



Risk and Audit Committee

Agenda Item 5a

September 17, 2025

Item Name: Compliance Advisory Services Program Update

Program: Enterprise Compliance, Risk & Governance

Item Type: Information Consent

Executive Summary

The Enterprise Compliance, Risk & Governance (ECRG) team continues to enhance its Compliance Advisory Services (CAS) Program to strengthen oversight, education, and technology. Through initiatives such as the Personal Trade Manager, Gift & Entertainment Module, Outside Business Activities framework, and enhanced Form 700 administration, ECRG has improved transparency, reduced conflict risks, and achieved measurable results including a 95% positive response in the Compliance & Risk Annual Survey and over 99% completion rates for mandatory filings and training.

Strategic Plan

This item supports the CalPERS 2022-27 Strategic Plan Goal: Cultivate a risk-intelligent and innovative culture through our team and processes and the strategic objective of providing enhanced compliance and risk functions throughout the enterprise.

Background

Since 2021, ECRG has systematically expanded its compliance programs. Early efforts included building compliance onboarding, administering Form 700 reviews, and supporting team leaders with financial disclosure assessments. Building on these foundations, ECRG introduced the Personal Trade Manager to automate trade monitoring, launched the Gift & Entertainment Module to strengthen awareness of disclosure rules, and formalized the Outside Business Activities process in July 2025. These programs are aligned with CalPERS fiduciary responsibilities and the State of California's conflict-of-interest laws.

ECRG's strategic priorities center on People, Processes, and Technology. By recruiting and educating compliance professionals, clarifying roles and responsibilities across the enterprise, and enhancing conflict-of-interest oversight, ECRG is embedding compliance into day-to-day operations. Key technology platforms including automated trade monitoring and digital disclosure modules that enable more efficient reviews, better risk detection, and improved

accountability. The long-term goal is to mature an industry-standard compliance program that leverages integrated systems, people, and processes to mitigate risks effectively.

Analysis

The CAS Program was designed to address the risks of manual processes, fragmented oversight, and inconsistent disclosure practices. Four options were considered:

- **Status Quo:** Maintain manual, paper-based tracking; lowest cost but highest risk.
- **Partial Technology Adoption:** Limited efficiency gains, but still inconsistent and resource intensive.
- **Outsourcing:** Shift oversight to vendors; high recurring cost and reduced internal accountability.
- **Integrated Technology and Process Modernization (Recommended):** Automate monitoring, standardize reviews, and expand compliance education. Higher upfront investment but long-term savings and stronger risk management.

By adopting an approach based on integrated technology and process modernization, ECRG has already reduced manual workload, lowered Form 700 amendment requests by ~70%, and improved compliance timeliness to nearly 100%. These improvements create sustainable efficiencies, reduce enterprise risk exposure, and strengthen CalPERS compliance culture.

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

CAS provides significant benefits to CalPERS by strengthening the compliance culture and increasing transparency, improving the early detection and mitigation of conflicts of interest, enhancing efficiency through automation and standardized processes, and providing leadership with timely data to support oversight and decision-making. These efforts also help sustain compliance practices through consistent onboarding and training.

Attachments

Attachment 1 – Enterprise Compliance, Risk & Governance Compliance Advisory Services Update

Kevin L. Fein
Chief Compliance Officer