

Enterprise Risk Management and Enterprise Compliance Services

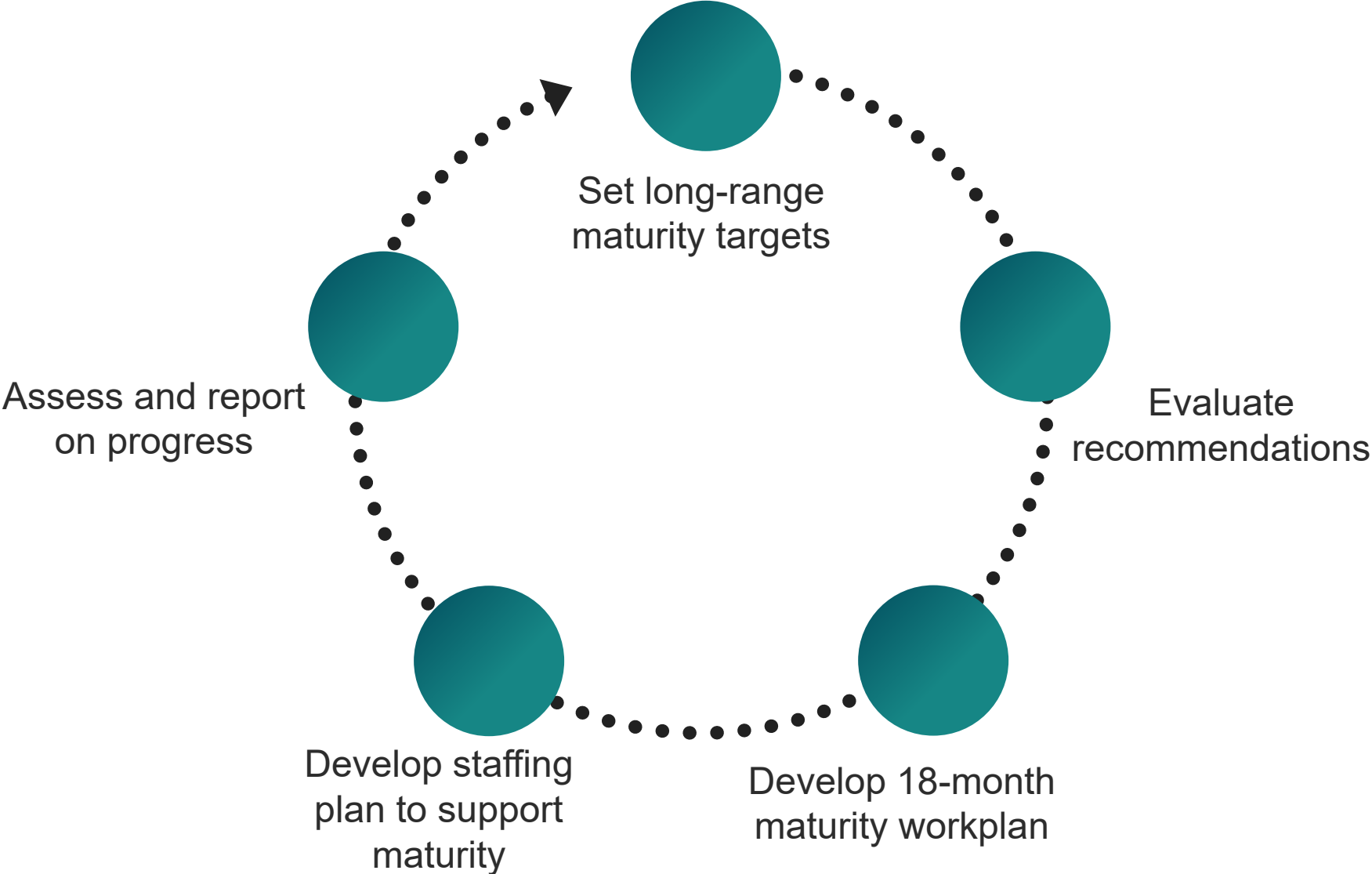
18-Month Maturity Plan

