

California Public Employees' Retirement System

2006
Annual
Compliance
Report



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Annual Report of the Chief Compliance Officer

California Public Employees' Retirement System

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This publication may be available in alternative formats/languages upon request by calling the Office of Enterprise Compliance at (916) 795-2148, Telecommunications Device for the Deaf (916) 795-3240.

Robert F. Carlson, Chair
CalPERS Finance Committee





Chair of the Finance Committee Letter of Transmittal

February 21, 2007

Members of the CalPERS Board of Administration

I am pleased to present CalPERS Annual Compliance Office report for the one-year period ended December 31, 2006.

This report provides a summary review of our compliance program accomplishments last year and outlines our compliance planning efforts for the coming year.

The mission of CalPERS compliance program is to sustain an organizational culture that promotes and supports compliance consciousness into the daily operations of our enterprise-wide business lines – retirement, investments, and health care. We believe it is imperative that we operate under full and complete compliance within all applicable laws, rules, regulations, policies, and best practices.

Our Office of Enterprise Compliance (ECOM) brings increased transparency to the adequacy and integrity of CalPERS internal control systems by creating a centralized monitoring function and continually reporting the efficiency of these controls to our Board's Finance Committee. In addition, ECOM has extended its outreach efforts with external agencies in order to provide greater assistance and advice to our enterprise-wide business lines.

We hope this report provides insight into our compliance efforts, and serves as a foundation for our future efforts.

Sincerely,

Robert F. Carlson, Chair
CalPERS Finance Committee



Chief Executive Officer's Message

February 21, 2007

CalPERS faces an increasingly complex and challenging regulatory environment. This is particularly true for our investments, health care, and retirement programs.

During the past year, we were confronted by many rapid changes that required us to remain focused and disciplined in our compliance efforts. This report outlines the accomplishments made by our Chief Compliance Officer and staff that supports our enterprise goal of maintaining a business culture that embraces compliance.

The Office of Enterprise Compliance set forth an ambitious agenda for 2006 which included gathering compliance best practices from industry and association experts, researching and evaluating compliance business tools, delivering compliance training and acquiring the staff needed to develop compliance programs. Our entire Executive Team fully supports the efforts made system-wide to integrate compliance monitoring and reporting throughout the organization. I would like to thank CalPERS General Counsel, Peter Mixon and Chief Compliance Officer Sherry Johnstone for their leadership and commitment to our compliance program.

I am pleased to report that we made great strides to expand compliance efforts and oversight in our Investment Office. Our compliance office is responsible for the monitoring, resolution and reporting of compliance duties related to our Global Equity and Global Fixed Income portfolios. We conducted an evaluation of risks in our Alternative Investment Management program during the year, and began to outline compliance monitoring initiatives for our Real Estate portfolio. We also completed follow-up reviews of our 2005 proxy voting recommendations. Compliance personnel participated in the selection process and reviewed the recommendation of a new automated proxy voting platform, and staff updated CalPERS Global Proxy Voting & Corporate Governance Principles Reference Manual.

In the area of health, we successfully recruited and hired an administrator to perform the duties of our Health Insurance Portability and Accountability Act (HIPAA) Coordinator to serve as liaison between our compliance office and health program for the Health business line. This effort will help facilitate the communication needed to establish the framework for health compliance oversight and further strengthen our enterprise-wide awareness of compliance requirements for the health business line. In the area of retirement, we researched related laws, rules, and regulations for pension compliance, and received training to ensure that disability retirements comply with the new requirements of legislation enacted this year.

Our compliance office worked closely with our internal audit division to prepare a concept paper for future implementation of a compliance hotline including issue escalation and resolution plan. They also jointly sponsored a system-wide initiative for compliance risk assessment. In the coming year, we will continue to seek innovative ways to ensure that we are protecting the best interests of our members and employers by actively promoting our compliance goals and educating staff about their roles and contributions to a compliant business environment.

Sincerely,

Fred Buenrostro
Chief Executive Officer



Fred Buenrostro
Chief Executive Officer

About CalPERS

The California Public Employees' Retirement System (CalPERS) is the nation's largest public pension fund with assets at December 31, 2006, of approximately \$227 billion.

Headquartered in Sacramento, CalPERS provides retirement and health benefit services to nearly 1.5 million people and more than 2,500 public employers. CalPERS also operates eight Regional Offices located in San Francisco, Glendale, Orange County, Fresno, Sacramento, San Bernardino, San Diego, and San Jose.

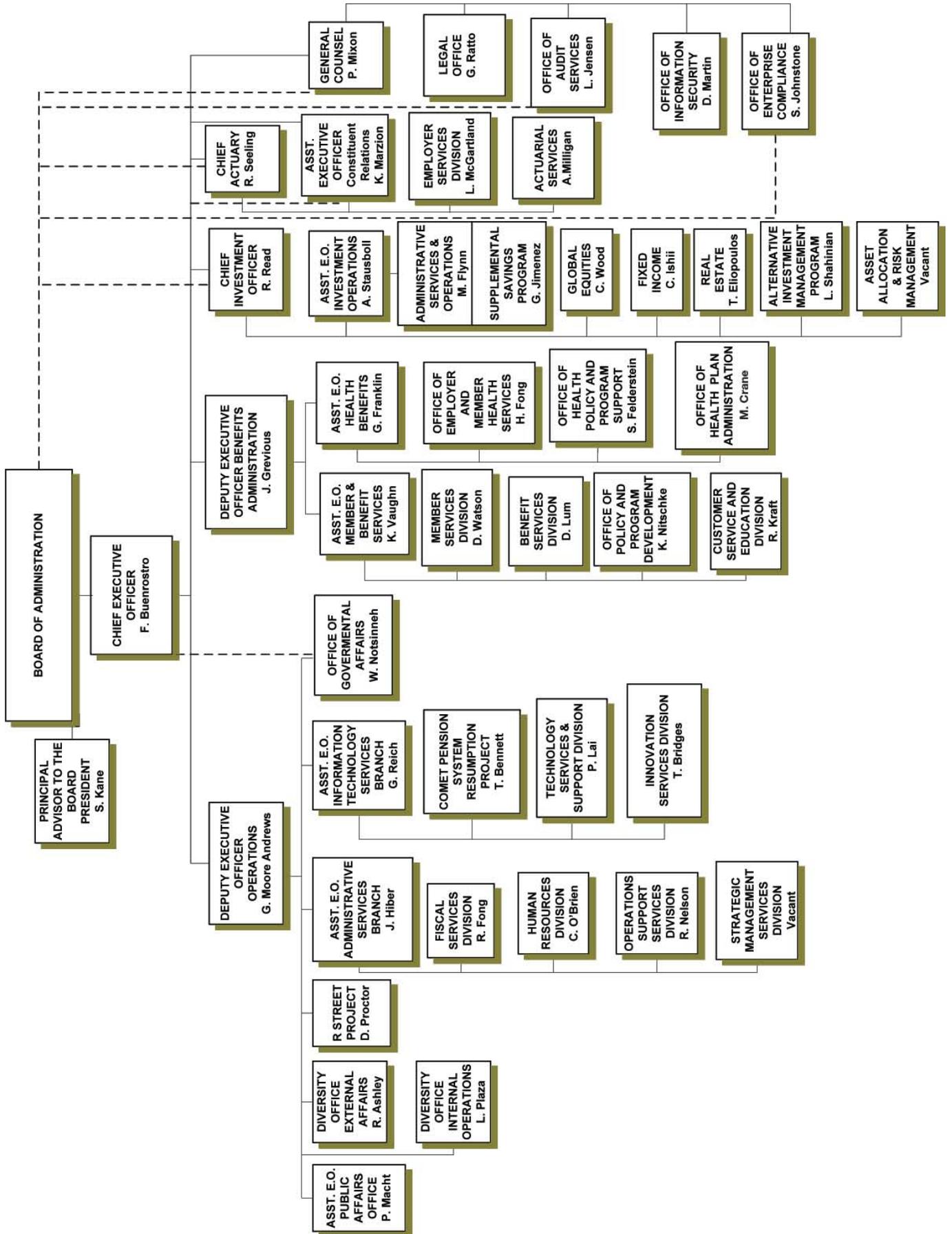
CalPERS is led by a 13-member Board of Administration, consisting of member-elected, appointed, and ex officio members. Our membership consists of 1,048,895 active and inactive members from the State, school districts, and local public agencies and 441,277 retirees, beneficiaries, and survivors. Established by legislation in 1931, CalPERS became operational in 1932 for State employees only. In 1939, public agencies were allowed to contract with CalPERS to provide retirement benefits for their employees. We began administering health benefits to State employees in 1962 under the Public Employees' Medical and Hospital Care Act. Local public agencies joined in our Health Benefits Program on a contract basis five years later.

