

California Public Employees' Retirement System

2008  
Annual  
Compliance  
Report



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# Acknowledgements

The Chief Compliance Officer would like to acknowledge the following groups and individuals for their contributions toward establishing a successful enterprise-wide compliance program and the completion of this report:

- The Finance Committee Chair, Chief Executive Officer, Interim Chief Executive Officer, Interim Chief Investment Officer and the General Counsel for their strong support of the Office of Enterprise Compliance and its mission and activities.
- The Legal Office and the Office of Audit Services for their valuable ongoing partnership and support of the Office of Enterprise Compliance's activities, assisting with the creation and development of an innovative, responsive, and effective compliance program.
- The Executive Team and Senior Management, for their support and leadership in successfully introducing, establishing and developing the new enterprise-wide compliance program.
- All of the Divisions for their contributions to this report and for their ongoing compliance efforts throughout the year.

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California Public Employees' Retirement System

Year Ending December 31, 2008

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Tony Oliveira, Chair  
CalPERS Finance Committee





# Chair of the Finance Committee

## Letter of Transmittal

February 18, 2009

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, 2008.

This report provides a summary review of our compliance program accomplishments last year and outlines our compliance planning efforts for the coming year. It marks the fourth annual report submitted by our Office of Enterprise Compliance (ECOM).

The mission of CalPERS compliance program is to sustain an organizational culture that promotes and supports compliance consciousness into the daily operations of our primary 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 compliance program works 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 to provide assistance to our primary business lines.

Our compliance program is an integral part of the CalPERS internal control structure and will continue to be a critical function as we enter an economic climate that is anticipated to require stronger regulatory oversight.

We hope this report provides insight into our compliance efforts and sets the stage for the development of new tools, best practices and innovative methodologies that will assist CalPERS in strengthening its internal controls.

Sincerely,

Tony Oliveira  
Chair  
CalPERS Finance Committee



# Chief Executive Officer's Message

February 18, 2009

During these challenging economic times, compliance has become a critical function for CalPERS and our primary lines of business – investments, health care, and retirement. This report outlines the accomplishments made by our Chief Compliance Officer and CalPERS staff that support our enterprise goal of maintaining a strong compliance minded business culture.

During the past year, our Office of Enterprise Compliance (ECOM) had some notable firsts. ECOM conducted its first enterprise-wide compliance risk assessment, which will provide a step towards addressing some of the risks facing CalPERS. The ongoing effort is expected to assist our program areas by identifying our priorities, and the projects, processes and procedures that need our attention and resources. In addition, ECOM launched its first customer service survey. The survey showed the office was providing good service to the organization.

I am pleased to report that we made great strides to expand compliance efforts and oversight in our Investment Office. We performed compliance reviews of various asset classes this year. We also completed a comprehensive project to review and update our existing body of delegations of authority in our primary asset classes. In our corporate governance program we launched an automated proxy voting platform, and in our Member Home Loan Program we developed a process to independently monitor and review new loans and securitized product purchases.

In the area of health, we established protocols for sending and receiving electronic files, consistent with our information security policy. We documented policies and procedures for the Medicare Part D Retiree Drug Subsidy requirements, and we continued to update our Health Compliance Manual for monitoring and reporting health compliance.

In retirement, our actuarial office established a security and confidentiality policy for providing data to auditors of contracting agencies. Our Employer Services Division documented more than 54 policies and procedures, and our Benefit Services Division increased its external partners in the Direct Authorization Program, which ultimately helps to reduce manual processing errors.

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,

Anne Stausboll  
Chief Executive Officer



Anne Stausboll  
Chief Executive Officer

# About CalPERS

The California Public Employees' Retirement System (CalPERS) is the nation's largest public pension fund with assets of approximately \$185.5 Billion, as of December 31, 2008.

Headquartered in Sacramento, CalPERS provides retirement and health benefit services to nearly 1.6 million people and more than 2,600 public employers. As of December 31, 2008, the CalPERS portfolio is valued at \$185.5 billion. CalPERS also operates eight Regional Offices located in Walnut Creek, Glendale, Orange County, Fresno, Sacramento, San Bernardino, San Diego, and San Jose.

CalPERS is led by a 13-member Board of Administration (the Board), consisting of member-elected, appointed, and ex officio members. As of June 30, 2008, CalPERS provided retirement benefits to over 1.6 million individuals and health benefits to over 1.3 million individuals, consisting of active and retired members from the State, school districts, and local public agencies.

## Key Dates in CalPERS History

- |             |  |             |   |
|-------------|--|-------------|---|
| <b>1931</b> | CalPERS was established in law   | <b>1997</b> | CalPERS increased public disclosure of decision making  |
| <b>1932</b> | CalPERS began administering retirement benefits for State employees  | <b>1998</b> | CalPERS adopted U.S. corporate governance standards   |
| <b>1939</b> | Public agencies and classified school employees were allowed to contract with CalPERS to provide retirement benefits for their employees   | <b>1999</b> | CalPERS launched a corporate governance website, drawing worldwide interest   |
| <b>1962</b> | CalPERS began administering health insurance benefits for State employees  | <b>2002</b> | CalPERS launched a financial market reform initiative with principles and an action plan to prevent future Enron-type accounting abuses |
| <b>1967</b> | Public agencies and classified school employees were allowed to contract with CalPERS to provide health benefits for their employees   | <b>2003</b> | CalPERS adopted a plan to crack down on executive compensation abuses   |
| <b>1984</b> | CalPERS initiated a corporate governance reform program  | <b>2004</b> | CalPERS appointed the CalPERS Chief Compliance Officer (CCO) and created an enterprise-wide compliance and monitoring program           |
| <b>1990</b> | The Long Term Care Act passed, allowing CalPERS to offer Long Term Care insurance to CalPERS members, California State Teachers' Retirement System (CalSTRS) members, and members who were eligible under the County Employees' Retirement Law of 1937 | <b>2004</b> | CalPERS launches new improved CalPERS On-Line Web site on March 27  |
| <b>1992</b> | Proposition 162 was approved by voters, giving the CalPERS Board absolute and exclusive authority over the administration and investment of pension funds  | <b>2004</b> | CalPERS initiates Environmental Technology Investment Program   |
| <b>1996</b> | The Long Term Care (LTC) Program expanded to include all California public employees and retirees  | <b>2004</b> | CalPERS adopts reduced hospital network, regional health plan pricing   |
| <b>1996</b> | CalPERS launched the International Corporate Governance Program  | <b>2004</b> | CalPERS gets AAA rating from Fitch Ratings  |
| <b>1997</b> | CalPERS adopted corporate governance principles for United Kingdom   | <b>2005</b> | CalPERS adopts employer rate "smoothing" policy to reduce rate volatility   |
|             |  | <b>2005</b> | CalPERS headquarters expansion completed in October   |
|             |  | <b>2005</b> | CalPERS pension fund reaches \$200 billion milestone on November 21   |
|             |  | <b>2007</b> | CalPERS launches retiree health benefit (OPEB) prefunding plan on March 1   |
|             |  | <b>2007</b> | CalPERS celebrates 75th anniversary   |
|             |  | <b>2007</b> | CalPERS launches myCalPERS Web site for members   |



# Compliance at CalPERS

Compliance programs have traditionally been structured around the minimum requirements established by the United States Sentencing Commission's "Organizational Sentencing Guidelines," which are widely recognized as hallmarks of an effective compliance and ethics program. Under these 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. Two important goals of any compliance program are to help an organization's employees, managers, and governing body to simply do a better job, and 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 Board, and specifically the Board's Finance Committee, requested that the CCO role be created and directed staff to create the concept paper or framework for the creation of the Office of Enterprise Compliance (ECOM).

ECOM is working 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 Finance Committee. In addition, ECOM has extended its outreach efforts to create opportunities to benchmark and identify "best practices" in various business industries and to provide assistance to our primary business lines.

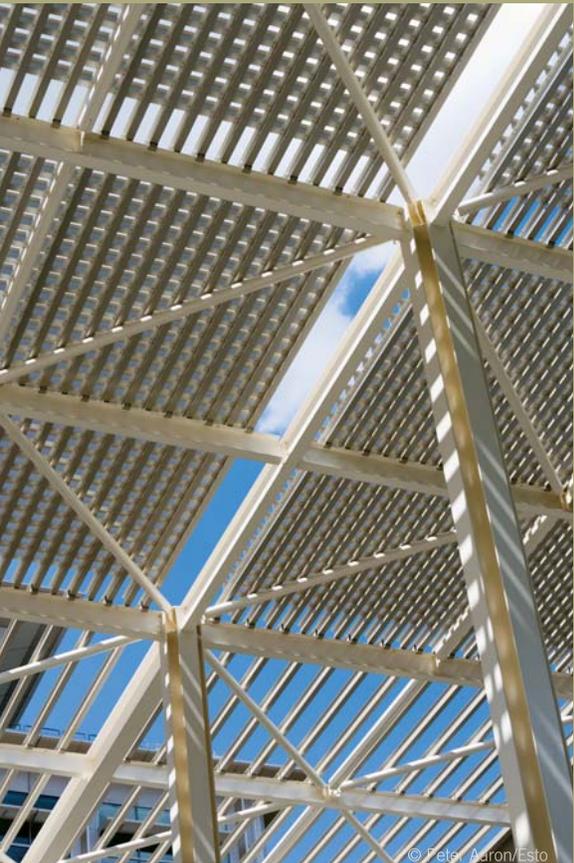
This is the fourth Annual Report for ECOM and summarizes CalPERS 2008 compliance-related accomplishments and upcoming goals for 2009.

CalPERS CCO regularly reports to the Finance Committee on the progress of the compliance program and makes recommendations for improvements to the internal control systems. In 2008, the CCO presented status reports of enterprise compliance activities to the Finance Committee at each of its seven meetings. The CCO also provided the Finance Committee with updates of the Staffing Plan and quarterly and annual reports, and the risk assessment.

CalPERS compliance function is an integral part of the CalPERS internal control structure.

Under the direction of the CCO, ECOM:

- Functions as part of the business structure and decision-making process
- Conducts employee compliance training
- Develops compliance policies and procedures (including best practices)
- Monitors and reports on compliance-related activities for the various business lines



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

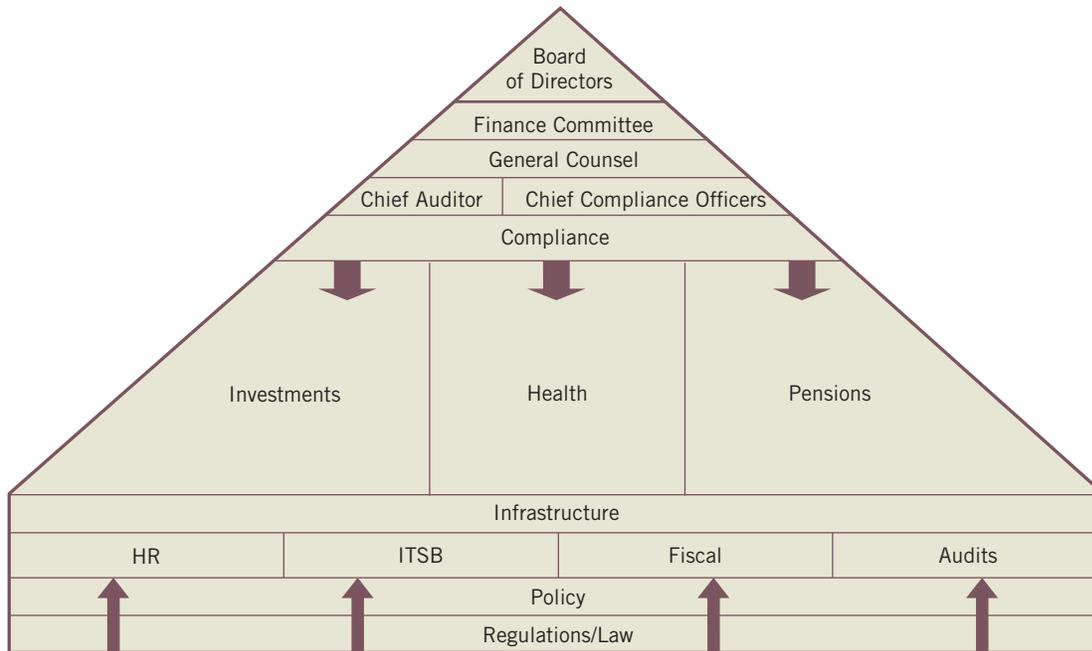
The mission of the Office of Enterprise Compliance (ECOM) is to ensure, promote and support an organizational culture which builds compliance awareness into the daily business processes for investments, health and pension. We will accomplish this mission by monitoring CalPERS business activities, policies, 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.

## Compliance Program Structure

CalPERS faces an increasingly complex and challenging regulatory environment. In 2004, the CalPERS Finance Committee approved the concept paper describing the need to establish ECOM, to assist CalPERS in attaining compliance, faced with a complex and quickly changing legal and regulatory environment. ECOM 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.

Under the authority and guidance of the Finance Committee Chair, Chief Executive Officer (CEO), and General Counsel, ECOM staff work with the other CalPERS program areas, assisting them to identify potential compliance issues and develop mitigation strategies, consistent with best practices.

