



Enterprise Risk Profile | November 2018

Benefit Administration Enterprise Risk Profile					
Enterprise Risk	Owner	Oversight	Category		
Benefit Administration	Deputy Executive Officer, Customer Service and Support	Pension & Health Benefits Committee	Operational		
Strategic Plan Goal		<b>Reduce Complexity:</b> Reduce complexity across the enterprise by simplifying programs to improve service and/or reduce cost.			
Functional Objective	To ensure accurate and timely benefits and information to members, retirees, and beneficiaries.				
Risk Statement	CalPERS members, retirees, and beneficiaries may not receive timely and/or accurate benefits.				
<b>Risk Analysis:</b>					
The noted risk analysis is based on an understanding that the complexity of the Benefit Plan Design results in inherent risks that impact benefit calculations. In addition, we are dependent upon the employers to submit and maintain accurate membership and payroll data in a timely manner. <i>The following are high-level entity controls; and is not an exhaustive list of all controls in place.</i>					
Residual Risk	Probability	Impact	Velocity	Rating	Risk ↑ / ↓
	Unlikely	Moderate	High	Low Impact Low Probability	↔
<b>Risk Driver #1: Inaccurate employer reporting</b>					
<b>Controls in Place:</b>					
1.1 Automated controls to edit and data check employer data 1.2 Tools and reports for employers to identify and fix data issues 1.3 Employer training through various mediums 1.4 Employer Response Team 1.5 Quality assurance reports 1.6 Business partner identity account management 1.7 Public Agency reviews					
<b>Future Mitigations:</b>					
<ul style="list-style-type: none"> <li>Enterprise Data Management (FY 2018-19 Business Plan, June 2020)</li> </ul>					
<b>Risk Driver #2: Lack of team member knowledge and awareness of relevant laws, regulations, and policies</b>					
<b>Controls in Place:</b>					
2.1 Comprehensive training for CalPERS team members 2.2 Team member communication tools 2.3 Required second approvals and peer reviews 2.4 Documentation and regular updates of desk procedures and process documents 2.5 Audits of internal processes 2.6 Quality assurance programs 2.7 Lean process improvement					

<b>Risk Driver #3: Inaccurate benefit and system calculations</b>
<b>Controls in Place:</b>
3.1 System testing 3.2 Clear procedures and process documents 3.3 Audits of internal processes 3.4 Quality assurance programs 3.5 Documentation of system functionality 3.6 System enhancements 3.7 Reconcile Retirement Roll 3.8 Identification and correction of data issues 3.9 Lean process improvement
<b>Risk Driver #4: Increase to the complexity of the benefit plan design due to external influences</b>
<b>Controls in Place:</b>
4.1 Board engagement and influence 4.2 Legislative impact analyses 4.3 Various employer and stakeholder communication tools
<b>Future Mitigations:</b>
<ul style="list-style-type: none"><li>• CEM Complexity Score Maintenance (FY 2018-19 Business Plan, June 2019 - Policy Research and Data Analytics)</li><li>• Monitoring the complexity of the benefit plan design through the Strategic Risk Measures (June 2019)</li></ul>
<b>Risk Driver #5: Inability to implement statutory and regulatory changes</b>
<b>Controls in Place:</b>
5.1 Legislative impact analyses 5.2 Statutory and regulatory changes and implementation process 5.3 Various employer and stakeholder communication tools


