



Risk and Audit Committee

Agenda Item 6b

April 21, 2020

Item Name: 2020-21 Enterprise Risk Management Plan

Program: Enterprise Risk Management Division

Item Type: Action

Executive Summary

Approve the 2020-21 Enterprise Risk Management Plan.

Strategic Plan

The Enterprise Risk Management Division (ERMD) prepared the proposed 2020-21 Enterprise Risk Management Plan (Plan) for the Risk and Audit Committee's (Committee) review and approval. The Plan is predicated on continuing efforts to enhance and embed risk management functions and awareness throughout the enterprise. The Plan is comprised of the following work streams:

- Promote fund sustainability
- Refine the Enterprise Risk Management Framework
- Advance the internal control environment
- Cultivate risk intelligence by furthering educational efforts
- Advance Enterprise Data Governance
- Review coverage for risk transfer strategies

Background

To construct the Plan, ERMD compared our current operations and strategy with industry best practices, analyzed the effectiveness of the prior 2019-20 Enterprise Risk Management Plan, considered updates to the Data Management Strategic Goal Work Plan Initiative, and reviewed results of the prior years risk assessment interviews.

Analysis

The initiatives outlined in this Plan align with the Strategic Goals: a) Risk Management to cultivate a risk-intelligent organization and b) Fund Sustainability to strengthen the long-term sustainability of the System while operating within the Board's appetite for risk. ERMD seeks to meet these goals by proactively collaborating with the program areas to advance assurance activities and risk awareness.

ERMD proposes to undertake the following initiatives in the coming year as we continue to advance toward the organization's goal of cultivating a risk intelligent organization:

Enterprise Risk Management Framework

As ERMD continues maturing the Enterprise Risk Management Framework; ERMD will partner with the program areas to strengthen the Enterprise Risk Profiles and our response plans, refine the Strategic Risk Measures, confirm the risk tolerances with the Committee, and complete the annual enterprise-wide risk assessment.

Internal Control Framework

ERMD will continue to partner with the enterprise to educate and train CalPERS' team members on identifying risk events and how to report them. We define a risk event as an undesirable outcome resulting from inadequate or failed internal control processes. ERMD continues to deliver training on internal control types, how to report an event, and an individual's responsibility to report events as they occur. Additionally, ERMD will collaborate with program areas throughout the enterprise to map, document, and evaluate processes that have been identified as potentially lacking adequate internal controls.

Risk Awareness

To cultivate a risk-intelligent organization, ERMD continues to work with program areas to train and educate our fellow CalPERS' team members on the importance of risk management and reinforce personal accountability to report risks when identified. ERMD 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 2 for details on each of the focus areas identified. ERMD will report to the Committee on the status of the Plan periodically to maintain transparency and seek additional input if required.

Budget and Fiscal Impact

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

Attachments

Attachment 1 – 2020-21 Enterprise Risk Management Plan Presentation

Attachment 2 – 2020-21 Enterprise Risk Management Plan

Forrest Grimes
Chief Risk Officer

Michael Cohen
Chief Financial Officer