Serving
1.5 million
people and
more than
2,500 public
employers.



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CalPERS Organization Chart



Compliance at CalPERS

Compliance programs have traditionally been structured around the minimum requirements established by the United States Sentencing Commission's "Organizational Sentencing Guidelines" as the hallmarks of an effective compliance and ethics program. Under the guidelines (see Appendix A), an effective program is maintained to: exercise due diligence to prevent and detect criminal conduct and promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law. An ultimate goal of any compliance program is to help an organization's employees, managers, and governing body to simply do a better job, as well as identify and prevent improper conduct.

To uphold this spirit of ethical conduct and to better protect our members' best interests, CalPERS remains committed to full and complete compliance with all applicable laws, rules, and regulations. The CalPERS Board of Administration (Board), and specifically the Board's Finance Committee, requested the Chief Compliance Officer role be created and directed staff to create the concept paper or framework for the creation of the Office of Enterprise Compliance (ECOM).

ECOM intends to bring increased transparency to the adequacy and integrity of CalPERS' internal control systems by creating a centralized monitoring function and continually reporting the efficiency of these controls to the Board's Finance Committee. In addition, ECOM has extended its outreach efforts to create opportunities to benchmark and identify "best practices" in various business industries and with external agencies in order to provide greater assistance and advice to management of our primary business lines.

This annual report is intended to provide a summary review of compliance program accomplishments and goals to assist business lines and Divisions in their compliance planning efforts for the next year. This is the second Annual Report for ECOM and provides information on 2006 accomplishments and upcoming goals for 2007. For purposes of this report, the term "Enterprise" includes; Board Members, Officers, Committee Chair persons, agents, consultants and employees of CalPERS. The Chief Compliance Officer would like to acknowledge all of the Divisions for their contributions to this report and for their ongoing compliance efforts throughout the year.

ECOM's Chief Compliance Officer (CCO) regularly reports to the Board's Finance Committee on the progress of the compliance program and makes recommendations for improvements to the internal control systems. On seven occasions in 2006, the CCO presented monthly status reports of enterprise compliance activities, quarterly reports, and highlights of the Staffing Plan to the Finance Committee. CalPERS' compliance function is an integral part of the CalPERS internal control structure that:

- Functions as part of the business structure and decision-making
- Operates the ongoing monitoring and surveillance embedded in the business function
- Conducts employee compliance training
- Develops compliance policies and procedures (including best practices), and
- Conducts routine compliance monitoring



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Through our focus on ethical conduct and compliance with the law, we will set an example others will want to follow.

Promoting operational efficiency through compliance awareness.



Office of Enterprise Compliance

Mission Statement

ECOM's mission is to ensure, promote and support an organizational culture which builds compliance awareness into the daily business processes for investments, health and retirement. We will accomplish this mission by monitoring CalPERS' business activities, policies, and procedures, and by establishing an infrastructure that provides assurance to management that program areas comply with all applicable laws, regulations, policies and best practices.

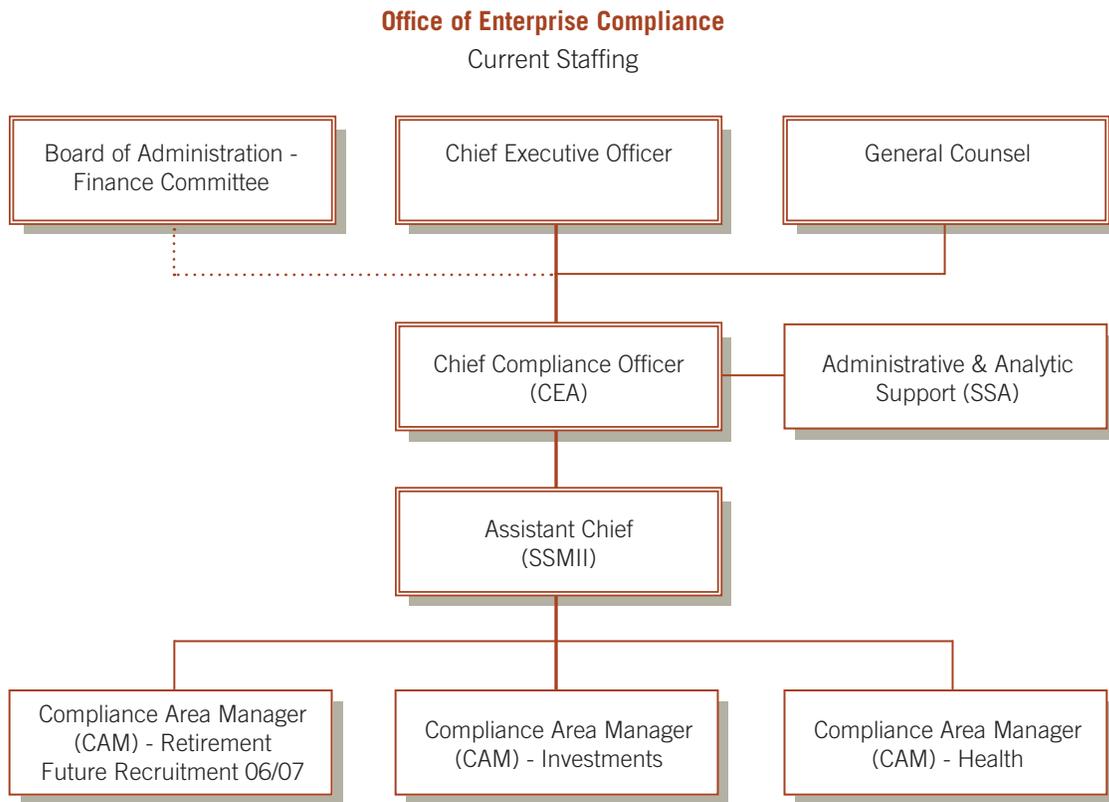
Staffing and Compliance Program Structure

CalPERS faces an increasingly complex and challenging regulatory environment. This is particularly true in our investments, health care, and retirement business lines. In 2004, CalPERS' Finance Committee approved the concept paper describing the need to establish the Office of Enterprise Compliance. In an effort to ensure we meet various compliance requirements, CalPERS designed ECOM. This office was charged with the responsibility for formalizing the compliance effort at CalPERS and constructing an enterprise-wide compliance program that builds compliance awareness into daily business activities.

ECOM's effectiveness has been due to the authority and support of the Finance Committee Chair, Chief Executive Officer, and the General Counsel. Strong partnerships with the Legal Office and the Office of Audit Services (OFAS) also provide ongoing support in creating, and developing the compliance mission. The Executive Team and Senior Management support are also vital to the success of the enterprise-wide compliance program.

The CCO demonstrated leadership for this expanding office by developing future organizational growth and succession strategies for the Division. ECOM's staffing plan is a five year plan to expand and grow the enterprise compliance program into a mature integrated function at CalPERS. The plan follows the initial outline of the Board's approved "concept paper" that outlines a basic foundation for compliance efforts. The long term plan includes justification for additional staffing, staff development, and a comprehensive program implementation and succession planning. Specifically the succession plan calls for a Compliance Area Manager (CAM) for each of the three primary business lines (Investment, Health and Retirement). The CAMs are business specialists who develop, monitor, and report compliance events, emerging trends, and risks within CalPERS' primary business lines. A research function as well as analytical support staff will operate under the direction of office management as the compliance program evolves.

Currently, ECOM has 6.0 positions with an operating budget of approximately \$587,000. During 2006, ECOM created an Assistant Division Chief position, Sue Kane served in this position from February 2006 to October 2006, and Phyllis Miller served as the interim Assistant Division Chief from November 2006 to February 2007. ECOM also successfully recruited administrative support staff and CAMs for the Investments and Health areas. Additionally, recruitment is underway for the Assistant Division Chief position. ECOM has budget authority to fill a CAM for the Pension business line and a Support Analyst position to assist the Investments CAM. The current overall structure of ECOM's compliance function is illustrated in the chart below.