ECOM staff works closely with the Office of Audit Services (OFAS), for assistance in identifying areas of potential risk. The Legal Office (LEGO) also works closely with ECOM and program staff to clarify legal requirements and assist in making sure that proposed mitigation strategies appropriately and accurately address relevant legal and regulatory requirements. This compliance model can be illustrated as:



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

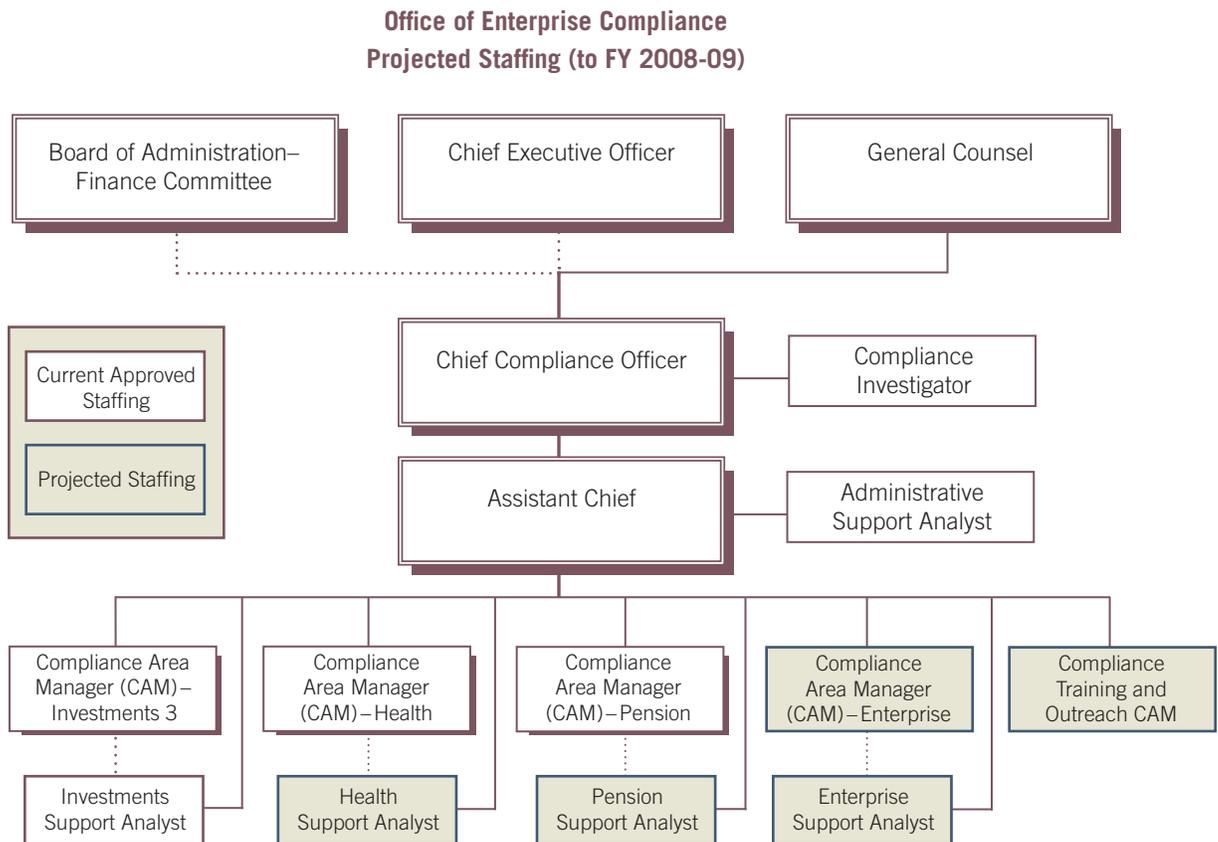
## Current Staffing Structure

Currently, ECOM has 8 positions with an operating budget of \$728,755.

Debbie Bennett served as the Assistant Division Chief in 2008.

Specifically the succession plan calls for a Compliance Area Manager (CAM) for each of the three primary business lines (Investments, Health and Pension). The CAMs are business specialists who develop, monitor, and report compliance events, emerging trends, and risks within CalPERS primary business lines. During 2008, all three of these positions were filled, and staff continued developing formalized compliance programs and monitoring procedures and tools in each of the three business lines. In addition, ECOM added a Compliance Investigator position in December 2008.

The succession plan also calls for the establishment of four analyst positions to assist and support the CAMs in research and monitoring efforts. One analyst position was established and filled in 2007, to assist the Investment CAM. ECOM also established and filled a support analyst position in 2007, to provide administrative support for compliance staff.



## Five-Year Staffing Plan

At the direction of the Finance Committee Chair, the CCO created a five-year plan charting the future staffing of ECOM. Four years into its operation, ECOM is well on the path towards the enterprise compliance program becoming a mature, integrated function at CalPERS. The plan follows the initial outline of the Board's approved "concept paper," which outlines a basic foundation for compliance efforts. The five-year plan includes justification for additional staffing, staff development, and a comprehensive program implementation and succession planning strategy.

Future goals contained in the ECOM staffing plan include:

- Adding two new positions in 2009: an Investment CAM over Real Estate, and an Investment CAM over Alternative Investments and Inflation-Linked Asset Classes.
- Establishing an Enterprise CAM dedicated to monitoring and advising management on compliance issues in the Fiscal Services Division (FCSD), Operations Support Services Division (OSSD), Human Resources Division (HRSD), Information Technology Services Branch (ITSB), and Information Security Office (ISOF).
- Adding three analysts to assist the CAMs in research and monitoring efforts. The analysts will maintain the Compliance Resource Library, develop and make changes to the website resource information, provide high-level research work related to all business lines, and assist in enterprise risk assessment and reporting.
- Establishing a Compliance Education and Awareness CAM dedicated to providing training and outreach to business line staff, and developing and implementing online Computer-Based Training (CBT) programs related to compliance. In addition, the Compliance Education and Awareness CAM would be responsible for developing educational materials, a coordinated outreach strategy and activities to better inform staff about the CalPERS Compliance Program.

The table below shows the projected growth and the organization chart on page 13 illustrates the projected structure. These positions will be phased in based on workload needs and justification.

### Projected Growth

Position	Recruitment Target
Compliance Investigator	FY 2008-09 (completed)
Investment CAM: Real Estate	FY 2009-10
Investment CAM: Alternative Investments and Inflation-Linked Asset Classes	FY 2009-10
Compliance Area Manager – Enterprise	FY 2010-11
Support Business Line Analysts (3)	FY 2010-11
Compliance Education and Awareness CAM	FY 2010-11

## Compliance Program Management

In support of CalPERS compliance efforts, ECOM staff:

- Gathers, organizes, and analyzes compliance information
- Develops internal and external partnerships to formulate and recommend compliance best practices to management
- Monitors and reports results of compliance monitoring efforts to management and to the Finance Committee
- Provides ongoing guidance to management on all matters relating to compliance

At the end of the third quarter of 2007, ECOM distributed its first customer service survey to the business lines at CalPERS. The purpose of the survey was to measure awareness of compliance activities, solicit organizational feedback, and review opportunities for improvement within the division.

The survey questions evaluated ECOM's service-level accomplishments using a variety of measures, including timeliness of response, knowledge of subject matter, initiative demonstrated, and importance of the compliance function within the business lines.

In general, ECOM appears to be providing "good" service to those divisions with which it works most closely. In light of the 30% of respondents who said that ECOM's activities were "not applicable," ECOM recognizes there is need for further outreach on the importance of compliance. As a result of the survey, ECOM engaged in several outreach activities in 2008, including:

- Development and implementation of a compliance awareness campaign utilizing six compliance "Tips" on the CalPERS Insider web page to improve staff awareness of compliance issues and resources. Topics included: gift reporting, ECOM's organizational role, supporting compliant behavior through procedures, conflicts of interest, fraud prevention and C.C.E.P. certification.
- Continued outreach and training through monthly New Employee Orientation (N.E.O.) classes and, beginning in 2008, new training was added to the Leadership Essentials and Direction for your Emerging Role (L.E.A.D.E.R.) training classes for new supervisors and managers. In 2008, a total of 308 employees completed the N.E.O. course, and 62 employees completed the L.E.A.D.E.R. course.

## Compliance Risk Assessment Process

In 2008, ECOM conducted its first enterprise-wide Compliance Risk Assessment. Based on the results of the initial Compliance Risk Assessment, ECOM staff has developed an expanded process to conduct ongoing enterprise-wide Compliance Risk Assessments. ECOM expects to conduct its first (pilot) Compliance Risk Assessment under the new process beginning in January, 2009.

During the Compliance Risk Assessment process, ECOM will work with each division, in a two-month period, to assist divisions assess and address their compliance needs and to establish a foundation for future cooperative compliance efforts.

Following each Compliance Risk Assessment, ECOM will work with the divisions to develop a Compliance Plan, based on their assessments. These Compliance Plans will be designed to assist divisions to prioritize and mitigate any risks identified.

At the end of the enterprise-wide Compliance Risk Assessment process, ECOM will generate a report identifying the top risks facing CalPERS, ranked by their significance to the enterprise. The report will serve as a valuable tool, assisting CalPERS program areas to identify and prioritize projects, systems and processes that may require additional focus, staff and resources to support the workload associated with addressing the compliance risks identified.

## Key Ongoing Compliance Activities

- CalPERS performs a bi-annual language survey, consistent with the requirements of Government Code sections 12940-12951. The survey is distributed to all staff to ensure CalPERS members and beneficiaries have equal access to public services, regardless of language fluency.
- CDOP distributed the Language Identification Guide, one of the bilingual resources available from the State Personnel Board, to public contact staff. This poster assists staff in providing an equal access and level of services to limited-and non-English speaking members and the public. The poster lists 36 different languages and allows a person to point to the language he or she speaks. To further serve the individual, staff can contact an interpreter by using the Language Fluency List which contains bilingual employees fluent in 20 different languages. The Language Fluency List is accessible on the CDOP's home page on the Insider, [http://insider.calpers.ca.gov/cdop/library/bi-lingual\\_language-fluency-list.pdf](http://insider.calpers.ca.gov/cdop/library/bi-lingual_language-fluency-list.pdf).
- ISOF plays an important role in furthering compliance for CalPERS. The mission of ISOF is to advance both the protection of CalPERS members' privacy and the safety of CalPERS information assets. ISOF will fulfill this mission by working closely with CalPERS program areas to incorporate member privacy and information safety into all CalPERS operations. ISOF addresses compliance for copyright law, information confidentiality, and information security incident reporting. ISOF requires all staff to complete an online security and confidentiality training course each year

where staff acknowledges they understand and will abide with CalPERS Information Security and Confidentiality Policy. Completion of this form is monitored through the internal audit process.

- The Financial Integrity and State Manager's Accountability Act (Government Code sections 13400 through 13407) requires each state agency to maintain an effective system of internal accounting and administrative control, to evaluate the effectiveness of these controls on an ongoing basis, and to biennially review and prepare a report on the adequacy of the controls. OFAS has kicked off its biennial reporting cycle and will complete its next report by the December 31, 2009, due date.
- OSSD 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 business operations continue to function in the event of a disaster. Each division has the responsibility to ensure the division's functions are accurately described in the plan, maintained throughout the year, and updated annually. Consistent with best practices and state and federal guidelines, the CalPERS Business Continuity Plan is reviewed annually and has Senior Management approval. The plan addresses data back-up and recovery, the performance of critical business functions, emergency communications with employees and members, and the activation of an Emergency Operations Center.
- OSSD administers and conducts the CalPERS Board of Administration (Board) elections for the six elected members of the Board that represent the active and retired members of CalPERS. There is a four-year election cycle: the first year the two Member-at-Large Board member representatives are elected from the total active and retired membership; the second year the Public Agency, State, and School Board member representatives are elected from the active membership of their respective employer groups; the third year the Retired Board member representative is elected from the retired membership; and the fourth year is a no election year. The Board is obligated under Public Employees' Retirement Law (California Government Code Title 2, Division 5, Part 3) section 20090, subdivision (g), to supervise the election of these six members of the total thirteen-member Board. The Board has developed various election procedures, codified in the CCR, Title 2, sections 554 - 554.10, to conduct the elections. Per section 20096, CalPERS Board election results must be certified by the Secretary of State. CalPERS Board elections are notified to the membership through the Notice of Election, the CalPERS On-Line website, and various CalPERS publications.
- The U.S. Federal Sentencing Guidelines require an organization to have a system whereby the organization's employees and agents can "seek guidance" regarding potential or actual violations of law. It also has an explicit requirement for the reporting mechanism to allow for anonymous reporting. As a governmental entity, CalPERS currently meets this requirement in multiple administrative processes. First, the Bureau of State Audits administers the State of California "Whistleblower Hotline," which can be used for State employees and others to report illegal acts, theft, fraud, or conflicts of interest by state employees. Second, CalPERS has internal complaint processes in both OFAS and the CalPERS Diversity Outreach Program (CDOP). Employees have additional protection against retaliation through complaint processes with the State Personnel Board (SPB), the Department of Fair Employment and Housing, and the federal Equal Employment Opportunity Commission.

## Privacy Protection and Security Task Force

In October 2007, the CalPERS Executive Office (EXEO) established a Privacy Protection and Security Task Force (the “Task Force”) to provide guidance and oversight related to the handling and usage of private and confidential data. The Task Force is chaired by the Deputy Executive Officer (DEO) for Operations, with Executive staff from each business line and support area within CalPERS being represented on the Task Force. The Task Force will function as a steering committee to approve policy and practices; share information; and provide guidance, input, and direction on privacy and security issues across the enterprise.

It will be the responsibility of the Task Force to ensure that privacy and security policies, practices, procedures and standards are established, maintained, and/or improved in accordance with best practices and industry standards in the financial, health, pension and government arenas.

At the close of 2008, CalPERS appointed a new Enterprise Privacy and Security Officer to oversee the development, implementation, and management of a new CalPERS Enterprise Privacy Protection and Security Program for all CalPERS information, physical and financial assets.

## Internal Communications, Education and Training

As required in the U.S. Federal Sentencing Guidelines, ECOM's compliance program includes a training component to ensure 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 2008:

### **Ethics Training**

This course was developed based on recommendations in the joint report titled "Assessment of CalPERS Ethical Culture," released by LEGO and OFAS in November 2001. To comply with the recommendations of this report and in an ongoing effort to maintain and promote an ethical culture, CalPERS General Counsel and Legal staff conducted ethics training for our Investment Office (INVO) staff, designated key staff, and Board Members. Although current CalPERS ethics training exceeds the minimum requirements of the Political Reform Act, it is a best practice to make ethics awareness training broadly available to all employees. As of December 31, 2008, 424 of the 503 designated employees have completed the required ethics training. An additional 53 designated employees are new hires and are within the six-month grace period for completion of this training requirement. Designated employees who have not yet met this requirement will be given the opportunity to take this class in February and March, 2009, and designated employees' supervisors will be notified of their compliance status in regard to this requirement. Additionally, CalPERS has established online ethics training, which satisfies this requirement and provides employees with the opportunity to refresh their knowledge of the organization's ethical framework on an as-needed basis.