Enterprise Risk Profile | November 2018

Business Continuity Enterprise Risk Profile					
Enterprise Risk	Owner	Oversight	Category		
Business Continuity	Deputy Executive Officer, Operations and Technology	Finance & Administration Committee	Operational		
Strategic Plan Goal		<b>Risk Management:</b> Cultivate a risk-intelligent organization.			
Functional Objective	CalPERS' ability to resume business following a major business interruption.				
Risk Statement	Inability to recover timely and resume business functions following a business interruption event.				
<b>Risk Analysis:</b>					
The limitations to testing recovery plans, the inability to complete Disaster Recovery documents timely, and the complexity and interdependencies of the systems used create potential risks despite the existence of an enterprise-wide prioritized list of critical functions in the CalPERS Master Enterprise Business Continuity Plan (BCP) created in Phase I (2017). <i>The following are high-level entity controls; and is not an exhaustive list of all controls in place.</i>					
Residual Risk	Probability	Impact	Velocity	Rating	Risk ↑ / ↓
	Unlikely	Major	Very High	High Impact Low Probability	↓
<b>Risk Driver #1: Untested Division Business Continuity Plans</b>					
<b>Controls in Place:</b>					
1.1 Division Business Continuity Training					
<b>Future Mitigations:</b>					
<ul style="list-style-type: none"> <li>Biennial BCP testing (December 2019)</li> </ul>					
<b>Risk Driver #2: Inability to restore critical business systems within expected timeframes</b>					
<b>Controls in Place:</b>					
2.1 Disaster recovery exercises					
2.2 Dedicated off-site Emergency Operations Center					
2.3 Modernize backup and disaster recovery to cloud-based technologies via a new third-party contract					
2.4 Review of alignment of disaster recovery objectives and business continuity plan					
<b>Future Mitigations:</b>					
<ul style="list-style-type: none"> <li>Communication plan to keep stakeholders informed regarding major business interruptions and recovery times</li> </ul>					
<b>Risk Driver #3: System changes are not recorded and reported timely to the disaster recovery vendor</b>					
<b>Controls in Place:</b>					
3.1 Disaster recovery exercises (system/data recovery)					
3.2 System backup, replication, and recovery is automated via orchestration technology					

Enterprise Risk Profile | November 2018


<b>Risk Driver #4: Inability to react to an emergency situation</b>
<b>Controls in Place:</b>
4.1 Incident Command System 4.2 Training and exercise 4.3 Emergency Response exercise and training 4.4 CalPERS Emergency Hotline 4.5 Partner with local safety responders
<b>Future Mitigations:</b>
<ul style="list-style-type: none"><li>• Mass notification system (Summer 2019)</li></ul>
<b>Risk Driver #5: Dependency on the State Controller's Office</b>
<b>Controls in Place:</b>
5.1 Documented workarounds to the State Controller's Office functions 5.2 State Controller's Office Disaster Recovery Exercise
<b>Risk Driver #6: Mass regional disaster event impacting access to Emergency Operations Center</b>
<b>Controls in Place:</b>
6.1 Access cloud-based applications directly from the Internet
<b>Future Mitigations:</b>
<ul style="list-style-type: none"><li>• Establish external conference bridge lines for communication (Fall 2018)</li><li>• Enable VPN connectivity from anywhere to CalPERS systems at the cloud-based DR recovery site (December 2018)</li><li>• Implement cloud-based Contact Center functionality that would allow agents to take calls from anywhere (July 2019)</li></ul>

Enterprise Risk Profile | November 2018

Governance and Control Environment Enterprise Risk Profile					
Enterprise Risk	Owner	Oversight	Category		
Governance and Control Environment	Chief Compliance Officer, Chief Financial Officer	Risk & Audit Committee	Strategic		
Strategic Plan Goal		<b>Risk Management:</b> Cultivate a risk-intelligent organization.			
Functional Objective	To establish good governance and a strong control environment.				
Risk Statement	Lack of a strong internal control environment could result in increased non-compliance and litigation risk, operational risks due to inefficiency and improper activity, loss of authority or reputation, and/or incurred penalties.				
<b>Risk Analysis:</b>					
<p>There is a need to validate assurance functions through continuous strengthening of CalPERS' standards, processes, and structures to sustain and maintain a strong control environment while promoting the organization's integrity and ethical culture. While the organization has done much to strengthen the internal control environment, enterprise governance around this is still maturing.</p> <p><i>The following are high-level entity controls; and is not an exhaustive list of all controls in place.</i></p>					
Residual Risk	Probability	Impact	Velocity	Rating	Risk ↑ / ↓
	Possible	Major	Medium	High Impact Low Probability	↔
<b>Risk Driver #1: Unclear roles and responsibilities around applicable laws and regulations</b>					
<b>Controls in Place:</b>					
1.1 Mandated training 1.2 Annual compliance communication plans 1.3 Embedded Compliance and Risk Liaisons 1.4 Compliance and ethics discussion guides 1.5 Operational policies and procedures 1.6 Compliance and risk communication and training plans					
<b>Future Mitigations:</b>					
<ul style="list-style-type: none"> <li>• Policy Awareness (FY 2018-19 Work Plan)</li> <li>• Develop Code of Conduct (FY 2018-19 Business Plan)</li> <li>• Implement Annual Governance Review Process to develop Governance Management Plans for all divisions (FY 2018-19 Business Plan)</li> </ul>					
<b>Risk Driver #2: Lack of oversight and monitoring of controls</b>					
<b>Controls in Place:</b>					
2.1 Enhanced roles and responsibilities for Integrated Assurance 2.2 State Leadership Accountability Act report 2.3 Third-party assurance 2.4 Annual Compliance Report 2.5 Internal audits and quality assurance process 2.6 Embedded Compliance and Risk Liaisons 2.7 Operational Risk Event reporting process					

