

2016-17 Enterprise Compliance Annual Plan

Presented to
Risk and Audit Committee
June 2016

Agenda Topics

- Compliance Program Purpose and Mission
- Updated 5 year Outlook
- Enterprise Compliance Program Maturity
- 2016-17 Initiatives
- Wrap up and Q&A
- Appendix

Compliance Program

Purpose: The purpose of Enterprise Compliance is to ensure that CalPERS maintains compliance with the letter and spirit of all applicable laws and regulations, in partnership with program areas.

Mission: The Enterprise Compliance Division's mission is to define and oversee CalPERS Compliance Program that:

- Promotes a positive control environment;
- Prevents, detects, and responds to issues of non-compliance;
- Serves as a resource for guidance about compliance and ethical issues;
- Ensures program and policies reinforce ethical decision making;
- Ensures that CalPERS meets its fiduciary, regulatory, and contractual obligations;
- Creates and maintains a culture of honesty and integrity; and
- Encourages a commitment to doing the right thing.

Compliance Focus Areas | Elements & Goal of the Compliance Program

Compliance Elements

Strategic Management (Governance)				
Leadership and Governance	Roles and Responsibilities	Enterprise Compliance Program Design	Program Area Compliance Design	Integrated Assurance Roles (Compliance, Risk and Audit)
Standards and Codes	Laws and Regulations	Legal Determinations	Delegations of Authority Oversight	Policy and Procedure Standards
Risk Assessment and Priorities	Risk Assessments	Control Improvement Prioritization	Resource Commitments	
Program Management				
Operating Events and Incident Management	Incident Management Standards	Responses to and Resolution of Incidents	Reporting Resolution of Incidents	
Monitoring and Testing	Framework for Monitoring and Testing	Align Assurance Practices (Risk and Audit)	Program Compliance Monitoring	
Reporting and Disclosures	Externally Mandated Reporting	Internal Oversight Reports and Protocols	Leadership & Board Compliance Reporting	
Education and Communication	Education and Training Programs	Communication Strategy	Resource and Skill Development	Compliance Awareness and Culture

Demonstrate Compliance Effectiveness

Continue to expand capabilities started in 2015-16 in key focus areas

- Roles and Responsibilities
- Policy & Delegation Management
- Embedded Compliance Implementation
- Education & Awareness (Culture of Compliance)

Expand focus areas for 2016-17

- Laws and Regulations
- Risk Assessment and Priorities
- Resolution and Reporting of Incidents
- Monitoring and Testing (Targeted Reviews)
- External Reporting

