

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
RISK AND AUDIT COMMITTEE
OPEN SESSION

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FECKNER AUDITORIUM
LINCOLN PLAZA NORTH
400 P STREET
SACRAMENTO, CALIFORNIA

TUESDAY, NOVEMBER 19, 2024
11:07 A.M.

JAMES F. PETERS, CSR
CERTIFIED SHORTHAND REPORTER
LICENSE NUMBER 10063

APPEARANCES

COMMITTEE MEMBERS:

David Miller, Chairperson

Lisa Middleton, Vice Chairperson

Malia Cohen, represented by Deborah Gallegos

Fiona Ma, represented by Frank Ruffino

Jose Luis Pacheco

Kevin Palkki

Mullissa Willette

BOARD MEMBERS:

Ramón Rubalcava

STAFF:

Marcie Frost, Chief Executive Officer

Matthew Jacobs, General Counsel

Kevin Fein, Chief Compliance Officer

ALSO PRESENT:

J.J. Jelincic, Retired Public Employees Association

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1 auditor's report for fiscal year 2023-24 as well as the
2 independent auditor's management letter. At our next
3 meeting in February, we'll be looking for the election of
4 the Risk and Audit Chair and Vice Chair, and you will also
5 receive 2024-25 mid-year plan updates on compliance and
6 risk management. That concludes my report. Happy to take
7 any questions.

8 CHAIR MILLER: Okay. I'm not seeing any
9 questions, so that brings us to our action consent items.
10 Pleasure of the Committee.

11 COMMITTEE MEMBER PACHECO: I'll move.

12 CHAIR MILLER: Moved by Mr. Pacheco.

13 ACTING COMMITTEE MEMBER RUFFINO: Second.

14 CHAIR MILLER: Seconded by Mr. Ruffino.

15 Any discussion on the matter?

16 Seeing none, I'll call for the -- oh -- question.
17 Okay.

18 All in favor, aye?

19 (Ayes.)

20 CHAIR MILLER: Any nays?

21 No abstentions.

22 The ayes have it.

23 Information consent items. I have seen no
24 requests to pull anything.

25 Seeing none, so we'll move --

1 BOARD CLERK ANDERSON: There is a -- Mr. Miller,
2 there is a public comment for this item.

3 CHAIR MILLER: Oh, public comment for this item.
4 Okay. Let's go to our public comment.

5 You have the floor, sir.

6 J.J. JELINCIC: J.J. Jelincic, Health Benefits
7 Director, RPEA. Last month, you gave the Executive
8 Officer a \$667,000 bonus. You also passed out over 20
9 million in bonuses to the Government Code 298 employees,
10 those for whom you can set the salaries rather than DPA.
11 You have just publicly been told that there is a high
12 probability of failure to meet pension benefit
13 obligations. None of you thought it was worth discussing.
14 I guess the transparency requires non-discussion, but this
15 report that was in your packet points to that.

16 On November 14th, I participated in the
17 stakeholder engagement briefing. At least four executive
18 officers were on that call. I asked if the risk
19 dashboard, which you've got, was in error. No one
20 could -- no one the call, including the four executive
21 officers, could answer the question. I was asked to put
22 the question in writing and someone would get back to me.
23 I did so, and I as of now, I'm still waiting for a
24 response.

25 In November of 2023, you were told there was a

1 high probability that you would fail your most fundamental
2 obligation, paying pension benefits. No one on the
3 Committee thought it was worth asking about. I have seen
4 no major changes to address this problem, other than
5 piling on more risk. Although, you did increase the fund
6 leverage, because unlike the rest of the investment world,
7 you believe that that -- that leverage reduces risk.

8 In November of 2022, you were told there was a
9 high probability of failure. No one on the Committee
10 asked to pull the item for discussion. You wonder why
11 CalPERS reputation goes downhill. Take a guess, look at
12 your reports. You've been told three years running, there
13 is a major risk. Now, it could be the report is wrong,
14 but even if that's the case, it's certainly something the
15 Board should want to discuss with staff on why that error
16 is occurring.

