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Date: February 14, 2020

TO: MEMBERS, GOVERNANCE COMMITTEE

I. AGENDA ITEM # AND TITLE:	Open Agenda Item 4 – Governance, Compliance and Privacy Update
II. NAME AND PROGRAM:	Governance, Compliance & Privacy
III. ACTIVITY:	<input checked="" type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
IV. JUSTIFICATION:	<input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff

V. EXECUTIVE SUMMARY:

The following standard Compliance reporting requested by the Governance Committee includes:

- 2019 Own Risk and Solvency Assessment (ORSA) Report
- Compliance Training – Security Awareness, Annual Proprietary System Notice and Acknowledgement Form, Preventing Workplace Harassment – (Employee/Consultant, Supervisor) and Anti-Fraud.
- Hotline Reporting

VI. ANALYSIS:

The 2019 Own Risk and Solvency Assessment (ORSA) Report was submitted timely to the Department of Insurance on December 19, 2019 before the due date.

The training compliance rate overall goal (98%) and individual goals for employees (98%) and consultants (100%) were met for the 2019 mandatory training.

Total Ethics reporting increased by 22% for Q4 (36) compared to Q3 (28) 2019. Hotline reporting also increased from 5 in Q3 to 13 in Q4. According to Human Resources, the increase may be attributed to the Preventing Workplace Harassment training that was deployed to the organization. Inappropriate/Offensive Behavior hotline reports increased from 1 (Q3) to 6 (Q4) while EEO reports also increased from 2 in Q3 to 5 in Q4.

While the year to year comparison shows a decrease in total reporting by 5% from 2018 (142) to 2019 (135), there has been a significant increase in hotline reporting; 40 in 2019 vs.10 in 2018. HR related issues also show a decline by 12% for the same period. Inappropriate/Offensive Behavior and Equal Employment Opportunity remained the highest reported categories for both years.

VII. RECOMMENDATION: N/A

VIII. PRESENTATION EXHIBITS: Enclosed.

IX. APPENDIX: Enclosed.

Open Agenda Item 4 – Governance, Compliance and Privacy Update

Date: February 27, 2020





Executive Summary

1. 2019 ORSA Compliance
2. 2019 Mandatory Training Compliance Rate
3. Ethics Reported Issues



Standards of Conduct, Policies, & Procedures

1. 2019 Own Risk and Solvency Assessment (ORSA) Report

- State Fund submitted its ORSA report, as attested by the Chief Risk Officer, to the California Department of Insurance on December (CDI) 19, 2019.
 - **Report Due Date to CDI:** December 31, 2019

- As allowed under the Insurance Code, the ORSA report will be referenced in State Fund's Corporate Governance Annual Disclosure due June 1, 2020.



Standards of Conduct, Policies, & Procedures

2. 2019 Mandatory Training Compliance Rate

Security Awareness, Acknowledgement Form, Preventing Harassment Training (Employees/Consultants, Supervisors) and Anti-Fraud Training

Goal: 98% Workforce Compliance Rate (100% consultant, 98% employees)

Goal met:

Compliance Training Completion			
Training Title	Employee	Consultant	Overall
2019 Security Awareness	100%	100%	100%
2019 Annual Proprietary System Notice and Acknowledgement	99.97%	100%	99.98%
2019 Preventing Workplace Harassment - Employee/Consultant	99.97%	100%	99.98%
2019 Preventing Workplace Harassment - Supervisor	100%	100%	100%
2019 Anti-Fraud	99.97%	100%	99.98%