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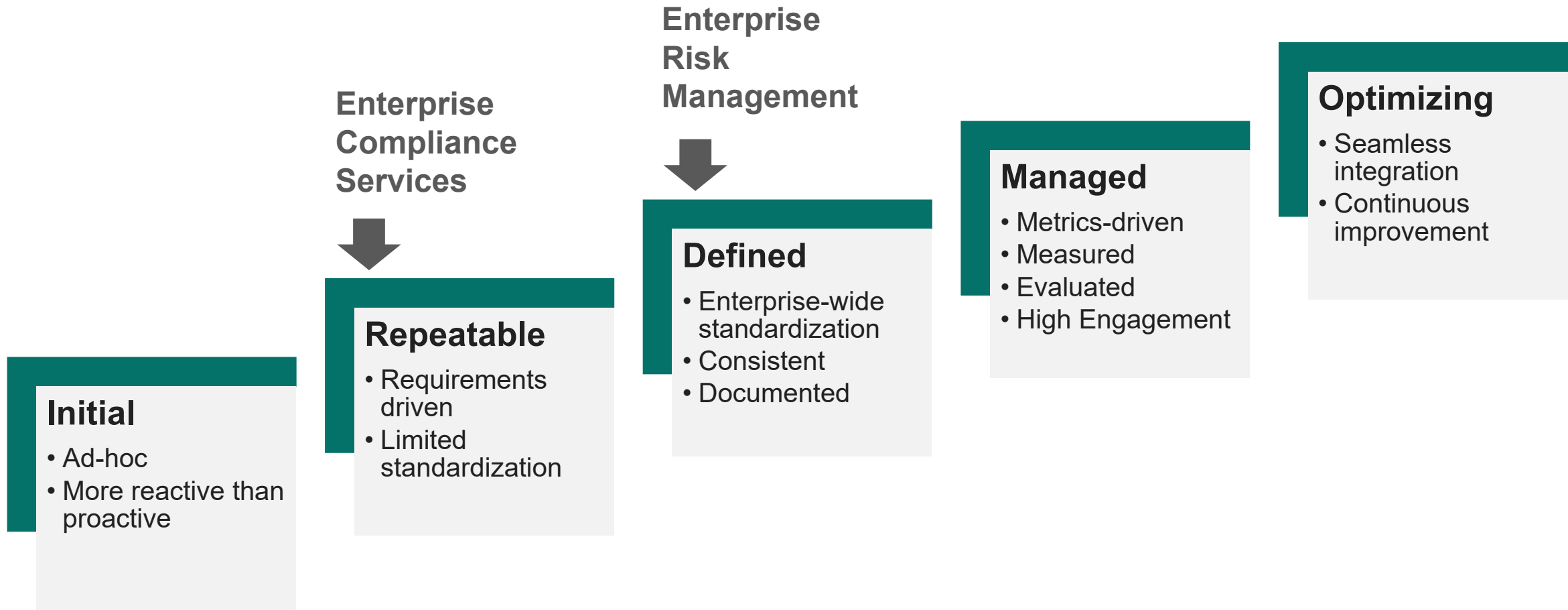
Audits and Risk Management
Committee Presentation