17 Thank you.

18 CHAIR MILLER: Thank you.

19 Are there any other public comments?

20 No. Okay.

21 Yes.

22 J.J. JELINCIC: I would like to add the handout
23 to my comments for the record.

24 CHAIR MILLER: This one.

25 J.J. JELINCIC: Yeah.

1 CHAIR MILLER: Yeah, we've got it.

2 J.J. JELINCIC: And I'll send it to you.

3 CHAIR MILLER: Okay. Thank you.

4 Okay. That brings us to our action agenda items,
5 independent auditor's report.

6 Welcome. It's good to see you all.

7 (Slide presentation).

8 CHIEF AUDITOR CHAPPUIE: Good morning, Mr. Chair
9 and members of the Committee Beliz Chappuie Office of
10 Audit Services. Agenda Item 5a is an action item. Staff
11 requests the Risk and Audit Committee to approve the
12 Board's independent financial statement auditor BDO's
13 audit reports for the final -- fiscal year-ending June 30,
14 2024. I want to turn it over to the BDO staff here who
15 are presenting with me today.

16 BILLY KIM: Thank you, Beliz. Hello, Chair,
17 hello, Vice Chair, and Committee members.

18 I'm Bill Kim, BDO Principal and engagement leader
19 for the external audit team. Thank you for your time to
20 allow us to present the results of our audit to you. With
21 me today is Keith Miller who is also a Principal, who
22 leads our audit work over investments, and then Dipika
23 Nagin, who is our Audit Director that assists me
24 coordinating and leading the overall audit.

25 Now, the objective of our audit, if we could

1 actually move to the next -- slide four, please.

2 Slide four.

3 [SLIDE CHANGE]

4 BILLY KIM: Yeah. The objective of our audit is
5 to obtain reasonable, but not absolute, assurance about
6 whether the financial statements are free from material
7 misstatements. And the scope of the audit actually
8 includes audit over the basic financial statements. That
9 includes the fiduciary funds as well as the proprietary
10 fund of CalPERS for the fiscal year ended June 30th, 2024.
11 And later this week, we expect to issue an unmodified
12 audit opinion over these basic financial statements, which
13 means it is a clean opinion.

14 We'll also be issuing a report over internal
15 controls over financial reporting and over compliance.
16 And the drafts of these reports are attachments to the
17 Risk and Audit Committee Agenda Item 5a.

18 I also want to highlight that we did receive full
19 cooperation from management throughout the audit. All of
20 our requests that we had asked for, we had received and it
21 was available for our inspection.

22 Next slide, please.

23 [SLIDE CHANGE]

24 BILLY KIM: As it relates to significant
25 accounting practices and policies, other than the

1 implementation of GASB 100, there are no other changes
2 noted during the year. Now, GASB 100, you know, although
3 it was implemented, did not have an impact on the
4 financial statements, other than disclosing that it was
5 implemented, as it relates to enhanced requirements and
6 disclosures related to accounting changes and error
7 corrections, which were not applicable for CalPERS this
8 year.

9 As part of our audit, we also focus on areas of
10 accounting estimates. And there are four specific areas
11 that we want to discuss with you today. The first one is
12 related to investments, and I'll have Keith discuss that
13 with you.

14 KEITH MILLER: So the private equity and real
15 asset investments involve interests in funds that are
16 managed by external fund managers. These investments are
17 usually valued based on the net asset value per share
18 following GAAP guidelines. Most of the funds that CalPERS
19 invests in are audited, and so we review these audits
20 during our own audit process. Real asset funds typically
21 have a June 30 year-end, which is aligned with CalPERS,
22 while private equity funds often have a December 31
23 year-end.

