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Date: August 2, 2023

TO: MEMBERS, GOVERNANCE COMMITTEE

I. AGENDA ITEM # AND TITLE:	Open Agenda Item 4 - Governance, Compliance and Privacy Update
II. NAME AND PROGRAM:	Laura McHenry, Program Manager, 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 items are being reported based on activities or due dates subsequent to the May Board Meeting:

- 2023 CA Whistleblower Protection Act Annual Notification
- 2023 Amended Conflict of Interest Code
- 2023 Security Awareness Training
- 2023 Corporate Governance Annual Disclosure (CGAD)
- Q1 and Q2 Bureau of Economic Analysis BE-125 Submissions
- Q2 Quarterly Hotline Reporting

VI. ANALYSIS:

The following summarizes compliance related activity for the period and is in alignment with the Compliance Model¹:

1. Oversight, Accountability, and Resources
2023 CA Whistleblower Protection Act Annual Notification

Whistleblower protection under California law extends to all persons, regardless of reporting venue. State Fund received the annual Whistleblower communication and brochure about the State Auditor’s Whistleblower Program on June 1, 2023 with a due date of June 30 and with the following requirements:

- Send communication and brochure to all employees via email

¹ All Governance reports are grounded in State Fund’s Compliance Framework – resource USSG Ch. 8 Part B2.1(b)
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- Display whistleblower posters in all State Fund locations
- Send attestation of compliance to the State Auditor

The covering communication to employees included a statement about State Fund’s continuing commitment to ethics and transparency by maintaining our own Ethics and Privacy Hotline, operated by an independent third party.

On June 28, 2023, an email communication was sent to all employees. Since most employees are working from home, a link to the whistleblower poster was included in the email and the brochure was attached. Whistleblower posters were also displayed in all State Fund locations. Attestation of the distribution was sent to the State Auditor and receipt was confirmed on June 30, 2023.

2. Standards of Conduct, Policies, and Procedures

2023 Amended Conflict of Interest Code²

Corporate HR has been meeting with Senior Leadership regarding biennial changes to the Conflict of Interest Code (COIC). The amended COIC was sent to the Office of Administrative Law (OAL) and was posted on the State Fund worksite for a 45-day employee review period on July 21, 2023. Afterwards, it will be submitted to the Fair Political Practices Commission (FPPC) along with any employee comments for final approval.

3. Training, Communication, and Awareness

2023 Security Awareness Training Compliance Rate

The 2023 Security Awareness training is the second of four mandatory trainings for the year. It was released in April with a completion due date of June 26, 2023.

Goal: 98% for employees; 100% for contingent workers

Compliance Rate: 100% for employees; 100% for contingent workers

4. Monitoring, Evaluation, and Reporting

1. 2023 Corporate Governance Annual Disclosure (CGAD)

The confidential CGAD provides information about governance activities at State Fund. State Fund submitted its annual CGAD report, attested by the CEO and General Counsel/Corporate Secretary, to the California Department of Insurance on May 19, 2023. Reports are due annually by June 1.

2. Q1 and Q2 Bureau of Economic Analysis BE-125, Quarterly Survey of Transactions in Selected Services and Intellectual Property with Foreign Persons

Reporting Requirements:

- Sales to foreign persons that exceeded \$6 million; or
- Purchases from foreign persons that exceeded \$4 million in intellectual property or selected services (example: computer software, maintenance services, market research, telecommunication, etc.).
- Due date: Within 45 days of the close of each fiscal quarter.

State Fund’s total purchases for selected services or intellectual property for Q1 was \$11.8 million from suppliers whose parent companies are located outside the United States. The

² The 2021 amended COIC was not processed by OAL/FPPC due to resource constraints in those agencies during the Covid-19 pandemic.

Q1 BE-125 report was submitted electronically to the Bureau of Economic Analysis on May 2, 2023.

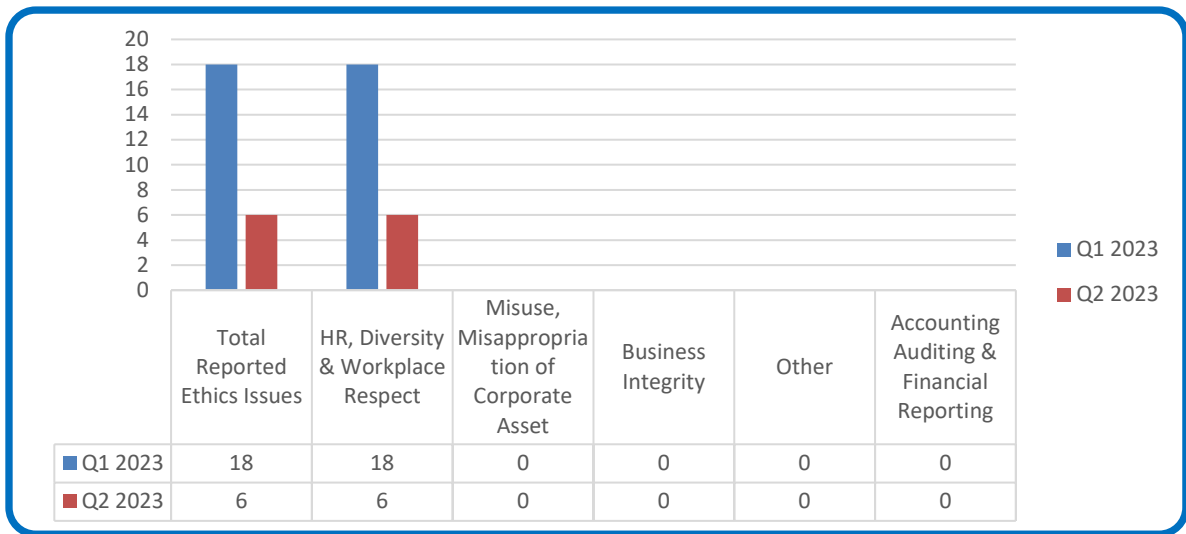
Total purchases for Q2 were \$11.3 million and the Q2 BE-125 was submitted on July 26, 2023.

3. Q2 Hotline Reporting

Total ethics reports declined by 67% in Q2 (6) vs Q1 (18). All reports fell into the HR, Diversity & Workplace Respect category.

None of the ethics reports came in through the Hotline. This is a decrease compared to prior quarters and Q2 of the prior year. Members of the State Fund Workforce reported ethics concerns through direct reporting to HR or management and via the AskAdmin case management system. We may see an increase in hotline reporting for Q3 as our annual harassment training was recently launched.

Chart: Allegations by Category



VII. 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.