



## Risk and Audit Committee

# Agenda Item 7a

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**June 15, 2021**

**Item Name:** 2020-21 Annual Compliance Report

**Program:** Enterprise Compliance Office

**Item Type:** Information

### **Executive Summary**

This agenda item presents the FY 2020-21 Annual Compliance Report.

### **Strategic Plan**

This item supports the CalPERS 2017-22 Strategic Plan Goal: *Cultivate a risk-intelligent organization* and the strategic objective of providing enhanced compliance and risk functions throughout the enterprise.

### **Background**

The Annual Compliance Report summarizes CalPERS' enterprise-wide compliance activities for each year. The FY 2020-21 Annual Compliance Report reflects the period of July 1, 2020 to June 30, 2021.

### **Analysis**

The Annual Compliance Report documents CalPERS' most significant compliance-related activities and accomplishments, supporting effective Board oversight and enhancing transparency and public confidence.

Compliance awareness and risk management are integral to cultivating a high-performing, risk-intelligent, and innovative organization. CalPERS has embraced an Integrated Assurance model that incorporates governance, risk, and compliance practices as a multi-faceted approach to promoting compliance awareness and accountability.

The Integrated Assurance model centers on "The Three Lines of Defense" framework, which distributes compliance activities within the organization as follows:

- **First Line of Defense** – The first level of the control environment is the Program Areas who perform day to day risk management activity.

- **Second Line of Defense** – The second level of the control environment are the oversight functions, such as Enterprise Compliance and Enterprise Risk Management, who set direction, define policy, and provide assurance.
- **Third Line of Defense** – The third level of the control environment is internal audits, who provides independent assurance on the effectiveness of governance, risk management, and internal controls.

### **Budget and Fiscal Impacts**

This item does not have any specific budget or fiscal impacts but is part of the regular and ongoing workload of the Enterprise Compliance Office.

### **Benefits/Risks**

The establishment of an effective ethics and compliance program provides significant benefits to the organization:

- Monitoring and testing provide assurance regarding program area compliance.
- Reporting and disclosures provide assurance related to conflicts of interest.

Implementing the activities outlined in this agenda reduces CalPERS exposure to legal, financial, reputational and operational risks from:

- Failure to comply with laws or regulations, and/or
- The appearance of misconduct or noncompliance.

### **Attachments**

Attachment 1 – Annual Compliance Report – Fiscal Year Ended June 30, 2021

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Marlene Timberlake D'Adamo  
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