Board of Retirement Regular Meeting
Sacramento County Employees' Retirement System

Agenda Item 17

MEETING DATE: January 15, 2025

SUBJECT: Risk Assessment Project

SUBMITTED FOR: ___ Action __X__ Information

RECOMMENDATION

Receive and file Risk Assessment Project Overview, as presented by Larry Jensen, Audit & Risk Management Services.

PURPOSE

This item supports the Strategic Management Plan by maintaining transparent communications to stakeholders and promoting fiscal responsibility and stewardship.

DISCUSSION

Since July 2024, executive management and staff have been working with Larry Jensen of Audit and Risk Management Services (ARM) to develop and finalize an organizational-wide risk assessment. In the process, identified risks where categorized, rank ordered, and prioritized with common risk ranking criteria to develop a heatmap used to analyze data to uncover actionable opportunities. Assessment is a pivotal component of the SCERS risk management strategy.

The resulting risk assessment completes the first phase of a multi-phase plan to achieve a broader and more comprehensive risk and audit compliance posture that will ultimately result in an enterprise risk management program. Completing the first phase, Staff has identified approximately one-hundred and fifty (150) strategic and operational risks to be managed through the annual Strategic Management plan (SMP) and other strategic planning processes.

Later phases will introduce a compliance aspect to identify operational risks for planning future audits, and a strategic aspect to identify risks that need to be effectively managed when pursuing the overall mission and objectives of the organization. By systematically assessing our enterprise risks, Staff will be able to 1). identify the key risks hindering the achievement of strategic objectives; 2). establish a process for communicating significant risks to executive management and the Board; and 3). provide assurances that risks are managed at an acceptable level to the organization.

ATTACHMENTS

- Board Order
- Risk Assessment Presentation

Prepared by: Reviewed by:

/S/   /S/

_____   _____
Margo Allen   Eric Stern
Chief Operations Officer   Chief Executive Officer

Retirement Board Order
Sacramento County Employees' Retirement System

Before the Board of Retirement
January 15, 2025

AGENDA ITEM:

Risk Assessment Project

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to receive and file Risk Assessment Project Overview, as presented by Larry Jensen, Audit & Risk Management Services.

I HEREBY CERTIFY that the above order was passed and adopted on January 15, 2025, by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:
(Present but not voting)

_____   _____
James Diepenbrock   Eric Stern
Board President   Chief Executive Officer and
                                          Board Secretary

RISK ASSESSMENT

Sacramento County Employees' Retirement System

Larry Jensen, CIA, CRMA, CISA

- Pension Fund Experience

    o Audit Committee Consultant - LACERA

    o Chief Auditor - CalSTRS

    o Chief Compliance Officer - CalSTRS

    o Chief Auditor – CalPERS

    o Chief Risk Officer – CalPERS

    o AEO Administration – CalPERS

- Education / Professional Certifications / Associations

- Advising/ Reporting to Audit Committees

- Audit & Risk Management Services, LLC

SCERS
Strategic Plan

Value Creation:
- Information Technology
- Customer Service
- Stakeholder Outreach
- Investments

Risk:
- Information Security
- Internal Controls
- Compliance / Legal
- Reputation
- Financial

What is Risk ?

"Risk is the effect of uncertainty on objectives."

You can't run a business without taking risks.

— Millard Drexler —

AZ QUOTES
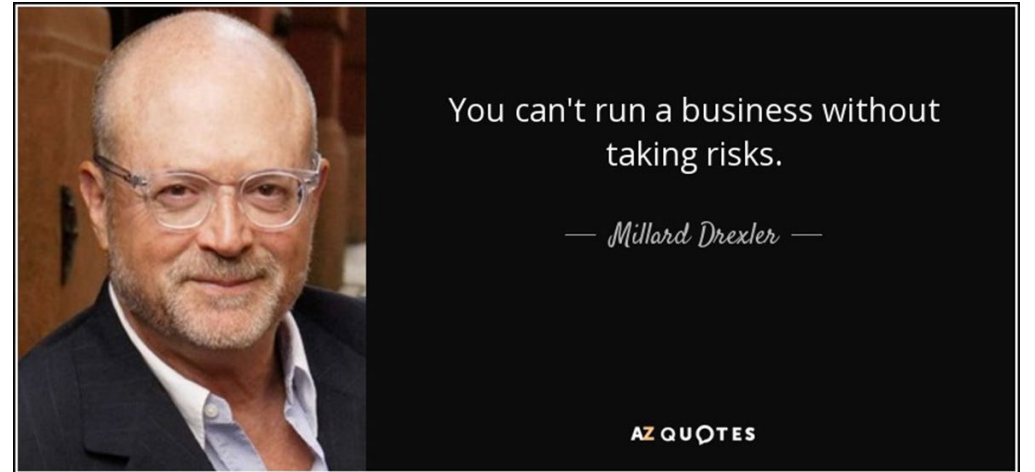
Benefits of Risk Management?

