



Risk and Audit Committee

Agenda Item 5a

June 14, 2022

Item Name: 2022-23 Enterprise Compliance and Risk Management Plan

Program: Enterprise Compliance Office (ECOM)

Item Type: Action

Recommendation

Approve the proposed 2022-23 Enterprise Compliance and Risk Management Plan (Plan)

Executive Summary

This item provides an overview of the Plan presented for Risk and Audit Committee (Committee) approval.

Strategic Plan

ECOM prepared the proposed plan to support CalPERS' FY 2022-27 Organizational Excellence strategic goal: Cultivate a risk-intelligent and innovative culture through our team and processes.

Background

CalPERS team members developed the FY 2022-23 Enterprise Compliance and Risk Management Plan by comparing current operations and strategy with industry best practices and analyzing the effectiveness of the prior FY 2021-22 plans to carry out a successful enterprise compliance and risk management program. The Plan is designed to continue maturing the compliance and risk functions while promoting collaboration and capitalizing on synergies that exist between the two functions to more efficiently maintain a strong ethical culture and support risk-informed decision-making.

Analysis

ECOM/ERMD works to confirm that CalPERS complies with all applicable laws and regulations and is charged with advancing the organization's goal of cultivating a risk intelligent organization in partnership with other program areas.

During FY 2021-22, ECOM/ERMD successfully enhanced enterprise-wide protocols and processes for several focus areas. Additionally, ECOM/ERMD continued to develop compliance and risk management principles and standards.

The 2022-23 Plan is designed to continue CalPERS' momentum in expanding compliance and risk management standards and frameworks. In the upcoming year, ECOM/ERMD will focus on the following areas:

- Establish an inventory of control requirements to support compliance and risk management practices
- Enhance oversight and monitoring capabilities to minimize compliance risks
- Educate CalPERS team members to continue to cultivate an ethical and risk-intelligent organization

Budget and Fiscal Impact

Funding for the proposed activities will be provided through the approved ECOM/ERMD budget.

Benefits and Risks

The purpose of the Plan is to help ensure that CalPERS maintains compliance with all applicable laws, regulations, and policies. To this end, ECOM/ERMD continues to partner with program areas to support risk-informed decision-making and improve risk and compliance practices enterprise-wide.

The benefits of implementing the Plan include the following:

- Coordinated compliance and risk management efforts enhance the consistency of controls and support monitoring for adherence to policies and procedures
- Creates clarity in compliance roles, responsibilities, and expectations
- Enhances internal controls and compliance effectiveness

Risks associated with failure to implement the Plan include the following:

- Allowing failures of policies, procedures, and laws to remain undetected
- Lack of risk awareness impacting organizational decision making
- Potential loss of stakeholder confidence in CalPERS' ability to manage known risks

Attachments

Attachment 1 – 2022-23 Enterprise Compliance and Risk Management Plan

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