24 CalPERS uses the June 30 capital statement from
25 each investment for its financial records, which means

1 that CalPERS doesn't need to make significant estimates or
2 judgments in valuation. Management updates the value of
3 each investment quarterly based on capital activity, and
4 adjusts for the latest net profit and loss received from
5 each fund. And during our audit, especially for the
6 private equity investments, we consider the time gap
7 between the latest fund audit, which will be December 31,
8 and CalPERS June 30 records. Our audit includes rolling
9 forward the investment values from December 31 to June 30
10 and verifying capital activity. We confirm all these
11 amounts, including the June 30 balance, with each of the
12 underlying funds directly.

13 Our internal team also analyzes the performance
14 of these investments for the first half of 2024 to ensure
15 the values recorded by CalPERS are reasonable. Based on
16 our work, we did not find any issues to report to you.

17 DIPIKA NAGIN: Thanks, Keith. I will now cover
18 the other three estimates. So, starting with our
19 significant estimate related to Long-Term Care Fund's
20 liability for future policy benefits, this liability is
21 calculated using a roll-forward method, incorporating
22 assumptions from the latest valuation, including
23 reflecting considerations following the LTC settlement
24 that took place.

25 A key assumption in this estimate is the discount

1 rate. Our independent actuarial specialists review this
2 rate and we found no issues with it or any of the other
3 assumptions. Our procedures, included analytical
4 analyses, sample testing, and ensuring the accuracy and
5 completeness of the data used in those models. Another
6 focus of our audit was the Health Care Fund's estimated
7 claims liability. This liability is determined using
8 actuarial methods based on historical claims data for each
9 of the medical plans to project estimated claims that are
10 incurred but not yet reported. We found no issues with
11 these estimates.

12 Lastly, we examined the estimates for pension
13 liabilities related to cost sharing plans, including PERF
14 B and PERF C, and single defined benefits plans. In
15 addition to detailed testing, our independent actuaries
16 reviewed management's actuarial models, methodologies,
17 calculations, and assumptions. We noted no est -- no
18 issues with these estimates as well.

19 Next slide, please.

20 [SLIDE CHANGE]

21 DIPIKA NAGIN: This slide covers each of the
22 qualitative aspects of CalPERS's financial reporting
23 process, which we assess as part of our audit work, and
24 based on such assessment, we noted no issues to report to
25 you today.

1 Next slide.

2 [SLIDE CHANGE]

3 DIPIKA NAGIN: Regarding the results of our
4 audit, we did not identify any corrected or uncorrected
5 misstatements during the audit period.

6 Next slide.

7 [SLIDE CHANGE]

8 DIPIKA NAGIN: One more.

9 [SLIDE CHANGE]

10 DIPIKA NAGIN: Thank you.

11 This slide is on internal controls over financial
12 reporting. And we are required to report any material
13 weakness or significant deficiencies identified during our
14 audit to the Risk and Audit Committee. This slide defines
15 each deficiency level. Most importantly, I want to
16 highlight that we did not identify any material weakness
17 this year.

18 Now, I will hand it over to Billy who will
19 cover -- who will guide us through the rest of the
20 remainder of the presentation.

21 [SLIDE CHANGE]

22 BILLY KIM: All right. Thank you. If we could
23 jump to slide number 11, please. So these next several
24 slides include our other required communications that
25 we're required to communicate to the governing body. Now,

1 [SLIDE CHANGE]

2 BILLY KIM: And then lastly, this slide here
3 is -- contains information regarding BDO's quality
4 management process. And to remind you that we are subject
5 to quality management standards as well, and we strive to
6 ensure and adhere to these standards.

7 That concludes our presentation and we are open
8 for any specific questions.

9 CHAIR MILLER: Okay. Thank you. And first of
10 all, I just want to say again thanks to BDO and the team.
11 Please thanks to you and the whole CalPERS team. I've
12 really appreciated the amount of work, the amount of
13 coordination, collaboration, the cooperation that has gone
14 into this. And, you know, having no findings result is
15 very encouraging. It's -- knowing the thoroughness that
16 the teams put into everything that goes into this, it
17 really gives us some confidence and reassurance. And so,
18 that's very much appreciated.

