



Agenda Item 8c

June 15, 2015

ITEM NAME: Investment Compliance Program 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 role and responsibilities within the Investment Office, its scope, core functions, key accomplishments and upcoming strategic 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) support the oversight capacity of the Investment Committee and overall risk management by the Investment Office (INVO) Management Committee.

BACKGROUND

ICOR functions are modeled after best practices found at regulated external managers and guided by several Investment Beliefs, primarily Investment Belief 9, that risks are multi-faceted and not fully captured through measures such as volatility or tracking error, and investment belief 10, that strong processes, teamwork and deep resources are needed to achieve CalPERS goals and objectives.

ICOR is responsible for ensuring that INVO maintains ongoing compliance with regulatory and investment policy requirements, and provides both an annual review of the investment compliance program and monthly status reports to the Investment Committee. The Investment Compliance Program also informs the INVO Management Committee to better understand and manage compliance and operational risks by sponsoring strategic initiatives that specifically address governance, systems and controls, and compliance with policies, laws and regulations.

ICOR seeks to evolve practices throughout INVO to ensure compliance with key policies, laws and regulations and further integrate its practices into the enterprise integrated assurance framework. Additionally, ICOR conducts mandatory annual investment compliance training for INVO staff, which enables ICOR to continuously

provide comprehensive knowledge and practical learning about applicable policies, laws and regulations.

ANALYSIS

The attached presentation (Attachment 1) provides an overview of the Investment Compliance Program following the information review outline below:

- Program Overview
 - Program Role
 - Program Scope
- Investment Compliance Review
 - Core Functions
 - Program Benchmarking
- Business Review
 - Business Model
 - Staffing Overview
 - Strategic Plans/Projects Update
- Appendices:
 - Best Practice Peer Exchange Topics
 - Compliance Training Topics

ATTACHMENTS

Attachment 1 – Investment Compliance Program Review

WYLIE TOLLETTE
Chief Operating Investment Officer