

Enterprise Compliance 2017-18 Mid-Year Plan Update

Presented to
Risk and Audit Committee
February 2018

Agenda

Purpose

To provide an update on the FY 2017-18 Enterprise Compliance Plan approved by the Risk and Audit Committee (RAC) in June 2017.

Topics

- Compliance Program Purpose and Mission
- Updated Five-Year Outlook
- 2017-18 Initiatives Status and Highlights
- Wrap-up and Q&A
- Appendix

Compliance Program

Purpose

Enterprise Compliance (ECOM) exists to ensure that CalPERS complies with the letter and spirit of all applicable laws and regulations, in partnership with program areas.

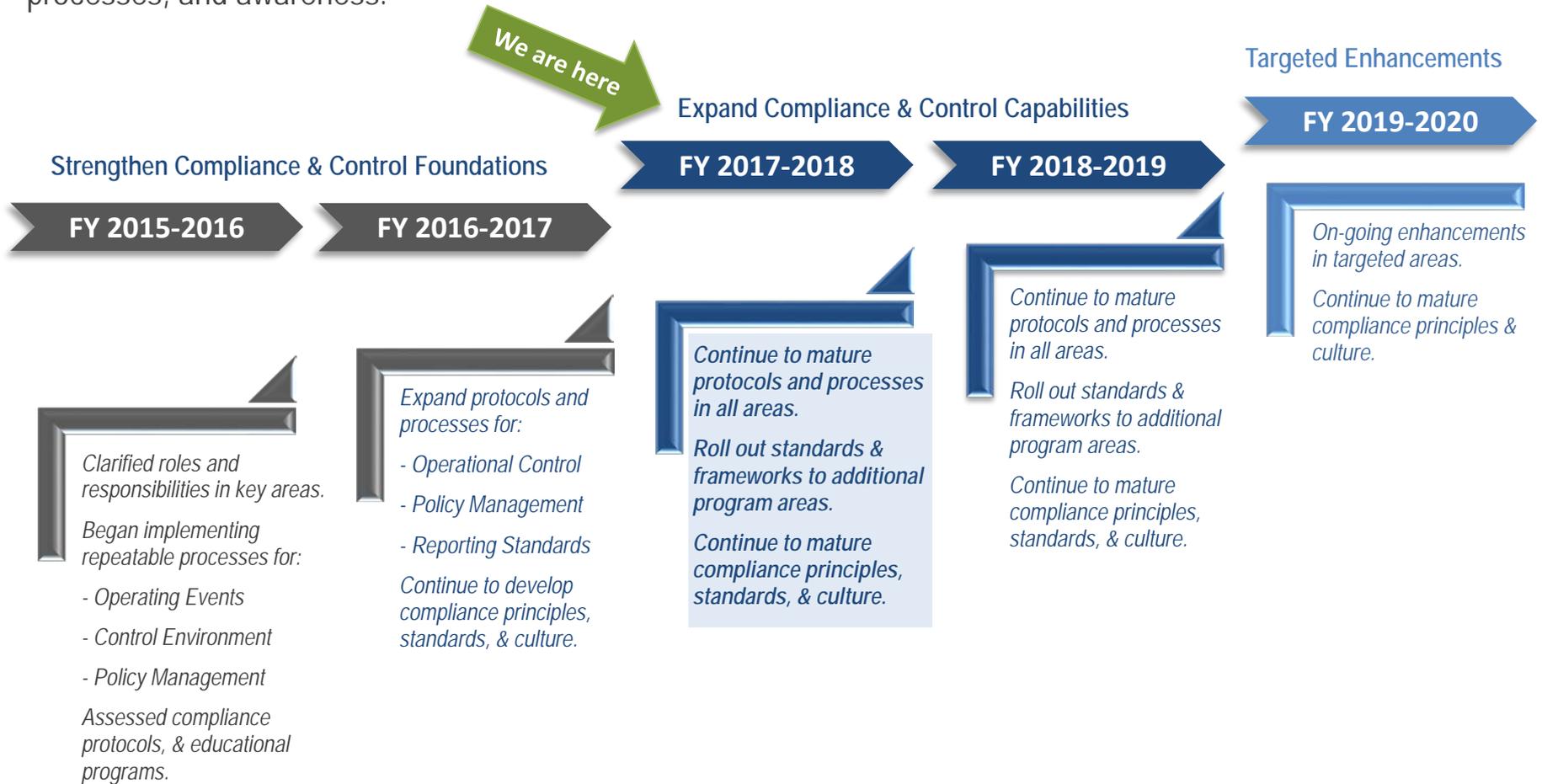
Mission

ECOM's mission is to define and oversee a CalPERS Compliance Program that:

- Promotes a positive control environment.
- Prevents, detects, and responds to issues of non-compliance.
- Serves as a resource for guidance about compliance and ethical issues.
- Ensures programs and policies reinforce ethical decision making.
- Ensures CalPERS meets its fiduciary, regulatory, and contractual obligations.
- Creates and maintains a culture of honesty and integrity.
- Encourages a commitment to doing the right thing.