### **Enterprise Compliance Training**

The U.S. Sentencing Guidelines emphasize 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 multimedia and physical locations. Training is available on the ECOM and LEGO Web pages, via video conference, and on-site in Sacramento and CalPERS Regional Offices. Publications provided in the training are also available to staff upon request. It should be noted the training content and material is viewed as a "best practice" and has been provided to external agencies and associations such as CalSTRS, the California Earthquake Authority, the Association of Governmental Accountants, the Institute of Internal Auditors, the Association of Public Pension Fund Auditors, the Association of College and University Auditors, and the Public Pension Financial Forum.

### **2008 Working Values**

The training content for the course titled "CalPERS Working Values" was created in response to a joint report prepared by LEGO and OFAS entitled, Assessment of CalPERS Ethical Culture. ECOM created the course content, materials, and publications based on the report's recommendations. This year, ECOM began providing Working Values training during the L.E.A.D.E.R. training for

new managers and supervisors, and revised the handbook and course materials for N.E.O. and L.E.A.D.E.R. classes during 2008. Each employee that attends the Working Values course receives a copy of the employee conduct-related policy handbook, a quick-reference Gift and Ethics Wallet Card and a certificate of course completion, and will have their attendance and completion recorded on their individual training record.

### **AB 1825 Sexual Harassment Prevention Training**

In 2008, HRSD and CDOP delivered the 2008 Sexual Harassment Prevention (SHP) training to newly-appointed managers, supervisors, Board Members, and Official Representatives. This training fulfills mandates set by AB 1825 (Stats. 2004, Ch. 933) regarding Sexual Harassment Prevention and the U.S. Sentencing Guidelines. It should be noted that in 2007 the California Fair Employment and Housing Commission (FEHC) adopted regulations that further defined the AB 1825 language.

Beginning in 2005, all existing supervisory employees, Board Members, and Official Representatives were required to receive a minimum of two hours of SHP training every two years. CalPERS goes beyond the FEHC regulations and requires all of its managers and supervisors to take the training. All newly appointed supervisors must receive AB 1825 compliant training within six months of their appointment dates. The training for the new supervisors is included in the L.E.A.D.E.R. course. A total of 98 newly-appointed CalPERS supervisors and managers completed the mandatory AB 1825 Sexual Harassment Prevention training course in 2008. It is CalPERS policy to ensure all employees are trained in preventing sexual harassment; therefore, online training was delivered to an additional 1,971 staff in 2008.

### **Information Security Awareness Training**

ISOF requires that all staff complete a mandatory online training course each year which educates them on member privacy and information security. ISOF will monitor the completion status for each staff member and remind them if they have not completed the training within the last 12 months. After being reminded they will have one week to complete the training before their manager is advised the staff member's access to CalPERS information systems may be blocked until they complete the online training.

ISOF's information security awareness program also includes presentations at each new employee orientation session, an internal web site, posters, and frequent information security tips. As of December 31, 2008, 2,174 employees completed the online Information Security Awareness training. An additional 684 employees completed the Information Security Awareness training in 2007.

### **New Employee Orientation**

CalPERS provides a two-day N.E.O. session that provides staff with an overview of the State and its responsibilities, employee benefits, employee rights and responsibilities, and an introduction to the CalPERS organization and culture. Classes are scheduled based on demand. Since July 2007, classes have been offered monthly. A total of 308 employees completed the N.E.O. course in 2008.

### **New Supervisor Training**

CalPERS provides a leadership development series that includes: L.E.A.D.E.R. (56 hours) Maximum Results (40 hours), and Lead By Example (56 hours). In addition, CalPERS offers a four-hour New Manager/Supervisor Orientation to provide essential information to managers prior to enrollment in the L.E.A.D.E.R. training. Newly appointed CalPERS managers and supervisors must complete the L.E.A.D.E.R. course to meet the requirements of Government Code section 19995.4, which mandates each newly appointed supervisor receive 80 hours of training, within 12 months of their appointment date. A total of 133 managers and supervisors participated in the Leadership Series training in 2008.

### **CSED Customer Service Training Program**

The Customer Contact Center (CCC) and Regional Offices in the Customer Service and Education Division (CSED) are, most often, the first point of contact for members who seek assistance regarding retirement and health benefits. CSED provides a training curriculum to employees which is broad and includes courses specific to the varied lines of business within the program areas. New employees of CSED undergo a six-week training overview of general member benefit information, and applicable laws, rules and regulations. After the six-week training course CCC phone agents and Regional Office staff are separated and each group participates in additional training. The CCC phone agents go to the Training Academy where they begin to answer live telephone calls with the assistance of a mentor.

### **Onboarding Webpage Program**

In 2008, CalPERS implemented an internal Web-based employee on-boarding program. The CalPERS Online Onboarding Program is designed to be a “one-stop shop” for new employees seeking information while getting acclimated to their role at CalPERS and as a helpful resource for experienced staff. The site will connect staff to sources of useful information about CalPERS, to help introduce employees to the CalPERS organization. The tool includes links to the All Staff Training and Development (ASTD) website, applicable policies, procedures and mandatory training requirements.

### **ECOM Website 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 utilizes its division website to raise compliance awareness and facilitate education. ECOM website also hosts a calendar of compliance-related events (e.g. training), frequently asked questions, articles on best practices in compliance, and the 2007 ECOM survey results. In 2008, ECOM developed a series of Compliance “Tips” that were published on its website and promoted via the “News” box on the Insider homepage.

### **Mandatory Training Matrix**

HRSD developed a chart that lists mandatory employee training requirements, along with relevant laws, rules, processes and assigned ownership (see Appendix B). HRSD's website on the CalPERS Insider provides links to applicable employee training policies.

HRSD reports monthly on the status of several mandatory training classes. Those classes not tracked by HRSD are administered and reported on by the program area owner as indicated on the Mandatory Training Matrix.

## External Communications

### **Council of Compliance Officers**

In 2008, CCO Sherry Johnstone and CalPERS hosted several teleconferences for the Council of Compliance Officers. The teleconferences provided a valuable forum for compliance professionals in pension systems throughout the United States and internationally to exchange information about their compliance-related experiences and activities.

### **Public Pension Financial Forum (P2F2)**

In October 2008, CCO Sherry Johnstone initiated and coordinated the development of a compliance track at the Public Pension Financial Forum's 5th Annual Conference in Mobile, Alabama. The P2F2 conference is designed to provide education and information that will add value and assist public pension leaders in administering public pension funds, by providing an opportunity for professional growth, education, and networking. Highlights of the conference included: CCO Sherry Johnstone conducted a panel discussion about Personal Trading Policies and Implementing an Automated Platform, and was joined by Debra Kanner (CalSTRS) and Nancy Ross (OMERS). Aisha Mastagni, a CalPERS Investment Officer, discussed Corporate Governance Divestment. The Compliance Track also included the following discussions and presentations:

- IRS Roundtable on Voluntary Compliance conducted by Jeffrey Fleck (West Virginia Consolidated Public Retirement Board)
- State of Alabama Compliance/SEC Case Study, conducted by William Stephens (State of Alabama Retirement System)
- Custody Transition, conducted by Stanley McDivitt (City of Fresno Retirement Systems), Alicia Markoff, and Walt Knox
- Derivatives Panel, conducted by Lisa Dodge (State of Wisconsin Investment Board) and Ash Tahbazian (State Street Investment Analytics)
- Compliance Officer's Toolkit, conducted by Ann Oglanian (Regulatory Management Group)
- Private Equity and Alternative Assets, conducted by Carmen Matsumoto (Washington State Investment Board) and Lisa Dodge (State of Wisconsin Investment Board)

**California Association of Public Retirement Systems (CALAPRS)**

CCO Sherry Johnstone was invited to speak to the California Association of Public Retirement Systems (CALAPRS) General Assembly “Vision, Education and Process; the Pillars of Public Pension Systems” in March, 2008. CALAPRS sponsors educational forums for sharing information and exchanging ideas among trustees and staff of California public retirement systems to enhance their ability to administer public pension plan benefits and manage investments consistent with their fiduciary responsibility. Ms. Johnstone, a recognized compliance leader, participated on a panel on Mitigation of Investment Risk through an Effective Compliance Program, with Ash Tahbazian and moderated by CalPERS executive Kathie Vaughn.

Other CalPERS staff who presented at the CALAPRS General Assembly included: CalPERS Board-member George Diehr, who participated on a panel discussing Board/Senior Staff Relations; CEO Fred Buenrostro, who moderated panels on Investing in Infrastructure and providing an Overview of the Governor’s Public Employee Post Employment Benefits Commission’s Report and Recommendations; Pat Macht, who participated in a panel on Dealing with the Press; and Farouki Majeed, who participated in the discussion on Investing in Infrastructure.

“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

As we end 2008, this year, ECOM reflects on tremendous growth of the program and expansion of the staff. We completed a first-time enterprise-wide Compliance Risk Assessment. This initial effort was collaborative and provided key learnings and enterprise-wide common areas of compliance risk for ECOM and business line staff. The Risk Assessment established a base-line and foundation for future compliance risk assessments.

ECOM conducted an internal outreach campaign to increase staff awareness of ECOM resources and activities.

ECOM continued outreach and industry leadership with other pension system compliance officers and continued to host the quarterly Council of Compliance Officer teleconferences. The CCO spoke at the CALAPRS General Assembly in March and coordinated the first compliance track of eight different compliance-related courses related to pension compliance, finance and investments, at the highly successful annual P2F2 conference in October conducted in Mobile, Atlanta.

ECOM's Board-approved Charter further states "the primary mission of the Office is to increase assurances that CalPERS' assets are safeguarded, that operating efficiency is promoted and that compliance is maintained with prescribed laws and Board and management policies, and includes responsibility for investigating suspected fraudulent activities, and escalating and reporting, as appropriate, to the Finance Committee, CEO and Executive staff."

In 2008, consistent with ECOM's charter and mission statement, ECOM has responded to inquiries, improper conduct and issues and has created an investigative function and staffed one full-time position.

At the close of 2008, a look at the Enterprise Compliance Program reflects strides toward a mature compliance program. A four year old program with a staff of eight full time personnel performing compliance and monitoring activities of three key business lines and providing training, education and outreach to all CalPERS staff, new employees and new supervisors. We are contributing towards "Working Values" at CalPERS and continue to demonstrate transparency, integrity, and dedication to protecting systems assets and members' benefits and investments.

Sherry Johnstone  
Chief Compliance Officer

## Investments Business Line Compliance Accomplishments

### **Compliance Systems and Documentation:**

- ECOM performed compliance reviews of Securities Lending and Alternative Investment Management asset classes.
- ECOM conducted compliance reviews of Derivative and Real Estate operations.
- ECOM conducted a review of policy and procedures for Securities Lending operations.
- ECOM worked with the Real Estate Division to build compliance tools into the new automated management platform.
- INVO, ECOM and LEGO completed a comprehensive project to review and update the existing body of its delegations of authority. Staff completed the review of all asset class delegations and policies; Alternative Investments, Asset Allocation and Risk Management, Fixed Income, Global Equity, Real Estate, and Supplemental Income Plans.
- INVO, LEGO and ECOM reviewed the following policies as part of the Policy Review Project:
  - Corporate Governance Investments
  - Externally Managed Strategies
  - Monitoring Externally Managed Portfolios
  - Internally Managed Affiliate Equity Index Funds
  - Internally Managed Global Equity Index Funds
  - Internally Managed Global Enhanced Equity Strategies
  - Risk Managed Absolute Return Strategies Program
  - Global Fixed Income Program
  - Low Duration Fixed Income Program
  - Lehman Aggregate Program
  - Treasury Inflation Protected Securities Program
  - Currency Overlay Program
  - Alternative Investment Management (AIM) Program
- LEGO revised Ethics Policies: Statement of Investment Policy on Insider Trading and Statement of Investment Policy on the Consultant Conflict of Interest Protocol.
- The Corporate Governance Unit implemented an automated proxy voting platform.
- The Member Home Loan Program (MHLP) developed a process to independently monitor and review new loans and securitized product purchases in the MHLP portfolio.
- MHLP implemented daily compliance and monitoring of positions, interest payments, and paydowns in the MHLP portfolio.
- The Real Estate Asset Class established a “Partner Working Group” to engage directly with investment partners on various matters relating to the Automated Real Estate Investment System (AREIS) Project.
- The Supplemental Income Plans (SIP) Asset Class developed operational and portfolio monitoring procedures.
- SIP partnered with FCSD to update financial processes and reporting.
- SIP partnered with the Performance Monitoring Unit to streamline the payment process for SIP External Managers fees.

**Ongoing Compliance and Monitoring**

- OFAS, in coordination with INVO, conducted a review of derivatives.
- INVO currently employs 31 Chartered Financial Analysts (CFAs) and four Chartered Alternative Investment Analysts (CAIAs).

**Training and Outreach**

- SIP updated employer and participant communications with disclosure information.  
All SIP communications are maintained on a dedicated Employer and Participant website.
- SIP developed a prospective and new agency activity report for the 457 Plan, which identifies new business and potential growth in program.
- SIP developed new contracting agency orientation materials, and revised the Employer Adoption Agreement with disclosure information.