19 So at this point, I'll go to Director Middleton.

20 VICE CHAIR MIDDLETON: All right. Thank you.
21 Billy and everyone, thank you for the cooperation and the
22 work that you've done and for the assurance that any and
23 all records and people that you wanted to consult with,
24 you were able to gain access to.

25 This is a very large audit. Could you just

1 elaborate a bit on the number of people, the number of
2 hours, and the scope of the work that you did?

3 BILLY KIM: Sure. Yes. The audit is very large.
4 There is many departments that are involved that we
5 ultimately touch as part of the audit. And that does
6 include multiple subteams that we do have across the
7 overall team, including an overall team that coordinates
8 all the work as well.

9 So in terms of numbers-wise, yeah, I mean, we are
10 upwards of 40 plus people that are involved in the audit.
11 And the audit does include a significant amount of hours
12 as well. And so, it's well over -- you know, I'd say over
13 10,000 to -- in the range of 10 to 20 thousand hours. And
14 so to be more specific, right, it's right around in the
15 middle of that, so...

16 VICE CHAIR MIDDLETON: Thank you. And I believe
17 since you've had this contract this is the first audit
18 that we've had that had no findings, is that correct?

19 BILL KIM: Yes, that is true.

20 VICE CHAIR MIDDLETON: Thank you.

21 CHAIR MILLER: Okay. Next, Director Pacheco.

22 COMMITTEE MEMBER PACHECO: Thank you very much,
23 Chairman Miller, for your -- for passing over to me.

24 First of all, thank you very much for your
25 report. I really appreciate all the effort you do. I

1 also am quite impressed that we have no findings of
2 material significance here.

3 I just want to elaborate on -- with respect to
4 the internal controls. Were there any additional new
5 internal controls that you elaborated or were there --
6 just wanted to know if you can elaborate more on that.

7 BILLY KIM: Yeah. I will certainly touch upon
8 internal controls as we talk about our management letter
9 as well. But in terms of our scope, if there is any
10 specific new controls that do exist that are related to
11 relevant controls over any material balances, we will get
12 an understanding of that and ensure that it's
13 appropriately implemented as well.

14 And so, you know, one of the ones that we did
15 look at was related to assessing of unique transactions
16 specifically related to settlement -- settlements that
17 took place, which was related to a material weakness we
18 had communicated to you last year.

19 And so that was one of the controls that CalPERS
20 had put into place, which we had looked at and validated
21 that it was actually appropriately designed and
22 implemented as well. So we'll further talk a little bit
23 more about that in -- when we report on the management
24 letter as well.

25 COMMITTEE MEMBER PACHECO: Very good. Thank you

1 very much. That's all my questions

2 CHAIR MILLER: Okay. I have no more questions
3 from the Board. And just -- it's a culmination of just a
4 tremendous amount of really good work by BDO and CalPERS
5 team members across the entire enterprise. And so I just
6 really appreciate that. And at this point, I would
7 entertain a motion.

8 COMMITTEE MEMBER PACHECO: I'll motion.

9 CHAIR MILLER: Moved by Director Pacheco.

10 COMMITTEE MEMBER PALKKI: Second.

11 CHAIR MILLER: Second by Director Palkki.

12 And this is to approve the independent auditor's
13 report.

14 Okay. Any further discussion?

15 Seeing none, I'll call for the question.

16 Okay. All in favor?

17 (Ayes.)

18 CHAIR MILLER: Any nays?

19 Any abstentions?

20 Okay. It's unanimous. The ayes have it. So
21 we'll move on to the review of the management letter.

22 CHIEF AUDITOR CHAPPUIE: Okay. This is part two,
23 Mr. Chair and members of the Committee. Beliz Chappuie
24 again. Agenda Item 5b is also an action item.

25 Staff requests that the Risk and Audit Committee

1 approve the Board's independent financial statement
2 auditor, BDO's draft management letter. And I want to
3 turn it back over to the BDO staff.

