

February 13, 2017

**Item Name:** Enterprise Compliance 2016-17 Mid-Year Plan Update**Program:** Enterprise Compliance**Item Type:** Information**Executive Summary**

This agenda item provides an update on the 2016-17 Enterprise Compliance Plan, including key accomplishments and upcoming priorities.

**Strategic Plan**

This item supports CalPERS Strategic Plan Goal B: *Cultivate a high-performing, risk-intelligent, and innovative organization* and the 2015-17 Business Plan initiative:

*Enhance Internal Controls – Develop and implement enhanced internal controls that improve compliance and reduce operational risks.* By providing effective compliance monitoring and oversight, Enterprise Compliance assists in mitigating compliance risks throughout the organization.

**Background**

In June 2015, the Risk and Audit Committee approved the FY 2015-17 Enterprise Compliance Plan, along with a five-year outlook on the priorities for the compliance program in order to strengthen CalPERS Compliance effectiveness. In June 2016, the Compliance Plan was refreshed and the team presented it to the Risk and Audit Committee for approval. The 2016-17 Plan expands protocols and processes for operational controls, policy management, and reporting standards. In addition, the plan continues to develop compliance principles, standards, and a strong ethical culture.

This semi-annual Compliance Plan report provides an update on the initiatives and accomplishments through December 31, 2016. Highlights of the plan include the following:

- Hired and trained new compliance team members in order to strengthen a culture of compliance and ethics.
- Enhanced Conflict of Interest Code – Form 700 processes and communications in order to increase quality and timeliness of reporting.
- Consolidated Ethics Helpline reporting categories to align with industry standards and improve reporting capabilities.
- Rolled out compliance onboarding training for new senior leaders, personal trading Covered Persons and Form 700 filers.
- Developed policy and delegation standards, and rolled out to the organization.
- Updated all delegations of authority for Executives and Senior Managers to align with new standards.
- Expanded embedded compliance programs in CSS and OPT through identification of permanent embedded compliance liaisons and hiring of embedded compliance team members in both branches.

- Developed escalation procedures for personal trading regulation violations resulting in a 95% decrease in violations since January 2016.
- Added 6 additional designated brokerage options resulting in 84% of all Covered Accounts on automatic data feeds.

An outline of the key accomplishments and status of the Compliance Plan are included in Attachment 1.

### **Budget and Fiscal Impacts**

Not Applicable.

### **Benefits and Risks**

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

Benefits of implementing the plan include the following:

- Coordinated compliance effort enhances the controls and monitoring for adherence to policies and procedures.
- Creates clarity in compliance roles, responsibilities, and expectations.
- Enhances internal controls and compliance effectiveness.

Risks associated with failure to implement the plan include the following:

- Non-compliance with laws and regulations, creating vulnerability within the system and going undetected.
- Weakened policies and procedures.

### **Attachments**

Attachment 1 – 2016-17 Enterprise Compliance Mid-Year Plan Update

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Enterprise Compliance

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