<b>Risk Driver #3: Ineffective controls and monitoring activities to prevent unethical behavior</b>
<b>Controls in Place:</b>
3.1 Core values 3.2 Policies, regulations, and ethical behavior standards 3.3 Monitoring regulated employee activities 3.4 Escalation procedures for Personal Trading Regulation violations 3.5 Compliance reviews of complex, cross-branch functions 3.6 Testing priorities through internal audits 3.7 State Whistleblower Hotline and CalPERS Ethics Helpline 3.8 Monitoring of mandated trainings 3.9 Monitoring of myCalPERS, accounting and invoice functions, and investment trade settlement
<b>Future Mitigations:</b>
<ul style="list-style-type: none"><li>• Code of Conduct (FY 2018-19 Business Plan)</li><li>• Policy Awareness (FY 2018-19 Work Plan)</li></ul>
<b>Risk Driver #4: Lack of governance impacts organizational maturity, decision making, and efficiency</b>
<b>Controls in Place:</b>
4.1 Policy Management framework 4.2 Annual review of Board delegations 4.3 Delegated authority framework 4.4 Policy workgroup ensures that key stakeholders are involved in policy development 4.5 Formalized committees (Senior Leadership Council, Integrated Assurance Risk Council, and Asset Liability Management Advisory Committee) 4.6 Biennial Board self-assessment evaluation
<b>Future Mitigations:</b>
<ul style="list-style-type: none"><li>• Implement Annual Governance Review process to develop Governance Management Plans for all divisions (FY 2018-19 Business Plan)</li></ul>


Enterprise Risk Profile | November 2018

Health Care Administration Enterprise Risk Profile					
Enterprise Risk	Owner		Oversight	Category	
Health Care Administration	Deputy Executive Officer, Health Policy and Benefits Branch		Pension & Health Benefits Committee	Strategic	
Strategic Plan Goal		<b>Health Care Affordability:</b> Transform health care purchasing and delivery to achieve affordability.			
Functional Objective	To offer high quality, accessible, affordable, and sustainable health care.				
Risk Statement	Inability to offer high quality, accessible, affordable, and sustainable health care at a competitive price.				
<b>Risk Analysis:</b>					
There are substantial inherent risks from rising healthcare and pharmaceutical costs; however, CalPERS is mitigating these risks well and continues to offer high quality and affordable health care, as evidenced by the 2018 and 2019 Health Care Plan Rates. <i>The following are high-level entity controls; and is not an exhaustive list of all controls in place.</i>					
Residual Risk	Probability	Impact	Velocity	Rating	Risk ↑ / ↓
	Unlikely	Major	Low	High Impact Low Probability	↓
<b>Risk Driver #1: Increases in health care costs</b>					
<b>Controls in Place:</b>					
1.1 5-year health plan contracts (2019-2023) and annual rate negotiations that include control provisions for liquidated damages and professional, facility, ancillary, and total cost trend performance measures 1.2 Triple Aim Strategies from Let's Get Healthy California Task Force: Better Health, Better Care, and Lower Costs 1.3 Dependent Eligibility Verification (reviewed every 3 years) 1.4 Eligible enrollees over 65 transitioned to Medicare 1.5 Contractual provisions to promote and maintain healthy lifestyles, and improve high intensity case management and patient centered care through medical homes 1.6 Incentivized member use of lower cost sites of care program 1.7 Value-Based Purchasing Design using reference pricing 1.8 Alignment of medical and pharmacy benefits across health plans to close clinical gaps in care, improve shared-decision making, control expensive specialty drugs, improve palliative care and support preventive care 1.9 Analysis of misuse of medical and pharmacy services including over/underutilization 1.10 Increased use of electronic health records through Meaningful Use 1.11 Monitor member health status on Population Health Management dashboard					
<b>Future Mitigations:</b>					
<ul style="list-style-type: none"> <li>Explore feasibility of financial incentives for members to adopt healthy behaviors, use preventive services, seek high-quality services, and take prescribed medications (will be reviewed two years post-implementation)</li> <li>Value Based Insurance Design development to encourage members to maintain good health and discourage members from using unnecessary services; for example, by increasing cost-sharing for lower-value drugs (will be reviewed two years post-implementation)</li> <li>Improve HCDSS analytics platform (October 2018 - February 2019 post-implementation audit)</li> </ul>					
<b>Risk Driver #2: Increases in pharmaceutical costs</b>					
<b>Controls in Place:</b>					
2.1 Evaluation of pharmacy benefits under medical management; e.g. reference pricing					