Organizationally, the CCO reports administratively to the General Counsel, and has direct reporting responsibility to the Chief Executive Officer and Board's Finance Committee. The CCO has access and delegated authority to discuss compliance with the Chair of the Finance Committee, the Chief Executive Officer, the General Counsel, and management as necessary.

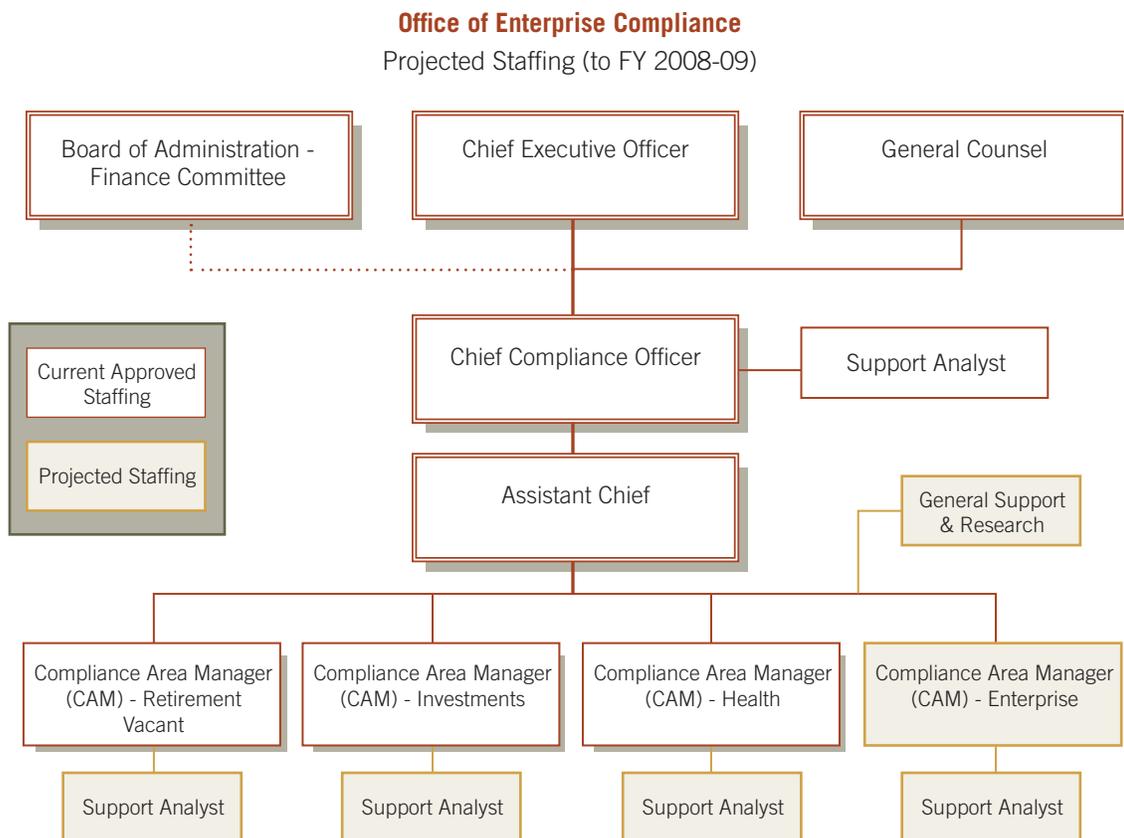
Five Year Staffing Plan

At the direction of the Finance Committee Chair, the CCO created a five-year plan charting the future staffing of the Office of Enterprise Compliance. This plan includes establishing an Enterprise CAM dedicated to monitoring and advising management on compliance issues in the Fiscal Services, Human Resources, and Information Technology areas. This plan also calls for the addition of four analysts to assist the CAMs in research and monitoring efforts. These positions will be phased in based on workload needs and justifications.

In addition, the analysts will maintain the Compliance Resource Library, develop and make changes to the Web site resource information, and provide high-level general administrative work, related to all business lines. The table below shows the projected growth and the organization chart illustrates the projected structure.

Projected Growth

Position	Recruitment Target
Compliance Area Manager – Enterprise	First Quarter 2007
Analyst – General Support	Fourth Quarter 2007
Support Business Line Analysts (4)	2007-09



Compliance Program Management

ECOM staff gathers, organizes, and analyzes compliance information and develops internal and external partnerships to formulate and recommend to management, best practices for compliance. ECOM monitors and reports results of compliance monitoring efforts to management and to the Board's Finance Committee. ECOM provides ongoing guidance to management on all matters relating to compliance.

ECOM's research and outreach efforts have produced a growing collection of compliance reference materials including those obtained from the professional workshops and national conferences (see External Communications) attended by CalPERS staff this year and industry directories and compliance-related publications. This resource information is being maintained and a resource by topic library is being created in ECOM.

ECOM has actively formed partnerships throughout the year including the CalPERS Interdisciplinary Team comprised of Senior Management. In addition, ECOM and the Office of Audit Services (OFAS) presented a joint formal issue paper proposing the formation of a "Risk and Compliance Committee." The issue memo included background information on compliance risk committees, alternative committee structures, a sample risk and compliance committee charter, and flowchart of the committee's functional roles and responsibilities. Additional internal partnerships formed include ECOM membership and participation with the CalPERS Information Security Committee.

In response to the 2005 Employee Survey, the CCO created the ECOM Communication Plan and identified activities to ensure open communication. The CCO meets weekly with each individual staff member and conducts monthly all staff meetings. Staff development assignments are designed and created for individual employees and a training opportunity is provided to all staff during the monthly meetings. The CCO served as a team leader for the 2005 Employee Survey Focus Group for Performance and Accountability. It should be noted that CalPERS has made significant progress in communication and engagement with employee concerns. Forty-percent of focus group participants reported improvements in communications.

As illustrated, ECOM's maturity continuum shows a phased approach to program development. The compliance program is designed to include policies and procedures for assessing risk, monitoring compliance, recommending mitigation strategies, reporting events, and developing training programs.

2005

Development of Enterprise
Compliance Office &
Monitoring Program

2006

Establishment of Compliance Monitoring
Program for Investments Business Line

Establishment of Compliance Monitoring
Program for Health Business Line

Establishment of Compliance
Monitoring Program for
Retirement Business Line

Establish Enterprise Compliance Monitoring (HR, ITSB, Fiscal, OFAS)

2007

Internal Communications, Education and Training

As required in the United States Federal Sentencing Guidelines, ECOM's Compliance program includes a training component to ensure that employees are aware of their legal and ethical responsibility to be compliant with applicable laws and rules for each business line. CalPERS demonstrates a commitment to compliance by joining with business lines to communicate compliance standards and procedures to all employees, and to inform employees on compliance issues. The following training was provided in 2006:

Ethics Training

In an ongoing effort to maintain and promote an ethical culture, CalPERS' General Counsel and Legal staff conducted ethics training for our Investment Office staff, designated key staff, and Board Members. As of July 1, 2006, 93 percent of designated employees completed the required ethics training.

Enterprise Compliance Training

The United States Sentencing Guidelines also emphasized that an organization should take reasonable steps to communicate periodically and in a practical manner its standards, procedures, and aspects of its compliance program. ECOM's efforts to train staff on the importance of compliance are continuous and can be seen in various multi media and physical locations. Training is available on the ECOM and Legal Office Web pages, onsite in Sacramento, via videoconference, and onsite in the Regional Offices. Publications provided in the training are also available to staff upon request. It should be noted that the training content and material has been viewed as a "best practice" and has also been provided to external agencies such as the California State Teachers' Retirement System (CalSTRS), California Earthquake Authority, Association of Governmental Accountants, Institute of Internal Auditors (IIA), and the Association of Public Pension Fund Auditors (APPFA). CalPERS' CCO provided "Why Compliance is Important to You" presentations to the Benefits Services Division, Health Benefits Branch, and Office of Public Affairs management team.

Compliance Training for Regional Offices

The CCO provided training to five regional offices located throughout California. The Regional Office staff assists members with a variety of services and educational events and generally serves as the first-personal point-of-contact. As the public counter staff representing CalPERS, it is integral to the compliance program that the staff is trained in ethics, the Health Insurance Portability and Accountability Act (HIPAA), protection of confidential information and information security. Specifically, CCO visited regional offices in Sacramento, San Diego, San Francisco, San Jose, and Glendale in 2006.

