




Risk Related Delegated Authority

1	Approve positions on legislation
2	Approve regulations
3	Approve annual plans
4	Approve and oversee key risk management activities including: the enterprise risk management framework and risk management strategy
5	Approve and oversee enterprise risk appetite and tolerances excluding investment risk
6	Oversee the effectiveness of processes and controls

ERMD Supporting Activities

- RAC historically approved the annual Enterprise Risk Management Plan in June
- - **Activities:** Annual risk assessment and updates to the dashboard, profiles and heat map
 - **Framework:** Dashboard, Risk Profiles and Heat Map
 - **Strategy:** Approval of the Work Plan and oversight of progress
- - Board workshop held to develop and approve risk appetite and risk appetite statements
 - Oversight occurs with ongoing review of Strategic Risk Measures (SRMs) and corresponding tolerances
- - Strategic performance measures, risk measures, and audit findings help the RAC to oversee the effectiveness of processes and controls
 - Policies are regularly reviewed by program areas and enterprise compliance
 - SRMs and operating event training and reporting help oversee operating risk management

RISK CATEGORY / RISK STATEMENT	16/17	17/18	18/19	19/20	RISK ↑/↓	Comments
INFORMATION SECURITY DEO, OPT Finance & Administration Committee Failure to protect and secure information assets.					↓	Slight decrease in the probability risk score due to the implementation of enhanced security measures.
PENSION FUNDING CFO, Chief Actuary, CIO Finance & Administration Committee, Investment Committee Failure to meet pension benefit obligations.					↑	Increase in probability risk score due to volatility concerns of investment returns and stakeholder feedback on contribution affordability.
HEALTH CARE ADMINISTRATION DEO, HPBB Pension & Health Benefits Committee Inability to offer high quality, accessible, affordable, and sustainable health care at a competitive price.					↑	Increase in probability risk score due to concerns that health care costs may be rising and general uncertainty.
STAKEHOLDER CONFIDENCE DEO, CSR Finance & Administration Committee Inability to maintain stakeholder confidence in CalPERS as a trusted fiduciary.					↔	No change in risk score.
GOVERNANCE & CONTROL ENVIRONMENT CCO, CFO Risk & Audit Committee Lack of a strong internal control environment, which includes documentation and testing, 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.					↓	Decrease in probability risk score due to improved documentation and testing capabilities.
TALENT MANAGEMENT DEO, OPT Performance, Compensation, & Talent Management Committee Inability to recruit and retain a diverse and qualified workforce compromises the ability to meet business objectives.					↓	Decrease in probability risk score due to filling key leadership positions and implementation of the 2018-22 Workforce Plan.
BUSINESS CONTINUITY DEO, OPT Finance & Administration Committee Inability to recover timely and resume business functions following a business interruption event.					↓	Decrease in probability risk score due to the continuing maturity of the program that includes successful testing of post disaster recovery efforts completed in December 2018.
BENEFIT ADMINISTRATION DEO, CSS Pension & Health Benefits Committee CalPERS members, retirees, and beneficiaries may not receive timely and/or accurate benefits.					↑	The organization determined that the potential impact of this risk is higher than previously stated. The overall impact has increased to level set and represent the criticality of this function to the organization's mission.

Benefit Administration Enterprise Risk Profile					
Enterprise Risk	Owner	Oversight	Category		
Benefit Administration	Deputy Executive Officer, Customer Service and Support	Pension & Health Benefits Committee	Strategic		
Strategic Plan Goal	 Reduce Complexity: 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.				
Risk Analysis:					
The noted risk analysis is based on an understanding that the complexity of the Benefit Plan Design results in inherent risks that may impact benefit calculations and increase costs. 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 ↑/↓
	Rare	Major - Extreme	High	High Impact Low Probability	↑
Risk Driver #1: Inaccurate employer reporting					
Controls in Place:					
1.1 Automated controls to edit and confirm 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 audits					
Future Mitigations:					
<ul style="list-style-type: none"> Enterprise Data Management (FY 2019-20 Business Plan) 					
Risk Driver #2: Lack of team member knowledge and awareness of relevant laws, regulations, and policies					
Controls in Place:					
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 2.8 Compliance reviews					