Updated Five-Year Outlook | Enterprise Compliance Maturity

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



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

Compliance Program Areas	2017-18 Focus Areas	Development Stage
Enterprise Ethics Programs	<ul style="list-style-type: none"> Conflicts of Interest Ethics Laws & Policies Oversight Ethics Helpline Management 	
Policy & Delegation Management	<ul style="list-style-type: none"> Delegation of Authority Policy Management 	
Compliance Monitoring & Oversight	<ul style="list-style-type: none"> Compliance Monitoring & Oversight Embedded Compliance Program 	
Communication, Education & Reporting	<ul style="list-style-type: none"> Communication and Education Compliance Reporting 	

Enterprise Compliance Plan | Enterprise Ethics Programs

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

2017-18 Focus Areas

Conflicts of Interest

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

Ethics Laws & Policies Oversight

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

Ethics Helpline Management

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

2017-18 Initiatives | Enterprise Ethics Programs Highlights

Initiative	Status (July 1 – December 31, 2017)
Conflict of Interest	<ul style="list-style-type: none"> • Created contract review tools to improve consultant Form 700 filing processes • Developed new training and improved communication processes to better outline vendor Form 700 roles and responsibilities for contract managers and compliance liaisons • Enhanced reporting and outreach to all Form 700 filers
Ethics Laws & Policies Oversight	<ul style="list-style-type: none"> • Reviewed and prepared revisions to CalPERS Statement of Incompatible Activities • Conducted review of CalPERS Conflict of Interest Code, including assessments of new classifications for potential Form 700 filer requirements • Created a roadmap of all ethics-related policies to be combined into a single manual for clarity and ease of understanding
Ethics Helpline Management	<ul style="list-style-type: none"> • Standardized the tracking and reporting of Ethics Helpline cases in the EthicsPoint case management system • Completed the transition from offline tracking/reporting to online tracking/reporting through EthicsPoint

Enterprise Compliance Plan | Policy & Delegation Management

Purpose: Strengthen delegation & policy management practices for effective governance

2017-18 Focus Areas

Delegation Management

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

Policy Management

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

2017-18 Initiatives | Policy & Delegation Management Highlights

Initiative	Status (July 1 – December 31, 2017)
Delegation of Authority	<ul style="list-style-type: none">• Developed a framework to ensure Board Committee reporting complies with Committee delegations of authority
Policy Management	<ul style="list-style-type: none">• Developed governance framework, including standardized templates for committee charters and bylaws• Developed a preliminary approach to publish on-demand policy training materials, to support CalPERS team members in navigating each step of the Enterprise policy lifecycle

Enterprise Compliance Plan | Compliance Monitoring & Oversight

Purpose: Integrate compliance monitoring and oversight practices throughout the organization

2017-18 Focus Areas

Compliance Monitoring & Oversight

- Expand on enterprise compliance monitoring, oversight, and reporting activities*
 - Conduct two to three targeted compliance reviews
 - Implement Investment Office compliance monitoring

Embedded Compliance Program

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

2017-18 Initiatives | Compliance Monitoring & Oversight Highlights

Initiative	Status (July 1 – December 31, 2017)
Compliance Monitoring & Oversight	<ul style="list-style-type: none">• Implemented regular monitoring of Investment decision-making materials and incorporated reporting of Investment Policy violations to the Risk and Audit Committee• Conducted targeted compliance reviews and compliance monitoring• Developed framework to track legislative change implementation
Embedded Compliance Program	<ul style="list-style-type: none">• Collaborated with Customer Services and Support and Operations and Technology liaisons to create and adopt Branch compliance plans• Clarified roles and responsibilities for new Financial Office and Health Policy and Benefits Branch compliance liaisons

2017-18 Initiatives | Embedded Compliance Program Highlights

Initiative	Status (July 1 – December 31, 2017)
Customer Services and Support (CSS)	<ul style="list-style-type: none"> • Partnered with Enterprise Risk Management to successfully launch an Operational Risk Event pilot • Conducted semi-annual my CalPERS user access review to comply with information security standards • Partnered with Enterprise Compliance to host National Compliance Week Open House
Investment Office (INVO)	<ul style="list-style-type: none"> • Partnered with INVO's asset classes to produce and present inaugural AB 2833 (Alternative Investment Fee Transparency) Report to Investment Committee • Worked with Global Fixed Income team to design and implement additional controls to enhance pre-trade compliance reviews • Continued to lead INVO roadmap initiative relating to broker selection and evaluation practices; and associated reporting and governance activities
Operations and Technology (OPT)	<ul style="list-style-type: none"> • Partnered with Enterprise Compliance to conduct a targeted compliance review of procurement functions • Developed holiday communications around CalPERS Gift Policy • Facilitated completion of mandatory training courses in the Operations and Technology branch

Enterprise Compliance Plan | Communication, Education, & Reporting

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

2017-18 Focus Areas

Communication & Education

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

Compliance Reporting

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

2017-18 Initiatives | Communication, Education, & Reporting Highlights

Initiative	Status (July 1 – December 31, 2017)
Communication & Education	<ul style="list-style-type: none"> • Developed and rolled out the Compliance Discussion Guides to align Core Values with compliance principles to spur conversations on building a strong ethical culture • Hosted Second Annual National Compliance and Ethics Week 2017, including an Executive Panel Discussion on Ethical Leadership for managers and an Enterprise Compliance open-house • Sponsored onsite training on Compliance Metrics Development • Published InCalPERS articles and Spark weekly posts highlighting compliance related priorities, team members and topics • Presented CalPERS' Compliance Program at the 2017 Educational Forum
Compliance Reporting	<ul style="list-style-type: none"> • Updated the Enterprise Compliance Activity Report with additional metrics, including trend information • Incorporated compliance activity reporting for Embedded Compliance and Risk Teams in INVO, OPT, and CSS into the Enterprise Compliance 2017-18 Mid-Year Plan Update

FY 2017-18 Annual Plan Wrap Up

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

- Mature protocols and processes in the areas of oversight and monitoring
- Roll out standards and frameworks to additional program areas
- Continue to mature compliance principles, standards, and culture
- Develop knowledgeable compliance liaisons in additional program areas
- Improve compliance capabilities that result in strong internal control processes
- Expand and enhance reporting to include program operations

The FY 2018-19 Compliance Plan will be presented to the Risk and Audit Committee in June 2018.