



Audits & Risk Management Committee

Item Number 6 – Open Session

Subject: 2020 Enterprise Compliance Services Plan Final Progress Report

Presenter(s): Cheryl Dietz

Item Type: Information

Date & Time: March 5, 2021 – 15 minutes

Attachment(s): Attachment 1 – 2020 Enterprise Compliance Services Plan Results

PowerPoint(s): Power Point 1 – Compliance Journey & 2020 Accomplishments

PURPOSE

The purpose of this item is to provide the Audits and Risk Management (ARM) Committee with Enterprise Compliance Services' 2020 Compliance Plan results.

DISCUSSION/SUMMARY

The Plan sets the direction and priorities of Enterprise Compliance Services (ECS) for the period covering January 1, 2020 through December 31, 2020. In accordance with the ECS Program Charter, the Compliance Director provides periodic reports to inform the Committee on the status and results of the Compliance Plan.

The Compliance Plan was designed to support of the organizations' mission and goals. To complete many of the Compliance Plan activities, ECS communicates, collaborates, and coordinates across divisions. As a result, activities that require multi-division cooperation may extend beyond the year to ensure successful implementation.

Although ECS was not fully staffed in 2020, ECS was able to complete the [Compliance Plan](#) . Specific compliance plan accomplishments are outlined in Attachment 1.

In addition to completion of our compliance activities, ECS participates in professional compliance associations and trainings to stay current with industry leading practices. Below is a brief summary of recent updates.

Department of Justice Updated Guidance

On June 1, 2020, the US Department of Justice (DOJ) updated its “Evaluation of Corporate Compliance Programs” (Guidance) initially published in February 2017. While the Guidance is typically used to assist in the determination of legal action in the event of a compliance failure, it also plays an important role in evaluating compliance program design. The updated Guidance focuses on increasing transparency and clarity over a wide a range of compliance topics. Most importantly, compliance programs should clearly justify the development of program structure and continually strive to improve its maturity in a way that best aligns with an organizations business. A few key themes include the items listed below.

- **Ongoing Assessments and Reviews:** Compliance programs should conduct periodic risk assessments and program reviews to make informed updates to compliance functions. In addition, compliance programs should also continuously monitor third-party relationships.
- **Lessons Learned:** Organizations should adapt their programs based on lessons learned and information from various sources such as risk assessments, audits and industry benchmarks.
- **Performance-Based Measures:** Compliance programs should have a way to test, monitor and measure the impact of their compliance practices and use those results to shape program design.
- **Resources and Empowerment:** Compliance programs should be adequately resourced and have sufficient access to relevant operational data and information across the enterprise.

ECS continues to stay abreast and refine program strategies to align with compliance leading practices.

2020 Enterprise Compliance Services Plan Results

Culture & Governance
Updated compliance framework to incorporate Department of Justice 2020 guidance
Promoted compliance and ethical conduct through CalSTRS intranet communications (Central)
Promoted the importance of speaking up through available reporting channels (further described below in the Training & Communication header)
Developed Communication Plan to direct ECS outreach efforts
Updated CalSTRS Code of Ethics and Business Conduct that includes additional topics, positive tone, learning aids, graphics and simplified language
Risk Assessment & Due Diligence
Performed integrated annual compliance risk assessment with Audit Services leveraging enterprise and branch risk assessments
Developed compliance risk assessment process flow that considers other enterprise risk assessment processes for future integrated risk processes
Tested implementation of a regulatory tracking tool as an input into future compliance risk assessments
Partnered with ERM to identify and incorporate certain compliance risk assessment requirements into enterprise risk assessments
Met with various business areas to stay current on compliance risk topics
Codes, Policies & Procedures
Standardized policy templates, updated policy review procedures and trained policy owners on policy management process
Developed formal procedures for policy decommission process
Coordinated annual policy review process (146 enterprise policies were reviewed in 2020, excluding investment and board policies)
Through collaboration with business areas, enhanced policy management system to include CalSTRS Standards library, uniform template and review process
Updated CalSTRS Code of Ethics and Business Conduct
Training & Communication
Incorporated CalSTRS compliance and ethics hotline into CalSTRS onboarding training program
Integrated CalSTRS compliance and ethics hotline awareness into CalSTRS Enterprise Risk and Controls Awareness Training
Reinforced CalSTRS Code of Ethics and Business Conduct through follow-up email with newly onboarded staff
Promoted CalSTRS compliance and ethics hotline through CalSTRS intranet (Central) and distribution of posters and e-brochures
Presented on CalSTRS compliance and ethics hotline to 82 percent of organization through staff meetings
Communicated to external stakeholders on CalSTRS compliance and ethics hotline through presentations, email blast, social media, PensionSense Blog and SEW Messaging
Updated ECS SharePoint to drive understanding of the compliance program

Highlight new and revised policies through Central announcements
Speak Up
Launched CalSTRS Compliance and Ethics Hotline internally on February 26, 2020 and externally through CalSTRS.com on June 30, 2020
Developed hotline reporting process flow, roles, responsibilities and assignment matrix
Developed CalSTRS Hotline Reporting Policy
Updated CalSTRS Anti-Retaliation Policy
Promoted the launch of the hotline as described in the Training & Communication Section
Case Management & Investigations
Developed case management process for hotline reports
Managed the hotline case management system as the system administrator
Drafted hotline reporting investigation policy
Compliance Monitoring
Met regularly with ERM, Audit Services, and ISO to share and understand on-going assurance efforts
Began meeting with relevant business areas on compliance monitoring over conflicts of interest
Developed preliminary controls library
Tested a regulatory tracking tool to assist ECS in its compliance monitoring efforts (Investment, Privacy and COVID)
Third Party Risk Management
Collaborated with ERM on Service Organization Control (SOC) escalation guidelines
As part of the Risk Champion Network, assisted with the development of third-party risk category
Collaborated with ERM in transitioning SOC report review and tracking responsibilities to ECS
Program Management
Updated ECS charter and mission statement
Met with various business areas to stay current on existing or upcoming process that may impact compliance
Created work expectation guidelines for ECS program staff
Drafted ECS compliance program administration manual
Researched key performance metrics and reporting dashboards for future program reporting
Recruited qualified staff to ECS team