November 2023

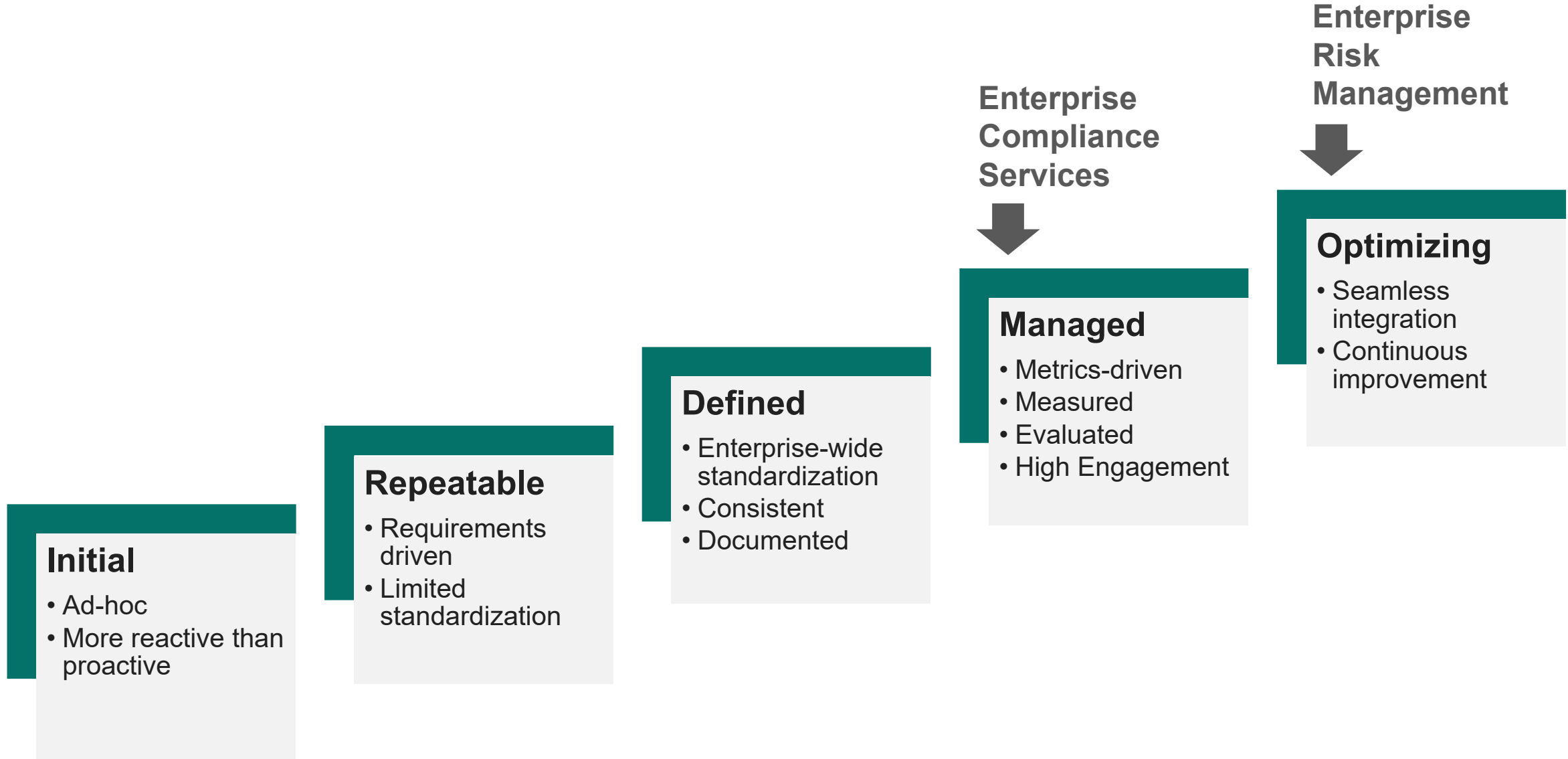
Maturity enhancement process



Current state of maturity



Target state of maturity



Purpose and benefits of program maturity

Strategic plan objective

- Enhance how risks are defined, viewed and managed.

Benefits to the ARM Committee/Board

- Increased assurance that risks are being identified and managed.
- Improved risk and compliance reporting.

Benefits to the organization

- Effective coordination of risk and compliance matters.
- Indicators and metrics alerting to changes in risk profile.
- Proactive and risk-focused culture.

Benefit to our members

- Being informed about risks helps to make strategic decisions that support a well-governed, financially sound trust fund.