2006 Working Values

The training content for the course titled "*CalPERS Working Values*" was created in response to a joint report prepared by the Legal Office and OFAS entitled, *Assessment of CalPERS' Ethical Culture*. ECOM created the course content, materials, and publications based on the report's recommendations. The course was conducted in multiple sessions for headquarters and regional staff. This year approximately 140 staff attended eight interactive sessions in headquarters and approximately 100 staff attended either by videoconference or in the regional offices. The sessions utilized an interactive training forum and a quiz to facilitate and measure understanding of course content and materials. The effectiveness of the training was evaluated using feedback received from participants' comments after attending the course. The surveys disclosed that participants placed a high value on the content, presentation style, and course materials which included the employee conduct related policy handbook, a quick reference gift and ethics wallet card, and a certificate of course completion. Each employee that attends the Working Values course will have their attendance and completion recorded on their individual training record.

Living CalPERS Core Values

In 2005, the Human Resources Division's - All Staff Training and Development (ASTD) unit and the Diversity Outreach Program launched a program for CalPERS staff entitled "Living CalPERS Core Values". This training fulfills mandates set by Assembly Bill (AB) 1825 regarding Sexual Harassment Prevention and the Federal United States Sentencing Guidelines. It should be noted that in 2006 the California Fair Employment and Housing Commission (FEHC) approved modifications to the AB 1825 language. All new supervisors (including Board Members) must have received AB 1825 compliant training within six months of their hire/appointment date. Staff may fulfill this requirement by either viewing the video entitled "Living CalPERS Core Values" or attending classroom training at Cooperative Personnel Services (CPS). This year, over 200 staff attended the live training sessions.

ECOM web page on the Insider

With CalPERS internal Web based communications campaigns such as Be Informed, Be Involved attracting greater attention to the employee intranet (the Insider), ECOM saw an opportunity to raise compliance awareness and launched the Compliance Web page and posted the ECOM Communications Plan. The ECOM site also plans to host a calendar of compliance related events such as training, frequently asked questions, and articles on best practices in compliance.

Human Resources Division (HRSD) created a chart that lists the mandatory training requirements along with relevant laws, rules, and processes as listed in Appendix B. Additionally HRSD has created a flowchart template that reflects processes, functions, and methods for compliance to demonstrate CalPERS' ongoing commitment to awareness and compliance of the employment and labor laws. Further, HRSD's link on the Insider Web site lists applicable employee related policies.

HRSD also maintains, monitors, and tracks mandatory training efforts on an enterprise-wide basis. Mandatory training is monitored at the division level and reported to HRSD by each category, its legal basis, staff ownership by position or division, impacted staff, reporting frequency, and the methods of compliance and training. The following describes some of the key mandatory training efforts:

Identified Training Mandates	Summary	Related Rule, Law, or Regulation
Americans with Disabilities Act of 1990	Ensures equal accessibility to all to reduce barriers to employment for those who are physically handicapped and provides for reasonable accommodation in the workplace.	Federal Law (Americans with Disabilities Act of 1990 and Fair Employment and Housing Act, FEHA)
Ethics training and Gift Reporting	Purpose is to learn to recognize economic interests from which a financial conflict of interest can arise. This is an eight step self-assessment process.	GC 1090, 1146-11146.4, CA Political Reform Act; Fair Political Practices Commission regulations
CalPERS Language Survey	All state departments are required to conduct the language survey. This assures that CalPERS members and beneficiaries have equal access to public services, regardless of language barriers.	Dymally-Alatorre Bilingual Services Act (GC Sections 7290-7299.8); Bilingual Services Act.
Harassment (Sexual) and Diversity	CalPERS is committed to ensuring a work environment that is free from all forms of discrimination including sexual harassment.	GC 12940-12951; AB 1825 (FY 03/04); CA Fair Employment & Housing Act; EEOC

The Operations Support Services Division conducts Business Continuity Planning on an annual basis. As part of the business continuity planning process, CalPERS maintains a detailed enterprise-wide plan to ensure that business operations continue to function in the event of a disaster. Each division has the responsibility to ensure that the division's functions are accurately described in the plan, maintained throughout the year and updated annually.

The Information Security Office (ISOF) plays an important role in furthering compliance for CalPERS. The mission of the Information Security Office is to ensure the integrity, confidentiality, and availability of CalPERS information assets. The Information Security Office will accomplish this mission by protecting CalPERS information assets from misuse, loss, unauthorized disclosure, and unavailability. The ISOF addresses compliance for copyright law, information confidentiality, and information security incident reporting. In addition to ISOF's awareness program which includes security tips and alerts throughout the year and presentations to new employees during each new employee orientation session, ISOF annually distributes the Information Systems Security & Confidentiality Acknowledgement (ISSCA) form and requirements for completing the ISSCA to all CalPERS staff. Completion of this form is monitored through the internal audit process.

External Communications

The Board's Finance Committee provided direction to the CCO to continue efforts to communicate and network with other state pension plans and provide examples of "best practices" to be shared. ECOM surveyed the Association of Public Pension Fund Auditors (APPFA) membership to determine the level of interest in forming a nationwide professional Chief Compliance Officer Association. Based upon the responses received, considerable interest exists at the state and national level in forming such an organization and CalPERS plans to serve in a leadership capacity. We envision that this association will serve as a forum to identify and share compliance best practices for public pension systems.

Other interstate networking and information sharing efforts including the CCO's presentation of "How to Mitigate Your Organization's Risk Through a Partnership Between Internal Audit and Compliance" at APPFA's Professional Development Conference held in San Diego and staff's attendance at the National Regulatory Service's 21st Annual Fall Compliance Conference held in Arizona, and National Society for Compliance Professionals Conference in Washington. Additionally, the CCO participated in discussions of compliance issues with international visitors from Korea and Saudi Arabia interested in risk, compliance, and audit functions.

Local outreach in 2006 included the CCO's presentation of "CalPERS' Compliance Journey" to the Association of Government Accountants – Sacramento Chapter and our presentation of "Risk Mitigation" presented to CalSTRS' Counsel for Compliance Office, the California Earthquake Authority, and the Sacramento Chapter of the Institute of Internal Auditors.

“Achieving Success
in Compliance”

A year of
accomplishments
in communication,
cooperation and
best practice.



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The Year In Review

Office of Enterprise Compliance Accomplishments

During the past year, we were confronted by many rapid changes to our working environment. In response, we have become even more focused and disciplined by accelerating recruitment and hiring efforts ensuring that we have the resources necessary to address the changes that have occurred. We have demonstrated this by achieving many compliance related accomplishments.

ECOM management set forth an ambitious agenda for 2006 which included gathering compliance best practices from industry and association experts, researching and evaluating compliance business tools, delivering compliance training and acquiring the staff needed to develop compliance programs. For example, the Health Compliance Workshops and Conferences we attended during the year allowed CalPERS to gain valuable information on “best practices” and tools in Health Compliance. We continue to increase our knowledge and learn from related disciplines by completing educational programs such as the Health Care Compliance Association’s Compliance Academy and by collaborating with business lines to build and maintain matrices of regulations, laws and rules, and establishing systems for monitoring compliance. We also share what we learn during the year through our continuous communication efforts and our compliance training presentations.

We continue to build communications and develop the monitoring function by reviewing existing policies to ensure compliance with applicable laws, rules, and regulations for each business line and by collaborating with management to establish liaisons for communications and to identify subject-matter-experts.

Investments Business Line Compliance Accomplishments

CalPERS made great strides to expand compliance efforts and oversight for the Investment Office programs in 2006. High-level accomplishments include, but are not limited to, the transition of Global Fixed Income portfolio compliance duties from the Investments Office to ECOM in February 2006. The transition mirrors best practices for investment compliance and represents a significant shift of daily compliance activities. The monitoring, resolution, and reporting of alerts and warnings are now performed independently by Compliance personnel. A CAM for Investments was selected in July 2006. Other significant accomplishments and responsibilities include:

- Compliance monitoring of the Automated Global Equity and Fixed Income portfolio management systems. The CAM monitors daily and provides weekly reports of compliance warnings and alerts to the CCO. User access privileges to automated systems are continually monitored and monthly reconciliation reports are prepared and reviewed. The Senior Investment Officer, Executive Office, and Legal Office received quarterly summary reports.