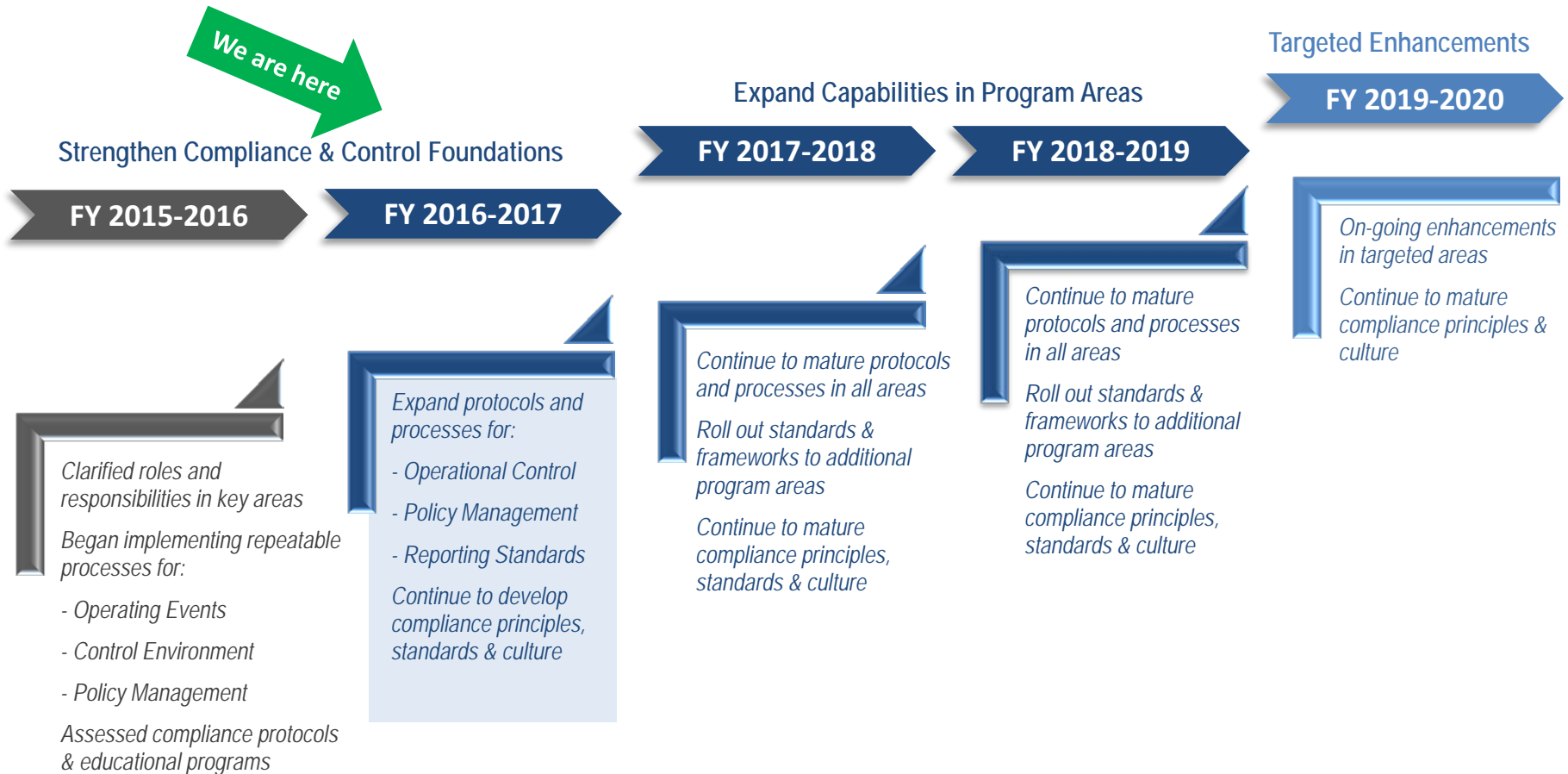
Legend

2016-17 Focus Areas

Activity Underway

Updated Five-Year Outlook – Enterprise Compliance Maturity

Since the launch of the Compliance Plan in FY 2015-16, staff began strengthening the effectiveness and maturity of compliance capabilities and will phase implementation over a 5 year period.



Enterprise Compliance Maturity | FY 2016-17 Focus Areas & Initiatives

The initiatives in the 2016-17 plan will improve compliance effectiveness and establish defined, repeatable processes that are continuously evaluated for efficacy.

Compliance Focus Areas	2016-17 Initiatives	Development Stage
Enterprise Ethics Programs	<ul style="list-style-type: none"> • Conflict of Interest • Ethics & Whistleblower Administration • Ethics Policies Development & Oversight 	
Compliance & Ethics Communication, Education & Reporting	<ul style="list-style-type: none"> • Education & Training • Communications (Culture & Awareness) • Externally Mandated Reporting 	
Enterprise Policy & Delegation Management	<ul style="list-style-type: none"> • Enterprise Policy Management Implementation • Enterprise Delegation Management • Authoritative Sources Protocols & Implementation 	
Enterprise Compliance Monitoring & Oversight	<ul style="list-style-type: none"> • Embedded Compliance Development & Implementation • Program Monitoring, Oversight & Reporting • Investment Compliance Monitoring, Oversight & Program Reporting • Personal Trading Monitoring & Oversight 	

2016-17 Initiatives | Focus Areas

Enterprise Ethics Program

Goal/Purpose: Enhance ethics-related policies and practices.