Consistent monitoring, evaluation & reporting

3. Ethics Reported Issues

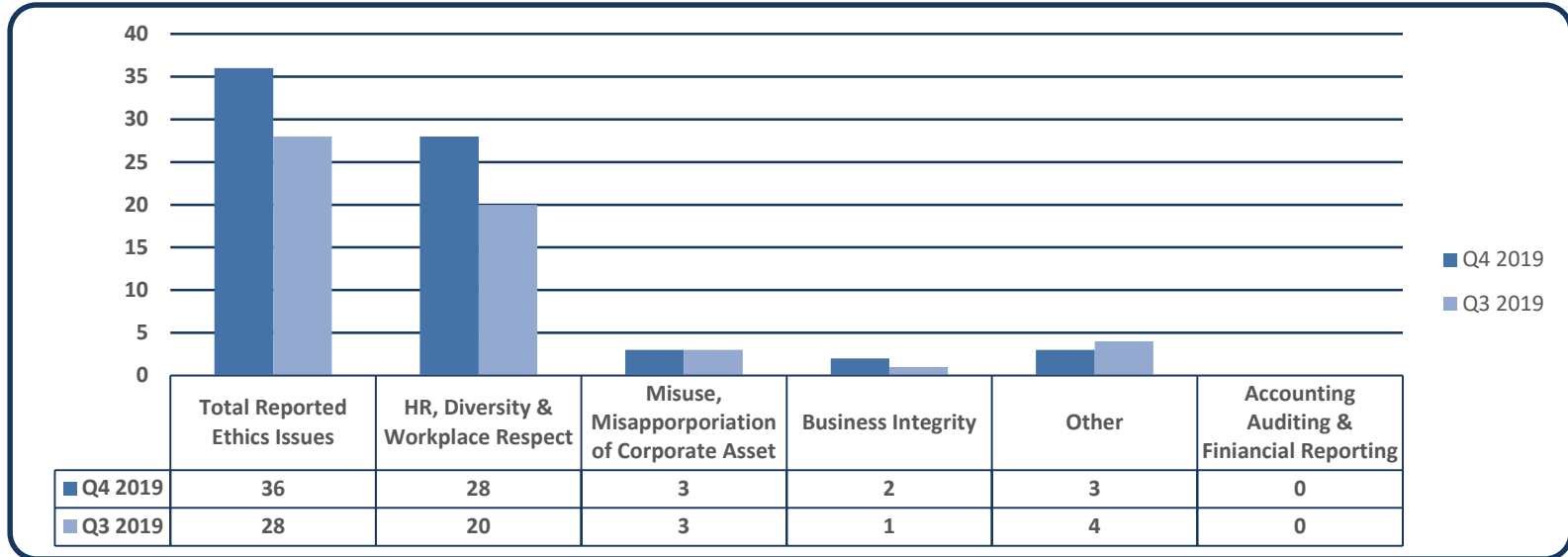
- ❑ 22% increase in total report (36-Q4; 28-Q3)
- ❑ 62% increase in hotline reports (13-Q4; 5-Q3)
- ❑ Year to Year Compare

Year to Year	2019	2018	Change
Total Ethics Report	135	142	-5%
Total Hotline Report	40	10	300%
HR related Reports	108	123	-12%

Year to Year	2019	% of Total	2018	% of Total
Total HR Report	108		123	
Inappropriate/Offensive Behavior	46	43%	39	32%
EEO	42	39%	55	45%

Consistent monitoring, evaluation & reporting

Chart 1: Allegations by Category





Appendix I: Report Allegation Categories and Definitions

- **Accounting, Auditing, and Financial Reporting:** Forgery, Accounting and Financial Control
- **Business Integrity:** Falsifying Records, Theft, Compliance and Regulatory Matters, Information Security, Vendor Relations, Claims, Policy, Legal, and Other Business Practices
- **HR, Diversity and Work Place Respect:** Attendance, Code of Conduct Violation, Conflict of Interest, Equal Employment Opportunity-Discrimination, Retaliation and Sexual Harassment, Favoritism, Inappropriate/ Offensive Behavior, Hiring Practices
- **Misuse, Misappropriation of Corporate Assets:** Fraud, Misuse/ Abuse of Time or Resources
- **Other:** Types of misconduct that fails to fall into the above categories such as Safety, Assault or Environmental Protection Compliance.