



## Agenda Item 5a

June 16, 2015

**ITEM NAME:** 2015-17 Enterprise Compliance Plan

**PROGRAM:** Enterprise Compliance Division

**ITEM TYPE:** Action

### **RECOMMENDATION**

Approve the proposed 2015-17 Enterprise Compliance Plan.

### **EXECUTIVE SUMMARY**

This item provides an overview of the 2015-17 Enterprise Compliance Plan, which is being presented for Committee approval, along with providing a five-year outlook on the priorities for the compliance program.

### **STRATEGIC PLAN**

This item supports Goal B of the Strategic Plan: Cultivate a high-performing, risk-intelligent and innovative organization. The proposed plan outlines areas in which the Enterprise Compliance Division (ECOM) will be strengthening internal controls within the organization and providing support to program areas in regards to compliance and regulatory issues while also enhancing the compliance governance model and policy management framework.

### **BACKGROUND**

As part of the Financial Office strategic transformation, staff conducted a thorough review of CalPERS compliance practices in order to assess the program's current functions and identify opportunities to strengthen CalPERS compliance effectiveness. As a result, staff developed a compliance roadmap that identifies new functions and capabilities as well as builds upon the current compliance practices. The new compliance plan takes into account current industry practices, incorporates management priorities and recommends changes in order to carry out a successful organization-wide compliance program, strengthening internal controls. This plan includes an overview of the compliance governance structure and the core elements of an effective compliance program. These enhancements will position CalPERS to build a positive control environment and respond to an increased demand for management to demonstrate compliance accountability and effective controls. In addition, the plan promotes a continuous improvement culture that seeks to prevent, detect and correct potential instances of noncompliance and achieve high ethical and compliance standards.

### **ANALYSIS**

The information presented in the 2015-17 Enterprise Compliance plan enables the Risk and Audit Committee to identify the priorities of the Enterprise Compliance Division and monitor progress and outcomes.

The plan highlights are:

- Clarify roles and responsibilities for leadership and integrated assurance functions (compliance, risk and audits)
- Develop and begin implementation of foundational frameworks such as policy management, internal control standards, and incident resolution management
- Promote and enhance a culture of compliance awareness and ethical standards

### **BUDGET AND FISCAL IMPACTS**

Funding for the program will be provided by the Enterprise Compliance Division budget.

### **BENEFITS/RISKS**

The purpose of Enterprise Compliance Plan is to ensure that CalPERS strives to maintain compliance with the letter and the spirit of all applicable laws, regulations and policies in partnership with program areas.

Approval of the plan will help to:

- Establish priorities and monitor identified risks
- Create clarity in compliance roles, responsibilities and expectations
- Enhance internal controls and compliance effectiveness

Failure to approve the plan may result in:

- Non-compliance with laws and regulations creating vulnerability within the system
- Weakened policies and procedures

### **ATTACHMENTS**

Attachment 1 – 2015-17 Enterprise Compliance Plan

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