## Health Business Line Compliance Accomplishments

### **Compliance Systems and Documentation**

- The Office of Health Policy and Program Support (HPPS) began documenting the self-funded rate development process.
- HPPS and The Office of Health Plan Administration (OHPA) documented policies and procedures for the Medicare Part D Retiree Drug Subsidy requirements, and cross-training staff to maintain compliance.
- HPPS established protocols for sending and receiving electronic fields, consistent with information security policy.
- HPPS established incoming and outgoing data files logs.
- OHPA, in partnership with ECOM, continued to update a Health Compliance Manual which includes procedures for monitoring and reporting Health compliance.
- OHPA, in partnership with ECOM, continued to update and prioritize processes that require compliance monitoring using the risk assessment and list of Division Key Processes.

### **Ongoing Compliance and Monitoring**

- The Division of Operations and Infrastructure Support (DOIS) HIPAA Administration developed and published policies and procedures in the CalPERS HIPAA Portal.
- DOIS HIPAA Administration established and maintains an inventory of workstation ID locations, users, computers, connectivity, programs accessed and functions performed containing Electronic Personal Health Information (EPHI) that are used by authorized users, and maintains a floor plan identifying all Health Benefits Branch (HBB) workstation ID locations.
- DOIS HIPAA Administration identified and documented the business units subject to HIPAA compliance and the locations of Protected Health Information (PHI).
- DOIS HIPAA Administration's existing ANSI 834 guide of compliance efforts was updated to accurately reflect development activity.
- DOIS HIPAA Administration archived various historical system actions on the HIPAA shared drive to ensure future ability to demonstrate compliance with federal regulatory guidance on HIPAA. These system actions include, but are not limited to: Transactions, Transactions Mapping and Gap Analysis, Errors and Programmer Changes, CalPERS project management and CalPERS HIPAA Transaction and Code Set (TCS) Implementation Processes.
- DOIS HIPAA Administration, working with ISOF and TSSD, established a process to authenticate user clearance for HIPAA information in the Document Management System (DMS) prior to users accessing EPHI in that system.
- DOIS HIPAA Administration, ISOF, and OSSD collaborated in the design of a Business Continuity Plan Decision Logic Table which outlines high-level, actionable steps to protect both physical and electronic PHI.

- DOIS developed a plan for closure of HBB workspace to enhance HIPAA and physical security.
- The Office of Employer and Member Health Services (EMHS) updated procedures for processing Retroactive Mandatory Deletions and Cancellations for Retirees.
- EMHS completed the backlog of pending reimbursements being held due to the Medicare overpayment component.
- OFAS reported quarterly to the Finance Committee on all open and resolved issues identified in its reports on HIPAA Privacy and HIPAA Security until all issues are resolved. Remaining issues address improving CalPERS' ability to demonstrate compliance with HIPAA requirements.
- OHPA suggested and made improvements to health plan Evidence of Coverage (EOC) documents and the CalPERS Health Plan Chooser Tool, ensuring members obtain accurate and correct information on CalPERS health plans in their area.
- OHPA reviewed contract deliverables for completeness, accuracy, and compliance with requirements.
- OHPA coordinated efforts with OFAS to perform carrier audits according to contract requirements.
- OHPA verified PPO contractors' Notice of Privacy Practice information is consistent with their current practice to disclose PHI.
- OHPA ensured all contracts contain a provision which requires appropriate safeguards of CalPERS PHI electronic data storage and transmission to protect the confidentiality, integrity and availability.
- OHPA performed enrollment reconciliation between Anthem Blue Cross, Medco, and the CalPERS Online Member and Employer Transaction (COMET) system.

### **Training and Outreach**

- DOIS staff were trained to manage web presence for the CalPERS HIPAA Portal.
- DOIS initiated quarterly e-mail to staff and management emphasizing HIPAA awareness and requirements.
- EMHS conducted training to staff charged with processing retroactive terminations and associated reimbursements.
- HIPAA Officer assumed a position on the Governor's California Privacy and Security Advisory Board (CalPSAB).
- OHPA continued ongoing and focused communication with carriers to facilitate new technology requirements.
- OHPA educated OHPA staff on subject matter including HIPAA, Attorney-Client Privilege, and COBRA.
- OHPA reviewed and approved 2008 EOCs and Open Enrollment materials for timely distribution.

## Pension Business Line Compliance Accomplishments

### Compliance Systems and Documentation

- The Actuarial Office (ACTO) revised and implemented the peer review policy.
- ACTO established a policy for the security and confidentiality of the OPEB data extracts.
- ACTO established a security and confidentiality policy for providing data to auditors of contracting agencies, needed in conjunction with Governmental Accounting Standards Board (GASB) Statement No. 50 for the audit of the agencies' financial statements.
- The Employer Services Division (ERSD) participated in the development and implementation of a cross-divisional Escalated Customer Inquiry Improvement Plan to improve customer satisfaction and the timely resolution of customer inquiries in compliance with the laws, rules, and policies associated with program administration.
- ERSD implemented an internal escalation process to handle critical time-sensitive inquiries to enhance timely inquiry resolution, in support of the Board's strategic plan.
- ERSD continued implementation of the plan to address Charter School membership and payroll reporting issues by working closely with CalSTRS, the California Department of Education and the County Offices of Education.
- ERSD developed and implemented a Quality Assurance Improvement Plan to improve the accuracy of information provided to our customers.
- ERSD established an Information Security Awareness Work Group to enhance awareness and develop recommendations to improve information security within the Division.
- ERSD completed documentation of more than 54 policies and procedures.
- ERSD Policy, Procedure and Compliance Unit continued to coordinate improved documentation of policies and procedures, legislative analysis and implementation, resolution of internal and external audits; regulations, and other compliance-related duties.
- The Benefit Services Division (BNSD) worked to increase the number of external partners participating in the Direct Authorization Program, which enables them to submit transactions electronically, reducing manual processing errors and improving accuracy and compliance.
- BNSD completed the Service Request Backlog Project to prioritize automation requests for processing and calculation improvements.
- The Member and Benefit Services Branch (MBSB) updated all Division Chief Delegation of Authority documents.
- MBSB continued to establish and update procedures to mitigate the risk of non-compliance.
- MBSB reviewed its branch process for developing retirement program directives (policies), and identified areas of improvement.
- MBSB ensures staff destroy confidential documents daily. Staff are trained to store and lock all sensitive member data when away from their workstations.
- MBSB participated in the CalPERS Social Security Number Masking Project.

### **Ongoing Compliance and Monitoring**

- ACTO had the state and schools valuations reviewed by an independent actuarial consulting firm.
- CSED improved member quality assurance identification verification scores from an average of 93% to 96%.
- CSED continued to administer its existing Quality Assurance program, helping to ensure compliance with legal, policy and procedural requirements and member data security.
- ERSD began implementation of a plan to improve employer resolution of audit findings.
- ERSD established an Employer Review Escalation Liaison to work with employers to resolve aging audit findings.
- ERSD drafted a plan to identify major audit compliance issues and make recommendations on ways to increase employer compliance.
- ERSD managed over 48 external employer reviews and worked with employers to resolve outstanding findings.
- ERSD administered the agreements between the Social Security Administration and CalPERS state and contracting agencies.
- BNSD participated in the internal audit of disability retirement.
- The Member Services Division (MBSD) initiated a divisional Security Task Force Project to assess any possible security breach risks. The task force will assist in the prioritization of risks, recommend mitigation strategies and develop procedures for staff.
- MBSD participated in an internal audit of the Annual Member Statements process which resulted in no findings that require resolution.
- MBSB developed a new internal branch process to ensure that division chief delegation of authority documents are reviewed and updated in a timely manner.

### **Training and Outreach**

- ACTO staff attended actuarial conferences and maintained their required professional accreditations.
- CSED continued to enhance, maintain and deliver broad training curriculum and online knowledge resource databases for staff delivering services to our members and participants.
- CSED trained staff on proper security measures related to member answering machines and faxing procedures.
- CSED implemented the next phase of the CEC, which will allow members to participate in an expanding array of self-paced, online member education classes via myCalPERS, improving member understanding and compliance.
- The Constituent Relations Office (CORE) coordinated and planned the 2008 Employer Educational Forum.
- CORE and ERSD continued interaction with the Employer Advisory Group to build awareness and support of the new myCalPERS environment, which is under development and expected to be deployed in late 2009.
- CORE assembled the Public Employer Readiness Team (PERT) to provide outreach to all CalPERS employers regarding the new business system requirements and guide all stakeholders during the transition to the new environment.

- CORE further expanded the California Employees Retiree Benefit Trust (CERBT) fund and continued outreach efforts to increase the number of participating agencies.
- The ERSD Policy, Procedure and Compliance Unit sent e-mail reminders to staff to increase compliance awareness on such topics as Information Security, Ethics Training, policy and procedure review dates, and sent individual reminders to managers on topics including probationary and annual performance review due dates and emergency contact information updates.
- ERSD developed and implemented an enhanced employer training strategy to reduce the number of errors submitted by employers and improve the accuracy of members' benefits.
- ERSD continued utilizing the CalPERS Knowledge Management System to provide division staff with on-demand access to procedures and guidelines.
- ERSD continued utilizing the Contact Center News Network (CCNN) System to provide ERSD staff timely, consistent and accurate communications.
- The ERSD Training Unit provided over 1,190 hours of job and or division-specific training to staff.
- ERSD participated in the 2008 annual CalPERS Educational Forum to educate agencies about CalPERS programs, future directions, and emerging issues.
- ERSD educated more than 1,400 employer representatives from 142 site visits to state, school and public agency employers.
- ERSD issued 38 Circular Letters and sent 58 Employer eBulletins by mass mail advising employers of policy or procedural changes and/or information relating to retirement, benefits and related issues.
- ERSD continued to develop and enhance the CalPERS Education Center (CEC) to improve the accessibility of procedures and training materials for employers.
- ERSD produced over 30,000 copies of timely, relevant, and educational material through the quarterly editions of the Employer News.
- BNSD conducted education and outreach by providing the new Employer Education Workshop, which is designed to improve customer understanding of the disability retirement processes and requirements.
- MBSB continued to focus on developing job skills and personal development training of staff, by providing ongoing retirement program training to ensure staff understand and comply with applicable policies and procedures.
- In addition to the enterprise-mandated diversity training, all MBSD staff participated in a Diversity training class.
- MBSD initiated a Legendary Customer Service training class.
- MBSD piloted a new training class on Military Service Credit.

### **Legislation and Regulations**

- CORE implemented AB 554, which expands eligibility to participate in the CERBT to all California government agencies.
- ERSD reviewed and analyzed areas of the law that are ambiguous, and created a plan for addressing issues requiring legislative action or changes through the regulatory process.
- ERSD proposed regulations which make specific the criteria to determine whether an individual is the employee of a CalPERS-covered employer.
- The Board sponsored AB 2202 (Stats. 2008, Ch. 261) which allows the Board to collect specific information from all employers participating in CalPERS concerning the employment of retired annuitants and other employees not currently mandated into CalPERS coverage, such as part-time, seasonal, and temporary employees. Collecting this information will enable CalPERS to assist employers in complying with current law regarding membership and payroll reporting.
- MBSB implemented Senate Bill 221, which amends the definition of final compensation for members who enter the Legislators' Retirement System on or after January 1, 2008.
- MBSB implemented Senate Bill 581 which requires transfer of the Volunteer Firefighter Length of Service Award System (VFLSAS) to the California State Fire Employees Welfare Benefit Corporation by March 1, 2008, and repealed the current VFLSAS plan in CalPERS.
- To support implementation efforts, MBSB completed an internal analysis of the Same Sex Marriage court ruling.
- MBSB worked with LEGO to facilitate the implementation of required provisions of IRS Revenue Ruling 2006-43 regarding Employer "Pick-up" Contributions, IRC Section 414(h), effective January 1, 2009.
- MBSB worked with LEGO to determine the impact of U.S. Treasury Regulation 9325 (Distributions from a Pension Plan upon Attainment of Normal Retirement Age). Governmental plans are required to comply by January 1, 2011, per IRS Notice 2008-98.

## Enterprise Business Line Compliance Accomplishments

### Compliance Systems and Documentation

- ECOM completed a first-time enterprise-wide Compliance Risk Assessment.
- ECOM developed procedures for an expanded Compliance Risk Assessment process.
- ECOM conducted an outreach campaign to increase staff awareness of ECOM resources and activities.
- ECOM developed and documented a detailed compliance model, which will serve as a roadmap for integrating compliance work into business line operations.
- ECOM created detailed CAM Procedure Manuals for all three business lines (Investment, Health and Pension).
- ECOM conducted a detailed Workload Overview analyzing resource commitments and further documenting ECOM's roles and responsibilities.
- The CCO provided compliance briefings for new Board members and the new Chairman of the Finance Committee.
- To protect member confidentiality and privacy, and to guard against identity theft, the Board approved a recommendation from OSSD to require a CalPERS member provide only the last four digits of their Social Security Number, instead of the last six digits, along with first and last name, for member validation purposes, on Board candidacy Nomination Petition forms.
- MBSB, ITSB and HBB conducted a project to develop and implement an enterprise-wide information security breach process.
- CalPERS Business Connection (CBC) within CDOP completed the Annual and Mid-Year Small Business (SB) and Disabled Veteran Business Enterprise (DVBE) Contract Participation Report to the Department of General Services (DGS), as required by Public Contract Code section 10111.
- CDOP oversees the CalPERS Disability Advisory Council with employee representation from all divisions, as required by Government Code sections 19230-19237 and 19795 (b). The council's role is to assist in supporting persons with disabilities in the workplace.
- CDOP produced the 2008-09 Workforce Analysis Report, pursuant to Government Code sections 19795 and 19797 and submitted the report to SPB.
- CDOP assisted CalPERS continuing efforts to address underutilization by reviewing recruitment, selection processes, and hiring practices to identify possible employment barriers. SPB defines underutilization as: "*...having a statistically significant, smaller percentage of a group in an occupation or at a level in a state agency than would reasonably be expected by their percentage representation in the relevant labor force.*"
- CDOP consulted with HRSD in the development of CalPERS StepUp, an interactive tool using California civil service rules to determine possible transfer positions and show potential career ladders at CalPERS, in compliance with Government Code Section 19401, which requires State agencies to have an effective program of upward mobility for employees in low paying occupations. Upward mobility programs must be designed to assist staff to effectively compete for advancement and career ladders are specifically required by this Government Code section.

