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Date: August 2, 2013

AGENDA ITEM 5 – INFORMATIONAL ONLY

TO: MEMBERS, GOVERNANCE COMMITTEE

- I. SUBJECT:** Governance and Compliance Update
- II. PROGRAM:** EXECUTIVE
- III. RECOMMENDATION:** Information Only – No Action Required
- IV. ANALYSIS:**

The following summarizes compliance related activity for the period¹:

Compliance Model alignment – Consistent monitoring, evaluation & reporting

- **Regulatory Compliance**
 - 1. Cal. Government Code §§ 8548.2 and 8548.3 – California Whistleblower Protection Act**
 - Annual memorandum to employees published; required posters displayed with other required employee notices
 - Compliance notice transmitted to CA State Auditor
 - 2. Cal. Insurance Code § 927(b) (AB53) Biennial Report – Procurement Diversity**
 - ISD 2013 Report submitted to CA Department of Insurance

Compliance Model alignment – Consistent monitoring, evaluation & reporting

- **2Q 2013 Ethics & Privacy Reported Issues – All Sources**

| Reporting Topic | # Reports Received |
|---------------------------------|--------------------|
| Accounting & Financial Controls | 0 |
| Claims Practices | 1 |
| Compliance & Regulatory Matters | 0 |
| Human Resources | 17 |
| Information Security | 1 |
| Privacy or Security Breach | 94 |
| Other | 4 |
| Total | 117 |

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

Compliance Model alignment – Effective training, communication & awareness

- Code of Conduct Acknowledgement and Training and Ethics Module 1 Compliance

| | # Employees | Report Date | Compliance Rate | # Consultants | Compliance Rate |
|--|-------------|-------------|-----------------|---------------|-----------------|
| 2013 Code of Conduct Training <i>“Encouraging Speaking Up”</i> | 4,354 | 07/12 | 97% | 228 | 79% |
| 2013 Code of Conduct Acknowledgement | 4,354 | 07/10 | 88% | 228 | 81% |
| 2013 Ethics Module #1¹ <i>“Conflicts of Interest”</i> | 3,501 | 07/12 | 96% | 122 | 68% |

¹Ethics Module #1 is required for employees and consultants who are designated filers under FPPC regulations and State Fund’s Conflict of Interest Code.

- Privacy and compliance awareness messaging
 - o Enterprise wide privacy road shows completed
 - o 05032013 Protect information from phishing attacks
 - o 06042013 Mandatory Code of Conduct training launch
 - o 06272013 Code of Conduct and Acknowledgement completion reminder
 - o 06282013 Updated Policyholder Information Sharing Disclosure notice
 - o 07182013 Compliance – Code of Conduct and Ethics

Compliance Model alignment – Clear Written Standards of Conduct, Policies & Procedures

- 06/2013 New Policy – Copyrights and Other Intellectual Property (EC&F 2.5) issued
 - o Organizational position for protection of State Fund’s proprietary, copyrighted, patented, or trademarked material and respect for copyrighted material of others
- 06/2013 Revised Policy – Close Personal Relationships (EC&F 2.8)
 - o Defines close personal relationships in employment and financial matters
 - o Employees/consultants accountable for disclosures in fact or appearance related to other workforce members or with State Fund’s business partners.

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 Manager