Maturity model components used to evaluate program maturity levels

Risk Model

- Governance and Culture
- Strategy and Objectives
- Performance
- Review and Revision
- Communication and Reporting
- Technology

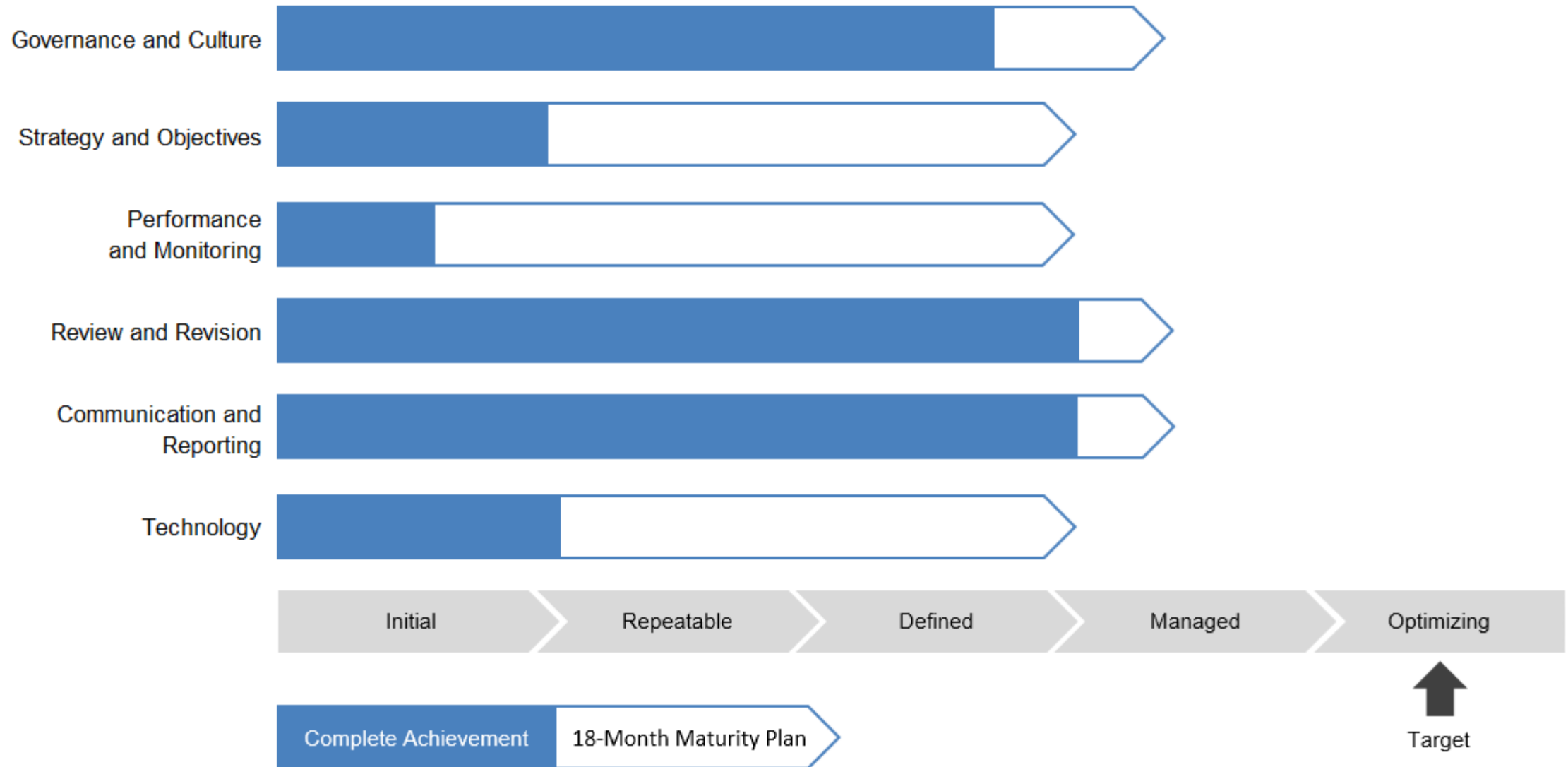
Compliance Model

- Governance, Admin, and Reporting
- Standards and Policies
- Risk Assessment and Monitoring
- Enforcement and Response
- Training and Education
- Technology