- Improved organizational efficiency & delivery of services.

- Help bring clarity to managing uncertainty.

- Enhances decision making processes.

- Improves risk awareness and collaboration.

- It promotes a culture of better understanding, disclosure, and management of risks and opportunities.

- Be responsive to the evolving risk profile of SCERS.

Risk Assessment

Survey
- Executive Team
- Management Team

Interviews
- Executive Team
- Management Team
- Financial Statement Auditor

Workshops
- Administrative Team
- Benefits Team
- General Counsel

Documents
- Strategic Plan
- Strategic Management Plan
- Financial Statements
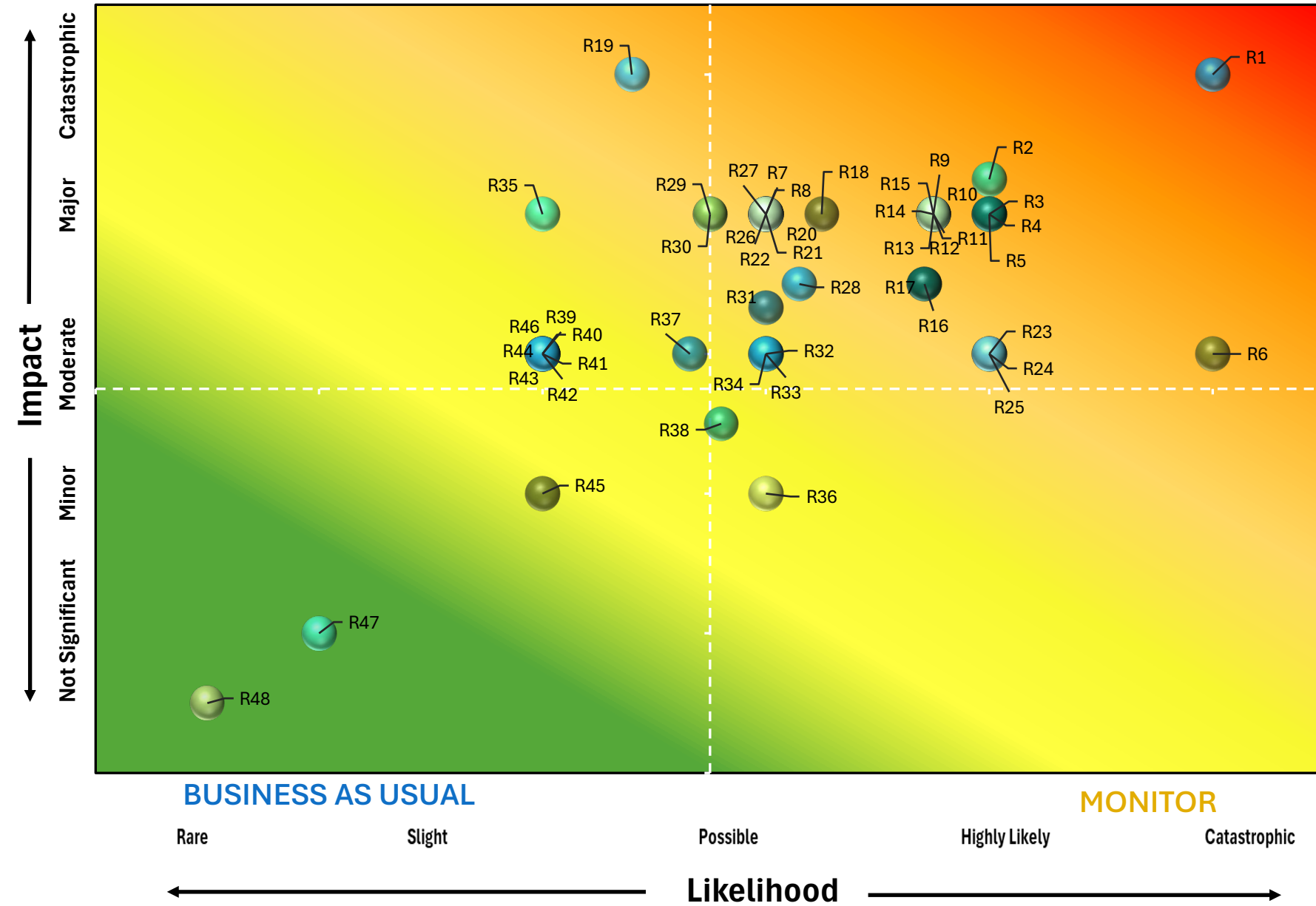- Board Agenda Items
- Board Policies

