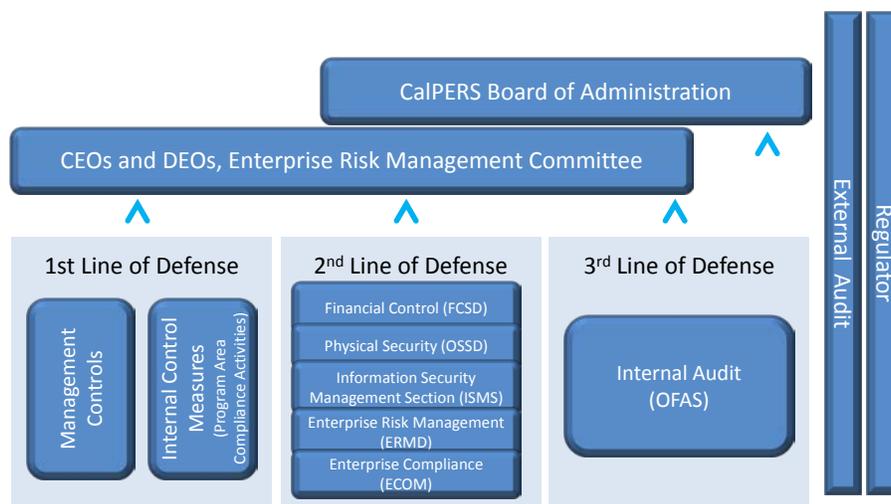


CalPERS Integrated Assurance Program

This chart shows the three lines of defense model that CalPERS uses as the basis of the Integrated Assurance Program. Under this approach, we bring together the right people, processes and systems to methodically manage performance and risk to achieve CalPERS strategic goals and objectives. CalPERS Integrated Assurance Model provides a coordinated approach to the management of risk by leveraging our limited resources while expanding our breadth of services provided through our assurance providers.

The Three Lines of Defense Model



Each line of defense operates in complimentary but different ways.

First Line of Defense: Program Areas

- Complies with laws, regulations and policies
- Establishes and administers controls to prevent and detect noncompliance

Second Line of Defense: Office of Enterprise Risk Management (OERM)

- Increased objectivity and independent validation through independent reporting relationship.
- Enterprise Risk Management Division (ERMD)
 - Identifies and monitors risks of all types throughout CalPERS
 - Helps program areas manage identified risks.
- Enterprise Compliance Division (ECOM)
 - Monitors and oversees program area compliance with laws, regulations and policies.
 - Works with program areas to identify and manage compliance risks.

Third Line of Defense: Office of Audit Services (OFAS)

- Increased objectivity and independent validation through independent reporting relationship.
- Conducts point-in-time assessments of the design and operating effectiveness of internal controls over business and technology operations, compliance with laws and policies and effective risk management.