



333 Bush Street
 San Francisco, CA 94104
 (415) 263-5400
 www.statefundca.com

Date: November 7, 2014

TO: MEMBERS, GOVERNANCE COMMITTEE

I. AGENDA ITEM # AND TITLE :	Open Agenda Item 4 - Governance, Compliance & Privacy
II. NAME AND PROGRAM:	Barbara Simmons - 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:

Third quarter compliance reporting:

- Follow-up compliance results for consultants - targeted training and acknowledgement; and
- Annual anti-fraud training

Third quarter reported ethics and privacy related issues.

- AB 1710(Dickinson) – impact to operations

VI. ANALYSIS: The following summarizes compliance related activity for 3Q 2014 and is in alignment with the Compliance Model¹:

Effective training, communication & awareness

3Q 2014 Annual Anti-Fraud Training

Annual anti-fraud training is required pursuant to 10 CCR § 2698.39(c)(2) for workforce members who are identified as anti-fraud personnel.

In addition to Special Investigation Unit (SIU) members, anti-fraud personnel are persons whose assigned duties may include the processing, investigating, or litigation pertaining to payment or denial of a claim or application for adjudication of a claim or application for insurance.

The training closed September 1 with a compliance rate of 99.3%.

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

Figure 1 – Anti-Fraud Training Compliance Rate

Workforce	# Completed	# Outstanding Active Members	Active Workforce Compliance Rate
Employees	3,181	23	99.3%

New employees and on-boarding consultants who fit the anti-fraud personnel definition are required to complete anti-fraud training within 30 days of joining the workforce.

3Q Update – Consultant Compliance Campaign – Code of Conduct Training and Acknowledgement

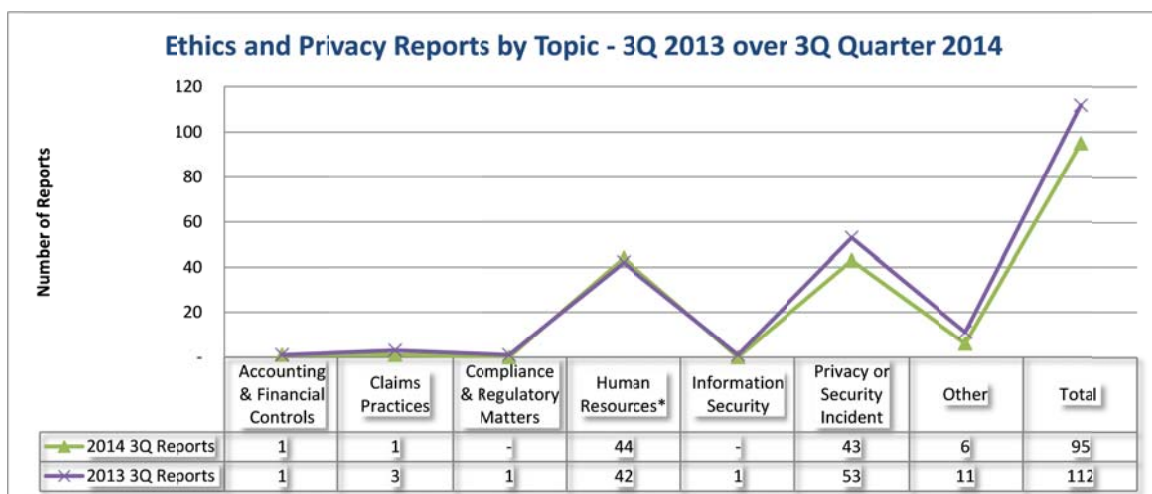
A campaign to bring State Fund’s consultants into compliance with the annual requirement for Code of Conduct Training and Acknowledgement was undertaken. During the campaign, physical access and access to systems was disabled for 10 non-compliant consultants. State Fund has now reached a 100% compliance rate for its consultants as a result of the campaign.

Figure 2 Consultant Code of Conduct Training and Acknowledgement

Workforce	# Completed	# Outstanding Active Members	Active Workforce Compliance Rate
Consultants	258	0	100.0%

Consistent monitoring, evaluation & reporting

3Q 2014 Ethics & Privacy Hotline Reported Issues – All Sources



*Human Resources reporting volume for 3Q 2014 remained constant compared to this same period in 2013. 3Q 2014 reports by category included 35% suspected conflict of interest/discrimination; 9% suspected retaliation; 19% suspected misconduct; 21% suspected misuse/theft of time or funds.

Suspected privacy/security incident report volume declined 23% compared to the third quarter of 2013. The primary factor can be attributed to a continuing decline in transmissions of private information for non-business purposes.

Clear written standards, policies and procedures

New legislation - AB 1710 (Dickinson) effective January 1, 2015. The legislation amends Cal. Civil Code §§ 1798.81.5, 1798.82, and 1798.85 relating to unauthorized disclosure of California residents' personal information. The law requires companies to offer free credit monitoring services when a disclosure includes an affected person's social security number and/or driver's license number or California identification card number.

Operational impact – None. State Fund's current practice of offering one year free credit monitoring services to affected persons extends beyond the new law's requirements. State Fund also offers credit monitoring if the disclosure includes the individual's date of birth or financial account information.

VII. RECOMMENDATION: None

VIII. PRESENTATION EXHIBITS: N/A