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Date: May 11, 2018

**TO: MEMBERS, GOVERNANCE COMMITTEE**

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

**V. EXECUTIVE SUMMARY:**

Compliance reporting includes:

- AB 119 – Access
- National Privacy Trends – Breach Notification Laws
- Hotline Vendor Change
- Statements of Economic Interest Compliance
- 2018-2019 Compliance Training Plan
- Hotline reporting

**VI. ANALYSIS:** The following summarizes compliance related activity for the period and is in alignment with State Fund’s Compliance Framework<sup>1</sup>:

**CLEAR WRITTEN STANDARDS OF CONDUCT, POLICIES & PROCEDURES**

**A. New Legislation**

**a. AB 119 (Committee on Budget) – State Government**

Adds section 11.5 to the Government Code<sup>2</sup> requiring state agencies<sup>3</sup> to provide unions access to new employee on-boarding activities and existing employee contact information:

- New employee orientations
- New employee contact information within 30 days of on-boarding
- Employee work and home contact information at 120 day intervals<sup>4</sup>

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

<sup>2</sup>CA Gov’t Code §§ 3555 et seq.

<sup>3</sup> Ralph C. Dills Act, Meyers-Milias-Brown Act and others

<sup>4</sup> Ibid. § 3558. Name, job title, department, work location, work, home, & personal cell phone numbers, personal email address on file with the employer, and home address.

Some of the contact information is considered non-public and not producible under the California Public Records Act (CPRA), including home address, home cell phone number, and personal email address.<sup>5</sup>

#### **b. State Fund Operational Impact**

- Allow union representatives to meet with employees during onboarding
  - State Fund will provide unions with new employee work and home contact information during onboarding – employees may opt out of providing personal information.
- State Fund will periodically provide work and home contact information of employees
- State Fund will work with unions to ensure employee non-public information is kept confidential when it is sent to unions
- State Fund will notify employees that their work and home contact information will be shared with unions

### **B. National Privacy Trends – Breach Notification Laws**

South Dakota and Alabama<sup>6</sup> are the final states to enact breach notification laws.

Breach laws are secular; there are differences in each state law. Differences include:

- Range between 250 and 1,000 affected persons triggering regulator notification
- Types of information requiring notification
- Consumer credit reporting agency notification

California often follows the actions of other states. The National Association of Insurance Commissioner's Data Security Model Rule, if adopted in California, decreases the threshold for regulator notification from 500 to 250.

Proposed 2018 privacy legislation in California<sup>7</sup> includes requirements for notifications to affected persons to include information about contacting consumer credit reporting agencies for credit freezes and how security freezes differ from identity theft protection services.

### **C. Ethics & Privacy Hotline Vendor**

State Fund changed its independent Ethics & Privacy hotline vendor to Ethix360/GetinTouch effective March 1, 2018.

State Fund issued a communication to the workforce, update its external and internal websites and corporate policies, and posted flyers<sup>8</sup> in all locations where other employee notices are maintained.

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<sup>5</sup> Cal. Gov't Code § 6254.3

<sup>6</sup> Alabama Breach Notification Act of 2018

<sup>7</sup> AB 2678 (Irwin)

<sup>8</sup> Flyer image is in Appendix II

## EFFECTIVE TRAINING, COMMUNICATION, AND AWARENESS

### A. Statement of Economic Interest (Form 700) Annual Filing Compliance

Statutory<sup>9</sup> annual filing with the Fair Political Practices Commission (FPPC) was completed for Board members, and the CEO, CIO, and CFO positions.

The compliance rate for the annual filing was 100 percent for active employees and consultants who are designated filers in State Fund's Conflict of Interest Code. Outstanding notifications are made pursuant to FPPC guidelines<sup>10</sup> prior to making an enforcement referral to the FPPC.

**Table 1: Form 700 Filing**

Form 700 Designated Filers	# Submissions	Active Workforce Compliance Rate	# Form 700s Outstanding Separated Members	# Form 700s Outstanding Inactive(LOA) Members
Board of Directors - #12	12	100%	-	0
Employees - #3655	3,582	100%	10	63
Consultants - #308	302	100%	4	2
<b>Total - #3975</b>	<b>3,896</b>	<b>100%</b>	<b>14</b>	<b>65</b>

### B. 2018-19 Compliance Training

State Fund's training program<sup>11</sup> covers compliance topics and values-based ethical decision making. Regular training helps workforce members understand how to recognize and raise questions about legal, security, privacy, and ethical issues enabling State Fund to follow safe business practices, reduce unnecessary risk, and protect our policyholders, injured workers, and employees.

