



## Risk and Audit Committee

# Agenda Item 8a

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**February 20, 2019**

**Item Name:** Enterprise Risk Management 2018-19 Mid-Year Plan Update

**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 mid-year update of activities in the Enterprise Risk Management Plan for the period July 1, 2018 through December 31, 2018.

### **Strategic Plan**

This agenda item supports the 2017-22 CalPERS Strategic Plan Goal - Risk Management: Cultivate a risk-intelligent organization. Enterprise Risk Management Division (ERMD) provides assurance to the Board of Administration (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 2018-19 Plan to communicate priorities in support of CalPERS' Strategic and Business Plans, vision, and mission. In June 2018, ERMD received Committee approval for the Plan, which aligns program initiatives to the strategic goals of Fund Sustainability and Risk Management. Progress on Plan activities for the first half of Fiscal Year 2018-19 are reported on the Plan Dashboard (Attachment 1).

#### Fund Sustainability

#### Asset Liability Management

ERMD facilitates the Asset Liability Management Advisory Committee (ALMAC) meetings and coordinates efforts with the Financial Office (FINO), Actuarial Office (ACTO), Investment Office (INVO), Legal Office (LEGO), and Communications and Stakeholder Relations Office (CSR) in the Board adoption of the strategic asset allocation mix, actuarial assumptions, and discount rate in Fiscal Year 2017-18.

#### Risk Management

## *Enterprise Risk Management Framework*

With the Enterprise Risk Management Framework in place, ERMD continues to partner with the program areas to mature risk management at CalPERS by conducting the annual enterprise-wide risk assessment, developing and implementing Strategic Risk Measures (SRM), and implementing an internal control framework to document internal controls.

### *Risk Awareness*

To cultivate a risk-intelligent organization, ERMD works 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.

### *Enterprise Data Management*

ERMD works with our internal partners to facilitate the enterprise-wide data management effort to create governance and structure around information and data assets.

## **Analysis**

ERMD significant activities and accomplishments for the second quarter of fiscal year 2018-19 include:

### Asset-Liability Management (ALM)

ERMD continued to facilitate ALMAC in the following key accomplishments:

- finalizing and approving the ALMAC Charter
- reviewing the executive delegations to align to the ALM process and procedures
- mapping the ALM process and documenting internal controls for testing and validation
- continuing to review the Asset Liability Management Policy

### Risk Management

ERMD continued to collaborate with the enterprise to advance the Enterprise Risk Management Framework by completing the following key accomplishments:

- conducted and presenting the 2018 Annual Enterprise Risk Assessment, including updated Risk Profiles and Heat Map
- finalizing Strategic Risk Measures and thresholds

ERMD continued to educate CalPERS' team members and stakeholders on the importance of a risk-intelligent organization by:

- educating team members on Operational Risk Events (as of December 31, 2018, 60 percent of the divisions have been offered the training, with 20 percent of total team members attending)
- presenting to stakeholders on CalPERS' risk management efforts at the 2018 Education Forum

ERMD continued to create and enhance governance policies and processes to strengthen appropriately defined data-driven decisions by:

- refining the data management governance structure and creating charters for the two newly established governance committees, Data Steward Committee and Enterprise Data Council
- conducting divisional survey and Deputy Executive interviews
- drafting Enterprise Data Management Policy

In the second half of the fiscal year 2018-19, ERMD intends to complete the following activities:

- facilitate ALMAC in a review of the ALM Policy
- collect and report risk data by tracking Strategic Risk Measures that hinder our ability to achieve the goals set forth in the CalPERS 2017-22 Strategic Plan
- establish an Internal Control Framework to document and assess enterprise-wide controls
- continue to educate team members on risk management efforts and Operational Risk Events
- conducting an internal team member survey on risk awareness
- developing an Enterprise Data Management Policy for Executive approval

### **Attachments**

Attachment 1 – 2018-19 Enterprise Risk Management Plan Dashboard

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Forrest Grimes  
Chief Risk Officer

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Michael Cohen  
Chief Financial Officer