SCERS Operational Risk Universe

Strategic

Governance:
- Fiduciary Duty
- Plan Sponsor Relations
- Risk Management
- Control Environment
- Political
- Reputational
- Public Relations

Strategy and Policy:
- Strategic Plan
- Strategic Mgmt. Plan
- Strategic Alignment

Pension Funding:
- Pension Funding
- Unfunded Liability
- Contribution Rates

Actuarial:
- Assumptions
- Longevity
- Asset Allocation
- Actuarial Experience
- Demographic Shifts

Operational

Administration:
- Lease Administration
- Catastrophic Loss
- Emergency Protocols
- Phone Calls Admin.
- Complaint Escalation & Resolution
- Records Retention

Information Technology:
- Information Security
- Cybersecurity
- System Access
- Software & Data Ownership
- Business Continuity
- Change Control
- Privilege Access
- Information Integrity
- Personal Computers
- Help Desk Procedures
- Upgrades/Versions
- Information Privacy
- Records Retention
- Technology Risk
- Technical Support
- Workbook Risk
- Workflow Mgmt.
- System Back-up
- 3rd Party Data Access
- Website Maintenance

Members:
- Beneficiary
- Bank Account
- Service Credit Adjmts.
- Member Termination
- Member Enrollment
- Member File Admin
- Imaging Mbr Records
- Unclaimed Benefits
- Overpayment Collections
- Pension Recoupment
- 1:1 Benefits Meetings with Member/Retirees
- Benefits Estimates
- Record Review Process
- Post Retirement Employment
- Reciprocity
- Records Retention
- Member Refunds
- Reqd. Minimum Dist.
- Service Purchases
- Service Retirement
- Split Benefits
- Member Education
- Vested Deferred Benefits Applications
- Disability Applications

Death Benefits:
- Death/Survivor Benefits
- Death Notification

Benefit Payments:
- Benefit Administration
- Preliminary Benefit
- Final Benefit
- Check Deductions
- Contribution Adjustments
- Monthly Pension process
- Salary Continuance & Salary Adjustment
- Annual Member Statements

Employers:
- Employer Reporting
- Return to Service
- Records Retention
- Insurance Premium Withholding

Human Resources:
- Payroll Administration
- Voluntary Deductions
- Performance Evals
- Termination Process
- Disciplinary Actions
- Privacy Issues
- Personnel Files
- Recruitment & Retention
- Change Fatigue
- Compensation
- Employee Turnover
- Succession Planning
- Knowledge Mgmt.
- Training

Financial

Financial Accounting:
- Journal Entries
- GL Reconciliations
- Investment Manager Reconciliations
- Monthly Accrual Process
- Segregation of Duties
- External Audit

Employer Reporting:
- Member Data
- Contributions
- Contribution Reconciliation
- Unclaimed Contributions

Budget:
- Planning
- Zero Based Budget
- Budget Monitoring

Benefit Payments:
- Retiree Payroll
- Federal Taxes

Procurement:
- Vendors
- Contract Management
- 3rd Party Due Diligence

Financial Reporting:
- Popular Annual Financial Report
- Financial Statements
- GASB compliance

Accounts Payable:
- Vendor Payments
- Purchasing Card
- Travel Expenditures
- Trustee Reimbursements
- Unclaimed Funds

Cash Management:
- Cash Receipts
- Tax Reporting - 1099s
- Capital Call Funding
- Cash Management
- Cash Flow Projections
- Bank Account Admin.
- Bank Reconciliations
- Stop Pymts/Rpl Checks
- BofA Stmt Recons
- Wire Transfers

Legal / Compliance

Laws, Rules, and Regulations:
- Public Info Requests
- Public Meetings
- Compliance
- State & Fed Tax
- Admin. Hearings
- Contract Management
- Court Orders (DRO)
- Litigation
- Pension Reform
- Record Retention
- Regulatory Enviromnt
- Regulatory Changes
- Legislative Bills

Internal Policy:
- Board Policies
- E-Discovery
- Privacy and Confidentiality
- Records Mgmt.