Enterprise Risk Management 18-month proposed maturity plan

Component	Phase 1	Phase 2	Phase 3
Governance and Culture	<ul style="list-style-type: none"> Develop training plans for ERM staff 	<ul style="list-style-type: none"> Enhance education of ERM stakeholders (Board, ARM, ERCC, RCN) 	<ul style="list-style-type: none"> Enhance education of ERM stakeholders (Board, ARM, ERCC, RCN)
Strategy and Objectives	<ul style="list-style-type: none"> Develop organization-wide risk appetite and tolerance statements 	<ul style="list-style-type: none"> Develop frameworks for internal and external environmental risk factors/events 	<ul style="list-style-type: none"> Ensure risk appetite and tolerances are an integral part of the strategic planning process
Performance and Monitoring	<ul style="list-style-type: none"> Create a consolidated risk universe 	<ul style="list-style-type: none"> Develop Key Risk Indicators (KRIs) relevant to the risk appetite and strategy 	<ul style="list-style-type: none"> Develop a holistic risk profile template for all risk types Establish and gain approval of criteria to prioritize risks
Review and Revision		<ul style="list-style-type: none"> Create an annual training needs assessment for ERM staff, RCN and ERCC members 	<ul style="list-style-type: none"> Identify impacts on business objectives by regularly assessing internal and external environments risk factors
Communication and Reporting			<ul style="list-style-type: none"> Establish a formal escalation process to communicate emerging risk with executive leadership and board members Identify the most value-add activity and outcome-based performance measures
Technology	<ul style="list-style-type: none"> Deploy software solution that supports maturity of the ERM program 	<ul style="list-style-type: none"> Integrate existing organizational data into ERM software solution 	

