencies in the Program at the beginning of the calendar year / Total number of agencies in the Program at the end of the previous calendar year	The sum of all new total covered lives as a result of resolutions from new contracting agencies and existing agencies adding new groups for each calendar year	Yes/No: Have new legislative or regulatory changes been approved or are reasonably expected to be approved that negatively impact CalPERS Health Benefits Program?	In development
Thresholds				
Attention Required				
Monitoring Required				
Managed Appropriately				
Current Status				
System of Record	my CalPERS	my CalPERS	LAD	
Reporting Frequency	Annual (February)	Annual (February)	Annual (September)	Annual

REDUCE COMPLEXITY

Strategic Goal: Reduce complexity across the enterprise




Enterprise Risk: Benefit Administration

Strategic Risk Measure	Board sponsored plan design	Externally proposed bills that have the potential to increase the complexity of the plan design	Lean white belt training <i>(current performance measure)</i>
Measure Owner	LAD / BNSD	LAD / BNSD	RRPD
Measure Description	In order to reduce the CEM complexity score, a reduction in plan design options is required through legislation		This is a leading indicator of the organization's ability to establish a culture of change; i.e., a culture that fosters behavior that supports change and efficiencies
Measure Calculation	Yes/No: Is there Board sponsored legislation that is authored and reduces complexity of the plan design?	Yes/No: Have new external legislative or regulatory changes been proposed that negatively impact the complexity of the plan design?	% of team members that participated in Lean White Belt training
Thresholds			
Attention Required			
Monitoring Required			
Managed Appropriately			
Current Status			
System of Record	LAD / BNSD	LAD / BNSD	RRPD / GoLearn
Reporting Frequency	Quarterly	Quarterly	Quarterly

RISK MANAGEMENT

Strategic Goal: Cultivate a risk-intelligent organization







Enterprise Risk: Information Security, Business Continuity, Internal Governance & Control Environment

Strategic Risk Measure	Enterprise Risk Training Index	
Measure Owner	ECOM / ERMD / HRSD / ISOF	
Measure Description	To promote a risk intelligent organization, team members should be informed of the foundational structures of risk awareness through enterprise trainings.	
	<i>Weighted average of the following completed trainings: Annual Information Security, New Employee Orientation, Leadership, Ethics Training, Annual Personal Trading Attestation, and Operational Risk Event</i>	
	Percent of team members, supervisors and/or new leaders who completed:	Weight
	<ol style="list-style-type: none"> 1. Information Security Training (annual, all employees) 2. Health Insurance Portability Accountability Act (annual, all employees) 3. Sexual Harassment Prevention for Staff (biennial, all employees) 4. New Employee Orientation (within 90 days of starting, all employees) 5. LEADER Training (within 120 days of appointment, leadership team) 6. Ethics Training (biennial, Form 700/FPPC filers) 7. Annual Personal Trading Attestation (annual, covered persons) 8. Operational Risk Event Training* 	
	* Non-mandatory training	
Measure Calculation	Weighted average of the identified risk and compliance training	
Thresholds		
Attention Required		
Monitoring Required		
Managed Appropriately		
Current Status		
System of Record	GoLearn (ECOM, HRSD, ISOF)	
Reporting Frequency	Quarterly	

TALENT MANAGEMENT

Strategic Goal: Promote a high-performing and diverse workforce

Enterprise Risk: Talent Management

Strategic Risk Measure	Employee Engagement Survey – Diversity and Inclusion	Employer Brand
Measure Owner	STRL	HRSD
Measure Description	<p>The Employee Engagement survey includes three Diversity & Inclusion questions. The proposed risk measure is one of three questions. It was chosen for its focus at an organizational level versus at a program area level</p> <p>Survey question (new measure): CalPERS fosters a work environment that values individual differences and contributions.</p>	<p>This is a leading indicator of declining employee engagement.</p> <p>The pulse survey will be emailed to all team members within a four-week cycle and the question will be the same for all team members.</p> <p>Survey question (new measure): How likely would you be to recommend this organization to others as a great place to work?</p>
Measure Calculation	% of respondents who agree CalPERS fosters a work environment that values individual differences and contributions	% of respondents who would recommend this organization to others as a great place to work
Thresholds	<p>Attention Required </p> <p>Monitoring Required </p> <p>Managed Appropriately </p>	<p>Attention Required </p> <p>Monitoring Required </p> <p>Managed Appropriately </p>
Current Status		
System of Record	Employee Engagement Survey (HRSD)	Employee Engagement Survey – Pulse Survey (HRSD)
Reporting Frequency	Annual	Quarterly