



## Consent

### Agenda Item 4f

September 16, 2014

**ITEM NAME:** Quarterly and Year End Status Report – Enterprise Compliance

**PROGRAM:** Enterprise Compliance Division

**ITEM TYPE:** Information Consent

#### **EXECUTIVE SUMMARY**

This reporting item provides a current status update of key activities and accomplishments of the Enterprise Compliance Division (ECOM) during the period from April 1 through June 30, 2014.

#### **STRATEGIC PLAN**

This item supports CalPERS Strategic Plan Goal B: Cultivate a high-performing, risk-intelligent and innovative organization. ECOM is actively participating in implementing the following 2013-15 Business Plan initiative:

- Policy Management – Enterprise Compliance staff are coordinating with ERMD to develop a policy management framework to establish an enterprise-wide policy oversight approach and compliance function.

#### **BACKGROUND**

Under the Integrated Assurance Model, CalPERS uses the three lines of defense system to distribute risk management and compliance responsibilities. Enterprise Compliance staff work with program areas to provide an independent source of assurance regarding compliance. ECOM provides oversight, ongoing review and monitoring of program area compliance-related activities, including ethics helpline oversight, automated business controls and statutory and regulatory oversight.

#### **ANALYSIS**

During the period from April 1 through June 30, 2014, ECOM conducted the following activities and continued to perform its ongoing responsibilities.

#### **Compliance Reviews**

ECOM completed a review of the responsibilities assigned by the State Auditor to ensure:

- CalPERS staff were notified of their responsibilities and protections under the Whistleblower Protection Act.
- Proper posting of Whistleblower protection notices.

**Form 700 Statement of Economic Interests**

Staff continued to administer the Form 700 Statement of Economic Interests filings for CalPERS which include assuming, leaving and annual statements.

The chart below reflects the status of the 2013 annual filings as of June 30, 2014:

Category	Required to Submit Form 700	Submitted by 6/30/2014	% in Compliance	e-Filings	
				#	%
<b>Board members (excluding filers due on March 3)</b>	19	19	100%	6	32%
<b>Staff</b>	734	730	99%	676	93%
<b>Consultants</b>	196	161	82%	87	54%
<b>Total</b>	949	910	96%	769	85%

**Personal Trading**

Staff continued to administer the Personal Trading Regulations via the automated platform, Compliance11 (C11).

The chart below represents system activity as of June 30, 2014:

Request Type	Approved	Denied	Withdrawn	Total
Pre-clearance	554	60	28	642
Reconsideration	2	5	0	7

Of the submitted pre-clearance requests, 93% were automatically reviewed by the C11 system with the remaining 7% reviewed by staff.

**Training and Recruitment**

ECOM successfully recruited two Staff Program Evaluators, bringing valuable expertise and oversight to the existing compliance review process.

ECOM conducted the following compliance-related training:

- Specialized compliance training was provided to staff from February-June, 2014, in coordination with Los Rios Community College.

**BENEFITS / RISKS**

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

- Transparency and disclosure activities help provide assurance against inappropriate activities relating to conflict of interest.
- Ongoing monitoring and compliance reviews help detect potential misconduct and identify opportunities to improve compliance structures.

- Policy documentation and outreach help to improve staff's awareness and understanding of compliance requirements, helping position them to do the right thing.
- Recruitment and staff development help to ensure that CalPERS compliance program is supported by qualified, knowledgeable staff.

Implementing the activities outlined in this agenda reduces CalPERS exposure to the following risks:

- Legal and financial risks due to consequences of failure to comply with laws or regulations.
- Reputational risks resulting from significant noncompliance or appearance of misconduct.
- Operational risks resulting from significant noncompliance leading to error or process failure.

**BUDGET AND FISCAL IMPACTS**

Not Applicable.

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