Enterprise Risk Management maturity components and goals

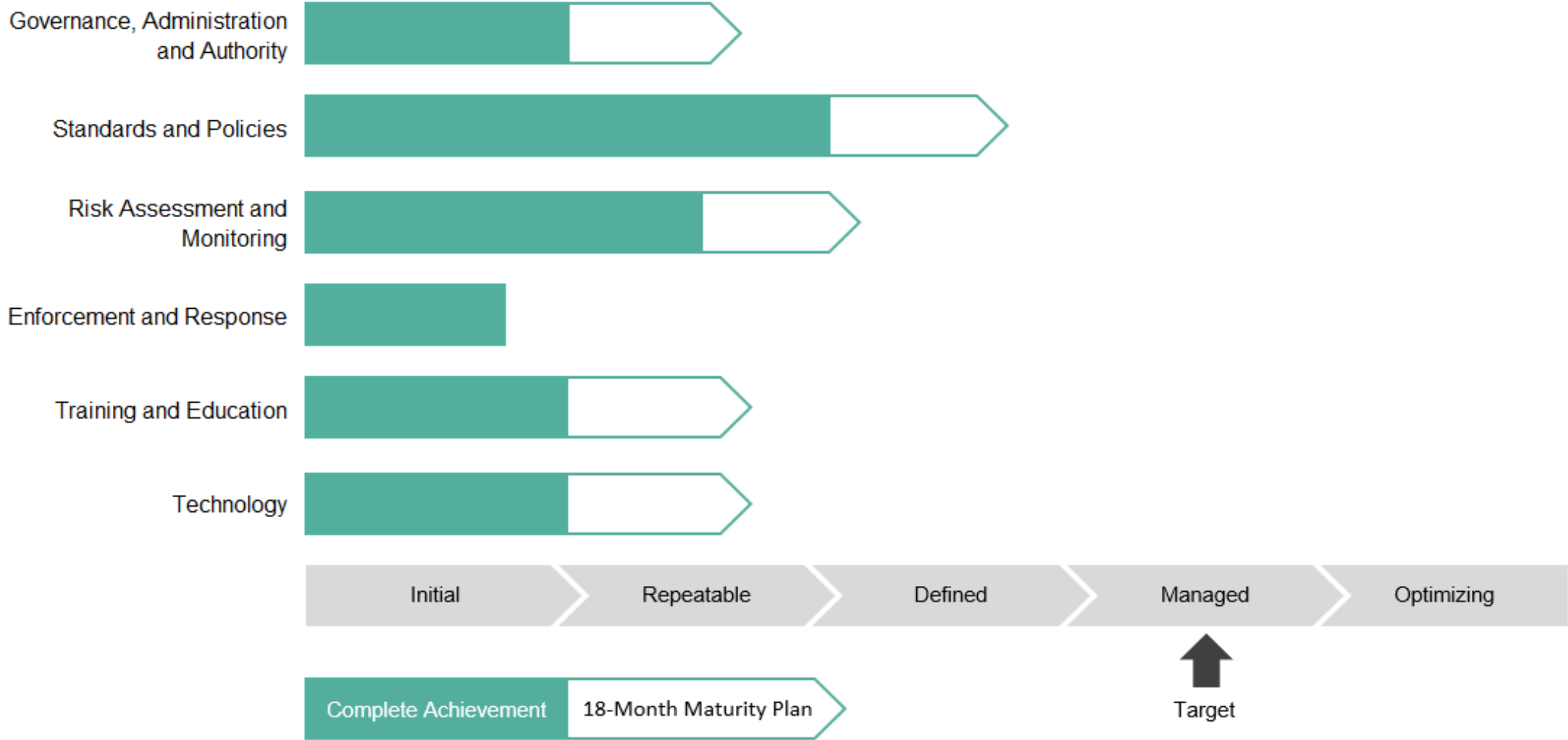


Enterprise Compliance Services

18-month proposed maturity plan

Component	Phase 1	Phase 2	Phase 3
Governance, Administration and Authority	<ul style="list-style-type: none"> Update framework and charter Hire staffing resource 	<ul style="list-style-type: none"> Inventory organization-wide assurance activities 	<ul style="list-style-type: none"> Request staffing resources
Standards and Policies	<ul style="list-style-type: none"> Develop compliance procedure manual 	<ul style="list-style-type: none"> Support implementation of new regulatory compliance requirements Administer annual enterprise-wide policy attestation 	<ul style="list-style-type: none"> Support implementation of new regulatory compliance requirements
Risk Assessment	<ul style="list-style-type: none"> Support third-party risk management and procurement compliance 	<ul style="list-style-type: none"> Support third-party risk management and procurement compliance Develop plan to align ECS and ERM risk assessments 	<ul style="list-style-type: none"> Support third-party risk management and procurement compliance Fully align ERM and ECS risk assessments
Monitoring		<ul style="list-style-type: none"> Develop and document monitoring program framework and processes 	<ul style="list-style-type: none"> Select policies to begin testing and monitoring
Training and Education	<ul style="list-style-type: none"> Identify ECS team training needs to support maturity plan Develop an annual risk-based compliance education plan 	<ul style="list-style-type: none"> Develop ECS team continuous education program Implement risk-based compliance education plan 	
Technology	<ul style="list-style-type: none"> Secure funding and acquire software to support maturity 	<ul style="list-style-type: none"> Implement software 	

Enterprise Compliance Services maturity components and goals



Next steps

- Work with our business area partners to implement the 18-month maturity plan.
- Regular reporting on progress and challenges to the Executive Risk and Compliance Committee and the Audits and Risk Management Committee.