- CDOP conducted the Biennial Bilingual Survey as required by the Dymally-Allatorre Bilingual Services Act and submitted it to SPB on October 1, 2008.
- CDOP published the *CalPERS Commitment to Diversity: A Report to Assembly Budget Subcommittee 2007-2008* and reported on diversity in Investments and the CDOP's internal activities and external affairs.
- CDOP collaborated with California Public Utilities Commission, Department of Insurance, and the State Bar of California to create California Aspire Achieve and Lead Pipeline Project (CaliforniaALL), which is intended to close the achievement gap between pre-school and professional achievement.
- The Office of Governmental Affairs (GOVA) established a process for tracking all CalPERS legislatively mandated reports. The tracking system lists all reports CalPERS is required to produce, which entity within the enterprise is responsible for generating the report, where the report is housed, i.e. the CAFR (Comprehensive Annual Financial Report) or other publications, how often each report is to be completed and when the report is due.
- ISOF implemented an enterprise survey tool to collect compliance and risk information directly from all staff.
- ISOF improved the effectiveness of the electronic information exchange compliance process to enable better protection for information assets leaving CalPERS custody.
- ISOF conducted its yearly classification of all CalPERS electronic information assets to verify all of them have designated owners.
- ISOF implemented new processes and procedures across the enterprise to ensure all electronic information released from CalPERS is authorized by the Division that owns the information.
- ISOF developed and implemented new enterprise-wide policy, processes, and procedures, to prevent the unauthorized use or disclosure of our members' private electronic information.
- ISOF has standardized the security methods used to electronically send member's private information between CalPERS and our business partners to insure it can only be used by an authorized entity.
- ISOF, LEGO, and OSSD have developed new contract language and interagency agreement language that protects our members' private information when it is used by CalPERS business partners. This language is now included in all contracts and interagency agreements that allow access to our members information.
- The ISOF Risk Assessment and Management Program (RAMP) completed information security risk assessments for one CalPERS branch and referred any risks that were identified to management for resolution.
- ISOF has helped the owners of CalPERS electronic information assets identify those that contained member's private information to insure they are adequately protected.
- FCSD implemented new procedures to reconcile benefit payments recorded in the general ledger to the Retirement Information and Benefits System (RIBS).
- FCSD developed policies and procedures to ensure timely billings for administrative charges between CalPERS funds.

- The Strategic Management Services Division (SMSD) facilitated the development of the 2008-11 CalPERS Three-Year Business Plan adopted by the Board of Administration.
- SMSD led the enterprise in implementing an improved business planning process focused on enterprise work priorities and resource allocation, fully linking the CalPERS Strategic and Three-Year Business Plans and mitigating the risk of not achieving our strategic direction.
- SMSD facilitated the establishment of the Enterprise Workload Management Committee. The Committee is designed to manage a governance process promoting enterprise perspective on workload impact issues.
- OFAS implemented the revised International Standards for the Professional Practice of Internal Auditing, effective January 1, 2009. OFAS is an early adopter of the new requirements, and was fully compliant by the effective date. California Government Code section 13886.5 requires our internal auditors to conduct internal audit activity under the standards prescribed by the Institute of Internal Auditors.
- OFAS assisted management in fulfilling its responsibilities under the new mandatory auditing standards issued by the Auditing Standards Board of the American Institute of Certified Public Accountants (SAS 104 – 111), specifically in the area of identifying and documenting internal controls over financial reporting.
- OFAS advised CalPERS management regarding compliance with GASB Statement No. 50 (Pension Disclosures), which sets forth financial statement disclosure requirements for governments accounting for retiree health insurance and other post-employment benefits.

**Ongoing Compliance and Monitoring**

- CDOP consulted with the OSSD to ensure compliance with the Americans with Disabilities Act (ADA) requirement to conduct a survey of the three CalPERS buildings in Sacramento.
- GOVA advocated on behalf of CalPERS members and stakeholders by providing information and in-depth policy analyses to state and federal governmental entities; educating the Board and CalPERS staff about relevant changes in state and federal laws; and working with members and stakeholders to ensure the integrity of the CalPERS trust.
- ISOF completed information security risk assessments for ITSB and HBB to identify risks and non-compliance practices.
- ISOF verified and updated the data classification of information assets to remain in compliance with state policy.
- LEGO presented a revised Insider Trading Policy and revised Consultant Conflict of Interest policy for approval from the Investment Policy Subcommittee.
- FCSD implemented a risk assessment process that identified and analyzed the risks relevant to the preparation of our annual financial statements to ensure that they are presented fairly and in conformance with Generally Accepted Accounting Principles (GAAP). Controls were identified to prevent material misstatements on the financial statements.
- OFAS completed 53 Public Agency compliance reviews in Fiscal Year 07/08. These reviews assess compliance with the California Government Code and California Code of Regulations for membership and payroll reporting for contracting public agencies, schools, district agricultural associations, state agencies, and California State Universities.
- OFAS has initiated its biennial reporting cycle, and will complete its next report by the December 31, 2009, due date.

### **Training and Outreach**

- The CCO spoke at the CALAPRS General Assembly in March, participating on a panel on Mitigation of Investment Risk through an Effective Compliance Program.
- Two ECOM staff earned the Certified Compliance and Ethics Professionals (C.C.E.P.) designation.
- ECOM hosted quarterly teleconferences for the Council of Compliance Officers.
- ECOM coordinated the eight-course compliance track at the P2F2 conference in October.
- ECOM developed a Recruitment Brochure for distribution at CalPERS job fairs to support CalPERS recruitment efforts of compliance professionals.
- CBC conducted internal outreach and education to managers and supervisors through L.E.A.D.E.R. training and at division management meetings on supplier diversity issues to ensure CalPERS meets its small and disabled veteran enterprise business goals.
- CBC conducted a direct mail campaign to approximately 920 certified SB/DVBE vendors concerning current CalPERS bid opportunities.
- CBC promoted CalPERS SB and DVBE participation goals by publishing articles in InCalPERS and on the Insider webpage.
- CBC participated in four outreach events, reaching out to SB and DVBE representatives.
- CBC attended four Governor's Collaboration Conferences throughout the State.
- CBC amended webpage language to comply with SB 1436 (Chap. 234, Stats. 2006), which requires each State agency that significantly regulates small business or significantly impacts small business, to designate at least one small business liaison for the agency, and defines the liaison's role.
- CDOP participated with SPB and Department of Rehabilitation in the "Let Us Make a Change! Design the Future" forum. This forum provided input on an action plan to move the State of California closer to being a model employer of persons with disabilities.
- CDOP developed and conducted a web-based diversity awareness baseline survey administered to a representative cross-section of CalPERS management and staff. Its focus was to identify key strengths and challenges of the organization in the areas of workforce, workplace, and marketplace.
- CDOP assisted with the delivery of Sexual Harassment Prevention training to new managers and supervisors pursuant to AB 1825 in L.E.A.D.E.R. training.
- CDOP collaborated with ASTD to offer Preventing Sexual Harassment, an e-learning module. This online course is required for all non-supervisory employees including our Regional Office staff, students, retired annuitants, and consultants.
- CDOP launched a new intranet Web site to build employee awareness about CalPERS diversity initiatives.
- CDOP presented the Equal Employment Opportunity (EEO) module in the N.E.O., New Manager and Supervisor Orientation, and L.E.A.D.E.R. training.
- CDOP assisted with the delivery of diversity training to new managers and supervisors in L.E.A.D.E.R. training.

- CDOP sponsored a Disability Awareness Day event in partnership with the Office of Statewide Health Planning and Development. This event was an opportunity for staff to interact with community-based organizations who serve differently-abled people. Government Code section 19323 requires State agencies with employment of persons with disabilities less than 13.3 percent to set annual employment goals to increase that percentage to 16.6. One strategy to achieving this is to raise staff awareness about persons with disabilities.
- The Diversity Outreach Committee sponsored a celebration of diversity, the fourth Annual Cultural Diversity Day, an event celebrating the diversity of our workforce and community. More than eleven hundred dollars and fifty pounds of canned food were donated. This is one strategy to increase employee awareness of diversity.
- GOVA coordinated with ASTD to prepare and deliver the CalPERS Legislative Process and Overview course. This course provides a comprehensive overview of the structure and operations of the Legislative and Executive branches of California State government and how CalPERS engages in their decision-making processes.
- Commencing with each legislative session, GOVA meets with all new Legislators and those existing Legislators and staff assigned to key policy and fiscal committees affecting CalPERS. During these “meet and greets,” staff provide information outlining the economic impact of CalPERS benefits and investments in the districts they represent. These meetings help to educate the Legislature and enhance the overall awareness of CalPERS operations and its contributions to the community at large.
- GOVA, in conjunction with the Office of Public Affairs (PAOF), continues to refine and expand the existing outreach program “California CalPERS Connects In Your Community,” which briefs legislators on CalPERS investments in their communities. CalPERS Connects differs from the standard legislative meet and greets that occur in the State Capitol in that volunteer representatives from labor organizations, employer groups, and retired members accompany GOVA and PAOF on each district visit. These meetings also provide an open forum to discuss the concerns of the Legislator’s constituency and the groups in attendance.
- BNSD continued establishing and updating procedures with the increased staffing in the training areas.

### **Legislation and Regulations**

- CBC collaborated with OSSD to develop a DVBE incentive program in accordance with SB 115 (Ch. 451, Stats. 2005). SB 115 requires the Director of General Services to establish a uniform state contracting process to provide a DVBE participation incentive to bidders. This incentive program must be used by all state agencies when awarding contracts.
- OSSD coordinated a Board-approved rulemaking amending California Code of Regulations sections 554.2 (Notice of Election) and 554.3 (Nomination of Candidates).



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

# The Year Ahead

## Office of Enterprise Compliance Goals for 2009

2008 was a year of significant challenges and opportunities for growth. As a result of those efforts, I am pleased to predict that 2009 will be a year of continued growth for ECOM as we expand our involvement in all three business lines and add several new staff to our existing team.

In January, we will continue our Compliance Risk Assessment and pilot the new biennial process established this year. This is a development that will enable ECOM to provide integrated assessment to each division. It will help CalPERS prioritize risk from an enterprise-wide perspective, and enable issues to be collaboratively addressed.

With the recent addition of a Compliance Investigator, we will be developing an internal compliance reporting and investigation process that includes the implementation of an internal Ethics Helpline to provide an easy, safe, and confidential way for staff to discuss any concerns they may have about potential incidents of non-compliance or improper activities. In addition to the creation of an Ethics Helpline, ECOM plans to develop and launch an education awareness campaign regarding prevention and reporting of incompatible or improper business activities. Also proposed for 2009, two new Investment CAMs will enable ECOM to provide more dedicated staff to monitor and report on additional asset classes, and develop tools and Best Practices to monitor, report and assist in the Investment Office.

We look forward to a busy and productive year, as we continue to expand and develop our relationships with business line staff in support of enhanced compliance throughout CalPERS.

Sherry Johnstone  
Chief Compliance Officer

## Investment Business Line Compliance Goals for 2009

### **Compliance Systems and Documentation**

- ECOM will continue monitoring and conducting periodic review of proxy voting records and trends.
- ECOM will continue to update the procedures manual as appropriate for the Investment CAM.
- ECOM and INVO will continue to research and review available automated tools for commodity and investment compliance.
- ECOM will partner with Real Estate Asset Class staff to complete development and testing of the AREIS platform and deploy AREIS into production.
- ECOM, working with INVO, OFAS and LEGO, will develop new processes for AIM, Real Estate, Infrastructure, and Forestland.
- INVO will review and approve the following policies as part of the Policy Review Project:
  - Real Estate
  - Insider Trading
  - Consultant Conflict of Interest
  - Corporate Governance Director Nominations
  - Representation on Corporate Boards of Directors
  - Economically Targeted Investment Program
  - Real Estate Appraisal and Valuation
  - Real Estate Accounting

### **Ongoing Compliance and Monitoring**

- ECOM and INVO will perform ongoing monitoring of the Corporate Governance automated proxy voting platform.
- ECOM will continue to monitor and report Fixed Income and Global Equity compliance violations.

### **Training and Outreach**

- The INVO and the AREIS Project will launch an extensive training program for CalPERS staff and external business partners.

## Health Business Line Compliance Goals for 2009

### **Compliance Systems and Documentation**

- HBB and ECOM will continue to identify applicable laws, rules, regulations, and policies that apply to the health business line, and update the HBB regulatory matrix and Governance Framework, as appropriate.
- HBB, in partnership with ECOM, will develop a Health Compliance Manual including procedures for monitoring and reporting Health compliance.
- HBB, in partnership with ECOM, will update and prioritize processes that require compliance monitoring using the 2007 Compliance Risk Assessment and list of division key processes.
- DOIS will evaluate and assess HBB staff compliance with CalPERS Incompatible Activities policy regarding outside employment.
- HPPS will continue development of self-funded rates and documentation of process.
- HPPS will continue management of the Medicare Part D subsidy deposits and yearly reconciliation.
- HPPS will continue to develop policies and procedures that comply with the Medicare Part D Retiree Drug Subsidy requirements.
- OHPA will ensure Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) contracts protect member Personal Health Information (PHI) and comply with the Health Insurance Portability and Accountability Act (HIPAA).
- OHPA will incorporate contractual consistency among HMO contracts where feasible.
- OHPA will amend HMO contracts to include language to address potential same-sex marriage requirements.
- OHPA will develop new policy for evaluating and changing health plans' Evidence of Coverage (EOC) language.

**Ongoing Compliance and Monitoring**

- The Health CAM will research available automated tools to monitor and report on compliance activities in the health business line.
- HBB, OFAS, and ECOM will continue to work with business lines enterprise-wide to mitigate or resolve HIPAA audit findings identified in the HIPAA Privacy and HIPAA Security Compliance Reviews.
- HBB will continue working to resolve outstanding audit findings.
- OHPA will oversee the procurement of the contracts for the PBM, PPO Third Party Administrator and HMOs.
- ECOM will continue to monitor and report compliance violations in the health business line.