Enterprise Risk Profile | November 2018


<p>2.2 Leverage academic detailing programs</p> <p>2.3 Evaluation of site of care opportunities for reducing cost of specialty infusion drugs</p> <p>2.4 Initiation of a new program for reducing specialty drug cost through physician education/incentives</p> <p>2.5 Formulary management</p> <p>2.6 Annual market check of PBM prescription drug pricing terms by independent consultant</p> <p>2.7 Pharmacy Benefit Manager contract with price lock provisions</p> <p>2.8 Analysis of prescription services including over and under utilization</p>
<p><b>Future Mitigations:</b></p> <ul style="list-style-type: none"> <li>Developing pharmaceutical strategies that reduce costs, for example value-based contracting in which payment for a drug is at least partially based on the drug's effectiveness (annually)</li> </ul>
<p><b>Risk Driver #3: Public Agencies and Schools electing to leave CalPERS' Health Benefit Programs</b></p>
<p><b>Controls in Place:</b></p> <p>3.1 Annual evaluation and negotiations of Health Plan Premiums are announced in June providing agencies to plan for the next calendar year in advance of any other entity.</p> <p>3.2 Increased competition by expanding health plan choices across public agency regions</p> <p>3.3 Public Employees Medical and Hospital Care Act (PEMHCA) precludes agency return to CalPERS health programs for 5 years after leaving the program</p> <p>3.4 The Board will take action when regional factors are not aligned to the CalPERS actuarial assumptions</p> <p>3.5 Regional geographic factors are assessed every 5 years</p> <p>3.6 Rate Development Process</p> <p>3.7 Secure a consultant to help develop a communication and marketing plan to retain existing agencies and attract new ones to the program</p>
<p><b>Future Mitigations:</b></p> <ul style="list-style-type: none"> <li>Region assessments to be complete by December 2018</li> </ul>
<p><b>Risk Driver #4: Unfavorable changes in state and federal regulations</b></p>
<p><b>Controls in Place:</b></p> <p>4.1 Monitoring and tracking of state and federal legislation</p> <p>4.2 Proactive outreach and education to federal and state congressional and legislative members</p> <p>4.3 Identification and communication of policy issues/ballot initiatives</p>
<p><b>Future Mitigations:</b></p> <ul style="list-style-type: none"> <li>Actively engage in state and federal legislation through the monitoring of the strategic risk measure and Healthcare Fund Reserve (HCF) policy (ongoing and per budget/legislative cycle)</li> </ul>
<p><b>Risk Driver #5: Sustainability of the Health Care Fund</b></p>
<p><b>Controls in Place:</b></p> <p>5.1 Evaluation of Portfolio Investment Strategy</p> <p>5.2 Evaluation of Health Benefit Cost and Savings</p> <p>5.3 Comprehensive asset allocation review of the HCF</p> <p>5.4 Maintaining a Risk Based Capital required reserve at 300% of the authorized control level</p> <p>5.5 Annual resetting of the health care premiums through rate negotiations</p> <p>5.6 Annually assess state and federal regulations for compliance</p>
<p><b>Future Mitigations:</b></p> <ul style="list-style-type: none"> <li>Reevaluate HCF Reserve Policy (every four years)</li> <li>Monitoring reserves through the strategic risk measure (January 2019)</li> </ul>
<p><b>Risk Driver #6: Health plan contract management non-compliance</b></p>
<p><b>Controls in Place:</b></p> <p>6.1 Contract management oversight, audits, and quarterly business reviews corrective action plans</p> <p>6.2 Changes to 5-year contracts and agreements with health providers (begins January 2019)</p> <p>6.3 Elimination of risk corridors and associated financial liability (Jan 2019)</p> <p>6.4 Insurance provisions in contract that require the purchase of cyber insurance protecting CalPERS</p>



