



Consent

Agenda Item 4e

November 19, 2013

ITEM NAME: Enterprise Compliance Division Status Report

PROGRAM: Enterprise Compliance Office

ITEM TYPE: Information Consent

EXECUTIVE SUMMARY

This report provides a current status update of key activities and accomplishments of the Enterprise Compliance Division (ECOM), as of October 15, 2013. ECOM works with enterprise-wide program areas to provide an independent source of assurance regarding compliance, by providing ongoing monitoring and support of program area compliance-related activities, including investigations oversight and automated business control and statutory regulation oversight.

STRATEGIC PLAN

This item supports CalPERS Strategic Plan Goal B: Cultivate a high-performing, risk-intelligent and innovative organization.

BACKGROUND

As part of CalPERS Integrated Assurance Model, ECOM updates the Risk & Audit Committee on key enterprise compliance activities.

CalPERS uses the three lines of defense system to distribute risk management and compliance responsibilities throughout CalPERS. It establishes a proactive framework that provides assurances, promotes ethical behavior and drives ethical decision-making.

ANALYSIS

As part of the CalPERS Integrated Assurance Model, ECOM continues to build and enhance a compliance infrastructure that promotes risk-intelligence and ethical conduct at CalPERS. By working with CalPERS staff we position CalPERS to intelligently and effectively respond to compliance opportunities as they arise.

As part of our compliance infrastructure approach, ECOM is focusing on five major areas of importance: compliance monitoring, conflict of interest, information management, ethics inquiries, and staff recruitment and development.

Compliance Monitoring

In support of the Integrated Assurance Model, ECOM conducts targeted compliance reviews of program activities, working with program areas to identify and address compliance-related risks. Consistent with the Annual Compliance Plan presented to the Risk and Audit Committee at its June 19, 2013, meeting, ECOM monitors investment program systems for effectiveness, consistent with this approach.

ECOM has completed a compliance review of Contract-Related Disclosure Policy requirements related to identifying potential conflicts of interest and a compliance review related to administration of the Compliance11 personal trading platform is also underway.

In addition, ECOM conducted the following compliance reviews:

- CalPERS Diversity Outreach Program's annual reporting requirements to CalHR, and
- Bureau of State Audits Whistleblower Hotline notification requirements.

At the end of each review, ECOM will develop and implement a compliance monitoring plan and provide ongoing compliance support to the program areas, as part of an ongoing integrated assurance process improvement.

The compliance review relating to the PeopleSoft personnel transactions has been postponed for scheduling reasons and will be conducted at a later time.

Conflict of Interest

Monitoring and oversight of compliance activities to prevent and detect potential conflicts of interest represent another important part of our Integrated Assurance Model. These activities provide CalPERS with a level of assurance that decisions are being made for the right reasons and provide support to staff and program areas to help them navigate complex regulatory conflict of interest requirements.

Staff continued to administer the Personal Trading Regulations via the automated Compliance11 personal trading platform. Staff will continue to alert the Board to any incidents identified through this monitoring, as appropriate, and will provide a year-end review update in March 2014 summarizing the prior year's outcomes.

To enhance our ability to assess and manage information across the enterprise, we are implementing an automated solution specifically designed to support the integration of governance, risk and compliance. The eGovernance, Risk and Compliance (eGRC) will fully integrate Risk Management, Compliance Management, Enterprise Management, Incident Management, Business Continuity Management and Policy Management and provide an ability to effectively aggregate and segment information for analysis and reporting. A governance committee, sponsored by the Chief Risk and Compliance Officer, guides the implementation of the automated

solution. An eGRC Strategy Roadmap has been developed based upon best practices for deployment of the automated solution.

The design and planning of the automated incident management tool is underway. The solution being implemented will allow CalPERS staff managing ethics inquiries and incidents to document and coordinate them in a centralized on-line repository, accessible by staff in multiple areas, consistent with the Integrated Assurance Model. It will also provide staff with a range of analytic tools to facilitate effective trend identification and reporting.

Ethics Inquiries

The CalPERS Ethics Helpline allows CalPERS employees, members and business partners, contractors and the general public to anonymously and securely report concerns about potential misconduct or inappropriate activities, consistent with U.S. federal organizational sentencing guidelines. The CalPERS Ethics Helpline is hosted and monitored externally by a third-party vendor. A reporting party can either submit an Ethics Helpline report by calling a toll-free phone number and speaking with a live vendor employee or by completing and submitting an online report via a secure website 24 hours a day 365 days a year. Complaints can also be submitted to the Whistleblower Hotline administered by the California Bureau of State Audits.

ECOM staff launched a Citizen's Complaint portal in October this year. The portal provides an avenue for individuals to report concerns that are not ethics-related, but which pertain to the efficiency and effectiveness of CalPERS activities.

Recruitment and Staff Development

ECOM is recruiting two Staff Program Evaluators to join our team as we continue to expand our compliance monitoring activities.

Clear and complete documentation is essential to a strong compliance program and effective coordination of GRC activities. ECOM management conducted a skills assessment and is in the process of obtaining specialized compliance training for ECOM staff, in coordination with CalPERS Human Resources Division (HRSD) and Los Rios Community College. The skills imparted through this training will help ECOM staff clearly and effectively document compliance activities and coordinate communications across assurance functions. As of this writing, the Operations Support Services Division is in the process of initiating this contract.

Staff will continue to evaluate opportunities to strengthen CalPERS Integrated Assurance Model by improving and expanding compliance support activities throughout CalPERS.

BUDGET AND FISCAL IMPACTS

Not Applicable.

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