Conflict of Interest:

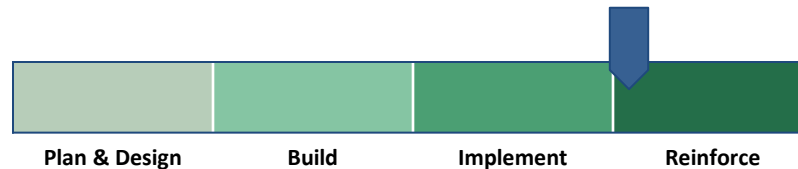
- Improve processes for monitoring and reporting Form 700 disclosures required by the Conflict of Interest Code (§ 560).

Ethics & Whistleblower Administration:

- Review and improve Ethics and Whistleblower processes to improve administration, monitoring and reporting.

Ethics Policies Development & Oversight:

- Evaluate CalPERS ethics-related policies and identify opportunities to improve education, compliance protocols and oversight.



2016-17 Initiatives | Focus Areas

Compliance & Ethics Communication, Education and Reporting

Goal/Purpose: Mature a comprehensive compliance education and training curriculum.

Education & Training:

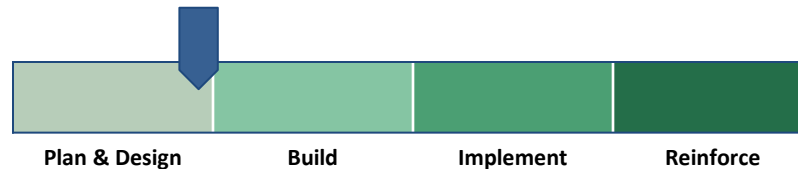
- Develop effective compliance & ethics communications and education & training curriculum for staff as well as management/oversight reports.

Communications (Culture & Awareness):

- Enhance communication programs that reinforce compliance policies and procedures, and CalPERS' commitment to an ethical culture.

Externally Mandated Reporting:

- Assess and enhance compliance protocols to ensure that mandated reports comply with external requirements and that the Board and senior management fulfill their oversight responsibilities.



2016-17 Initiatives | Focus Area

Enterprise Policy & Delegation Management

Goal/Purpose: Implement policy and delegation management frameworks.

Enterprise Policy Management Implementation:

- Establish a comprehensive policy management framework and implement throughout the organization.

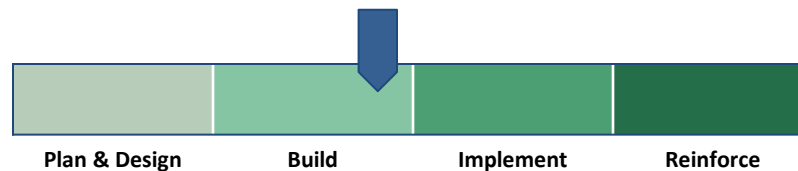
Enterprise Delegation Management:

- Establish delegations of authority standards and consistently apply throughout the organization.

Authoritative Sources Protocols and Implementation:

- Develop standards and tools to monitor requirements of authoritative sources and any changes.

Note: Authoritative sources include laws, regulations, executive orders, etc.



2016-17 Initiatives | Focus Area

Enterprise Compliance Monitoring & Oversight

Goal/Purpose: Implement compliance monitoring and oversight protocols and processes.

Embedded Compliance Development & Implementation:

- Continue implementing compliance functions and frameworks in identified program areas.
- Begin rollout of embedded compliance functions and frameworks in additional program areas.

Program Monitoring, Oversight & Reporting:

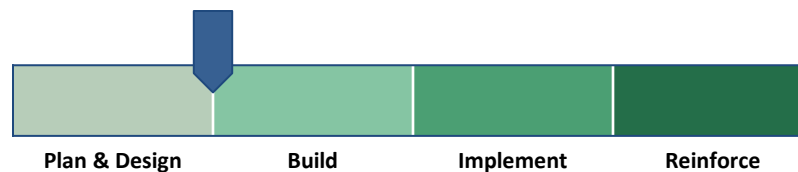
- Develop and begin implementation of oversight, monitoring and reporting frameworks.