4 DIPIKA NAGIN: Thank you, Beliz.

5 Mr. Chair, Madam Vice Chair, and esteemed members
6 of the Committee. During the planning and execution of
7 our audit of CalPERS's financial statements for the fiscal
8 year 2024, we evaluated CalPERS's internal controls over
9 financial reporting. This evaluation was conducted to
10 inform our audit procedures aimed at expressing an opinion
11 on the financial statement, rather than to assess the
12 effectiveness of the internal controls themselves.

13 Earlier, I provided an overview of the control
14 finding categories, so I will not revisit those
15 definitions. However, again, I would like to highlight
16 that we did not identify any material weaknesses this
17 year.

18 There were two deficiencies reported to you in
19 the prior year, one related to a material weakness related
20 to an overstatement of long-term care future policy
21 benefits liability and misclassification of settlement
22 expenses related to the class action lawsuit. And also,
23 an IT control deficiency on segregation of duties matters
24 for the real estate investment system AREIS. Both of
25 these internal control matters were remediated where

1 management accepted our recommendations and strengthened
2 their controls in the current year, which we've reviewed
3 as part of our audit and concluded that these deficiencies
4 were remediated.

5 This concludes our remark on the management
6 letter. We are now open to any questions you may have.

7 Thank you.

8 CHAIR MILLER: Okay. Thank you. I have a
9 question from Frank Ruffino for Fiona Ma.

10 ACTING COMMITTEE MEMBER RUFFINO: Thank you, Mr.
11 Chair. And before I ask my question, I want to reiterate
12 our thanks to the entire 40 plus staff that they are not
13 here in front of us today, but they -- hopefully, they
14 were listening, and I remember some of the audits that I
15 had to under -- underwent and with the Department of
16 Finance and the level of stress to prepare for these
17 audits, the level -- and those -- in my -- back then, they
18 were just small little audits. I can only imagine these
19 type of audits, you know, which takes 10,000 -- between 10
20 and 20 thousand hours. That's crazy.

21 So thank you to everyone, not just to our
22 consultants, but to the staff behind the scene that
23 they're not seeing here for all their hard work and
24 preparation. And obviously, the results speak for
25 themselves, so great job.

1 That said, I wanted to ask a question about the
2 resolution on the prior observations, which you just
3 mentioned. And, of course, both prior year observations
4 have been marked as resolved, as you mentioned. But can
5 you perhaps elaborate on the processes and controls now in
6 place to ensure these issues do not happen again.

7 DIPIKA NAGIN: Thank you for your question. Yes.
8 So with regards to the first -- the material weakness,
9 related to the long-term care liability settlement, what
10 we did is we reviewed management's nearly implemented
11 control around significant and unusual non-routine
12 transactions. And that's where we went through the
13 underlying support and the control process, and validated
14 that it was indeed performed over a certain significant or
15 unusual transactions.

16 And then with regards to the finding over AREIS,
17 we observed that this was immediately corrected actually
18 upon the finding, and management has included certain user
19 access reviews to ensure that appropriate access is
20 granted to the appropriate individuals.

21 BILLY KIM: Yeah, and just to add to what Dipika
22 had mentioned. So as it relates to the control related to
23 the unique and significant transactions specifically, we
24 had looked at an example related to a settlement that took
25 place earlier in the year. And that settlement that took

1 place was very small actually, and so -- in terms of
2 numbers-wise, relatively compared to the prior year. And
3 based upon the assessment of that related support we
4 received, we noted that it was accounted appropriately and
5 then it was also recorded appropriately. And therefore,
6 we had received an example of that, that the control was
7 actually working.

8 And then two, as relates to the AREIS IT finding,
9 you know, that was fixed by management last year. But as
10 it relates to our audit, we had validated that this year.
11 And so there's no impact as it relates to our audit for
12 this year. And as it relates to whether this will occur
13 again or not, you know, that is ultimately up to
14 management's execution of these controls. And so -- but
15 what we can say is, as they are designed, we do look at
16 that in terms of how they're designed and we've concluded
17 that it is appropriate.