**Training and Outreach**

- ECOM will continue to provide education and outreach through compliance and ethics training for HBB staff.
- ECOM will continue to identify best practices in the health industry and related industries that would benefit the Health compliance monitoring program.
- The Health CAM will attend health-related compliance conferences to stay abreast of “best practices” and compliance tools.
- DOIS will continue to develop and provide a computer-based training program for HIPAA.
- DOIS will update and streamline the HIPAA Portal web site.
- DOIS will leverage Web presence to enhance HIPAA program visibility throughout the enterprise.

## Pension Business Line Compliance Goals for 2009

### **Compliance Systems and Documentation**

- ECOM will continue to work with the pension business line to assess risk of policies, rules, and regulations, and determine compliance exposures and the impact of CalPERS of non-compliance.
- ECOM will create monitoring and reporting tools for pension and retirement compliance.
- CSED will continue to expand the Quality Assurance Program in the Customer Contact Center (CCC) by increasing the number of phone calls monitored, scored and coached.
- CSED will initiate knowledge assessments for Regional Office staff to determine areas for improvement.
- ERSD will continue to coordinate improved documentation of policies and procedures, legislative analysis and implementation, resolution of internal and external audits; regulations, and other compliance-related duties.
- ERSD will continue to administer and maintain the agreements between the Social Security Administration and CalPERS state and contracting agencies, as delegated by the Governor of California.
- ERSD will continue to 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.
- ERSD will continue to work with ISOF to ensure compliance and awareness of CalPERS Information Security Practices.
- ERSD will continue utilizing the ERSD Information Security Awareness Work Group to enhance awareness of information security within the division.
- MBSB and Actuarial and Employer Services Branch (AESB) staff, in partnership with ECOM, will continue to identify applicable laws, rules, regulations and policies that apply to the pension business line toward the development of a comprehensive pension retirement regulatory matrix and Governance Framework.
- MBSB will continue to revise form letters, service credit costing packages and election documents as necessary to ensure information sent to members and employers is easy to understand.
- MBSB will implement a new branch plan to improve the process for developing and documenting retirement program policy directives.
- MBSB will finalize the Retirement Program Decision-Making Guidelines for management staff.

### **Ongoing Compliance and Monitoring**

- ECOM will continue to monitor and assist with ongoing updates to MBSB Delegation of Authority and Decision-Making Guide.
- ACTO will continue to adhere to and monitor the rate stabilization and other policies established by the Board intended to minimize the impact of economic changes on employer rates, while continuing to meet funding obligations.
- ACTO will continue to develop and document new policies and procedures, and review and improve existing policies and procedures.
- ACTO will have the JRS, JRS II, LRS and 1959 survivor valuations reviewed by an independent consulting firm.
- ERSD will make continued improvements to ensure that public agency review audit findings are resolved.
- ERSD will implement recommendations on ways to increase employer compliance.
- BNSD will implement procedural changes related to disability retirement as a result of the 2008 internal audit.
- MBSD will participate in an internal audit of the Alternate Retirement Program Election Unit.

### **Training and Outreach**

- JLRS staff will attend at least two conferences or one conference and one on-site workshop for Judges, to educate members on their retirement benefits.
- ACTO will continue to provide the opportunity for staff to participate in job-specific and career enhancing training while also expanding their overall knowledge about CalPERS.
- CORE will coordinate and plan the 2009 Employer Educational Forum.
- CORE will further expand the CERBT fund and continue outreach efforts to increase the number of participating agencies.
- CORE will continue discussions with the Employer Advisory Group to build awareness and support of the new myCalPERS business environment.
- The ERSD Training Unit will continue to develop and deliver job- and division-specific training classes.
- ERSD will continue to enhance the CEC to improve the accessibility of procedures and training materials for employers.
- MBSB will continue to enhance existing training program courses as needed and to offer additional opportunities for advanced training.

### **Legislation and Regulations**

- ACTO will implement SB 1123 (Chap. 371, Stats. 2008), which requires agencies to have an “actuary” present at meetings where significant changes to their retirement plans will be adopted, effective January 1, 2009.
- BNSD submitted a legislative proposal for 2009 to expand the statute of limitations to 10 years for fraud due to unreported payee deaths or unreported marriage of an entitled child.
- ERSD will continue implementation of SB 14 (Chap. 355, Stats. 2007), which provides “optional” membership rights to members of the California National Guard who do not qualify for CalPERS.
- ERSD will implement AB 1936 (Chap. 191, Stats. 2008), which authorizes a nonprofit mutual water company to enter into a contract with CalPERS if the agency obtains a ruling from the U.S. Department of Labor.
- ERSD will implement SB 1496 (Chap. 408, Stats. 2008), which clarifies criteria allowing DPA to limit eligibility of excluded and exempt state employees meeting the statutory definition of peace officer for membership in the CalPERS State Peace Officer/Firefighter classification.
- MBSB will implement SB 608 (Chap. 1, Stats. 2008), which makes changes to the pre-retirement death benefits for the Judges’ Retirement System, and allows, among other things, a surviving spouse of a judge eligible for retirement who dies while in office to receive the Optional Settlement 2.
- MBSB will implement AB 545 (Chap. 625, Stats. 2008), which adds a military leave provision for members of Judges’ Retirement System II, permitting a judge to receive service credit for the time during which he or she was absent on military leave.
- MBSB will implement AB 2838 (Chap. 470, Stats. 2008), which allows a member who returns to work after an uncompensated leave of absence due to a serious illness to purchase service credit for that period of absence.
- MBSB will implement AB 2023 (Chap. 370, Stats. 2008), which requires the granting of disability retirement benefits to public employees in California to be based solely on competent medical opinion, and expressly prohibits personnel, disciplinary, or other ancillary considerations.

## Enterprise Business Line Compliance Goals for 2009

### **Compliance Systems and Documentation**

- ECOM will work with OFAS and ISOF to ensure that risk assessment activities are appropriately integrated and coordinated.
- ECOM will participate with Enterprise efforts to identify all security and privacy activities that may impact the security and confidentiality of CalPERS physical, informational, or financial assets.
- ECOM, jointly with LEGO, OFAS and HRSD, will create and implement an education and awareness plan to educate monitor and report incompatible activities.
- ECOM, upon Executive approval and in collaboration with OFAS, will continue efforts to develop an Ethics Help-line for complaints, including an issue escalation and reporting process.
- ECOM will recruit and hire a CAM for the enterprise business line.
- ECOM will continue to review existing policies in compliance with applicable laws and rules governing internal support divisions within the enterprise business line.
- CDOP will continue to collaborate with OSSD on contracting with SB and DVBE vendors.
- CDOP will continue to promote the value of purchasing products and services from SB and DVBE vendors by meeting with division management and staff through monthly management and/or staff meetings and other forums.
- CDOP will create a Charter for EEO program functions, in accordance with best practices.
- CDOP, in partnership with OSSD, will develop and implement a transition plan to address the ADA Compliance Survey of the three CalPERS buildings in Sacramento.
- CDOP will conduct a Disability Survey of CalPERS staff and report results, as required by Government Code section 19232.
- CDOP will begin to develop a comprehensive enterprise-wide diversity strategy, to increase employee awareness by five percent over the baseline established in 2008.
- CDOP will work with the enterprise to achieve the Annual Workforce Analysis goal of hiring twelve persons with disabilities annually.
- CDOP will continue to work with CalPERS staff to utilize the Limited Examination and Appointment Program (LEAP) for hiring.
- CDOP, in conjunction with HRSD, will develop systems to track upward mobility and LEAP appointments.
- CDOP will continue to develop procedures to comply with CBC and EEO reporting mandates.
- CDOP's External Affairs will begin implementing a comprehensive diversity strategy integral to CalPERS external programs that seek to take advantage of all the skills, talents, and opportunities within the marketplace.
- ISOF will collect and manage audit and security log information to improve the ability to measure how compliant information technology systems are with CalPERS policies.

### **Ongoing Compliance and Monitoring**

- ECOM will review previous audit reports of relevant internal support divisions within the enterprise business line.
- ISOF will complete information security risk assessments for MBSB, OSSD, INVO, and AESB.
- ISOF will improve the measurement for compliance of information technology systems with policy by collecting and managing audit and security log information.
- ISOF will work with the ECOM and other program areas enterprise-wide, to continue to evaluate existing processes for additional ways to protect confidential information.
- OFAS plans to complete 62 Public Agency compliance reviews in Fiscal Year 08/09.

### **Training and Outreach**

- ECOM will attend enterprise-related workshops and conferences to stay abreast of “best practices” and compliance tools.
- ECOM will issue compliance bulletins on an as-needed basis, regarding new compliance-related developments that need to be communicated to affected employees.
- ECOM will continue to enhance CalPERS online training tools to reinforce compliance education and awareness.
- CDOP will publish *Workforce, Workplace, Marketplace - Building Diversity, Strengthening Relationships: An Employee Handbook*, which will enable staff to better understand CalPERS philosophy on diversity and the Diversity Outreach Program.
- CDOP External Affairs will increase the visibility of CalPERS commitment to diversity by attending state and national investment and diversity conferences, workshops, and meetings.
- GOVA will conduct an in-depth review of each of its internal processes, based on its revised internal communication plan, to:
  - Develop more meaningful training programs for Division Legislative Representatives (DLRs)
  - Strengthen partnerships with other divisions in CalPERS, and
  - Partner with the Executive Office to raise awareness on GOVA's role and the role CalPERS plays in California State government.
- ISOF will continue to ensure the appropriate information security awareness training is provided to all CalPERS employees, consultants, and contractors.
- ISOF will implement new online information security training for CalPERS staff to improve their understanding of information security practices so they can better protect our members' privacy.

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



# Appendix A

## U.S. Sentencing Commission's Organizational Sentencing Guidelines

Because an organization is 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 the organization knew, or should have known through the exercise of due diligence, 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	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
<p>Accessibility for handicapped</p> <p>See also “reasonable accommodation (disability)”</p>	<p>The intent of the law is to make the workplace equally accessible to all, to reduce barriers to employment for those who are physically handicapped. It goes hand-in-hand with reasonable accommodation in the workplace (of a disability).</p>	<p>Federal law (Americans with Disabilities Act of 1990; Rehabilitation Act of 1973; Fair Employment and Housing Act, FEHA); Executive Order S-04-05 (LEAP, Limited Examination and Appointment Program)</p>	<p>Human Resources, ERMM (Reasonable Accommodation Officer); BOSS unit (hearing-impaired); OSSD (space planning)’ CDOP diversity analyst (for LEAP)</p>	<p>NEO; evaluation by space planning; compliance with reasonable accommodation request; division furniture contact request</p>	<p>All</p>	<p>As needed for self-identified staff</p>
<p>Conflict of interest/ incompatible activities</p> <p>See also “ethics training and gift reporting”</p>	<p>The purpose of training is to learn to recognize economic interests from which a financial conflict of interest can arise. This is an eight-step self-assessment process.</p>	<p>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</p>	<p>LEGO; Chief Compliance Officer (Office of Enterprise Compliance); HRSD (ASTD)</p>	<p>Online training (Insider course); Fair Political Practices Commission video in HRSD Learning Center</p>	<p>Employees listed in CalPERS Conflict of Interest Code (see Insider)—generally SSM III &amp; above; CalPERS Board members, some CalPERS consultants</p>	<p>Annual</p>
<p>Contracts training</p>	<p>Training specific to developing &amp; administering CalPERS contracts</p>	<p>PCC Section 10310.5; CA Pension Protection Act of 1992 (Article XVI, section 17, CA constitution); CalPERS Board Resolutions 92-04B&amp;92-04B-1, 3,5,6,7; OSSD-98-01; Delegation No. EXEC-95-101</p>	<p>OSSD contracts mgmt &amp; procurement sections; HRSD (ASTD)</p>	<p>CalPERS admin. manual (PAM) on Insider; hard-cover contracts training manual; ASTD courses</p>	<p>Requesting division, contract mgr., Board, CEO, AEO Admin, Legal, OSSD CMS, PROS, FCSD, HR, Audits, IT, ISOF</p>	<p>As needed and applicable</p>

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Data processing  See also "information security"	Training & development related to usage of computers & software	SAM (State Administrative Manual) 4854; <a href="http://sam.dgs.ca.gov/TOC/4800/4854.htm">http://sam.dgs.ca.gov/TOC/4800/4854.htm</a>	IT; mgmt,; training coordinators; ISOF (Information Security Office); HRSD All Staff Training & Development (ASTD)	Internal training; HRSD (ASTD Learning Center); ASTD courses	All	As needed & applicable
Defensive driving	The Department of General Services, Office of Risk and Insurance Management, approves and develops statewide driver training courses. Obtain course descriptions and scheduling information by accessing the DGS Training System Registration Web site, <a href="http://www.training.dgs.ca.gov">http://www.training.dgs.ca.gov</a> , or by contacting the Defensive Driver Training Coordinator, Office of Risk and Insurance Management, Department of General Services, 707 Third Street, First Floor, West Sacramento, CA 95605, Telephone (916) 376-5309.	SAM (State Administrative Manual), <a href="http://sam.dgs.ca.gov">http://sam.dgs.ca.gov</a> travel sections, 0751, operator requirements (revised 9/07), 0752, defensive driver training (revised 11/07); Vehicle Code, section 1808.1 (Pull Notice Program)	Staff and supervisors of staff who drive (operate vehicles) on official State business; OSSD	Dept. of General Services 3 ½ hour classroom training; other DGS courses; other training; review drivers' records annually; New Employee Orientation	All employees who operate vehicles on official State business	At minimum, successful completion of an approved defensive driver training course once every 4 yrs. (for frequent drivers)
Departmental training policy, plan, programs evaluation; total program evaluation	Relevant work-related training for all staff at CalPERS; responsibilities of state agency training dept. & trainers; New Employee Orientation (NEO)	DPA regulations 599.815-.819, 599.821, Govt. Code 19400-19406, 19995; Dept. of Finance Budget Letter 98-07; for NEO, relevant MOUs (union contracts)	Human Resources (All Staff Training & Development)	New Employee Orientation (NEO); thereafter as needed; Internal & external training; Learning Center (HRSD)	All newly appointed CalPERS employees	New Employee Orientation (NEO); thereafter as applicable