Information Security Enterprise Risk Profile						
Enterprise Risk	Owner		Oversight		Category	
Information Security	Deputy Executive Officer, Operations and Technology		Finance & Administration Committee		Operational	
Strategic Plan Goal		<b>Risk Management:</b> Cultivate a risk-intelligent organization.				
Functional Objective	To ensure CalPERS information assets are safeguarded.					
Risk Statement	Failure to protect and secure information assets.					
<b>Risk Analysis:</b>						
Due to a constant changing environment, there are substantial inherent risks associated with information security. CalPERS is actively managing this risk to an adequate level, however, the ever-changing environment requires the identification of emerging risks and continual development of mitigations and controls in response to those risks. <i>The following are high-level entity controls; and is not an exhaustive list of all controls in place.</i>						
<b>Residual Risk</b>	<b>Probability</b>	<b>Impact</b>	<b>Velocity</b>	<b>Rating</b>	<b>Risk ↑ / ↓</b>	
	Likely	Major/Extreme	High	High Impact High Probability	↔	
<b>Risk Driver #1: Failure to adequately respond to a large-scale data breach and security incidents</b>						
<b>Controls in Place:</b>						
1.1 Security information and event management technologies and processes 1.2 Independent security assessments and validation 1.3 Continuous web application penetration test 1.4 Information Security Incident Response and Reporting procedures 1.5 Monitoring of CalPERS systems for unauthorized activity 1.6 Lines of Business Incident Response Plans 1.7 Information Security Incident Response Plan 1.8 Threat Intelligence 1.9 Zero-day malware protection						
<b>Future Mitigations:</b>						
<ul style="list-style-type: none"> <li>FY 2018-19 Information Systems Business Plan</li> </ul>						
<b>Risk Driver #2: Lack of team member awareness of information security practices</b>						
<b>Controls in Place:</b>						
2.1 Mandatory information security training / privacy training / gamification 2.2 Information Systems Security and Confidentiality Acknowledgement Agreement 2.3 Information Security Control Standards 2.4 Information security awareness communications 2.5 Phishing email education and training 2.6 Privacy awareness communication 2.7 Privacy impact assessments						
<b>Future Mitigations:</b>						
<ul style="list-style-type: none"> <li>FY 2018-19 Information Systems Business Plan</li> </ul>						

<b>Risk Driver #3: Inappropriate access to electronic information assets</b>
<b>Controls in Place:</b>
3.1 Audit team member access rights 3.2 Constant monitoring of team member access 3.3 Role-based access for business systems 3.4 Two-factor authentication 3.5 Identity Access Management 3.6 Enhance knowledge-based authentication 3.7 Sharing controls
<b>Future Mitigations:</b>
<ul style="list-style-type: none"><li>FY 2018-19 Information Systems Business Plan</li></ul>
<b>Risk Driver #4: Inappropriate physical access to information assets</b>
<b>Controls in Place:</b>
4.1 Physical Security Policy 4.2 Badge Card Policy 4.3 Two-factor authentication requirements in confidential areas 4.4 Enhanced practices for protected health information 4.5 Control standards 4.6 All data storage capable devices are either sanitized (wiped) or destroyed 4.7 Certified confidential document destruction bins located in each division 4.8 Enterprise-wide badge access reviews 4.9 Building safety and security communications 4.10 Badge Card Access Procedure 4.11 Perform third-party audit and internal audits
<b>Risk Driver #5: Lack of adequate data governance</b>
<b>Controls in Place:</b>
5.1 Enterprise Data Council 5.2 Data Steward Committee 5.3 Senior Leadership Council 5.4 CalPERS Data Dictionary 5.5 Standardized core data sets 5.6 Information Security Steering Committee 5.7 HIPAA officer
<b>Future Mitigations:</b>
<ul style="list-style-type: none"><li>Data Governance Business Plan Initiative (June 2020)</li><li>Enterprise Security Governance Program (December 2018 – multi-year phases continue to 2022)</li></ul>


