



Risk and Audit Committee

Agenda Item 5a

June 21, 2023

Item Name: 2023-24 Enterprise Compliance and Risk Management Plan

Program: Enterprise Compliance Office (ECOM)

Item Type: Action

Recommendation

Approve the proposed 2023-24 Enterprise Compliance and Risk Management Plan (the Plan)

Executive Summary

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

Strategic Plan

ECOM prepared the proposed plan to support CalPERS' FY 2022-27 Organizational Excellence strategic goal: *Cultivate a diverse, Risk-Intelligent, and Innovative Culture through our team and processes.*

Background

CalPERS team members developed the FY 2023-24 Enterprise Compliance and Risk Management Plan by comparing current operations and strategy with industry best practices and analyzing the effectiveness of the prior FY 2022-23 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 works to ensure 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 2022-23, ECOM successfully enhanced enterprise-wide protocols and processes for several focus areas. Additionally, ECOM continued to develop compliance and risk management principles and standards.

The 2023-24 Plan is designed to continue CalPERS's momentum in expanding compliance and risk management standards and frameworks. In the upcoming year, ECOM will focus on the following areas:

- Build out enterprise compliance and risk management technology and tools in support of best-in-class risk management program (multi-Year)
- Enable CalPERS to better assess risk within program areas and aggregated at the Enterprise Level. (Multi-Year) Educate and cultivate ethical and risk-intelligent culture and practices amongst CalPERS team members.

Budget and Fiscal Impact

Funding for the proposed activities will be provided through the approved ECOM 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 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 – 2023-25 Enterprise Compliance and Risk Management Plan

Attachment 2 – 2023-24 Enterprise Compliance and Risk Management Plan

Kevin L. Fein
Chief Compliance Officer