



Risk and Audit Committee

Agenda Item 5a

June 12, 2024

Item Name: 2024-25 Enterprise Compliance, Risk, & Governance Annual Plan

Program: Enterprise Compliance, Risk, & Governance (ECRG)

Item Type: Action

Recommendation

Approve the proposed 2024-25 Enterprise Compliance, Risk, & Governance Annual Plan.

Executive Summary

This item provides an overview of the 2024-25 Enterprise Compliance, Risk, & Governance Annual Plan being presented for Risk and Audit Committee approval.

Strategic Plan

This item supports CalPERS' FY 2022-27 Organizational Excellence Strategic Plan Goal: Cultivate a diverse, risk-intelligent, and innovative culture through our team and processes, and ECRG's strategic measures of Employee Compliance Awareness, Risk Management Effectiveness, Employee Risk Awareness, and Organizational Compliance Effectiveness.

Background

ECRG team members developed the FY 2024-25 Enterprise Compliance, Risk, & Governance Annual Plan (Annual Plan) by evaluating current operations and priorities against progress of the prior FY 2023-24 Annual Plan and remaining initiatives to establish a best-in-class compliance and risk management program. The Annual Plan builds upon the existing compliance and risk management principles and standards in place to support a strong ethical and risk-intelligent culture.

Analysis

ECRG works to ensure that CalPERS complies with all applicable laws and regulations and advancing the organization's goal of cultivating a risk intelligent organization in partnership with other program areas.

The 2024-25 Annual Plan is designed to continue CalPERS's momentum in expanding compliance and risk management tools, processes and frameworks. In the upcoming year, ECRG will focus on the following areas:

- Build out Enterprise Compliance and Risk Management technology and tools to support a best-in-class compliance and Risk Management Program. (Multi-Year)
- Enable CalPERS to better assess risk within the program areas and provide aggregated reporting at the enterprise level. (Multi-Year)
- Enhance assurance, monitoring, and issues remediation capabilities to minimize compliance risks. (Multi-Year)
- Educate and cultivate ethical and risk-intelligent practices amongst CalPERS team members. (Multi-Year)

Budget and Fiscal Impacts

Funding for the proposed activities will be provided through the approved ECRG budget.

Benefits and Risks

The purpose of the Annual Plan is to advance initiatives that ensure CalPERS maintains compliance with all applicable laws, regulations, and policies by partnering 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 to 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:

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

Attachments

Attachment 1 – 2024-25 Enterprise Compliance, Risk & Governance Annual Plan

Kevin L. Fein
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