Enterprise Risk Profile | November 2018

Pension Funding Enterprise Risk Profile					
Enterprise Risk	Owner	Oversight	Category		
Pension Funding	Chief Financial Officer, Chief Actuary, Chief Investment Officer	Finance & Administration Committee, Investment Committee	Strategic		
Strategic Plan Goal		<b>Fund Sustainability:</b> Strengthen the long-term sustainability of the pension fund.			
Functional Objective	To ensure the sustainability of the pension system to deliver retirement benefits.				
Risk Statement	Failure to meet pension benefit obligations.				
<b>Risk Analysis:</b>					
<p>Pension Funding risk drivers are complex and interconnected. While adopting a more conservative portfolio allocation may help reduce the impact to the Fund of a severe drawdown, it may also mean lower returns, which can lead to higher contribution requirements from employers. For those risk drivers largely outside the control of CalPERS (such as the risk of a severe market downturn), the purpose of the controls/mitigations enumerated below is more about positioning the Fund to weather these events as/when they occur, as distinct from prevention. Current mitigations are strong, but our ability to fully and effectively mitigate the effects of these risk drivers remains uncertain.</p> <p><i>The following are high-level entity controls; and is not an exhaustive list of all controls in place.</i></p>					
<b>Residual Risk</b>	<b>Probability</b>	<b>Impact</b>	<b>Velocity</b>	<b>Rating</b>	<b>Risk</b> ↑ / ↓
	Unlikely	Extreme	Very Low	High Impact Low Probability	↓
<b>Assets: Risk Drivers</b>					
1a: Financial markets suffer a severe downturn					
1b: Investments underperform the discount rate on an extended year-over-year basis					
1c: Low funded status limits investment options					
1d: Government constraints and regulations reduce portfolio diversification					
1e: Employers default on contracted pension contribution payments					
1f: Portfolio size and complexity challenges efficient investment processes and limits investment universe					
<b>Controls in Place:</b>					
1a, 1b, 1c, and 1f. Strategic Asset Allocation Targets and Ranges					
1a, 1b, and 1c. Investment Strategy Group focused on portfolio allocation, trust level review, risk and attribution, and sustainability					
1a, 1b, and 1c. Integrated trust-level processes, including Trust-Level Portfolio Management and Investment Risk and Performance, which bring trust-level perspective, transparency, and accountability					
1a, 1b, and 1c. Identification of trust-level strategies designed to manage liquidity and leverage throughout the business cycle					
1a, 1b, and 1c. Cost-effective trust-level risk mitigation strategies					
1a. and 1b. CalPERS Board reporting controls in place, including monthly investment performance and risk reporting, and biannual (February and August) CalPERS Trust-Level Review					
1b. Actuarial Amortization Policy					
1b. Contribution Allocation Policy					
1b. Asset Liability Management (ALM) process ensures cyclical review of assets and liabilities to recalibrate discount rate as needed					

Enterprise Risk Profile | November 2018

<ul style="list-style-type: none"> <li>1c. Communicating value of pre-paying pension obligations to strengthen the Fund and reduce individual employer costs in the future</li> <li>1d. Monitoring and evaluating proposed legislation to assess potential impacts</li> <li>1d. Legislative and stakeholder outreach to clear obstacles and constraints</li> <li>1e. Enhanced employer contracting process</li> <li>1e. Employer contract termination process</li> <li>1e. Outreach to employers and associations to educate them on Unfunded Actuarial Liabilities pay down strategies</li> <li>1e. Employer Hardship Policy</li> <li>1f. INVO Roadmap Initiatives and Target Operating Model</li> <li>1f. Funding Risk Mitigation Policy</li> <li>1f. ALM Policy and cross-enterprise Asset Liability Management Advisory Committee to facilitate strategic decision making</li> <li>1f. Investment Office Operating Committee to focus on governance, processes, compliance, and operational efficiency</li> <li>1f. Disciplined investment processes and teamwork to focus efforts on repeatable, predictable, and scalable portfolios and practices</li> <li>1f. Reduction in external managers</li> </ul>
<b>Liabilities: Risk Drivers</b>
2a: Actual experience deviates significantly from the actuarial assumptions
2b: Benefit design enhancements
2c: Employer contribution rate increases insufficient to reduce unfunded liabilities over time
<b>Controls in Place:</b>
<ul style="list-style-type: none"> <li>2a. Actuarial Assumption Policy</li> <li>2b. Outreach and education to employers, labor leaders, and legislators regarding cost impacts of enhanced benefit design</li> <li>2b. and 2c. Actuarial Cost Method Policy, Actuarial Amortization Policy</li> <li>2c. Increased employer education</li> <li>2c. ALM Process</li> </ul>
<b>Additional Risk Drivers</b>
3a: Pension reform legislation or referendums that reduce employer obligation to honor pension contracts
3b: Judicial decisions that alter benefit design or contribution requirements
3c: Changes to actuarial standards
<b>Controls in Place:</b>
<ul style="list-style-type: none"> <li>3a. Engagement with member, retiree, and employer associations</li> <li>3a. Development and promotion of support materials demonstrating the sustainability and value of the System</li> <li>3b. Provide technical expertise and industry thought-leadership to ensure sound decision-making</li> </ul>