18 ACTING COMMITTEE MEMBER RUFFINO: So what -- so
19 that's great. You know, I totally get it, so -- but I
20 wanted to make sure for clarity purpose, you know, the
21 mechanism that they are in place to ensure that, you know,
22 ongoing complies with these recommendations made by you
23 guys, you know, that they are there and they're
24 sufficient, particularly, you know, as you mentioned the
25 database, access, and the unusual transactions that you

1 referenced on your report. So the question is, I guess,
2 you're satisfied, you know, with the -- with the mechanism
3 in place.

4 BILLY KIM: Yes. We're -- yeah. We're
5 definitely satisfied with the mechanism in place and that
6 is for this year that we've audited.

7 ACTING COMMITTEE MEMBER RUFFINO: Of course.

8 BILL KIM: Yes.

9 ACTING COMMITTEE MEMBER RUFFINO: Great. Well,
10 thank you again to the entire team, and to staff, and to
11 you guys for all your hard work. Thank you, Mr. Chair.

12 CHAIR MILLER: Okay. Thank you. I see no more
13 requests to speak from the Board, so does someone want
14 to -- I'll entertain a motion.

15 COMMITTEE MEMBER PACHECO: (Hand raised.)

16 CHAIR MILLER: Okay. Moved by Pacheco.

17 ACTING COMMITTEE MEMBER RUFFINO: Second.

18 CHAIR MILLER: Seconded by Ruffino.

19 I'll call for the question. All in favor?

20 (Ayes.)

21 CHAIR MILLER: Any nays?

22 No abstentions.

23 The ayes have it and that's for the approval of
24 the letter, auditor's management letter.

25 So again, thank you very much and it's

1 appreciated. And look forward to the next go-around.

2 BILLY KIM: Thanks.

3 CHAIR MILLER: Okay. I guess that brings us to
4 summary of committee direction.

5 CHIEF COMPLIANCE OFFICER FEIN: I noted no
6 direction, Mr. Chairman.

7 CHAIR MILLER: Nor did I.

8 So at this point do we have any other public
9 comment?

10 BOARD CLERK ANDERSON: (Shakes head).

11 CHAIR MILLER: No. Okay. So we'll recess now
12 into closed session for items 1 to 3 from the closed
13 session agenda. We'll immediately reconvene in open
14 session after the closed session.

15 (Off record: 11:37 a.m.)

16 (Thereupon the meeting recessed
17 into closed session.)

18 (Thereupon the meeting reconvened
19 open session.)

20 (On record: 11:50 a.m.)

21 CHAIR MILLER: Okay. We're back in open session.
22 And hearing no objection, I will adjourn this meeting. We
23 will begin with Finance and Administration Committee at
24 12:45.

25 Okay. We are adjourned.

(Thereupon the California Public Employees'
Retirement System, Board of Administration,
Risk & Audit Committee open session
meeting adjourned at 11:50 a.m.)

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CERTIFICATE OF REPORTER

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration, Risk & Audit Committee open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California;

That the said proceedings was taken before me, in shorthand writing, and was thereafter transcribed, under my direction, by computer-assisted transcription.

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 24th day of November, 2024.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
License No. 10063