## CONSISTENT MONITORING, EVALUATION & REPORTING

### Ethics and Privacy Reported Issues

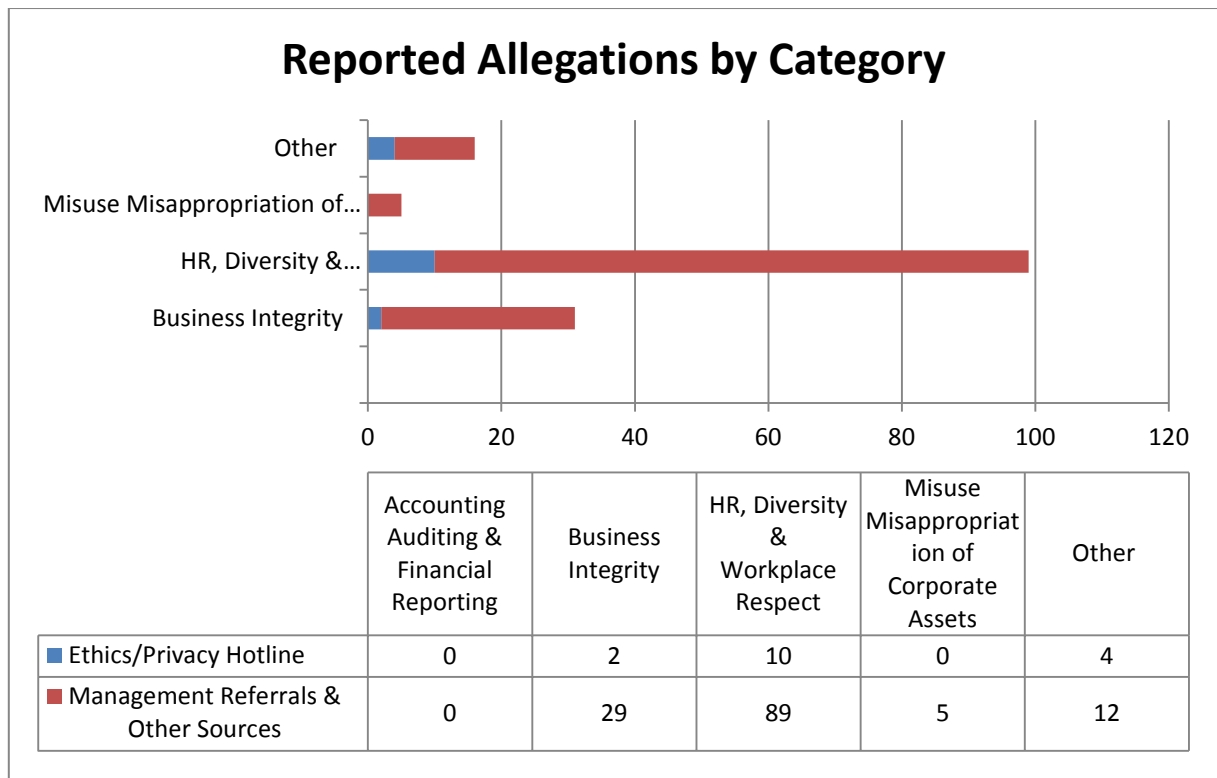
The total number of hotline reports declined slightly from 20 in Q4 2017 to 16 in Q1 2018. This may be the result of the change in the hotline reporting vendor effective March 1, 2018. Management referrals and other sources of reports remained constant from 137 in Q4 to 135 in Q1 2018. Human Resources related issues continue to be the most reported category. In Q1 2018, HR related issues are 66% (99/151) of the total number of reports compared to 69% (109/157) in Q4 2017.

<sup>9</sup> Cal. Gov't Code § 87200

<sup>10</sup> <http://www.fppc.ca.gov/content/dam/fppc/NS-Documents/TAD/FilingOfficer/700FO-Folder/SEI%20Notification%20Guidelines.pdf>

<sup>11</sup> Training Plan is in Appendix III

**Chart 1: Allegations by Category**



**APPENDIX:**

- I: Report Allegation Category Definitions**
- II: Ethics & Privacy Hotline Flyer**
- III: 2018-19 Training Plan**

## I. Report Allegation Categories and Definitions

**Accounting, Auditing, and Financial Reporting:** Forgery, Accounting and Financial Control

**Business Integrity:** Falsifying Records, Privacy and Data Security Incidents, 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, Performance

**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.

## II. Ethics & Privacy Hotline Flyer



The flyer features a silhouette of a person's head in profile on the left, speaking into a microphone. The background is a light blue gradient. The text is centered and uses a mix of bold and italicized fonts.

**Do you have a concern or issue to share with Management?**

**Contact Ethix360/In Touch®**

*Do you have a corporate compliance concern or an idea to share with Management?*

- 1 Dial Toll-Free 1-888-254-4301 24 hours a day, 7 days a week, or visit <https://ethicsandprivacyhotline.ethix360.com>
- 2 Write down the case number you are given.
- 3 A written summary of your concern will be sent to the appropriate State Compensation Insurance Fund (State Fund) management staff.
- 4 Your call or web submission can be anonymous. Leave your name and telephone number if you prefer someone from State Fund to contact you directly.
- 5 To receive a response from State Fund management, call back or check your report status online after five business days and provide your case number.

**Use Ethix360/In Touch to confidentially report:**

- Violations of the Code of Conduct and Ethics
- Privacy and Information Security Incidents
- Improper Accounting, Accounting Controls or Auditing
- Bribery
- Conflicts of Interest
- Illegal Activities
- Theft or Internal Fraud
- Discrimination
- Questions, Ideas & Suggestions

**STATE COMPENSATION INSURANCE FUND**

**ETHIX 360**

**INTOUCH**

### III. 2018-2019 Training Plan

Training Module	2018	2019	Audience
Security & Privacy Awareness & Proprietary System Acknowledgement	X	X	All State Fund Workforce Members
Ethics, Code of Conduct & Acknowledgement	X Contains components required by FPPC 2CCR § 18370	X	All State Fund Workforce Members
Workplace Harassment Prevention		X	Supervisors & Managers
Workplace Harassment Prevention		X	Non- supervisory Employees; contingent workers
Anti-Fraud	X	X	Intergral anti-fraud personnel with duties including processing, investigating, or litigating payment or denial of a claim, application for adjudication or application for insurance.