



Risk and Audit Committee

Agenda Item 5c

September 14, 2021

Item Name: Status Report – Enterprise Risk Management

Program: Enterprise Risk Management Division

Item Type: Information Consent

Executive Summary

The purpose of this item is to provide the Risk and Audit Committee (Committee) with an update on fourth quarter activities included in the Enterprise Risk Management Plan (Plan) and Strategic Risk Measures (SRMs) for May 1, 2021 through June 30, 2021.

Strategic Plan

This agenda item supports the 2017-22 CalPERS Strategic Plan Goal - Risk Management: Cultivate a risk-intelligent organization. The Enterprise Risk Management Division (ERMD) provides assurance to the Board of Administration (Board) through the implementation of an effective enterprise-wide risk management program.

Background

ERMD developed the 2020-21 Plan to communicate priorities in support of CalPERS' Strategic and Business Plans, vision, and mission. In April 2020, ERMD received Committee approval for the Plan, which aligns program initiatives to the strategic goals of Fund Sustainability and Risk Management. Progress on the Plan activities for the period are reported on the Plan Dashboard (Attachment 1).

Analysis

ERMD significant activities and accomplishments for this period include:

Fund Sustainability Goal Activities:

ERMD continued advancing Asset Liability Management (ALM) within the enterprise by:

- continuing to coordinate Asset Liability Management Advisory Committee (ALMAC) meetings and planning sessions to prepare for the current ALM cycle.

- overseeing the four-year ALM cycle workflow that coordinates the Actuarial Office, Financial Office, and Investment Office activities with scheduled deliverables and board reporting.

Risk Management Goal Activities:

ERMD continued collaborating with the enterprise to advance the control environment by:

- completed independent reassurance of current strategic performance measures.
- reporting quarterly updates to the Strategic Risk Measures dashboard to the Committee.

ERMD continued enhancing the Enterprise Internal control Framework by:

- providing risk management training to new team members at New Employee Orientation sessions.

ERMD continued enhancing risk and compliance functions throughout the enterprise by:

- communicating the importance of risk awareness with team members through bulletins, spotlight ads, team member memos, and Microsoft Yammer posts.
- completed the prioritization process and designing the approval process for the Enterprise Business Glossary.
- gathering remaining program area information to align with State retention requirements and completed a draft of the Information Assets Classification policy.

Enterprise Risk Measures:

The Enterprise Risk Measures (ERM) Dashboard summarizes the status of all risk measures. Exception reports are attached detailing the risk performance, root cause analysis, and mitigations identified as next steps to reduce the risk for those SRMs that are performing outside of the board’s risk tolerance (Attachment 2).

A review of the data reported for the fourth quarter of fiscal year 2020-21 found one SRM not meeting their respective risk tolerance as set by the Committee and “Require Attention” and a second SRM “Require Monitoring” for the Reduce Complexity strategic goal. An analysis and root cause of the risk can be found in the SRM detail provided in (Attachment 2).

Reduce Complexity:

- External legislation has been introduced that could potentially increase the complexity of the plan design. The Board was most recently provided information of these bills during the July 2021 state and federal legislation update.
- Continuous process improvement adoption remains unchanged due: 1) increased understanding of how process improvements align with CalPERS strategic and operations goals and 2) decreased level of participation in process improvement efforts and participation in CalPERS Lean Community of Practice.

Budget and Fiscal Impacts

Not Applicable

Attachments

Attachment 1 – ERMD 2020-21 Q4 Workplan Update

Attachment 2 – Enterprise Risk Measures Dashboard

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