2022–23 ENTERPRISE RISK ANALYSE ENT DAS BOARD

RISK CATEGORY / RISK STATEMENT		18/19	19/20	20/21	21/22	22/23	RISK
High Impact High Probability							
	CLIMATE CHANGE CFO, CIO Finance & Administration Committee, Investment Committee Failure to meet investment returns, employer's inability to pay required contributions, and disruption to CalPERS' operations.	**	**	⬮	⬮	⬮	↔
	PENSION FUNDING CFO, Chief Actuary, CIO Finance & Administration Committee, Investment Committee Failure to meet pension benefit obligations.	■	⬮	⬮	⬮	⬮	↔
	INFORMATION SECURITY General Counsel, GCO, LEGO Finance & Administration Committee Failure to protect and secure information assets.	⬮	⬮	⬮	⬮	⬮	↔
	TALENT MANAGEMENT DEO, OPT Performance, Compensation, & Talent Management Committee Inability to recruit and retain a diverse and qualified workforce compromises the ability to meet business objectives.	■	■	■	■	⬮	↑
	GOVERNANCE & CONTROL ENVIRONMENT CCO, CFO Risk & Audit Committee Lack of a strong internal control environment, which includes documentation and testing, could result in increased non-compliance and litigation risk, operational risks due to inefficiency and improper activity, loss of authority or reputation, and/or incurred penalties.	■	■	⬮	⬮	⬮	↔
	LONG-TERM CARE CHD Pension & Health Benefits, Finance & Administration Committee, Investment Committee Inability to fund future obligations of the long-term care program in a manner that is affordable to policy holders.	**	**	⬮	⬮	⬮	↔
High Impact Low Probability							
	STAKEHOLDER CONFIDENCE DEO, CSR Finance & Administration Committee Inability to maintain stakeholder confidence in CalPERS as a trusted fiduciary.	■	■	■	■	■	↔
	HEALTH CARE ADMINISTRATION CHD, HPBB Pension & Health Benefits Committee Inability to offer high-quality, accessible, affordable, and sustainable health care at a competitive price.	■	■	■	■	■	↔
	BENEFIT ADMINISTRATION DEO, CSS Pension & Health Benefits Committee CalPERS members, retirees, and beneficiaries may not receive timely and/or accurate benefits.	●	■	■	■	■	↔

Status Key High Impact | High Probability High Impact | Low Probability Low Impact | High Probability Low Impact | Low Probability Data Not Available



2023–24 ENTERPRISE RISK ASSESSMENT BOARD

RISK CATEGORY / RISK STATEMENT ID		19/20	20/21	21/22	22/23	23/24	RISK ↑/↓
High Impact High Probability							
	CLIMATE CHANGE CFO, CIO Finance & Administration Committee, Investment Committee Failure to meet investment returns, employer's inability to pay required contributions, and disruption to CalPERS' operations. ID	**					↔
	PENSION FUNDING CFO, Chief Actuary, CIO Finance & Administration Committee, Investment Committee Failure to meet pension benefit obligations.						↔
	INFORMATION SECURITY General Counsel, GCO, LEGO Finance & Administration Committee Failure to protect and secure information assets.						↔
	TALENT MANAGEMENT DEO, OPT Performance, Compensation, & Talent Management Committee Inability to recruit and retain a diverse and qualified workforce compromises the ability to meet business objectives. ID						↓
	GOVERNANCE & CONTROL ENVIRONMENT CCO, CFO Risk & Audit Committee Lack of a strong internal control environment, which includes documentation and testing, could result in increased non-compliance and litigation risk, operational risks due to inefficiency and improper activity, loss of authority or reputation, and/or incurred penalties.						↔
	LONG-TERM CARE CHD Pension & Health Benefits, Finance & Administration Committee, Investment Committee Inability to fund future obligations of the long-term care program in a manner that is affordable to policy holders.	**					↔
High Impact Low Probability							
	STAKEHOLDER CONFIDENCE DEO, CSR Finance & Administration Committee Inability to maintain stakeholder confidence in CalPERS as a trusted fiduciary. ID						↑
	HEALTH CARE ADMINISTRATION CHD, HPBB Pension & Health Benefits Committee Inability to offer high-quality, accessible, affordable, and sustainable health care at a competitive price.						↔
	BENEFIT ADMINISTRATION DEO, CSS Pension & Health Benefits Committee CalPERS members, retirees, and beneficiaries may not receive timely and/or accurate benefits.						↔

Status Key: High Impact | High Probability DD, High Impact | Low Probability DD, Low Impact | High Probability DD, Low Impact | Low Probability DD, ****** Data Not Available

