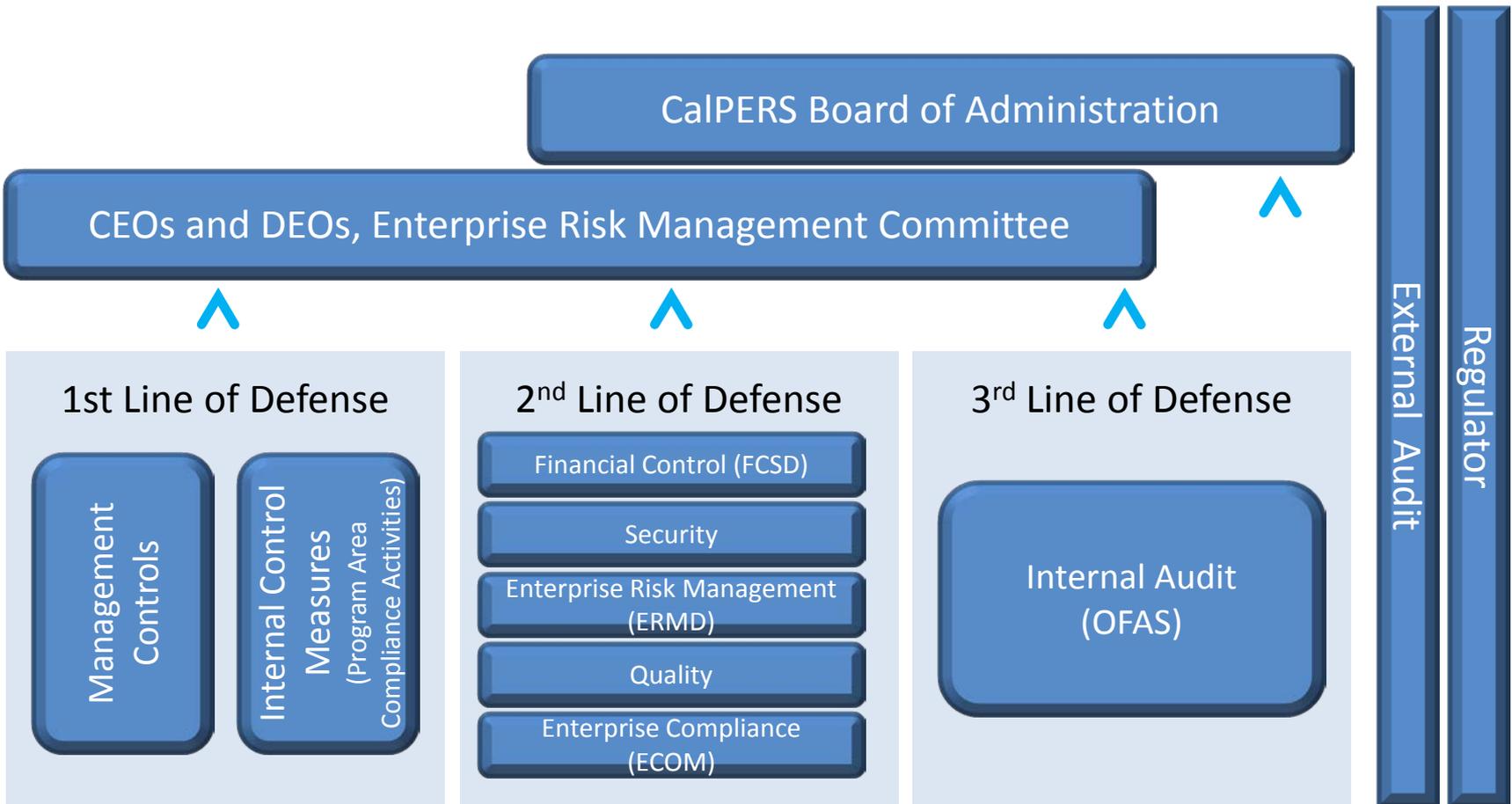


# CalPERS Integrated Assurance Model

June 19, 2013

# The Three Lines of Defense Model



Adapted from ECIIA/FERMA *Guidance on 8<sup>th</sup> EU Company Law Directive, article 41*