Ethics:
- Conflicts of Interest
- Stds. of Conduct
- Ethical Behavior

SCERS Risk Heat Map

CONTINGENCY PLANNING FOR THREATS

IMMEDIATE ACTION

BUSINESS AS USUAL

MONITOR

Impact (axis): Not Significant, Minor, Moderate, Major, Catastrophic

Likelihood (axis): Rare, Slight, Possible, Highly Likely, Catastrophic

ID	Risk	ID	Risk
R1	Software & Data Ownership	R25	Contract Compliance
R2	Cyber Security	R26	Conflict of Interest
R3	Plan Sponsor Relations	R27	Policies and Procedures
R4	Change Fatigue	R28	Access Management
R5	Workflow Mgmt. / Policies & Procedures Audit/Compliance Program	R29	Employee Safety
R6		R30	Benefits Compliance
R7	Recruitment & Retention	R31	Member / Stakeholder Communications
R8	Collection of Overpayments	R32	Engagement / Working Remotely
R9	Unclaimed Benefits	R33	Employer Services
R10	Employer Reporting	R34	Domestic Relations Order
R11	Workbook Security	R35	Wire Transfers
R12	Change Control	R36	Board turnover/stability
R13	Knowledge Management	R37	Record Retention
R14	Data Privacy	R38	Optional Benefit Calculations
R15	Third-Party Data Access	R39	Financial Reporting
R16	Inefficient Benefit Processes	R40	Purchases
R17	Benefit Payments	R41	Employer Forum
R18	Information Technology	R42	Customer Service / Reception
R19	Information Security	R43	Political/Litigation risk
R20	HR Policy Administration	R44	Board Training
R21	Talent Management	R45	Budget
R22	Business Resumption / Disaster Recovery	R46	Travel
R23	Service Credit Buyback	R47	New Accounts
R24	Workload Management	R48	Actuarial

SCERS Risk Portfolio

| Risk	RESIDUAL RISK	Risk	RESIDUAL RISK
Software & Data Ownership	25	Third-Party - Vendor Contract Compliance	12
Cyber Security	17	Conflict of Interest	12
Plan Sponsor Relations	16	Policies and Procedures	12
Change Fatigue	16	Access Management	11
Workflow Management / Policies and Procedures	16	Employee Safety	11
Audit/Compliance Program	15	Compliance - Benefits	11
Staff Recruitment & Retention	15	Member / Stakeholder Communications	10
Collection of Overpayments	15	Engagement / Working Remotely	9
Unclaimed Benefits	15	Employer Services	9
Employer Reporting	15	Domestic Relations Order	9
Workbook Risk	15	Wire Transfers	8
Change Control	15	Board turnover/stability	8
Knowledge Management	15	Record Retention	8
Privacy	15	Optional Benefit Calculations	7
Third-Party Data Access	15	Financial Reporting	6
Inefficient Processes - Benefits	13	Purchases	6
Benefit Payments	13	Employer Forum	6
Information Technology	13	Customer Service / Reception	6
Information Security	12	Political/Litigation risk	6
HR Policy Administration	12	Board Training	6
Talent Management	12	Budget	4
Business Resumption / Disaster Recovery	12	Travel	4
Service Credit Buyback	12	New Accounts	1
Workload Management	12	Actuarial	0

