

Date: July 15, 2026
To: Board of Retirement
From: Doris L. Rentschler, Executive Director
Subject: Enterprise-Wide Risk Assessment Update

Recommended Action:

None – Informational.

Fiscal and Financial Impacts:

There are no fiscal or financial impacts related to receiving this report.

Strategic Plan Importance and Risk Assessment:

The risk assessment directly relates to the Board's strategic plan goal to strengthen risk oversight.

Background and Discussion:

Risk ratings of several areas on the attached Strategic and Operational Risk Report were updated to reflect changes over the past 6 months.

Improvement is shown in Third Party Data Breach due to including privacy, data protection, and security event provisions in vendor contracts. MCERA is still evaluating implementation of a vendor due diligence policy.

Segregation of Duties and Recruitment and Retention risks were both downgraded due to the vacancy in the Retirement Accountant position. The position is being filled with the selected candidate start date of August 3rd.

Attachment(s): 2026 07 15 MCERA Risk Assessment Update

Mendocino County Employees Retirement Association
Strategic and Operational Risk Report
July 15, 2026

No	Risk Statement	Jun 2026 Status	Dec 2025 Status	Key Business Outcomes	Jun 2026 Status	Dec 2025 Status
1	Third Party Data Breach is the risk of having sensitive or confidential data stolen from a third-party vendor or when vendor systems are used access and steal information stored on MCERA or business partner systems.			MCERA risk mitigation strategies will evaluate implementation of a vendor due diligence policy and vendor contract provisions. Vendor contracts now include privacy, data protection and security events provisions.		TBD
2	Spread Sheet The risk if errors caused by undetected mistakes, errors and omissions in vital spreadsheets threat MCERA depends on for things like service credit purchases, investment valuations, fee tracking, and financial reporting.			MCERA upgraded the pension system to perform service credit purchases in conformance with the CERL eliminating manual calculations and tracking. Spreadsheets used for critical processes should be audited regularly to ensure accuracy and validity.		
3	Succession Planning is the risk of failure to create and implement a succession plan for key positions and employees.			MCERA developed succession planning policy for key staff and trustee positions. The staff succession plan addresses operational risk by providing a detailed, multi-layered process to minimize business interruptions stemming from transitions in key roles.		
4	Unfunded Liability is the risk that unfunded pension obligations can strain the fund's financial health.			MCERA Board receives regular education and reports and will continue to evalutate investment strategies and actuarial assumptions to ensure they are appropriate for the maturity and cash flow status of the plan to provide members with a secure retirement.		
5	Cyber Security is the risk of an organization getting breached by cyber attacks or insider access, malware, phishing, ransomware, inappropriate sharing of confidential information, lack of encrypted data.			MCERA is assessing potential threats and vulnerabilities, along with technical solutions to protect confidential data and financial information.	TBD	TBD
6	Segregation of Duties is a risk due to improper segregation of duties and internal controls not in place to ensure the integrity of information and to prevent/ detect fraud.			With the addition of the Retirement Accountant position, MCERA revised key financial accounting and reporting processes to further segregate duties. The position is currently vacant and being filled.		
7	Regulatory Compliance is the risk of failure to act in accordance with rules, regulations, ethical standards, contractual obligations, policies, and ethical standards, resulting in a negative effect on the organization's reputation, and financial consequences to the organization or its members..			MCERA received an IRS Compliance Statement for the VCP, closing the benefit correction project. MCERA continues to montitor changes to the regularatory environment and implement business controls or processes to comply with applicable requirements. MCERA instituted Agreed-Upon Procedures audits to further ensure regulatory compliance.		
8	Financial Market risk includes general movements in capital market prices that affect the value of MCERA's financial assets which in turn affect stakeholders' confidence in the organization and its ability to achieve its expected rate of return to fund pension obligations.			There is inherent risk investing funds in capital markets. MCERA relies upon financial advisors and actuaries who monitor market conditions and perform studies to assist the board making financial decisions and develop investment policy. Given the volatility in the financial markets, continuous monitoring and prudent investment strategies are critical to achieving the fund's expected rate of return to fund pension obligations.		
9	Investment Manager Selection is the risk of investment manager poor performance, excessive cost, or misconduct harming the fund's returns and reputation.			Oversight of investment managers requires on-going training of the selection and monitoring processes and implementation of on-going due diligence activities.		
10	Recruitment & Retention is the risk of failure to attract and retain talented staff.			The Retirement Accountant position is vacant and in the process of being filled.		
		High		Strategies agreed, implementation largely complete		
		Significant		Strategies agreed, implementation is in progress		
		Moderate		Strategies agreed, resources required, limited implementation progress		
		Reduced				