Enterprise Risk Profile | November 2018

Stakeholder Confidence Enterprise Risk Profile					
Enterprise Risk	Owner	Oversight	Category		
Stakeholder Confidence	Deputy Executive Officer, Communications and Stakeholder Relations	Finance & Administration Committee	Strategic		
Strategic Plan Goal		<b>Fund Sustainability:</b> Strengthen the long-term sustainability of the pension fund.			
Functional Objective	To ensure CalPERS is recognized as a respected and trusted steward of the system and fiduciary in delivering retirement and health benefits.				
Risk Statement	Inability to maintain stakeholder confidence in CalPERS as a trusted fiduciary.				
<b>Risk Analysis:</b>					
The risk analysis notes an elevation to the inherent risk surrounding Stakeholder Confidence due to system sustainability decisions. Although CalPERS has developed a mature engagement strategy that effectively addresses unbalanced reporting and public perception, there is an awareness of current issues due to the present external environment, as well as public opinion of public defined benefit plans. <i>The following are high-level entity controls; and is not an exhaustive list of all controls in place.</i>					
Residual Risk	Probability	Impact	Velocity	Rating	Risk ↑ / ↓
	Possible	Moderate / Major	Low	High Impact Low Probability	↑
<b>Risk Driver #1: Negative, inaccurate, or unbalanced information reporting</b>					
<b>Controls in Place:</b>					
<ul style="list-style-type: none"> <li>1.1 Proactive, positive narrative of CalPERS actions and policies through all communications channels</li> <li>1.2 Monitor and report on the perception of CalPERS in the media and on social media to identify opportunities and challenges</li> <li>1.3 Respond and correct negative, inaccurate, or unbalanced reporting</li> <li>1.4 Develop and maintain good working relationships with media outlets</li> <li>1.5 Author messaging on key CalPERS actions, views, or policy changes</li> <li>1.6 Leverage CalPERS leadership and program experts to help tell the CalPERS story</li> <li>1.7 Data integrity of information reporting</li> </ul>					
<b>Risk Driver #2: Negative public perception of CalPERS and/or public defined benefit plans</b>					
<b>Controls in Place:</b>					
<ul style="list-style-type: none"> <li>2.1 Proactive, positive narrative of CalPERS actions and policies through all communication channels</li> <li>2.2 Reporting on positive CalPERS economic impacts</li> <li>2.3 Leverage communications through member and employer associations</li> <li>2.4 Timely fulfillment of all Public Record Act requests</li> <li>2.5 Build and nurture positive relationships with stakeholders</li> <li>2.6 Involvement in national public pension associations</li> <li>2.7 CalPERS communication of advantages of the defined benefit plan</li> <li>2.8 Asset Liability Management collaboration and communication</li> </ul>					

**Risk Driver #3: CalPERS failure to engage, educate, and inform members, employers, stakeholders, and the CalPERS team**


**Controls in Place:**

- 3.1 Framework of recurring stakeholder meetings
- 3.2 Ad hoc stakeholder outreach meetings
- 3.3 Digital Communications Roadmap and toolkit
- 3.4 Employer information and education events
- 3.5 Member information and education events
- 3.6 Live webcasts of board meetings
- 3.7 Webinars and webcasts, including Board education workshops
- 3.8 Social media channels

**Risk Driver #4: Inability to inform, shape, or implement state and federal legislation**

**Controls in Place:**

- 4.1 Inform legislative leaders and consultants on relevant legislative proposals, regulatory issues, and initiatives
- 4.2 Build alignment and nurture relationships between CalPERS and key legislative leaders
- 4.3 Hold periodic briefings to educate legislative members on CalPERS issues concerning their constituents
- 4.4 Annually update legislative briefing packets
- 4.5 Monitor, assess, and advocate on proposed legislation