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Diversity  See also “harassment (sexual)”	Diversity is a fundamental business philosophy that values the differences of each individual and ensures equal opportunities for all staff. It is strategically and ethically driven, not just legally driven. It reflects the cultural, ethnic, and racial diversity of our stakeholders.	Executive Order S-04-05; two CalPERS issue memos	(CDOP) Diversity Outreach Program staff; Legal Office	Learning Center (HRSD), internal training; external consultants	All staff, including supervisors and consultants; CalPERS Board members	As needed & required; minimum once
Emergency response training (part of Injury & Illness Prevention Program)  See also Injury & Illness Prevention Program	The Business Continuity and Emergency Response Units are responsible for developing, documenting, testing, and maintaining a comprehensive plan to be activated in the event that a natural or man-made disaster disrupts CalPERS ability to conduct normal business operations.	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 management support, business recovery contacts in each division	For emergency response— Annual refresher + intro. 2-day training
Employee assistance program (EAP) orientation	Program provides confidential problem assessment, short-term counseling, and referral services to employees and their families. Areas include personal, emotional and stress concerns, marital and family issues, financial and credit problems, legal matters, alcohol and drug abuse problems, along with dependent elder and child care issues.  See <a href="http://www.dpa.ca.gov/workingfamilies/home_files/WorkandFamilyHandbook.pdf">http://www.dpa.ca.gov/workingfamilies/home_files/WorkandFamilyHandbook.pdf</a>	HSC 11759.10-.17; GC 19998.5; DPA Reg 599.931	EAP Coordinator (HR) (Employee Relations Officer); division personnel analyst	New Employee Orientation; subsequent annual orientations or as providers change; internal or external training	All	At least once during employment

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Employer-related training	<p>The Actuarial and Employer Services Branch (AESB) is the liaison for employer-related issues. It is the mission of AESB to serve and partner with customers and stakeholders through maintaining and analyzing information, and communicating, educating and consulting. The AESB Employer Representatives may be able to provide consulting services via the telephone, video-conferencing, or on site visits to employer offices. Consulting services include discussing the process for amending CalPERS Contract, any payroll issues, membership issues, or any CalPERS issue. AESB's aim is to be a full service employee benefits consulting function within CalPERS. The primary responsibilities of the branch are: Actuarial Services, Employer Contracts and Education, Employer Reporting, Employer Contact Center, and Communication and Branch Administration (AESB, Help_Me, Employer News, CalPERS On-Line and Insider Web sites, legislative analysis).</p>	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
<p>Ergonomics (part of Injury &amp; Illness Prevention Program)</p> <p>See also Injury &amp; Illness Prevention Program</p>	<p>Ergonomics is the applied science of designing and arranging things that people use so people and things interact most efficiently and safely. To prevent pain and injuries associated with the computer, called cumulative trauma disorder injuries (CTDs) or repetitive motion injuries (RMIs) is the intent of ergonomics training (part of Injury &amp; Illness Prevention Program).</p>	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, HR Health and Safety Officer (Ergonomic Program Coordinator); OSSD space planning unit; Return to Work Coordinator (HR)	New Employee Orientation; on- the- job training for call center staff	All	Ongoing as needed; minimum of once at start of employment

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
<p>Ethics training and gift-reporting;</p> <p>See also “conflict of interest/ incompatible activities”</p>	<p>The purpose of training is to learn to recognize economic interests from which a financial conflict of interest can arise. This is an eight-step self-assessment process.</p>	<p>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</p>	<p>Legal Office; Chief Compliance Officer (Office of Enterprise Compliance, ECOM)</p>	<p>Online training (Insider course); Fair Political Practices Commission video in Learning Center; file Form 700</p>	<p>Employees listed in CalPERS Conflict of Interest Code (see Insider)—generally SSM III &amp; above; CalPERS Board members, some CalPERS consultants</p>	<p>At start of employment for impacted staff</p>
<p>Harassment (Sexual)</p> <p>See also “diversity”</p>	<p>The California Public Employees’ Retirement System (CalPERS) is committed to ensuring a work environment that is free from all forms of discrimination, including sexual harassment. It is the policy of CalPERS to prohibit sexual harassment by or of a CalPERS employee or a person providing services to CalPERS pursuant to a contract. CalPERS has a zero tolerance for such conduct and expects its managers and supervisors to vigorously and visibly promote a harassment-free work environment.</p>	<p>GC 12940-12951; AB 1825 (FY 03/04) amended 8/17/07 (GC section 12950.1); Title VII, 1964 Civil Rights Act; CA Fair Employment &amp; Housing Act; EEOC; CalPERS Zero Tolerance Sexual Harassment Policy, updated 10/01/07</p>	<p>Diversity Outreach Program staff; Legal Office; HR All Staff Training &amp; Development</p>	<p>HR Learning Center (track &amp; report internal training); State Personnel Board course; Living CalPERS Core Values (LCCV) course</p>	<p>Supervisors and all other staff at CalPERS; Board members; CalPERS consultants and contractors</p>	<p>All new supervisors within six months of start; every two years for all supervisory staff</p>
<p>Health Insurance Portability &amp; Accountability Act (HIPAA)</p>	<p>Over-arching Federal law to limit fraud &amp; abuse, reduce health care admin. costs, and protect security, privacy and insurability of individuals &amp; their protected health information; applicable to us both as members and to staff in health branches. The health program side of CalPERS is involved in providing continuity of health benefits to members. We provide administrative (security) training regarding HIPAA for HBB and EMHS staff.</p>	<p>Federal law (8/21/96): HIPAA Act: sections on Privacy, Transactions Code Sets, Security; Federal Dept. of Health &amp; Human Services, Office of Civil Rights (45 C.F.R.) State of California, Office of HIPAA Implementation, www.calohi.gov SAM</p>	<p>HIPAA Coordinator/ Privacy Officer in HBB; all supervisors; Information Security Office (ISOF)</p>	<p>www.calohi.gov Insider HIPAA compliance portal New Employee Orientation, L.E.A.D.E.R.</p>	<p>Primarily Health Benefits Branch (HBB); Office of Employer &amp; Member Health Services (EMHS); secondarily all CalPERS staff, all contractors &amp; consultants</p>	<p>At initial employment &amp; annually thereafter (signed statement by staff); for contractors &amp; consultants, at commencement of work</p>

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Information Security  See also “data processing” and “HIPAA”	An information security officer shall be responsible for implementing state policies and standards regarding the confidentiality and security of information pertaining to his or her respective agency.	Government Code 11771 & related; as of August 2007, new mandated online training through external vendor, New Horizons, division by division	ISOF (Information Security Office)	Internal training; ISSCA annual signed form filed in HR;; New Employee Orientation	All staff, including Executive staff, students, contractors, retired annuitants	Annually, beginning at start of employment (see HIPAA compliance)
Injury & Illness Prevention Program (includes emergency response training, ergonomics, medical services & First Aid/CPR certification, and Workplace Violence Prevention Program)	Each department shall establish, implement, and maintain an Injury and Illness Prevention program (IIPP). See <a href="http://www.dpa.ca.gov/workingfamilies/home_files/WorkandFamilyHandbook.pdf">http://www.dpa.ca.gov/workingfamilies/home_files/WorkandFamilyHandbook.pdf</a> See pages 5, 6, 8, and 10 for the four IIPP included subsections to the left .	CCR Title 8, Section 3203; LC 6401.7; SB 198, SAM 2580.4 (for State departmental safety coordinators)	Health & Safety Officer (HR); CalPERS Employee Relations Officer	New Employee Orientation; IIPP Insider document; new job assignments; whenever new hazards identified; 8-day, 2-week DGS course  (See <a href="http://www.training.dgs.ca.gov/course.asp?courseD=24">http://www.training.dgs.ca.gov/course.asp?courseD=24</a> )	Generally applicable to all; with specific training for all State departmental safety coordinators	Ongoing; as needed, begin at start of employment; within one year of appointment (SAM 2580.4) for all State departmental safety coordinators
Medical services & first aid/CPR certification (part of Injury & Illness Prevention Program)  See also Injury & Illness Prevention Program	<a href="http://insider.calpers.ca.gov/building/lincolnplaza/emergency/cpr-list.htm">http://insider.calpers.ca.gov/building/lincolnplaza/emergency/cpr-list.htm</a> as of 12/20/07, list of CalPERS first aid/CPR certified staff, 2-year certification from month of issue	Cal/OSHA General Industry Safety Orders, Title 8, CCR, Section 3400	Disaster Recovery contact (OSSD); HR Employee Relations & Medical Management staff, specifically CalPERS First Aid/CPR Certification Program Coordinator	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	Ongoing, as needed
New supervisors training	Minimum 80 hours of training provided to new supervisors to help them succeed in their new roles, at least 40 of which may be on-the-job by a qualified higher level supervisor or manager, and at least 40 of which shall be structured & provided by a qualified instructor.	Government Code 19995.4	Human Resources All Staff Training & Development (ASTD)	Three HR ASTD courses: L.E.A.D.E.R., Maximum Results, Lead by Example	Those staff promoted to supervisor from rank & file	Once within probationary period or within 12 months of supervisory appointment

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
<p>Reasonable accommodation (disability).</p> <p>See also Americans with Disabilities Act of 1990 (accessibility for handicapped)</p>	<p>An employer is required to provide reasonable accommodation for any disability identified in the ADA., as requested by self-identifying applicable staff Employees with disabilities have the right to equal access to employer-sponsored training that is available for job improvement, self-development, and upward mobility. In providing or sponsoring training, CalPERS is committed to doing the following: Inform employees on all training notices that reasonable accommodation will be provided, where appropriate, upon reasonable advance notification of need. Provide the TTY number or the number for the California Relay Service so that deaf and hearing-impaired employees can access more information; ensure that facilities used for training are accessible to persons with disabilities. Provide sign language interpreters, captioned film or videos, large print or Braille written materials and other such accommodations as appropriate or available.</p>	<p>Americans with Disabilities Act of 1990 (ADA) and the Fair Employment and Housing Act, FEHA, which are Federal laws</p>	<p>Human Resources (Reasonable Accommodation Officer); space planners (OSSD); CalPERS Diversity Outreach Program (CDOP) staff</p>	<p>Compliance varies, according to individual situation as determined by individual staff “reasonable accommodation” request to HR or OSSD, see summary at left for training methods.</p>	<p>All</p>	<p>As needed for self-identified staff</p>
<p>Records management</p>	<p>The CalPERS Records Management Program establishes and executes the policies and procedures for creating, modifying, storing and destroying business records.</p>	<p>SAM (State Administrative Manual) 1610</p>	<p>OSSD Records Management Unit; policy change/ review by EXEO, Office of Legal Services, and Office of Audits Services</p>	<p>Internal training by HR &amp; Change Management (SMSD) staff</p>	<p>All; division managers implement for each division</p>	<p>Annual review by divisions</p>

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Toxic Exposure (part of Injury & Illness Prevention Program) See also Injury & Illness Prevention Program	If employer creates, obtains, or has access to records of exposure or medical records of employees exposed to toxic substances or harmful physical agents, then the employer must maintain the records for the length of employment of the employee plus 30 years; The employer must make these records available to employees, their representatives or the Division of Occupational Safety and Health (DOSH) without cost, within 15 days of a request.	SAM (State Administrative Manual) 2590; CAL/OSHA safety order (General Industry Safety Orders, section 3204, Title 8, CCR)	Health & Safety Officer (Human Resources)	Keep records in Human Resources	All	Ongoing
Training provisions in current MOUs. See also "upward mobility"	In the Memorandum of Understanding (MOU), the union contract for each represented employee, provisions regarding training and education are found.	See current MOUs online at <a href="http://DPA.ca.gov">DPA.ca.gov</a> , <a href="http://calcsea.org">calcsea.org</a> or <a href="http://seiu1000.org">seiu1000.org</a> Web sites	All staff represented by unions (rank-and-file, not usually managers or supervisors)	Review hard copy contracts, or online MOUs as needed	All rank and file staff; all staff with MOUs	Review at start of employment, and as MOUs change
Upward mobility  See also "training provisions in current MOUs"	Upward Mobility is the planned development and advancement of employees in low-paying occupations to entry technical, professional, and administrative positions in State departments. In addition to a formal Upward Mobility Program, a variety of opportunities for staff to develop skills to prepare for advancement is available through the CalPERS Learning Center, training classes, computer-based training, lunchtime workshops, corporate citizenship activities, on-the-job training, and other venues.	Government Code 19400-19406, 19494	CalPERS Diversity Outreach Program staff (CDOP); Equal Employment Opportunity (EEO) officer in CDOP	CalPERS formal Upward Mobility Program is currently under development by the Office of Diversity Outreach Program	All	Ongoing

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Work/family	Benefits, policies & programs relating to work and family, that pertain to state employees. Various documents are at the DPA Web site.	Federal & state laws;  See <a href="http://www.dpa.ca.gov/WorkingFamilies/final_report/2004_WFReport-hires.pdf">http://www.dpa.ca.gov/WorkingFamilies/final_report/2004_WFReport-hires.pdf</a> ; review DPA regs for non-represented staff; MOUs for represented staff	Human Resources Division (Employee Relations and Medical Management)	Insider; New Employee Orientation; announcements as needed	All	Ongoing
Workplace Violence Prevention Program (included in Injury & Illness Prevention Program)  See also Injury & Illness Prevention Program	The State agrees to meet with the Union to develop and provide training on a model Workplace Violence Prevention Program and make the program available to all departments.	Personnel Management Liaison 12/14/01 (DPA Memo)	Human Resources Division (Employee Relations and Medical Management)	Living CalPERS Core Values (LCCV) program; HR Learning Center resources; policy on Insider; <a href="http://insider.calpers.ca.gov/human-resources/hrpolicy/WorkplaceAntiViolence.asp">http://insider.calpers.ca.gov/human-resources/hrpolicy/WorkplaceAntiViolence.asp</a>	All	Ongoing

# Appendix C

## Definitions

**AIM Program:** Alternative Investment Management (AIM) asset class is responsible for investing in domestic and international Private Equity investments, which are the securities of companies and partnerships that are not publicly traded. These investments include venture capital, growth capital, and buyout financing.

