



Agenda Item 7a

June 16, 2014

ITEM NAME: Investment Compliance Program Annual Review

PROGRAM: Investment Compliance and Operational Risk

ITEM TYPE: Program Update – Information

EXECUTIVE SUMMARY

This agenda item provides the Investment Committee an update on the Investment Compliance Program. This item reviews the Program's purpose and role within the Investment Office, duties and responsibilities, key accomplishments and upcoming initiatives.

STRATEGIC PLAN

This agenda item supports the CalPERS Strategic Plan goal of cultivating a high-performing, risk intelligent and innovative organization. Periodic reports from Investment Compliance and Operational Risk (ICOR) on investment compliance supports the Investment Committee in its oversight capacity with regard to compliance with investment policies, the Investment Office risk assessment and providing an effective control environment.

BACKGROUND

Modeled after compliance functions found in institutional external managers engaged by CalPERS, ICOR provides annual, or more frequent as needed, reporting to the Investment Committee.

Investment Office Senior Staff are responsible for the design and implementation of the operational processes and internal controls to ensure achievement of business objectives, compliance, and the management of risk. The Investment Compliance Program seeks to assist Investment Office staff in better understanding and managing compliance and operational risk, as well as creating clear Target Operating Model (TOM) initiatives specifically addressing operational risk, governance, systems and controls and compliance with policies, laws and regulations.

ICOR seeks to evolve practices in the Investment Office to ensure compliance with key policies, laws and regulations. Additionally, ICOR has established detailed and comprehensive investment compliance training to ensure that investment staff have full awareness and understanding of applicable policies, laws and regulations.

ANALYSIS

The attached presentation (Attachment 1) provides additional information on the following items:

- Investment Compliance Program Overview
 - Program Background
 - Alignment of ICOR Functions and Initiatives with Investment Beliefs Statements, INVO Roadmap Objectives and Target Operating Model
- Program Role & Scope
- Program Structure & Responsibilities
- Conclusion & Next Steps
- Appendices:
 - Description of Core Functions
 - 2013 and 2014 Annual Investment Compliance Training Topics

BUDGET AND FISCAL IMPACTS

Not Applicable

ATTACHMENTS

Attachment 1 – Investment Compliance Program Annual Review

CAROL MOODY
Senior Portfolio Manager
Investment Compliance and Operational Risk

WYLIE TOLLETTE
Chief Operating Investment Officer