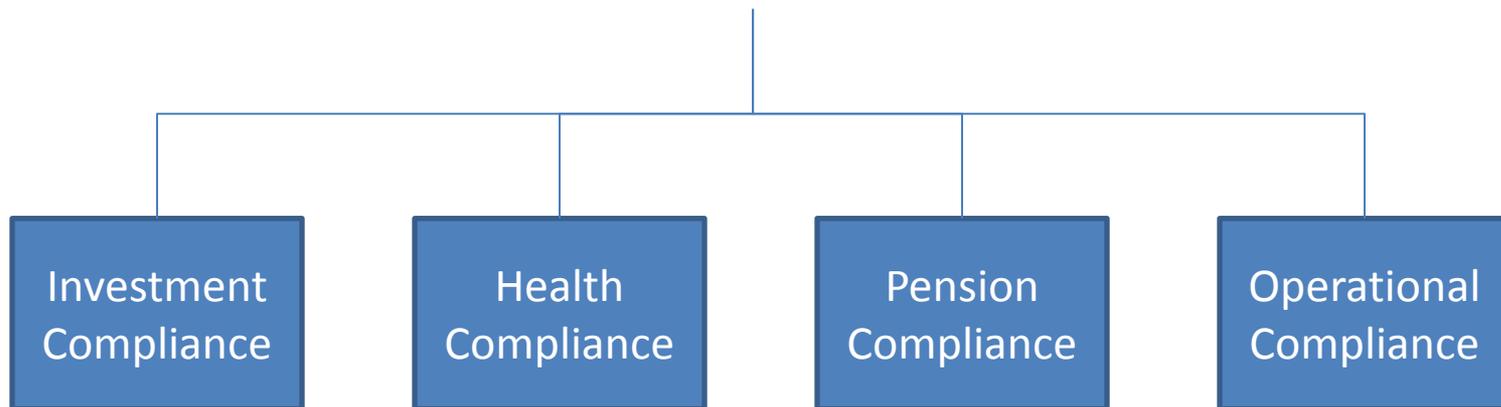
# The Three Lines of Defense at CalPERS

1st	2nd		3rd
Management	Enterprise Risk Management	Compliance	Internal Audits
Responsible for the design, implementation, policy, and monitoring of the operational processes and internal controls to ensure achievement of business objectives, compliance, and the management of risk.	Responsible for the design, implementation, policy, and risk assessments for the management of enterprise-wide risk. ERM is responsible for establishing the framework to identify and monitor risk, assisting programs in executing sound risk management at the first line of defense.  Risk management is a shared responsibility between program areas and ERMD.	Responsible for program design and implementation, policy, tracking and enterprise monitoring for compliance with applicable laws, regulations and policies.  Compliance is a shared responsibility between program areas and ECOM.	Responsible for providing the Board and management with independent and objective assessments of the design and operating effectiveness of internal controls over business and IT operations, compliance with laws, policies and effective management of risks.

# Compliance Framework

Statutes, Rules & Regulations

## ECOM



# ECOM Objectives

- Operate in an ethical and legal manner that complies with laws, regulations and policies
- Promote efficient processes that reduce legal, regulatory and business risk
- Provide information and tools to enhance decision-making
- Strengthen internal relationships
- Mitigate risk of legal and regulatory fines and/or actions

# ECOM Duties and Responsibilities

- Develop, document and implement procedures, processes and controls related to enterprise compliance oversight and monitoring
- Effectively detect, prevent and address violations of law and actual and perceived conflicts of interest
- Conduct compliance reviews of program activities (including compliance activities performed by program staff) and communicate results to divisions
- Monitor investment system's controls for effectiveness
- Meet regularly with program staff to coordinate program compliance oversight efforts
- Monitor and administer Personal Trading Regulation and platform
- Properly and appropriately escalate compliance issues

# Next Steps

