



Enterprise Risk Management Program Charter

Approved: Month XX, 2024

Introduction

CalSTRS is committed to maintaining a robust enterprise risk management framework that enhances decision-making, protects assets, and ensures compliance with regulatory requirements, including the State Leadership and Accountability Act¹.

The Enterprise Risk Management (ERM) Program plays a pivotal role in our organization's strategic governance by working with management in identifying, assessing, and managing risks that could impact our objectives. This charter serves as a guiding document governing the ERM Program and is an essential component of the overall ERM Framework.

Purpose

The primary purpose of this charter is to document the formalized program for managing risks across the organization. It aims to define the scope and responsibilities necessary for the effective implementation of the ERM Program. Furthermore, it underscores the commitment to ensure alignment with organizational objectives and strategy. This includes supporting the board's Risk Management Policy² and the Chief Executive Officer's responsibilities delegated therein.

Composition

The ERM Program is administered by a dedicated team within the Financial Services Branch with sufficient knowledge and expertise to support the program. Under the general direction of the Chief Financial Officer (CFO), the Director of Enterprise Risk Management and Compliance Services leads the ERM team.

Scope

The scope of the ERM Program encompasses all areas of the organization's operations, including strategic, operational, financial, reputational, compliance, and investment risks. It involves the identification, assessment, prioritization, and mitigation of risks through a systematic and integrated approach, ensuring alignment with organizational goals and objectives.

Responsibilities

ERM Program responsibilities include:

- **Risk identification:** Assisting management with identifying and cataloging risks across the organization, considering both internal and external factors.
- **Risk assessment:** Assisting management with assessing the potential impact and likelihood of identified risks on the achievement of organizational objectives through the use of risk assessments, key risk indicators and other metrics.

¹ The State Leadership and Accountability Act (SLAA) requires each state agency to maintain effective systems of internal control, to evaluate and monitor the effectiveness of these controls on an ongoing basis, and to biennially report on the adequacy of the agency's systems of internal control. Pursuant to Government Code sections 13400 through 13407.

² [Board Governance Manual, Section G: Risk Management Policy.](#)

- **Risk mitigation:** Assisting management with developing and implementing strategies and controls to avoid, reduce, share, or accept risks in line with the organization's risk appetite.
- **Monitoring and reporting:** Continuously monitoring and evaluating the effectiveness of risk management activities and providing regular reports to the board, Audits and Risk Management committee, and CalSTRS management. This could include ad hoc reporting to the board or another board committee, as requested. In addition, reports will be issued to the Department of Finance as required by the State Leadership and Accountability Act.
- **Training and awareness:** Providing training and awareness programs to ensure all employees understand their roles and responsibilities in managing risks within their respective areas. This includes establishing policies and tools to support the ERM program and administering the annual mandatory risk and compliance training for all CalSTRS staff.
- **Integration:** Integrating risk management into strategic planning, decision-making processes, and day-to-day operations throughout the organization.

Access

To fulfill the mission and objectives of the ERM Program, the program will have full and unrestricted access to all CalSTRS functions, records, files and information systems, personnel, contractors, physical properties, and any other items relevant to performing risk assessment and evaluating risk mitigations. Due to the sensitive and non-public nature of investment data, ERM staff will not access investment data. ERM staff will protect the information acquired in the course of their duties. Staff will not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of CalSTRS or to the ERM Program.

Program self-evaluation

The ERM Program shall conduct periodic self-evaluations to assess the effectiveness of its processes, controls, and overall performance. These evaluations will include reviews of risk management policies, procedures, and methodologies, as well as feedback from stakeholders. Any identified areas for improvement shall be addressed promptly to enhance the efficiency and effectiveness of the ERM Program.

Revisions

This charter shall be reviewed and revised every other year, or as necessary, to ensure its alignment with the organization's objectives, evolving risk landscape, and regulatory requirements. Any proposed revisions to the Charter shall be presented to the Audits and Risk Management Committee for approval.

Approved by Audits and Risk Management Committee: Month XX, 2024