- Risks associated with Alternative Investments were evaluated. Areas of highest risk and industry best practices were researched. A summary report including compliance recommendations was provided to the Senior Investment Officer, Executive Office, and Legal Office.
- Efforts for compliance monitoring of Real Estate were initiated. The CAM for Investments met with Real Estate staff, consultants, and personnel from the OFAS as part of initial research into monitoring of the asset class. Compliance recommendations were provided to the Automated Real Estate Investment System (ARIES) Project for Phase I guidance and implementation. A fourth quarter summary report was submitted to the Senior Investment Officer, Executive Office, and Legal Office.
- A second year follow-up review of 2005 proxy voting recommendations was conducted. Compliance personnel participated in the selection process and reviewed the recommendation of a new automated proxy voting platform. Corporate Governance staff updated the “Global Proxy Voting & Corporate Governance Principles Reference Manual” and provided a desk copy to the CCO. Second and fourth quarter reports were submitted to the Senior Investment Officer, Executive Office, and Legal Office.
- In collaboration with our Legal Office and Investments staff, the CalPERS Personal Trading Policy was developed. A draft version of the policy was sent to the Department of Personnel Administration for review and comment.
- CCO participated in the “Delegation of Authority” workgroup for Investment policy on all asset classes. The workgroup included the Assistant Executive Officer, Deputy General Counsel, Senior Portfolio Management Investment staff, and various consultants. The workgroup reviewed existing delegations, current policy, procedures and past practices, and Board, staff and consultant roles.
- A compliance manual for the Investments CAM was developed and completed in June 2006.
- CCO, Investments CAM, and Legal staff attended a half-day workshop and training on derivatives.
- Researched and reported on available automated tools for compliance monitoring of commodity investing.

Health Business Line Compliance Accomplishments

Increasingly complex guidelines in the health care industry served as an additional catalyst for dedicating additional health specific compliance resources. In October 2006, ECOM hired a CAM for the Health Business Line. ECOM's Health CAM is currently working with the Health Benefits Branch (HBB) to research related regulations, laws, and rules for health compliance. The results of this effort will help facilitate the communication needed to establish the framework for health compliance oversight and further strengthen CalPERS' enterprise-wide awareness of compliance requirements for the Health Business Line. Additional compliance activities for Health in 2006 include:

- HBB designed, tested, and published the online Health Insurance Portability and Accountability Act (HIPAA) Compliance Guide. ECOM personnel participated in a demonstration of this Web based tool prior to its publication on the Insider in May 2006.
- To comply with Board mandates, HBB prepared a marketing plan that included personal calls to contracting agencies participating in the CalPERS health benefits program and delivered an aggressive marketing campaign at the 2006 Employer Educational Forum. HBB ran a "Medical Agency Support Help" unit to respond to employer questions and provided vital health related information. As a result of proactive marketing partnerships with our health plans and staff's efforts in 2006, CalPERS will retain over 99 percent of the agencies subscribed during the year.
- In December 2006, HBB successfully recruited and hired an administrator to perform the duties of the HIPAA Coordinator and act as liaison to ECOM for the Health Business Line. Additionally, HBB demonstrated its commitment towards compliance by successfully implementing the Retiree Drug Subsidy. This impacted about 149,000 Medicare Part D enrollees. Staff estimated reimbursement to CalPERS from the Centers for Medicare & Medicaid Service (CMS) of \$52.6 million, on behalf of employers. HBB also provided six-month and one-year implementation reports for two audits of CalPERS conducted by the Bureau of State Audits (Exclusive Provider Audit and Pharmaceuticals Audit) as required.
- ECOM prepared a Health assignments matrix and met with Health staff to develop and create future Health Compliance activities. In order to construct the Health assignments matrix, ECOM staff looked at a wide array of legislation affecting entities in the health care marketplace including the Patient Safety and Quality Act of 2005, the Emergency Medical Treatment and Active Labor Act (EMTALA), the Semi-Annual Report of the Office of the Inspector General (OIG), and the OIG's requirements for voluntary disclosure; Medicare Part D, Stark Anti-Kickback legislation; and HIPAA rules for enforcement, physical and IT security, and breach reporting. Additionally, staff from ECOM and OFAS met on several occasions to discuss the draft HIPAA audit. These meetings provided insight on successes and opportunities for improvement in the HIPAA program.

Pension Business Line Compliance Accomplishments

This past year, we took a variety of actions to further strengthen compliance efforts in our Pension Business Line. In July 2006, ECOM established a CAM position to oversee pension plan and retirement compliance activities in the Pension Business Line. Recruitment for this position should begin in early 2007. Additionally, ECOM staff attended various Pension and Retirement Compliance workshops and conferences to have access to “best practices” and tools in pension compliance.

Staff from the Member and Benefits Services Branch (MBSB) and the Actuarial and Employer Services Branch (AESB) took steps to elevate awareness of the compliance program and documented their procedures in central repositories. Specifically, MBSB performed the following to further Pension area compliance:

State Legislation

- Proposed legislation to amend the requirements for participation in the Partial Service Retirement Program to ensure compliance with federal laws, rules, and regulations. This legislation is effective January 1, 2007.

Federal Legislation

- The Federal Pension Protection Act of 2006 (HR 4) was enacted on August 17, 2006. Staff has already implemented several provisions of the legislation and is working with the Legal Office to implement additional provisions.

Administration

- Successfully designed, implemented, and met the goal on the Retirement Applications for Disability Accelerated Response (RADAR) to eliminate a backlog of 4,500 disability retirement applications.
- AB 2244 redefined the definition for disability retirement reversing the Nolan Decision. To comply with the passage of this legislative bill, Benefit Services Division conducted analysis to modify procedures, and letters. Training was provided for implementation effective January 1, 2007.
- Implemented pressure-sealed 1099R tax statements for increased information security.
- Conducted 194 Retirement Planning Seminars and 1,577 Retirement Planning Workshops, an additional 400 from the previous year (G. C. 20138).
- Eliminated Service Credit and Estimates backlogs as of June 30, 2006.
- Established the Policy, Procedure, and Training Unit in the Member Services Division.
- Implemented policies and procedures to streamline the fund rollover processes.
- The Member Education Unit established two new vendor contracts to provide financial education, created a new financial education program to provide specific employer on-site workshops for targeted members, and led the Education Development and Implementation Team's efforts to enhance our retirement planning seminars and workshops [Government Code (G.C.) section 20138].
- Obtained adoption of installment payment regulations which became effective August 5, 2006.

- Implemented quarterly legislative coordination meetings to address legislation on a branch-wide basis.
- MBSB has a mature policy process that includes a centralized function with dedicated staff, and a formal policy approval process. Program directives are placed on the Insider Web site.
- In addition, MBSB is demonstrating a best practice by monitoring court decisions that are precedential in nature, and by working with CalPERS Legal Counsel to monitor CalPERS application and interpretation.

Similarly, Pension business line staff from AESB performed the following to further pension area compliance:

State Legislation

Began implementation of the Alternate Retirement Program, and implemented the Reenactment of the Teachers' Medicare Program, chaptered legislation affecting employers.

Administration

- Identified the need for and obtained approval to establish a Policy, Procedure, and Compliance Unit within Employer Services Division (ERSD).
- Introduced the CalPERS Knowledge Management System to the Division which provides staff with on-demand access to procedures and guidelines.
- Improved the timeliness, consistency, and accuracy of communications by rolling out the Contact Center News Network (CCNN) System to all ERSD staff.
- Developed and delivered job-specific training in the membership and payroll units.
- Developed and began implementation of an ERSD Staff Training Plan which will address the training needs for all staff and new hires.
- Implemented Quality Assurance for the Employer Contact Center Staff.
- Researched and monitored the cause of common payroll reporting errors, and modified employer training modules to clarify proper reporting procedures.
- Created the Constituent Relations Office consisting of the CalPERS Account Manager program and the CalPERS Conference Services Unit
- Educated and consulted with attendees at the 2006 Employer Forum.
- Educated employer representatives from State, school, and public agency employers via educational workshops.
- Improved employers' access to up-to-date information by placing the CalPERS Public Agency Procedures Manual on the CalPERS On-Line Web site.
- Implemented a new online service, Employer ESubscriptions, to improve the timeliness and delivery of employer communications.
- Issued 25 Circular Letters in 2006 advising employers of policy or procedural changes and/or information relating to retirement, benefits, and related issues.
- Communicated relevant and educational information through the quarterly editions of the Employer News.
- Resolved internal audit findings and worked with employers to address public agency review findings.

