



Consent

Agenda Item 4g

September 16, 2015

ITEM NAME: Quarterly Status Report – Enterprise Compliance

PROGRAM: Enterprise Compliance

ITEM TYPE: Information Consent

EXECUTIVE SUMMARY

Enclosed is the Enterprise Compliance Division's quarterly report for the period of April 1, 2015 through June 30, 2015. This report includes summary information on the following items:

- Status Report on the Enterprise Compliance Plan
- Status Report on the revised CalPERS Conflict of Interest Code
- Annual Form 700 Report
- Quarterly Personal Trading Report

STRATEGIC PLAN

This item supports CalPERS Strategic Plan Goal B: Cultivate a high-performing, risk-intelligent and innovative organization. By providing effective compliance monitoring and oversight, Enterprise Compliance aids in the prevention, detection, and correction of ethical and compliance risks throughout the organization.

Enterprise Compliance also supports the following 2015-17 Business Plan initiative: "Enhance Internal Controls – Develop and implement enhanced internal controls that improve compliance and reduce operational risks."

BACKGROUND

Enterprise Compliance provides oversight and monitoring of CalPERS compliance related activities and reports quarterly to the Risk and Audit Committee in order to provide the Committee with information to fulfill their oversight role in program and policy compliance.

This quarterly update provides the Committee with a status of progress against the Compliance Plan along with updates of other key compliance program activities.

ANALYSIS

Enterprise Compliance Plan

In June 2015, the Risk and Audit Committee approved the 2015-17 Enterprise Compliance Plan. The 2015-17 Enterprise Compliance Plan focuses on four key areas: (1) Roles and Responsibilities, (2) Policy and Delegation Management, (3) Operating Event Management, and (4) Education and Awareness. Staff will provide a semi-annual update on the Plan in November.

Status Report on the revised CalPERS Conflict of Interest Code

In February 2015, Enterprise Compliance proposed revisions to CalPERS Conflict of Interest Code (2 CCR § 560). Proposed changes included:

- Organization by disclosure category at the agency level rather than by Branch/Division;
- Consistent application of disclosure categories for each classification;
- Expansion to include all levels of Staff Services Managers;
- Removal of working titles, to reflect only State Classifications for consistency; and
- Removal of certain classifications

Publication of the revised Code is expected by the end of 2015 and to be effective January 1, 2016.

Annual Form 700 Report

The 2014 annual Form 700 filings were due March 1, 2015 for elected Board Members and April 1, 2015 for all other filers. As of April 1, 2015, 100% of CalPERS staff were in compliance with the annual filing requirements.

Quarterly Personal Trading Report

Quarterly personal trading transaction affirmations must be reported by all persons who possess covered accounts that are not eligible for CalPERS automated transaction feeds. Transaction affirmations help ensure that CalPERS staff subject to the Personal Trading Regulations are complying with those requirements. CalPERS achieved 100% compliance with the Personal Trading quarterly transaction affirmations, for the quarter from April 1 through June 30, 2015.

BUDGET AND FISCAL IMPACTS

Not Applicable.

BENEFITS/RISKS

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

- Effective leadership encourages staff to do the right thing (tone at the top).
- Risk assessments help effectively target compliance priorities.
- Effective incident management helps CalPERS identify and rapidly address noncompliance.
- Monitoring and testing provide assurance regarding program area compliance.
- Reporting and disclosures provide assurance related to conflicts of interest.
- Education and communication strengthen staff knowledge about compliance requirements.

Implementing the activities outlined in this agenda reduces CalPERS exposure to legal, financial, reputational and operational risks from:

- Failure to comply with laws or regulations, and/or
- The appearance of misconduct or noncompliance.

KAMI NIEBANK
Interim Chief Compliance Officer
Enterprise Compliance Division

CHERYL EASON
Chief Financial Officer