Investment Compliance Monitoring, Oversight & Program Reporting:

- Assess and implement effective Information Barrier protocols.
- Develop reports on investment compliance monitoring to enable the Risk and Audit Committee to fulfill its delegated duties.

Personal Trading Monitoring & Oversight:

- Enhance personal trading protocols, education and reporting.
- Assess and enhance Personal Trading education materials and integrate with the annual compliance training program.



Wrap-up and Q&A

The 2016-17 initiatives will strengthen compliance & ethics capabilities. Efforts will achieve the following:

- Strengthen protocols and knowledge of CalPERS' ethics rules
- Continue to clarify roles and responsibilities among staff, management & control areas
- Establish governance protocols for management to clarify roles and promote effective decision making
- Reinforce "Tone from the Top" , Three Lines of Defense & Integrated Assurance Model
- Hire and develop knowledgeable compliance "champions"
- Improve compliance capabilities that result in strong internal control processes

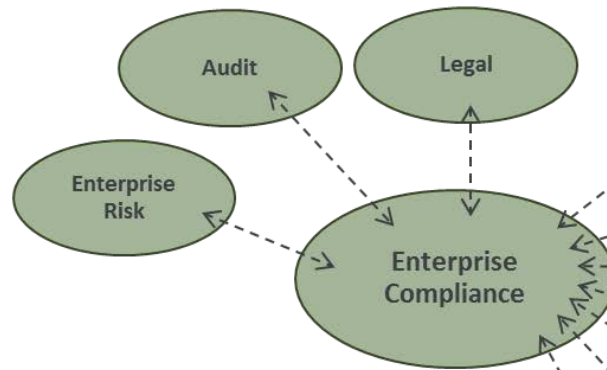
Roles & Responsibilities | CalPERS Enterprise Compliance Governance Model

Continue to expand the partnerships and strengthen compliance roles & responsibilities expected in the integrated assurance model.

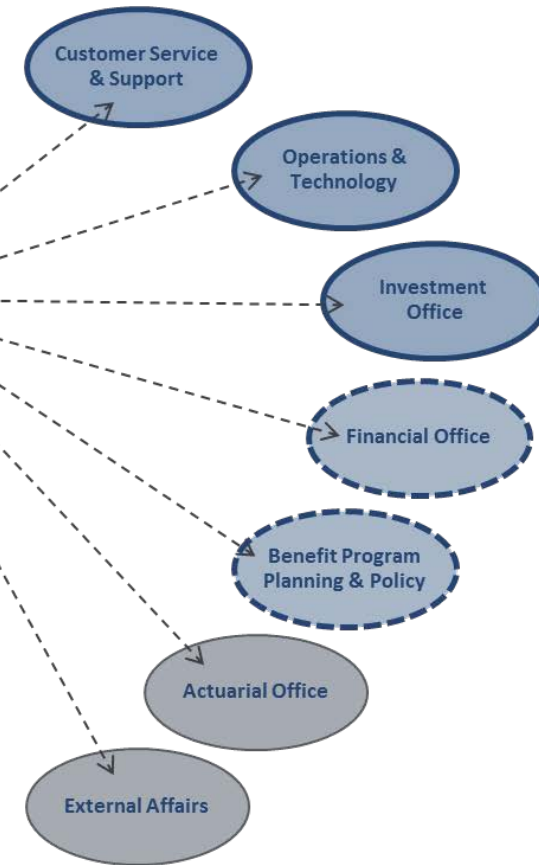
Leadership & Oversight



Enterprise Assurance Functions



Program Areas



Strengthen Foundations

2016-17 Focus Areas

Strengthen the compliance dialogue with leadership

Strengthen relationship and capabilities with enterprise assurance functions

Continue to build-out centralized compliance functions in programs with major operational complexity

Expand compliance capabilities in additional programs in 2016-17