Governmental Accounting Standards

- Lead an effort to implement Governmental Accounting Standards Board (GASB) Statement No. 43 and No. 45.
- Developed and obtained Board approval of the CalPERS Other Post Employment Benefits (OPEB) Assumption Model. The model is to be used in OPEB actuarial valuations by employers that participate in PEMHCA and elect to pre-fund their OPEB obligation through CalPERS' prefunding plan.

Organizational Compliance Accomplishments

In keeping with the requirements cast by the United States Sentencing Commission's Organizational Sentencing Guidelines, CalPERS took steps to increase the effectiveness of our internal controls and to promote our commitment to compliance. We identified compliance risks and implemented improvements by working collaboratively with our business lines and drawing from the results of our internal audit activity. This joint responsibility for monitoring compliance issues and formulating solutions enables CalPERS to plan and conduct compliance activities that meet the guidelines and improve operational efficiency.

In collaboration with OFAS, we are drafting a concept paper for developing a compliance hotline including an issue escalation and resolution plan. In addition, we jointly sponsored an enterprise-wide initiative for compliance risk assessment. We provided training to Senior Management which included compliance risk assessment tools for future use. We also submitted a proposal during the Business Planning Cycle to secure resources for additional compliance staff for Infrastructure compliance monitoring and administrative support.

To demonstrate and provide assurance that all audit activities are in compliance with the Standards for the Professional Practices of Internal Auditing, OFAS underwent an external Quality Assurance Review which was conducted by the Department of Finance. Also, audit staff prepared a Request for Proposal for the selection of a new financial statement auditor to meet the required five-year auditor rotation period. In September 2006, the Board of Administration approved the selection of a new financial statement auditor.

In addition, OFAS staff completed the annual enterprise-wide risk assessment of CalPERS activities as required by the Standards for Professional Practices of Internal Auditing. The risk assessment identifies, measures, and prioritizes risks so that focus is placed on areas of greatest significance. This process assists the Board and management in identifying business risks and opportunities, determining acceptable levels of exposure, implementing mitigating controls, and providing ongoing measurement and monitoring of the risk environment and compliance. Staff also prepared an "audit heat map" for each of the core business areas and support areas that showed the planned audit coverage for all identified auditable areas or entities.

Consistent with the Dymally-Allatorre Bilingual Services Act (Act) requirements, a biennial bilingual survey was conducted by the CalPERS Diversity Outreach Program in 2006. The language survey revealed that CalPERS now employs 11.8 certified bilingual employees, and 50.5 non-certified bilingual staff with language skills in 13 different languages. This diverse pool of bilingual staff can be drawn from to recruit, test, and certify staff to meet our customer needs. Based on the results, CalPERS plans on initiating efforts to test and certify more bilingual staff, and to contract out for telephone interpreter services to meet the needs of all Limited English Proficient customers. These results were reported to the State Personnel Board as required by the Act.



Striving for
excellence in
compliance
through innovation,
benchmarkings,
and continuous
improvement.

The Year Ahead

Office of Enterprise Compliance Goals for 2007

In the coming calendar year, ECOM will continue to seek innovative ways to ensure that we are doing the best job for CalPERS members. We will do this by remaining actively involved in promoting CalPERS' compliance efforts and educating staff about their roles and contributions towards this initiative and benchmarking with others for best practices. The following goals address primary lines of business: investments, health, and pension, as well as enterprise-wide operations.

- ECOM will continue to follow and implement the ECOM Five Year Staffing Plan which includes designating a CAM for the Enterprise business line (Fiscal, Human Resources, Administration, Operations, Information Technology, Information Security) who will meet with subject matter and program experts to assess risk and identify compliance roles and responsibilities.
- CAMs will work collaboratively with the subject matter and program experts in each business line to assess compliance risk and identify compliance roles and responsibilities.
- Take steps to ensure we employ qualified and well-trained staff by initiating new and refresher training opportunities, training and encouraging staff to become certified in areas of their primary business line responsibility.
- Develop enterprise-wide training policies and procedures to assure that staff receives appropriate level of compliance training.
- Continue to attend industry conferences to keep abreast of industry best practices, provide internal and external education and awareness regarding best practices in compliance.
- Establish a Compliance Resource Library with topic specific resource material files.
- Create a compliance chart summarizing specific laws and regulations applicable to each business line including the actions taken to ensure compliance.
- ECOM will issue compliance bulletins on an as-needed basis on new compliance related developments that need to be communicated to the affected employees.
- We will seek ways to enhance CalPERS' on-line training tools to re-enforce compliance education and awareness.
- Initiate the development of a professional Chief Compliance Officer Association that will provide a forum for the exchange of compliance issues and best practices for public pension systems. We will team up with interested pension systems to draft an organizational charter and identify key roles and responsibilities.
- Provide compliance related assistance to the Pension System Resumption project. This project is envisioned to provide one unified repository for housing all pension information needed by CalPERS and our business partners.
- Upon approval of Executive Management, implement the compliance committee to report, monitor, and mitigate compliance risk throughout the organization.
- Initiate an external review of Office of Enterprise Compliance duties and existing skill sets to assess adequacy of staffing and operational budget.

- Initiate cross-training for appropriate staff to assure back-up coverage and to prepare for succession.
- Upon approval of Executive Management and in collaboration with OFAS, continue efforts to establish a Compliance Hotline.
- In partnership with OFAS and our primary business lines, we plan to complete an enterprise-wide Compliance Risk Assessment. The 2004 United States Federal Sentencing Guidelines indicate that risk assessments are a foundational element for aspects of a Compliance and Ethics Program. The four primary goals of this process are to:
 1. Identify Business Processes and Compliance Areas,
 2. Identify applicable laws, rules, and regulations,
 3. Evaluate the level of compliance risks, and
 4. Improve compliance infrastructure.

Investments Business Line Compliance Goals for 2007

The growth in scope and complexity of investment strategies at CalPERS requires a corresponding growth in our compliance efforts. As the compliance program for the Investments area business line matures and enters its second full year, we anticipate continuing development of newly established monitoring systems and processes. System and process analysis will be conducted to identify areas where additional internal controls are needed and where existing procedures can be revised and strengthened.

The recruitment and hiring of a business line analyst is planned for 2007 under the ECOM's five-year business plan. This will provide for administrative support critical to the monitoring responsibilities of the investment operations area thereby allowing the CAM for Investments to focus on further development of the program for additional asset classes. Additional notable responsibilities and goals for 2007 include:

- Conducting a comprehensive review of Real Estate compliance. Continue identifying areas of highest risk, reviewing specific procedures, conducting best practice research, and monitoring for compliance.
- Continued monitoring and reporting Global Equity compliance violations.
- Reviewing policies and procedures for derivatives. Identifying areas of highest risk, reviewing specific procedures, conducting best practice research, and monitoring for compliance.
- Implementing a monitoring program for the Personal Trading Policy upon final Board approval of policy.
- Continued monitoring and reporting of Global Fixed Income compliance violations.
- Reviewing policies and procedures for securities lending operations. Identifying areas of highest risk, reviewing specific procedures, conducting best practice research, and monitoring for compliance.
- Monitoring and conducting a periodic follow-up review of prior compliance related recommendations for Alternative Investments.

- Continue to research and review available automated tools to review commodity investment compliance.
- Conducting a follow up review of proxy voting recommendations that will be implemented by the automated proxy voting platform.
- Updating the procedure manual for Investments area CAM.

Health Business Line Compliance Goals for 2007

As we continue to build our compliance program for the Health Business Line, ECOM's Health CAM will research Health compliance law, attend Health conferences and review the HIPAA Security Compliance audit with OFAS to identify successes and discuss opportunities for improvement.

ECOM and HBB will work jointly to establish an integrated approach for Health compliance monitoring and maintain a high level of communication on independent efforts including:

- ECOM will collaborate with staff in HBB to review existing policies and procedures, construct a Health Regulatory matrix, create Health compliance monitoring and reporting tools and begin development of a Health compliance manual.
- ECOM will work with business lines enterprise wide to support HBB's efforts to mitigate or resolve HIPAA audit findings identified in the HIPAA Privacy and HIPAA Security Compliance Reviews and continue work with the Health Business Line to identify, monitor and report on Health compliance activities.
- HBB plans for improving compliance in 2007 include resolving audit issues identified in HIPAA Privacy and Security Compliance Reviews, continuing efforts to comply with the Centers for Medicare & Medicaid Services' Retiree Drug Subsidy (RDS) requirements for CalPERS' 149,000 Medicare Part D enrollees, and working in partnership with ECOM's Health CAM to fully inventory and document compliance activities.

