

August 15, 2016**ITEM NAME:** Investment Compliance Program Review**PROGRAM:** Investment Compliance and Operational Risk**ITEM TYPE:** Annual Program Update – Information**Executive Summary**

This agenda item provides the Investment Committee (Committee) an update on the Investment Compliance Program (Program) component of the Investment Compliance & Operational Risk business unit (ICOR). This item reviews the Program's role, scope of its responsibilities, core functions embedded across the Investment Office (INVO), key accomplishments, and 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 support the oversight capacity of the Committee and overall risk management by the INVO Management Committee (IMC).

Investment Beliefs

Last year's review outlined alignment of ICOR's role and responsibilities with Investment Belief numbers 2, 3, 5, 7, 9, and 10. Accomplishments as follows addressed issues where the Program's management team still had ground to cover:

- Completion of the Investment Policy Revisions Project
- Transition to ICOR of compliance oversight and reporting for all CalPERS-related divestment initiatives

Background

The Program's primary responsibility is to maintain ongoing INVO compliance with regulatory and investment policy requirements. Similar to other compliance functions embedded within business units, the Program operates under the oversight of the Enterprise Compliance Division (ECOM). Program reporting to the Committee includes an annual review and monthly status reports. The Investment Office Operating Committee, under the direction of the IMC, prioritizes and supports proposed initiatives recommended by ICOR to specifically address control-environment improvements in response to changes in investment management industry practices and/or changes in INVO's business model.

Since the inception of ICOR in 2011, INVO continues to benefit as the Program evolves and matures to ensure conformance with applicable policies, laws, and regulations. Additionally, ICOR conducts mandatory annual investment compliance training that enables the Program to periodically educate INVO staff about applicable policies, laws, and regulations. Finally, ICOR works closely with ECOM to ensure adequate oversight and independence of investment compliance activities.

Analysis

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

- Program Role, Governance & Oversight
- Program Business Model & Core Functions
- Strategic Initiatives Update
- Appendix

Attachments

Attachment 1 – Investment Compliance Program Annual Review

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