2017-18 Enterprise Compliance Annual Plan
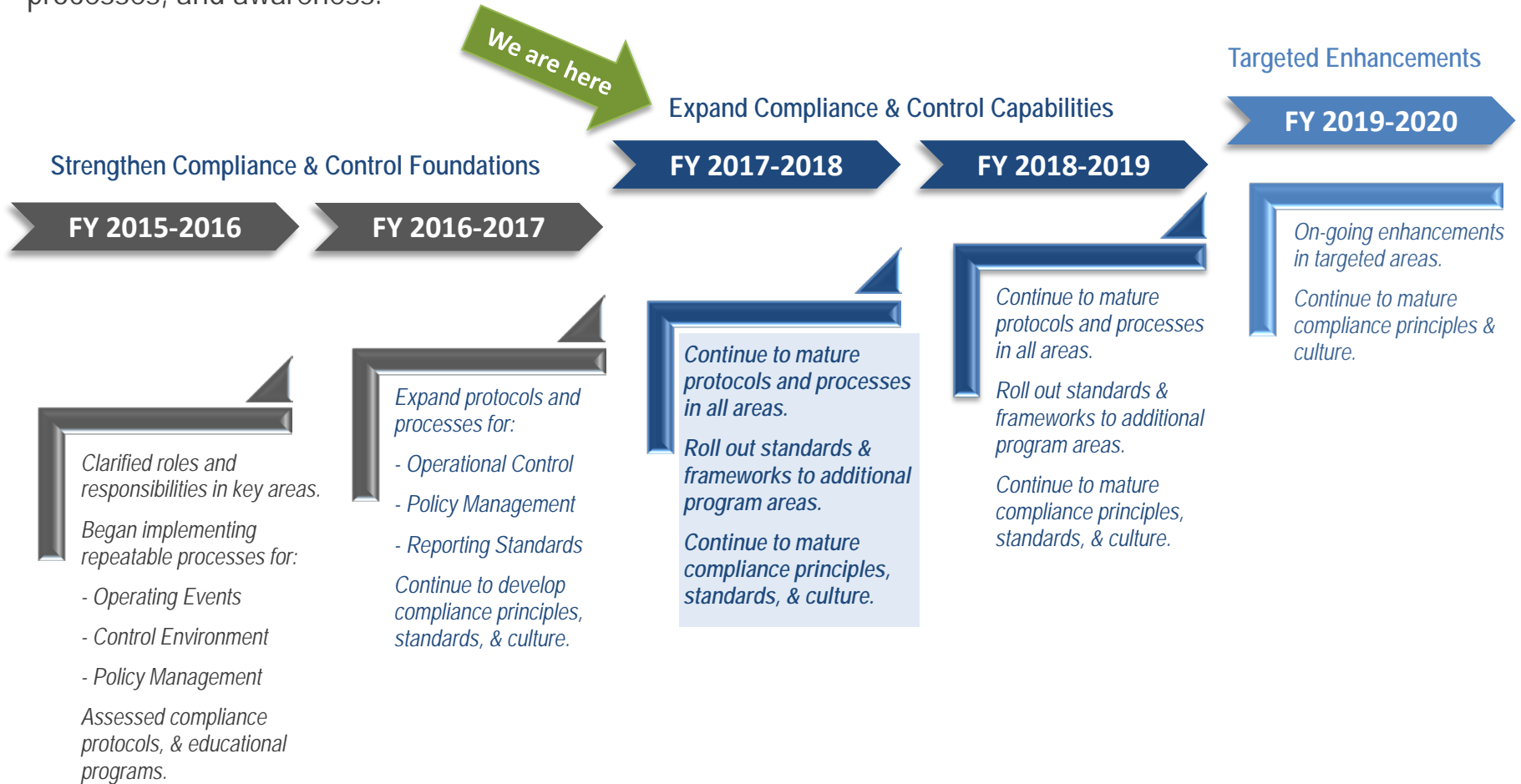
Presented to
Risk and Audit Committee
June 20, 2017

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Agenda Topics

- Updated 5 Year Outlook

- Compliance Focus Areas

- Enterprise Compliance Plan

- 2017-18 Initiatives

- Wrap up and Q&A

Updated Five-Year Outlook – Enterprise Compliance Maturity

Since the launch of the Compliance Plan in FY 2015-16, the team has been strengthening compliance controls, processes, and awareness.

We are here

Targeted Enhancements

Expand Compliance & Control Capabilities

Strengthen Compliance & Control Foundations

FY 2015-2016

FY 2016-2017

FY 2017-2018

FY 2018-2019

FY 2019-2020

Clarified roles and responsibilities in key areas.

Began implementing repeatable processes for:

- Operating Events

- Control Environment

- Policy Management

Assessed compliance protocols, & educational programs.

Expand protocols and processes for:

- Operational Control

- Policy Management

- Reporting Standards

Continue to develop compliance principles, standards, & culture.

Continue to mature protocols and processes in all areas.

Roll out standards & frameworks to additional program areas.

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Roll out standards & frameworks to additional program areas.

Continue to mature compliance principles, standards, & culture.

On-going enhancements in targeted areas.

Continue to mature compliance principles & culture.