Pension Business Line Compliance Goals for 2007

As more legislative attention is directed towards retirement and pension plans, CalPERS remains responsive to regulatory changes. During the upcoming year, we plan to continue attending Pension and Retirement Compliance workshops and conferences to maintain access to "best practices" and tools in pension compliance, develop a compliance area manual for the Pension Business Line and continue to provide compliance education awareness.

MBSB staff will implement the requirements of state and federal legislation, and make further compliance improvements to the administration of our pension and retirement programs. The following has been identified as key compliance-related legislation:

Implementation of State Legislation

- Implement the provisions of AB 2244 which among other things, redefined the definition for disability retirement (reversing the Nolan Decision) effective January 1, 2007, and changed the age of participation in the Partial Service Retirement Program to ensure compliance with federal laws, rules, and regulations.

Compliance with Federal Legislation

- Implement relevant provisions of the Federal Pension Protection Act of 2006 (HR 4) which was enacted on August 17, 2006.

Administration

- Work with ECOM to perform a risk assessment of policies, rules and regulations to determine compliance exposures and impact to CalPERS for non-compliance.
- Development of a Delegation of Authority and Decision-Making Guide.
- Member Services Division will establish a Quality Assurance Process. This will include creating the Quality Assurance Unit to check the quality and accuracy of the major types of service credit costing and elections.

AESB will continue to provide services to employers on pension plans for the State, schools, and public agencies. AESB has identified pension related compliance goals for 2007 which include the following:

State Legislation

- Implement chaptered legislation affecting employers regarding the following topics:
 - » State Memorandums Of Understanding
 - » Treatment of Pay for Industrial Disability Leave
 - » Service Credit for Elected Officials
 - » Alternate Retirement Program (continued)

Administration

- Enhance the compliance function in ERSD by establishing a Policy, Procedure and Compliance Unit to coordinate improved documentation of policies and procedures, legislative analysis and implementation, resolution of internal and external audits; regulations, and other compliance-related duties.
- Work with ECOM to perform a risk assessment of policies, rules and regulations to determine compliance exposures and impact to CalPERS for non-compliance.
- Develop procedures for CalPERS-initiated employer contract terminations due to failure to provide contributions and/or required information.
- Review and analyze areas of the law that are ambiguous, and determine a plan for addressing issues requiring legislative action or changes through the regulatory process.
- Make continued improvements to ensure that public agency review findings are resolved.
- Continue ERSD Staff Training Plan implementation by developing and delivering Division-specific and job-specific training classes.

- Develop plan to improve the accessibility of procedures and training materials for employers.
- Through participation on the Enterprise Customer Education Solution (CES) Project, establish a customer education framework and consistent content curriculum structure with service delivery platforms.
- Develop a plan to address charter school payroll and membership reporting issues.

Governmental Accounting Standards

- Establish a program for PEMHCA agencies to pre-fund other post-employment benefits.

“Policy to Practice”
Reference materials
for building effective
compliance programs.



Resources

The books listed below have been purchased by ECOM or provided by ECOM personnel attending various workshops, conferences or training sessions.

The Operations Risk & Compliance Directory 2006 Incisive Financial Publishing Ltd 2006	2006 National Society of Compliance Professionals Inc. National Meeting Workbook Aspen Publishers
KPMG's Assessing Internal Control and Ethics 2005 KPMG LLP	Corporate Legal Compliance Handbook (2003 – 2006 Supplements) Aspen Publishers
Society of Corporate Compliance and Ethics Compliance & Ethics Institute Conference Workbook SCCE September 2005	Sarbanes-Oxley Act: Planning & Compliance Aspen Publishers 2006 ISBN 0-7355-5873-6
CCH Health Care Compliance Professional's Manual CCH Publications, March 14, 2006	Director's Guide to Sarbanes-Oxley Compliance 2004 Warren Gorham & Lamont ISBN 0-7913-5526-8
National Regulatory Service 20th Annual Spring Compliance Conference Workbook Aspen Publishers 2005	SOX (Sarbanes-Oxley) for Dummies Wiley Publishing 2006
National Regulatory Service 21st Annual Spring Compliance Conference Workbook Aspen Publishers 2006	Responsibilities of Corporate Officers and Directors Under Federal Securities Law, 2004-2005 edition 2004 CCH Inc.
2005 National Society of Compliance Professionals Inc. National Meeting Workbook Aspen Publishers	Association of Public Pension Fund Auditors Professional Development Workbook May 2006
	Association of Public Pension Fund Auditors Professional Development Workbook November 2006

Appendix A

U.S. Sentencing Commission's Organizational Sentencing Guidelines

Because an organization is vicariously liable for actions taken by its agents (offenses by certain personnel) it is important for organizations to avoid culpability (involvement in or tolerance of these offenses) by demonstrating an effective compliance program – this becomes a factor in determining the amount of fines which may be levied against an organization.

The guidelines increase the fine range when organizations are more culpable and reduce the fine range when organizations are less culpable.

The steps an organization takes to prevent and detect criminal conduct and the organization's actions after an offense has been committed are important in determining a fine range.

- Specifically, the organization's culpability is determined by the level or extent of the organization's prior history,
- whether an order was violated when the organization committed the offense,
- whether the organization obstructed or attempted to obstruct justice,
- whether the organization had an effective program to prevent and detect violations of law, and
- whether the organization reported the offense, cooperated fully in the investigation, and accepted responsibility for its criminal conduct.

Organizations reduce the risk of extensive fines by implementing compliance programs that are proactive in the promotion of ethical behavior.

The United States Sentencing Commission's Organizational Guidelines Manual "Chapter Eight - Sentencing of Organizations" requires organizations to (a) have an effective compliance and ethics program, (b) exercise due diligence and the promotion of an organizational culture that encourages ethical conduct and a commitment to compliance with the law and (c) periodically assess the risk of criminal conduct and shall take appropriate steps to design, implement, or modify each requirement set forth in subsection (b) to reduce the risk of criminal conduct identified through this process and to:

- (1) exercise due diligence to prevent and detect criminal conduct
- (2) promote a culture of ethical conduct and a commitment to compliance with the law
- (3) use efforts not to include those within the substantial authority personnel of the organization any individual who has engaged in illegal activities or other conduct inconsistent with an effective compliance and ethics program

- (4) conduct effective training programs and otherwise disseminating information appropriate to such individuals' respective roles and responsibilities.
- (5) take steps—(A) to ensure that the organization's compliance and ethics program is followed, including monitoring and auditing to detect criminal conduct; (B) to evaluate periodically the effectiveness of the organization's compliance and ethics program; and (C) to have and publicize a system, which may include mechanisms that allow for anonymity or confidentiality, whereby the organization's employees and agents may report or seek guidance regarding potential or actual criminal conduct without fear of retaliation.
- (6) The organization's compliance and ethics program shall be promoted and enforced consistently throughout the organization through (A) appropriate incentives to perform in accordance with the compliance and ethics program; and (B) appropriate disciplinary measures for engaging in criminal conduct and for failing to take reasonable steps to prevent or detect criminal conduct.
- (7) After criminal conduct has been detected, the organization shall take reasonable steps to respond appropriately to the criminal conduct and to prevent further similar criminal conduct, including making any necessary modifications to the organization's compliance and ethics program.

