Consent

Agenda Item 4f
November 18, 2014

ITEM NAME: Quarterly 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 July 1 through September 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 are responsible for working 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 July 1 through September 30, 2014, ECOM conducted the following activities and continued to perform its ongoing responsibilities.

Citizens Complaint Act

The Citizen Complaint Act of 1997 requires all state agencies that have Internet websites to provide an online avenue for individuals to report concerns that are non-ethics related, but that pertain to the efficiency and effectiveness of CalPERS activities. To meet this requirement, ECOM staff developed a Citizen's Complaint portal that was launched on September 24, 2014.

The following chart depicts activity from September 24 through September 30, 2014:

Total Submissions	Open	Closed
12	8	4

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

The chart below represents system activity from July 1 through September 30, 2014.

Request Type	Approved	Denied	Withdrawn	Total
Pre-clearance	502	30	15	547
Reconsideration	3	0	0	3

Of the submitted pre-clearance requests, 96% were automatically reviewed by the C11 system with the remaining 4% reviewed by staff.

Recruitment
ECOM successfully recruited its new Ethics Helpline Coordinator, who will be responsible for the day-to-day monitoring and administration of the CalPERS Ethics Helpline.

BUDGET AND FISCAL IMPACTS
Not Applicable.

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.
- Validation helps to provide assurance that reported information is complete and accurate.
- 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.

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KATHLEEN K. WEBB
Chief Risk and Compliance Officer

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CHERYL EASON
Chief Financial Officer