CalPERS

Risk and Audit Committee
Agenda Item 7a

February 18, 2025

Item Name: FY 2024-25 Enterprise Compliance, Risk & Governance Annual Plan – Mid-Year Update

Program: Enterprise Compliance, Risk & Governance (ECRG)

Item Type: Information

Executive Summary

This item is to provide the Risk and Audit Committee with a status update of activities in the FY 2024-25 Enterprise Compliance, Risk & Governance Annual Plan for the period July 1, 2024, through December 31, 2024.

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 Enterprise Compliance's strategic measures of Employee Compliance Awareness, Risk Management Effectiveness, Employee Risk Awareness, and Organizational Compliance Effectiveness.

Background

On June 12, 2024, the Risk and Audit Committee approved the FY 2024-25 Enterprise Compliance, Risk & Governance Annual Plan (Attachment 1) that incorporates industry standard practices and management priorities to carry out a successful organization-wide compliance and risk management program. In addition, the plan continues to develop compliance and risk management principles and standards to support a strong ethical and risk-intelligent culture.

Analysis

The FY 2024-25 Enterprise Compliance, Risk & Governance Annual Plan Mid-Year Update provides a dashboard view of the status of this year's initiatives as of December 31, 2024 (Attachment 2). Each initiative displays a progress report as a percentage and an associated color to indicate whether the initiative activities are on track to be completed this fiscal year, as well as noting some initiatives are multi-year in nature. Additional status details are provided under the Q2 Updates column.

Key accomplishments for the first half of fiscal year 2024-25 include:

- Continued progress on the electronic Governance, Risk and Compliance (eGRC) technology platform implementation, including built Outside Business Interest and Third-Party Agreement Conflict Check modules, tools, and processes to evaluate and mitigate potential compliance and ethics risks.
- Established an Advisory Services Team to cross-train and upskill ECRG team members to provide advice and guidance on CalPERS rules and regulations, making CalPERS team members better informed on mitigating compliance and ethics risks.
- Established the foundation of an operational risk program, including built standards, tools, and guidelines, and began implementation within the Information Technology Services Branch.

Budget and Fiscal Impacts

N/A

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, ECRG 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 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:
- 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 – FY 2024-25 Enterprise Compliance, Risk & Governance Annual Plan

Attachment 2 – FY 2024-25 Enterprise Compliance, Risk & Governance Annual Plan Mid-Year Update

Attachment 3 – FY 2024-25 Enterprise Compliance, Risk & Governance Annual Plan Mid-Year Update Presentation

Kevin L. Fein
Chief Compliance Officer