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3

Compliance Focus Areas | Elements & Goal of the Compliance Program

Strategic Management (Governance)

Leadership and Governance	Roles and Responsibilities	Enterprise Compliance Program Design	Program Area Compliance Design	Integrated Assurance Roles (Compliance, Risk and Audit)
Standards and Codes	Laws and Regulations	Legal Determinations	Delegations of Authority Oversight	Policy and Procedure Standards
Risk Assessment and Priorities	Risk Assessments	Control Improvement Prioritization	Resource Commitments	

Program Management

Operating Events and Incident Management	Incident Management Standards	Responses to and Resolution of Incidents	Reporting Resolution of Incidents	
Monitoring and Testing	Framework for Monitoring and Testing	Align Assurance Practices (Risk and Audit)	Program Compliance Monitoring	
Reporting and Disclosures	Externally Mandated Reporting	Internal Oversight Reports and Protocols	Leadership and Board Compliance Reporting	
Education and Communication	Education and Training Programs	Communication Strategy	Resource and Skill Development	Compliance Awareness and Culture

Demonstrate Compliance Effectiveness

Continue to expand capabilities started in 2016-17 in key focus areas

- Laws and Regulations
- Monitoring and Testing

Expand focus areas for 2017-18

- Program Area Compliance Design
- Policy and Procedure Standards
- Program Compliance Monitoring
- Leadership & Board Compliance Reporting
- Education and Training Programs

Legend

2017-18 Focus Areas	Activity Underway

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4

Enterprise Compliance Plan | FY 2017-18 Focus Areas & Initiatives

Compliance Program Areas	2017-18 Focus Areas	Development Stage
Enterprise Ethics Programs	• Conflicts of Interest • Ethics Laws & Policies Oversight • Ethics Helpline Management	JUNE ↓ Plan & Design | Build | Implement | Reinforce
Policy & Delegation Management	• Delegation of Authority • Policy Management	JUNE ↓ Plan & Design | Build | Implement | Reinforce
Compliance Monitoring & Oversight	• Compliance Monitoring & Oversight • Embedded Compliance Program	JUNE ↓ Plan & Design | Build | Implement | Reinforce
Communication, Education & Reporting	• Communication and Education • Compliance Reporting	JUNE ↓ Plan & Design | Build | Implement | Reinforce

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2017-18 Initiatives | Enterprise Ethics Programs

Purpose: Strengthen ethics-related policies & protocols to minimize conflicts of interest.

2017-18 Focus Areas

Conflicts of Interest

- Align Conflict of Interest Rules with vendor management process.
    - Improve Consultant Form 700 filing processes, including assuming and leaving office reporting.

Ethics Laws & Policies Oversight

- Evaluate CalPERS ethics-related laws and policies and revise/consolidate as appropriate.*
    - Review and revise regulations and ethics policies: Statement of Incompatible Activities (Employee & Board) and Personal Trading.

Ethics Helpline Management

- Enhance program administration to ensure consistency across intake channels.
    - Clarify investigation roles and responsibilities among key stakeholders (LEGO, HRSD, CDOP, CSS), including consistency in definitions and processes.

*Indicates a multi-year initiative

2017-18 Initiatives | Policy & Delegation Management

Purpose: Strengthen delegation of authority & policy management practices for effective governance.

2017-18 Focus Areas

Delegation of Authority

- Align Board-approved policies and reporting with Board delegations of authority.*
  - Review current Board reporting for alignment with committee delegations of authority.

Policy Management

- Expand frameworks to include guidance on committee governance and guidelines.
- Create a policy development training course and roll-out plan.

*Indicates a multi-year initiative

2017-18 Initiatives | Compliance Monitoring & Oversight

Purpose: Integrate compliance monitoring and oversight practices throughout the organization.

2017-18 Focus Areas

Compliance Monitoring & Oversight

- Expand on enterprise compliance monitoring, oversight, and reporting activities.*
    - Conduct 2-3 targeted compliance reviews.
    - Implement Investment Office compliance monitoring.

Embedded Compliance Program

- Partner with embedded compliance liaisons to strengthen compliance controls, oversight, and awareness.
    - Clarify roles and responsibilities among compliance liaisons.

*Indicates a multi-year initiative

2017-18 Initiatives | Communication, Education, & Reporting

Purpose: Promote an ethical and compliance aware culture through effective communication, education, and reporting.

2017-18 Focus Areas

Communication & Education

- Continue to enhance compliance education and communication.
  - Expand communication and education with external stakeholders to create awareness of CalPERS' compliance functions and programs

Compliance Reporting

- Continue to expand compliance reporting to include program operations.
  - Integrate compliance liaison activities into reporting.

FY 2017-18 Annual Plan Wrap Up

The 2017-18 initiatives will strengthen compliance & ethics capabilities. Efforts will achieve the following:

- Matured protocols and processes in the areas of oversight and monitoring.

- Roll out standards and frameworks to additional program areas.

- Continue to mature compliance principles, standards, and culture.

- Develop knowledgeable compliance liaisons in additional program areas.

- Improve compliance capabilities that result in strong internal control processes.

- Expand and enhance reporting to include program operations.

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