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Date: May 8, 2015

INFORMATIONAL ONLY FOR BOARD OF DIRECTORS

TO: MEMBERS, BOARD OF DIRECTORS

I. AGENDA ITEM # AND TITLE :	Open Agenda Item 8ai – Governance, Compliance and Privacy Update
II. NAME AND PROGRAM:	Barbara Simmons, Governance & Public Records Program Manager
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:

First quarter compliance reporting includes: results of Statement of Economic Interest filing by designated employees and consultants, 2015 compliance training plan, and a summary of reported ethics and privacy related issues.

Organizational re-structure for the Chief Executive Officer (CEO), Chief Investment Officer (CIO), and Chief Financial Officer (CFO) positions requires amendment of State Fund’s Conflict of Interest Code, which must be filed with and approved by the Fair Political Practices Commission.

Privacy by Design messaging continues on a monthly basis. A new privacy video was launched in conjunction with participation in the 2015 National Data Privacy Day.

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

Clear Written Standards of Conduct, Policies & Procedures

2015 Conflict of Interest Code

Pursuant to Cal. Government Code § 87306, amendments to the Conflict-of-Interest-Code (Code) must be submitted to the Fair Political Practices Commission (FPPC) for review and approval. Amendments to State Fund’s Code were made as a result of: (1) creation of new positions, (2) new positions that are being considered to be used or in process of receiving approvals to be used, (3) existing positions that should have

¹ All Governance reports are grounded in State Fund’s Compliance Framework – resource USSG Ch. 8 Part B2.1(b)

designated as filers; and to clarify (4) language in the designated classifications descriptions, and (5) language in the disclosure categories; and (6) to present formatting changes reflecting State Fund's current organizational structure.

The filing process has been initiated and State Fund plans to submit required documentation to the FPPC by May 15, 2015. Final approval and effective date of the Code is anticipated within the next 120 days.

2015 Code of Conduct

The 2015 Code of Conduct approved by the Board during its February session was published on April 24 and released internally to our workforce and externally to our stakeholders on www.statefundca.com . [Training and acknowledgement](#) will commence in June.

Effective Training, Communication, and Awareness

Statement of Economic Interest (Form 700) Annual Filing Compliance

One hundred percent compliance was achieved for active employees and consultants who are designated filers in State Fund’s Conflict of Interest Code. Statutory annual filing with the Fair Political Practices Commission was completed for Board members, and the CEO, CIO, and CFO positions pursuant to Cal. Government Code § 87200.

Table 1: Filing Compliance - Designated Filers

Form 700 Designated Filers	# Submissions	# Form 700s Outstanding Active Members	Active Workforce Compliance Rate	# Form 700s Outstanding Inactive/Separated Members
Board of Directors	12	0	100%	0
Employees	3,239	0	100%	77
Consultants	281	0	100%	9
Total	3,532	0	100%	86

2015 Compliance Training

Regular compliance training helps to assure the laws and standards the State Fund is responsible for executing are well understood. This training updates our workforce about safe business practices, new policies or regulatory changes, reduces risk, and promotes State Fund’s role in California.

For 2015, training has been consolidated where possible, including merging privacy and cyber security training, use of the Conflicts of Interest module to satisfy Code of Conduct requirements, and one of the ethics modules for Statement of Economic Interest filers.

Table 2: Compliance Training Schedule

Training Module	Audience	Statute or Standard	Anticipated Release
Preventing Workplace Harassment	Managers and Supervisors	Cal. Gov't Code § 12950.1(b)	Mid-May Q2
Code of Conduct - Acknowledgement and Conflicts of Interest	All State Fund Workforce Members	USSG Ch. 8, Part B § 8B2.1	Late June Q2
Ethics Orientation for State Officials, Employees, Consultants	All Designated Statement of Economic Interest Filers	FPPC 2CCR § 18370	Late June Q2
Privacy and Cyber Security	All State Fund Workforce Members	NIST SP 800-50 ^a & NIST SP 800-53 ^b & PCI v3.1 ^c	Mid-August Q3
Anti-Fraud	Integral anti-fraud personnel with duties including processing, investigating, or litigating payment or denial of a claim, application for adjudication or application for insurance.	10CCR § 2698.39 (c)(2)	Early October Q4

^aNIST SP 800-50: National Institute of Standards and Technology. Building an IT Security Awareness and Training Program

^bNIST SP 800-53. National Institute of Standards and Technology. Security and Privacy Controls

^cPCI v 3.1. Payment Card Industry Data Security Standards

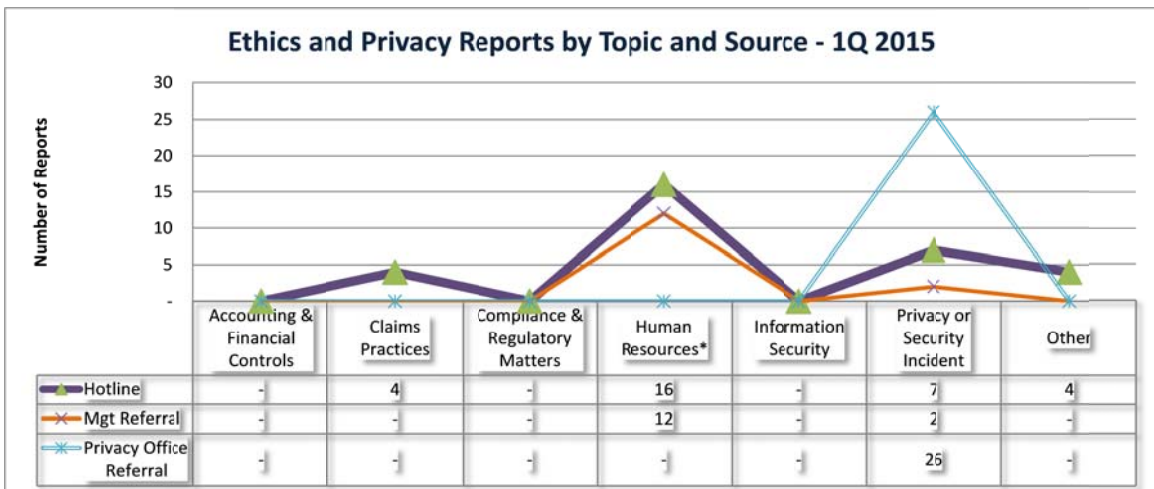
National Data Privacy Day

2015 was our third year of participation in National Privacy Day, an event designed to educate and raise awareness about the importance of protecting privacy. This year, we introduced a new video, “We All Have a Choice to Make,” which highlights how each member of our workforce has a role in safeguarding private information.

Consistent monitoring, evaluation & reporting

1Q 2015 Ethics & Privacy Reported Issues

Chart 1: Reports by Source



Forty-three percent (31/71) of all concerns were reported through State Fund’s independent hotlines, which is consistent with hotline reporting in 4Q 2014. Continuing the trend from 2014, the majority of referrals to Human Resources were related to conflicts of interest/harassment (39%). The majority of suspected privacy incidents reported were internal and preventable.