Talent Management Enterprise Risk Profile					
Enterprise Risk	Owner	Oversight	Category		
Talent Management	Deputy Executive Officer, Operations and Technology	Performance, Compensation, & Talent Management Committee	Strategic		
Strategic Plan Goal		<b>Talent Management:</b> Promote a high-performing and diverse workforce.			
Functional Objective	To successfully recruit, develop, and retain an engaged, diverse, and qualified workforce.				
Risk Statement	Inability to recruit and retain a diverse and qualified workforce compromises the ability to meet business objectives.				
<b>Risk Analysis:</b>					
The inherent risk of 25% of the workforce projected to retire by 2022 leads to a gap in CalPERS practices to capture institutional knowledge and fill hard-to-recruit senior level positions. CalPERS is actively investing in team members' professional growth to maintain continuity in the workforce and mitigate talent risks. <i>The following are high-level entity controls; and is not an exhaustive list of all controls in place.</i>					
<b>Residual Risk</b>	<b>Probability</b>	<b>Impact</b>	<b>Velocity</b>	<b>Rating</b>	<b>Risk</b> ↑ / ↓
	Unlikely / Possible	Major	Low	High Impact Low Probability	↔
<b>Risk Driver #1: The skills and competencies of all team members must keep pace with evolving technology, member, and system needs</b>					
<b>Controls in Place:</b>					
1.1 CalPERS 2018-22 Workforce Plan 1.2 Employee Performance and Development process 1.3 Informal Mentoring program 1.4 Educational, developmental, and training opportunities 1.5 Succession Planning 1.6 Leadership competencies 1.7 CalPERS competencies 1.8 Unit-level workforce assessments					
<b>Future Mitigations:</b>					
<ul style="list-style-type: none"> <li>Upward mobility program implementation targeted to entry-level positions (June 2019)</li> <li>Administer team member engagement survey annually (FY 2018-19 Business Plan, June 2019)</li> <li>Expand Diversity and Inclusion program (FY 2018-19 Business Plan, June 2019)</li> <li>Add CalPERS Leadership competencies into duty statements and job postings (FY 2018-2022 Workforce Plan, June 2019)</li> </ul>					
<b>Risk Driver #2: Loss of institutional knowledge</b>					
<b>Controls in Place:</b>					
2.1 Emerging Leader program – 2018-19 Cohort 2.2 Knowledge transfer for multi-year consultant contracts 2.3 Illuminet 2.4 CalPERS Informal Mentoring program 2.5 Succession Planning 2.6 Implement Lean curriculum across the enterprise					

Enterprise Risk Profile | November 2018

<b>Future Mitigations:</b>
<ul style="list-style-type: none"> <li>Implement the recommendations of the CalPERS Workforce Plan (FY 2018-2022)</li> </ul>
<b>Risk Driver #3: Inability to recruit and select qualified candidates</b>
<b>Controls in Place:</b>
3.1 Hiring manager education and support 3.2 Lean hiring process 3.3 State-wide civil service classification consolidations 3.4 Develop targeted recruitment strategies and activities for critical positions 3.5 Utilization of skilled, in-house recruiters and external search firms 3.6 Career fairs and advertising in non-traditional mediums 3.7 Salary survey of comparable positions 3.8 Examination and Certification Online System 3.9 Market CalPERS as a destination employer 3.10 Incentive compensation programs and policies
<b>Future Mitigations:</b>
<ul style="list-style-type: none"> <li>Develop new Supervisory Skills Module to expand Hiring Manager Toolkit (FY 2018-22 Workforce Plan, June 2019)</li> <li>Explore and develop alternative options for prescreening candidates to streamline hiring (FY 2018-22 Workforce Plan, June 2019)</li> <li>Implement reporting functionality of the Start Talent Acquisition Request System to capture, compile, and measure recruitment data (FY 2018-22 Workforce Plan, June 2019)</li> <li>Expand recruitment channels using LinkedIn recruiter seats for hard-to-recruit positions (FY 2018-22 Workforce Plan, June 2019)</li> <li>Expand HR Performance Metrics Program (June 2019)</li> </ul>
<b>Risk Drivers #4: Inconsistent or inadequate levels of engagement across the enterprise</b>
<b>Controls in Place:</b>
4.1 Ongoing Employee Enrichment programs 4.2 New employee onboarding including, customized onboarding plans for senior leaders and executives 4.3 Diversity and inclusion events 4.4 Innovation platforms (Idea Factory and Spark forums) 4.5 Annual Employee Engagement Survey
<b>Future Mitigations:</b>
<ul style="list-style-type: none"> <li>SLC to develop projects to improve engagement (FY 2018-19 Business Plan, June 2019)</li> <li>Expand the Diversity and Inclusion Program (June 2019)</li> <li>Procure modern Human Resources Management System (HRMS) to increase operational efficiencies in HRSD and provide self-service for team members (June 2019)</li> </ul>