SCERS Risk Assessment – Top 15 Risks
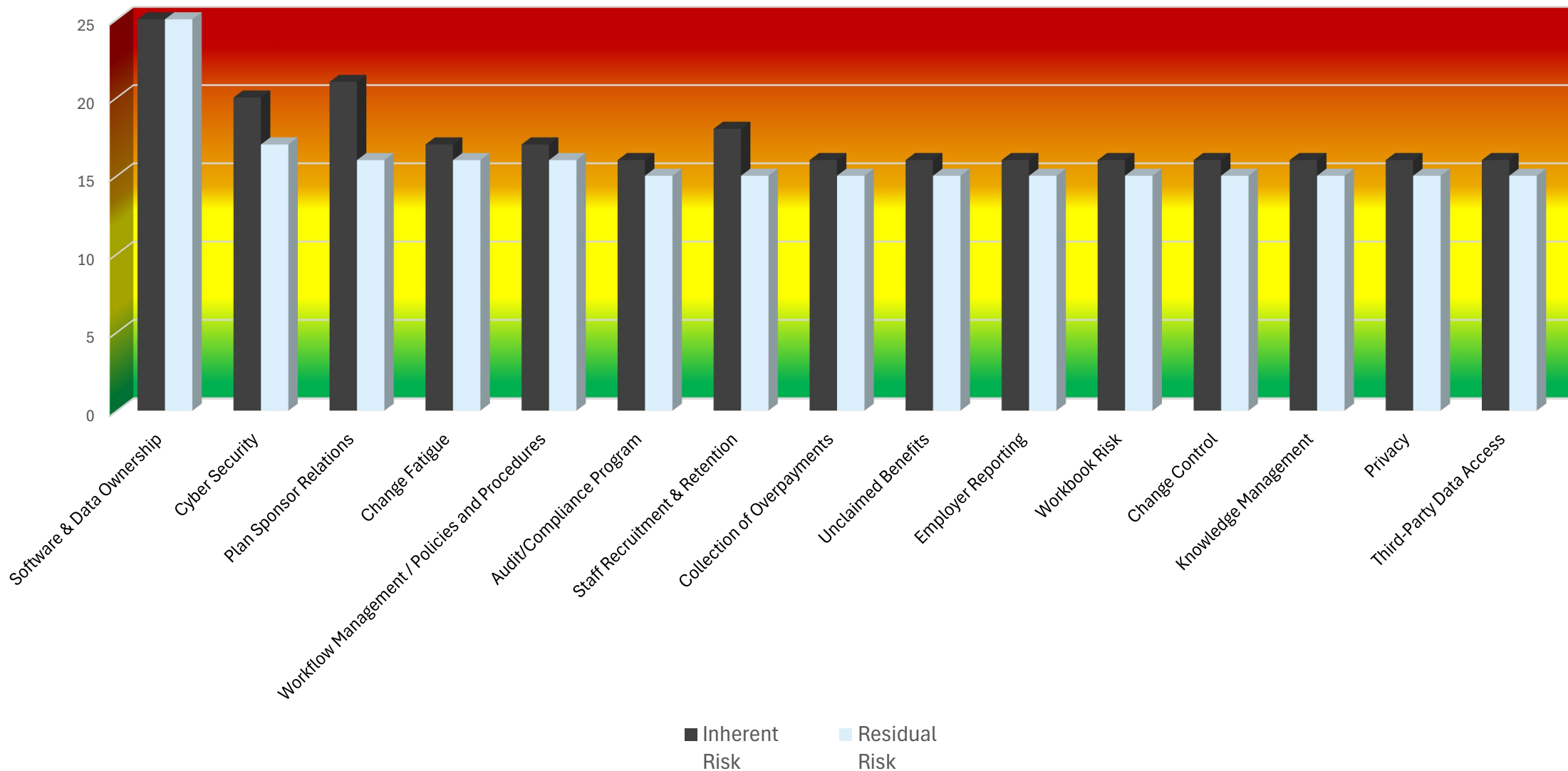
Next Steps

COMPLETE RISK ASSESSMENT
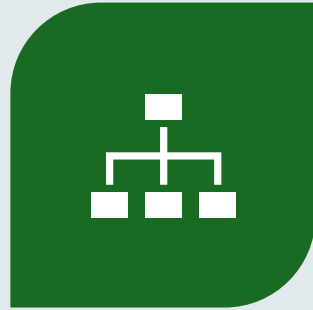
BOARD AND MANAGEMENT REPORTS

AUDIT UNIVERSE

PROPOSAL FOR AUDIT / INTERNAL COMPLIANCE WORK

THANK YOU

Larry Jensen CIA, CRMA, CISA

Audit & Risk Management Services, LLC

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