Appendix B

All Staff Training and Development (ASTD) Mandatory training matrix

Identified training mandates	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Americans with Disabilities Act of 1990 (accessibility for handicapped). See “reasonable accommodation”.	Federal law (Americans with Disabilities Act of 1990 and Fair Employment and Housing Act, FEHA)	Human Resources (Reasonable Accommodation Officer); OSSD (space planning)	evaluation by space planning; reasonable accommodation request; division furniture contact request	All	As needed
Conflict of interest/ incompatible activities. See “ethics training and gift reporting”.	GC 1090, 11146-11146.4, 81000 et seq., 87200 et seq., 87300, 87304; Title 2, Article 3, Sections 560, 18730 (CCR); Article XVI, section 17, CA constitution; PCC 10410; CA Political Reform Act; Fair Political Practices Commission regulations	LEGO; Chief Compliance Officer (Office of Enterprise Compliance)	Online training (Insider course); Fair Political Practices Commission video in Learning Center	Employees listed in PERS Conflict of Interest Code (see Insider)—generally SSM III & above; PERS Board members, some PERS consultants	Annually
Contracts training	PCC Section 10310.5; CA Pension Protection Act of 1992 (Article XVI, section 17, CA constitution); PERS Board Resolutions 92-04B&92-04B-1, 3,5,6,7; OSSD-98-01; Delegation No. EXEC-95-101	OSSD contracts mgmt & procurement sections	PERS admin manual (PAM) on Insider; hard-cover contracts training manual	requesting division, contract mgr, Board, CEO, AEO Admin, Legal, OSSD CMS, PROS, FCSD, HR, Audits, IT, ISOF	As needed and applicable
Data processing See “information security”.	SAM (State Administrative Manual) 4854; http://sam.dgs.ca.gov/TOC/4800/4854.htm	IT; mgmt; training coordinators	Internal training; Learning Center	All	As needed & applicable
Defensive driving	SAM (State Administrative Manual) travel sections, 0750.1, 0751, 0752	Supervisors of staff who drive on state business	Dept. of General Services training; other training; review drivers’ records annually	All staff driving on state business	Once every 4 yrs (frequent drivers)
Departmental training policy, plan, programs evaluation; total program evaluation	DPA regulations 599.815-.819, 599.821, Govt. Code 19400-19406, 19995; Dept. of Finance Budget Letter 98-07	Human Resources ASTD, ASDE	New Employees Orientation; thereafter as needed; Internal training; Learning Center; external training	All	NEO; thereafter as applicable

Identified training mandates	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Diversity See “harassment (sexual)”	Executive Order S-4-05; two PERS issue memos	Diversity Outreach Program staff; LEGO	Learning Center; Internal training; external consultants	Supervisors	As needed & required; minimum once
Emergency response training (part of Injury & Illness Prevention Program)	SAM 6560; CA Emergency Services Act; GC 8649; Executive Order B-48-78	Disaster Recovery Contact (OSSD); Business Continuity Coordinator (OSSD) (for CalPERS Business Recovery Plans); Emergency Response Coordinator (for Emergency Response Program)	Internal training by external consultants; business continuity plans for each division	Emergency response team of volunteer CalPERS staff with mgmt support; business recovery contacts in each division	For emergency response- -Annually refresher plus intro 2-day training
Employee assistance program (EAP) orientation	HSC 11759.10-.17; GC 19998.5; DPA Reg 599.931	EAP Coordinator (HR) (Employee Relations Officer); division personnel analyst	New Employees Orientation; subsequent annual orientations or as providers change; internal or external training	All	At least once during employment
Employer-related training	PERL (Public Employees’ Retirement Law)	Actuarial & Employer Services Branch (AESB); Office of Data Administration	Internal training	Specific employees in divisions which deal with employers	As needed; ongoing
Ergonomics (part of Injury & Illness Prevention Program)	LC 6400, 6401, 6401.7, Title 8, CCR, Section 3203, ANSI/HFS 100-1988; CAL/OSHA Reg: Title 8, CCR, Section 5110	All staff; including managers, supervisors, Health and Safety Officer (Ergonomic Program Coordinator); OSSD space planning unit; Return to Work Coordinator	New Employees Orientation; on- the- job training for call center staff	All	Ongoing as needed; minimum of once at start of employment
Ethics training and gift-reporting	GC 1090, 11146-11146.4, 81000 et seq., 87200 et seq., 87300, 87304; Title 2, Article 3, Sections 560, 18730 (CCR); Article XVI, section 17, CA constitution; PCC 10410; CA Political Reform Act; Fair Political Practices Commission regulations	LEGO; Chief Compliance Officer (Office of Enterprise Compliance)	Online training (Insider course); Fair Political Practices Commission video in Learning Center; file Form 700	Employees listed in PERS Conflict of Interest Code (see Insider)—generally SSM III & above; PERS Board members, some PERS consultants	Ongoing as needed; minimum of once at start of employment

Appendix B (continued)

All Staff Training and Development (ASTD) Mandatory training matrix

Identified training mandates	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Harassment (Sexual) See "diversity".	GC 12940-12951; AB 1825 (FY 03/04); Title VII, 1964 Civil Rights Act; CA Fair Employment & Housing Act; EEOC	Diversity Outreach Program staff; LEGO; ASTD for Board members	Learning Center; Internal training; State Personnel Board course; Living CalPERS Core Values (LCCV) course	Supervisors and all other staff at PERS; Board members	Biennially (two hrs for all supervisors)
Health Insurance Portability & Accountability Act (HIPAA)	Federal law (8/21/96): Health Insurance Portability & Accountability Act: sections on Privacy, Transactions Code Sets, Security	Privacy Officer; Health Insurance Portability & Accountability Act (HIPAA) Coordinator; supervisors	New Employees Orientation; CA Office of HIPAA Implementation www.calohi.gov ; Insider HIPAA compliance portal	Health Benefits Branch (HBB); Office of Employer & Member Health Services (EMHS)	Ongoing; as needed
Information Security See "data processing".	Government Code 11771 & related	ISOF (Information Security Office)	Internal training; annual signed document; New Employees Orientation	All; Executive staff	Ongoing; as needed, beginning with start of employment
Injury & Illness Prevention Program (includes emergency response training, ergonomics, medical services & First Aid/CPR certification, and Workplace Violence Prevention Program)	CCR Title 8, Section 3203; LC 6401.7; SB 198	Health & Safety Officer (HR) (PERS' Employee Relations Officer)	New Employees Orientation; all-employee written access to IIPP document; new job assignments; whenever new hazards identified	All	Ongoing; as needed, beginning with start of employment
Medical services & first aid/CPR certification (part of Injury & Illness Prevention Program)	General Industry Safety Orders, Title 8, Section 3400	Disaster Recovery contact (OSSD); HR Employee Relations staff	Certify staff in First Aid/CPR; identify staff who are already currently certified	Those identified by applicable OSSD and HR staff for certification or re-certification	As needed with opening of LPE and LPW; then as needed
New Supervisors training	Government Code 19995.4	Human Resources ASTD	L.E.A.D.E.R. course in-house (Leadership Essentials and Direction for your Emerging Role)	Those staff promoted to supervisor from rank & file	Once (upon promotion to supervisor)
Reasonable accommodation (disability). See Americans with Disabilities Act of 1990 (accessibility for handicapped).	Americans with Disabilities Act of 1990 (ADA) and the Fair Employment and Housing Act, FEHA, which are Federal laws	Human Resources (Reasonable Accommodation Officer); space planners (OSSD); CalPERS Diversity Outreach Program (CDOP) staff	Various, according to individual situation as determined by HR and OSSD	All	As needed for self-identified staff

Identified training mandates	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Records management	SAM (State Administrative Manual) 1610	OSSD Records Management Unit; policy change/ review by EXEO, Office of Legal Services, and Office of Audits Services	Internal training by HR & Change Management (SMSD) staff	All; division managers implement for each division	Annual review by divisions
Toxic Exposure (part of Injury & Illness Prevention Program)	SAM (State Administrative Manual) 2590; CAL/OSHA safety order (General Industry Safety Order, section 3204, title 8, CCR)	Health & Safety Officer (Human Resources)	Keep records in Human Resources	All	Ongoing
Training provisions in current MOUs. See “upward mobility”.	See current MOUs online	All staff	Review hard copy or online MOUs at DPA website	All rank and file staff; all staff with MOUs	Review at start of employment & as MOUs change
Upward mobility See “training provisions in current MOUs”	Government Code 19400-19406, 19494	Diversity Outreach Program staff; Equal Employment Opportunity (EEO) officer	CalPERS formal Upward Mobility Program is currently under development by the Office of Diversity Outreach Program	All	Ongoing
Work/family	Federal & state laws; see http://www.dpa.ca.gov/WorkingFamilies/final_report/2004_WFReport-hires.pdf ; review DPA regs for non-represented staff; MOUs for represented staff	Human Resources (Employee Relations)	Insider; New Employees Orientation; announcement as needed	All	Ongoing
Workplace Violence Prevention Program (included in Injury & Illness Prevention Program)	Personnel Management Liaison 12/14/01 (DPA Memo)	Human Resources (Employee Relations)	Living CalPERS Core Values (LCCV) program; Learning Center resources	All	Ongoing

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