



Risk and Audit Committee

Agenda Item 6a

February 20, 2024

Item Name: 2023-24 Enterprise Compliance and Risk Management Plan Mid-Year Update

Program: Enterprise Compliance, Risk & Governance (ECRG)

Item Type: Information

Executive Summary

This item is to provide the Risk and Audit Committee with the mid-year update of activities in the Enterprise Compliance and Risk Management Plan for the period July 1, 2023, through December 31, 2023.

Strategic Plan

This item supports CalPERS' FY 2022-27 Organizational Excellence Strategic Plan Goal: Cultivate a diverse, risk-intelligent, and innovative culture through our team and processes, and Enterprise Compliance's strategic measures of Employee Compliance Awareness, Risk Management Effectiveness, Employee Risk Awareness, and Organizational Compliance Effectiveness.

Background

On June 21, 2023, the Risk and Audit Committee approved the FY 2023-24 Enterprise Compliance and Risk Management Plan (Attachment 1) that incorporates industry practices and management priorities to carry out a successful organization-wide compliance and risk management program. In addition, the plan continues to develop compliance and risk management principles and standards to support a strong ethical and risk-intelligent culture.

Analysis

The FY 2023-24 Enterprise Compliance and Risk Management Plan Mid-Year Update provides a dashboard view of the status of this year's initiatives as of December 31, 2023 (Attachment 2). Each initiative displays a completion status as a percentage of the total project accomplished and an associated color to indicate whether the initiative is on track to be completed this fiscal year. Additional status details are provided under the Q2 Updates column where applicable.

Key accomplishments for the first half of fiscal year 2023-24 include:

- Led an enterprise-wide Form 700 team leader review process, resulting in 719 completed reviews of team member Form 700s, and provided guidance and education on identifying potential conflicts of interest resulting in improvements over prior year results with a formal close-out targeted for spring 2024.
- Developed and launched comprehensive gift training for 340 team leaders in the General Counsel's Office, Operations and Technology, and Customer Service and Support branches, with targeted completion of all other branches by spring 2024.
- Obtained approval to reorganize the Compliance and Risk programs (formerly the Enterprise Compliance Office and Enterprise Risk Management Division) and reclassify positions to recruit compliance and risk expertise.

Budget and Fiscal Impacts

N/A

Benefits and Risks

The purpose of the plan is to help ensure that CalPERS maintains compliance with all applicable laws, regulations, and policies. To this end, ECRG continues to partner with program areas to support risk-informed decision-making and improve risk and compliance practices enterprise-wide.

The benefits of implementing the plan include the following:

- Coordinated compliance and risk management efforts to enhance the consistency of controls and support monitoring for adherence to policies and procedures
- Creates clarity in compliance roles, responsibilities, and expectations
- Enhances internal controls and compliance effectiveness

Risks associated with failure to implement the plan include the following:

- Allowing failures of policies, procedures, and laws to remain undetected
- Lack of risk awareness impacting organizational decision-making
- Potential loss of stakeholder confidence in CalPERS' ability to manage known risks

Attachments

Attachment 1 – 2023-24 Enterprise Compliance and Risk Management Plan

Attachment 2 – 2023-24 Enterprise Compliance and Risk Management Mid-Year Update

Attachment 3 – 2023-24 Enterprise Compliance and Risk Management Mid-Year Presentation

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