



Risk and Audit Committee

Agenda Item 6a

June 14, 2022

Item Name: 2021-22 Annual Compliance Report

Program: Enterprise Compliance Office (ECOM)

Item Type: Information

Executive Summary

This agenda item presents the FY 2021-22 Annual Compliance Report.

Strategic Plan

This item supports the CalPERS 2017-22 Strategic Plan goal to “*cultivate a risk-intelligent organization*” and the strategic objective of providing enhanced compliance and risk functions throughout the enterprise.

Background

The Annual Compliance Report summarizes CalPERS’ enterprise-wide compliance activities for each year. The FY 2021-22 Annual Compliance Report reflects the period of July 1, 2021, to June 30, 2022.

Analysis

The Annual Compliance Report documents CalPERS’ most significant compliance-related activities and accomplishments, supporting effective Board oversight and enhancing transparency and public confidence.

Compliance awareness and risk management are integral to cultivating a high-performing, risk-intelligent, and innovative organization. CalPERS has embraced an Integrated Assurance model that incorporates compliance, risk, and governance practices as a multi-faceted approach to promoting compliance awareness and accountability.

The Integrated Assurance model centers on the “Three Lines of Defense” framework that distributes compliance activities within the organization as follows:

- **First Line of Defense** – The first level of the control environment is the program areas that perform day-to-day risk management activities.

- **Second Line of Defense** – The second level of the control environment is the oversight functions, such as ECRG which sets direction, defines policy, and provides assurance.
- **Third Line of Defense** – The third level of the control environment is internal audits, which provide independent assurance on the effectiveness of governance, risk management, and internal controls.

Budget and Fiscal Impacts

This item does not have any specific budget or fiscal impacts but is part of the regular and ongoing workload of ECOM.

Benefits/Risks

The establishment of an effective ethics and compliance program provides significant benefits to the organization by:

- Monitoring and testing to assure program area compliance.
- Reporting and disclosures that provide assurance related to conflicts of interest.

Implementing the activities outlined in this agenda reduces CalPERS' exposure to legal, financial, reputational, and operational risks from:

- Failure to comply with laws or regulations.
- The appearance of misconduct or noncompliance.

Attachments

Attachment 1 – Annual Compliance Report – Fiscal Year Ended June 30, 2022

Kevin L. Fein
Chief Compliance Officer