**Business Lines:** The combined activities and resources related to the accomplishment of a specific organizational goal (such as managing investments, or providing health insurance to members). CalPERS has identified three key business lines, each with its own unique focus and compliance issues. The three key business lines are **Investments**, **Health**, and **Pensions**.

**CAM:** Compliance Area Manager. There is one CAM for each of the three primary business lines (Investments, Health and Pensions). The CAMs provide specialized program area support on subjects pertaining to the business line for which they are responsible.

**Contracting Agency:** A public agency or school that contracts with CalPERS for the provision of retirement and/or health benefits.

**Control Structure:** The ethical and procedural framework created by the combination of all the control systems throughout an organization.

**Control Systems:** The systems and procedures that have been established to provide ongoing compliance monitoring and mitigate the risk of non-compliance with relevant laws, regulations, guidance and policies.

**Corporate Governance:** The practices of company management and boards of directors who are elected to represent shareowners. Good corporate governance aligns the interest of management, boards and shareowners to sustain long-term stock performance. Poor governance typically stems from corporate policies and practices that diminish the voice and access of shareowners. The key initiatives of CalPERS corporate governance program are:

- Obtaining the right for shareowners to nominate and elect directors
- Curbing egregious executive pay
- Urging corporate disclosure regarding environmental and sustainability issues

**Enterprise:** For purposes of this report, the term “Enterprise” includes CalPERS:

- Board Members
- Officers
- Committee Chair persons
- Agents
- Consultants
- Employees

**Fixed Income:** The Fixed Income asset class is responsible for:

- In-house management of dollar-denominated securities for CalPERS
- Affiliated Funds
- The Deferred Compensation Program
- Limited duration for CalPERS
- Buying/selling mortgages in the Member Home Loan Program

The Fixed Income team actively manages on a total rate of return basis approximately \$60 billion of CalPERS assets in various fixed income instruments, including commercial real estate mortgages, corporate bonds, residential mortgages, treasury bills, treasury bonds, treasury notes, agency pass-throughs, and others.

**Global Equity:** CalPERS Global Equity asset class handles CalPERS investments in equity securities traded on any public market worldwide, including in-house management of domestic and international stocks, the Risk Managed Absolute Return Strategies, External Equity Managers, and the Corporate Governance Program.

**HIPAA:** The Health Insurance Portability and Accountability Act of 1996. HIPAA contains requirements regarding the protection of individual health information (privacy) and health insurance enrollment and coverage (portability).

**Inflation Linked Asset Class:** Asset Allocation/Risk Management is responsible for the new development and management of the inflation-linked asset class. The new class will enhance CalPERS ability to link the Fund to inflation through four sub-asset classes of infrastructure, commodities, forestland, and inflation-linked bonds. Investments in these sectors offer more stable long term returns that are less susceptible to market swings than common stocks.

**MHLP:** The Member Home Loan Program provides mortgages to eligible CalPERS members purchasing a home.

**OPEB:** Other Post-Employment Benefits. Under GASB statement 45, government employers must report their costs and financial obligations for future benefits (such as health or vision coverage) that will be provided in addition to employee pensions.

**Protected Health Information:** Protected Health Information (PHI) is information that communicates an individual's health status, provision of health care to the individual, or health insurance or payment status. PHI is protected under HIPAA, and violations may result in fines.

**Proxy Voting:** The process of casting shareholder votes through an agent legally authorized to act on behalf of another party.

**Real Estate:** CalPERS Real Estate asset class invests in domestic and international private equity real estate through external investment partners, and in public equity real estate with external partners and internal CalPERS managers.

**Retiree Drug Subsidy:** Under Medicare Part D, employers who provide prescription drug coverage to their retirees are eligible to receive a federal subsidy equal to 28% of qualifying prescription drug costs.

**Sarbanes-Oxley:** Public Company Accounting Reform and Investor Protection Act of 2002. Sarbanes Oxley established significant new requirements for the financial reporting and oversight of public companies.

**Securities Lending:** The process by which a brokerage lends securities owned by its clients to short sellers.

**Supplemental Contribution Program:** The Supplemental Contribution Program allows certain CalPERS members to supplement their CalPERS defined benefit retirement plan by using after-tax contributions.

**State Alternate Retirement Program:** The Alternate Retirement Program is a retirement savings program, administered by the Department of Personnel Administration, in which certain State employees are automatically enrolled for their first two years of employment with the State of California.

**Supplemental Income Plans:** The Supplemental Income Plans Unit manages all CalPERS Defined Contribution Plans, including CalPERS 457 Deferred Compensation Plan, State "Peace Officers and Firefighters" Defined Contribution Plan, and Supplemental Contributions Program.

## Commonly Used Acronyms

<b>ACTO:</b> CalPERS Actuarial Office	<b>HIPAA:</b> Health Insurance Portability and Accountability Act
<b>AESB:</b> CalPERS Actuarial and Employer Services Branch	<b>HRSD:</b> CalPERS Human Resources Division
<b>ASTD:</b> CalPERS All Staff Training and Development	<b>HPPS:</b> Office of Health Policy and Program Support
<b>AREIS:</b> CalPERS Automated Real Estate Investment System	<b>INVO:</b> CalPERS Investment Office
<b>BNSD:</b> CalPERS Benefit Services Division	<b>ISOF:</b> CalPERS Information Security Office
<b>BSA:</b> California Bureau of State Audits	<b>ISSCA form:</b> Information Systems Security and Confidentiality Acknowledgement form.
<b>CALAPRS:</b> California Association of Public Retirement Systems	<b>ITSB:</b> CalPERS Information Technology Services Branch
<b>CalPERS:</b> California Public Employees' Retirement System	<b>L.E.A.D.E.R.:</b> Leadership Essentials and Direction for your Emerging Role
<b>CalSTRS:</b> California State Teachers' Retirement System	<b>LEGO:</b> CalPERS Legal Office
<b>CAM:</b> Compliance Area Manager	<b>LTC:</b> Long Term Care
<b>CBC:</b> CalPERS Business Connection	<b>MBSB:</b> CalPERS Member and Benefit Services Branch
<b>CCC:</b> Customer Contact Center	<b>MBSD:</b> CalPERS Member Services Division
<b>CCNN:</b> Contact Center News Network	<b>MHLP:</b> CalPERS Member Home Loan Program
<b>CCO:</b> Chief Compliance Officer	<b>N.E.O.:</b> New Employee Orientation
<b>CDOP:</b> CalPERS Diversity Outreach Program	<b>OAL:</b> California Office of Administrative Law
<b>CEC:</b> CalPERS Education Center	<b>OFAS:</b> CalPERS Office of Audit Services
<b>CEO:</b> Chief Executive Officer	<b>OHPA:</b> Office of Health Plan Administration
<b>CERBT:</b> California Employers' Retiree Benefit Trust	<b>OPEB:</b> Other Post-Employment Benefits
<b>CORE:</b> CalPERS Constituent Relations Office	<b>OSSD:</b> CalPERS Operations Support Services Division
<b>CSED:</b> CalPERS Customer Service and Education Division	<b>P2F2:</b> Public Pension Financial Forum
<b>DGS:</b> California Department of General Services	<b>PAOF:</b> CalPERS Office of Public Affairs
<b>DOIS:</b> CalPERS Division of Operations and Infrastructure Support	<b>PEMHCA:</b> Public Employees' Medical and Hospital Care Act
<b>DVBE:</b> Disabled Veteran Business Enterprise	<b>PERL:</b> Public Employees' Retirement Law
<b>ECOM:</b> CalPERS Office of Enterprise Compliance	<b>PSR:</b> Pension System Resumption project
<b>EEO:</b> Equal Employment Opportunity	<b>SB:</b> Small Business
<b>EMHS:</b> Office of Employer and Member Health Services	<b>SHP:</b> Sexual Harassment Prevention
<b>ERSD:</b> CalPERS Employer Services Division	<b>SIP:</b> CalPERS Supplemental Income Plans Division
<b>FCSD:</b> CalPERS Fiscal Services Division	<b>SMSD:</b> CalPERS Strategic Management Services Division
<b>GASB:</b> Governmental Accounting Standards Board	<b>SPB:</b> California State Personnel Board
<b>GOVA:</b> CalPERS Office of Governmental Affairs	<b>VFLSAS:</b> Volunteer Firefighter Length of Service Award System
<b>HBB:</b> CalPERS Health Benefits Branch	

# Appendix D

## ECOM Resource Library

The books listed below have been purchased by The Office of Enterprise Compliance (ECOM) or provided by ECOM personnel attending various workshops, conferences or training sessions.

*2008 National Society of Compliance Professionals (NSCP) National Membership Meeting. 2007.*

Alexander, Clifford J. Esq., and Arthur C. Delibert, Esq. *Money Manager's Compliance Guide, Vols. 1 and 2.* Washington D.C.: Thompson Publishing Group, Inc., 2008.

Ambler, Diane E., Lorraine Massaro, and Kristen L. Stewart. *Sarbanes-Oxley Act: Planning and Compliance.* Austin: Aspen Publishers, 2007.

Banks, Theodore L., and Frederick Z. Banks. *Corporate Legal Compliance Handbook. N.p.: Aspen Publishers, 2007.*

Carter, Patricia I. *HIPAA Compliance Handbook 2007.* Austin: Aspen Publishers, 2007.

Chicago Board of Trade, *Commodity Trading Manual.* N.p.: n.p., 1998.

Chicago Board of Trade, *Commodity Trading Manual Home Study Workbook.* N.p.: n.p., 1997.

*Compliance Academy.* Conference materials. September 24-27, 2007, San Francisco, CA: Health Care Compliance Association.

*Compliance and Ethics Academy.* Conference materials and session handouts. August 12-14, 2008, Chicago, IL: Society of Corporate Compliance and Ethics.

*Compliance and Ethics Institute.* Conference materials and session handouts. September 12-14, 2005, Chicago, IL: Society of Corporate Compliance and Ethics.

*Corporate Compliance & Ethics: Guidance for Engaging Your Board (Vol. 1: The Board's Perspective).* Minneapolis, MN: Society of Corporate Compliance and Ethics, 2004.

*Counsel of Compliance Officers Fall Conference.* Conference materials and summary. October 10-12, 2007, Sacramento, CA: CalPERS, 2007.

Daniel, Teresa A. *Cash Balance Pension Plans: A Practical Primer.* N.p.: International Foundation of Employee Benefit Plans, 2000.

Hackleman, Paul, and Geoffrey Rothman. *Public Employee Benefits: From Inquiry to Strategy.* N.p.: International Foundation of Employee Benefit Plans, 2000.

Hamilton, James, and Ted Trautmann. *Responsibilities of Corporate Officers and Directors under Federal Securities Law, 2004-2005 Edition.* Chicago, IL: CCH Incorporated, 2004.

Hardesty, David E., and Paul Hilton. *Director's Guide to Sarbanes-Oxley Compliance.* N.p.: Warren Gorham & Lamont of RIA, 2004.

- Health Care Compliance Association. *The Health Care Compliance Professional's Manual*. N.p.: Wolters Kluwer Law & Business, 2006.
- Kozik, Brian W. *Ready, Set, Comply! Compliance Games, Activities and Tools to Train Your Staff, Second Edition*. N.p.: HC Pro, 2005.
- Mancuso, Anthony. *How to Form a Nonprofit Corporation, 8th Edition*. N.p.: Nolo, 2007.
- McIntyre, Hal. *Securities Operations Glossary, Second Edition*. N.p.: Summit Group Press, 2001.
- Murphy, Joseph E., and Joshua H. Leet. *Building a Career in Compliance and Ethics*. N.p.: Society of Corporate Compliance and Ethics, 2007.
- National Regulatory Services. *21st Annual Fall Compliance Conference: Supervisory Oversight in the Complex World of Compliance*. October 3-6, 2006, Scottsdale, AZ: SourceMedia, 2006.
- Nelson, Bob. *1001 Ways to Reward Employees*. New York: Workman Publishing, 2005.
- NRS 20th Annual Spring Conference*. Conference materials. April 19-22, 2005, Scottsdale, AZ: National Regulatory Services.
- Professional Development Conference*. Conference materials. May 6-9, 2007, Manchester, NH: Association of Public Pension Fund Auditors.
- Purdue, Pamela D. *Qualified Pension and Profit Sharing Plans, 2006/2007*. N.p.: Warren, Gorham & Lamont of RIA, 2006.
- Roach, Daniel, Roy J. Snell, and Emma Wollschlager. *The Complete Compliance and Ethics Manual*. Edina, MN: Society of Corporate Compliance and Ethics, 2004.
- Robertson Demby, Elayne. *The RIA's Compliance Solution Book*. New York, NY: Bloomberg Press, 2006.
- RSM McGladrey, Inc. *Mandated Benefits, 2007 Compliance Guide*. Austin: Wolters Kluwer Law & Business, 2007.
- Sarbanes-Oxley in the Public Sector*. Presentation materials. September 22, 2005, n.p.: KPMG LLP, 2005.
- Troklus, Debbie, and Greg Warner. *Compliance 101, Second Edition*. N.p.: Health Care Compliance Association, 2006.
- Welytok, Jill Gilbert. *Sarbanes-Oxley for Dummies*. Indianapolis, IN: Wiley Publishing Inc., 2006.







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