

Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

A. GENERAL INFORMATION

1. Date

September 8, 2016

2. Department

California State Teachers' Retirement System (CalSTRS)

3. Organizational Placement (Division/Branch/Office Name)

Office of the General Counsel

4. CEA Position Title

Director of Enterprise Compliance Management (ECM)

5. Summary of proposed position description and how it relates to the program's mission or purpose. (2-3 sentences)

Under the general direction of the General Counsel, the Director of Enterprise Compliance Management (ECM) provides oversight of the CalSTRS Enterprise Compliance Management division and collaborates with internal business partners to assess areas of compliance risk for the organization. The incumbent will provide leadership in the formulation, development and implementation of a comprehensive, proactive and risk aware enterprise compliance management program. The incumbent will develop and implement education programs addressing compliance and collaborate with management and staff to effectively incorporate the compliance functions throughout CalSTRS business operations. The Director of ECM will act as the intermediary between executive, senior, and middle-management leaders to ensure compliance with local, state, federal regulations, and organizational standards. The incumbent serves as a policy advisor to the General Counsel, Chief Executive Officer, Executive Staff, the Teachers' Retirement Board and its Audits and Risk Management Committee on compliance related issues.

6. Reports to: (Class Title/Level)

General Counsel - Statutory position per Education Code Section 22212.5

7. Relationship with Department Director (Select one)

- Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

(Explain): As a member of senior leadership, serves as a policy advisor to the Audit and Risk Management Committee of the Teachers' Retirement Board, the CEO, the General Counsel, and Executive staff.

8. Organizational Level (Select one)

- 1st
- 2nd
- 3rd
- 4th
- 5th (mega departments only - 17,001+ allocated positions)

B. SUMMARY OF REQUEST

9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

Under the general direction of the General Counsel:

Provide leadership, management direction, supervision, and policy guidance to CalSTRS Enterprise Compliance Management division and staff within the organization assigned program area compliance responsibilities. Plan, organize and direct activities associated with the following enterprise-wide compliance functions: Compliance Risk Management; Compliance and Ethics awareness; Program Analysis, and Operations, and in conjunction with the ethics attorney or General Counsel, Compliance or Ethics Investigations. Collaborate with Enterprise Risk Management and Audit Services to conduct the annual compliance risk assessment and develop strategic plans for compliance risk mitigation – resulting from the compliance risk assessment. Develop, implement, and maintain enterprise-wide policies, standards, procedures, and guidelines for compliance management to ensure the integrity and effectiveness of CalSTRS compliance functions. Oversee the development and periodic revision of policies and procedures related to the design and operation of the Enterprise Compliance Management division (such as ethics and compliance investigation protocols, compliance hotline procedures, policy governance, etc.).

Serve as the Co-chair of the Compliance Council in the development and implementation of compliance-related strategies, goals, objectives, policies, projects, standards, and processes; coordinate and provide oversight in the development, revision, issuance, and distribution of the CalSTRS Code of Conduct and other compliance policies and procedures authorized by the Council; provide guidance and the interpretation of CalSTRS Code of Conduct and other compliance policies and procedures to CalSTRS leadership and employees; and ensure that the CalSTRS Code of Conduct and other compliance policies are maintained and are accessible on CalSTRS internal website – CalSTRS Central.

Initiate, plan, develop, and implement a compliance training plan and a compliance communication plan. These plans will identify the compliance training to be administered and communications to be disbursed for the upcoming work plan year; coordinate and oversee the development of compliance training and integration with other CalSTRS education and learning programs and activities; collaborate with business partners to develop and manage all Enterprise Compliance Management communication efforts, as defined in the plan, including, but not limited to: 1) compliance communication materials for CalSTRS Central website, the Compliance SharePoint site, newsletters, e-mail and other appropriate communication networks; 2) serve as a spokesperson for Enterprise Compliance Management to stakeholders and business partners - both internal and external to the organization; and 3) integrate compliance messaging in all communications – internal and external to the organization.

Act as a policy advisor to the CEO, Executive Staff, the TRB and its ARM Committee recommending and implementing policies and strategies in support of the TRB's Strategic Plan, Annual Business Plan, risk management, and fiduciary responsibility. Participate in board meetings and deliver formal written and oral presentations. Act as an internal technical advisor to the ARM Committee providing briefings, continuing education and expert consultation and advice in rendering sensitive operational and risk mitigation decisions related to compliance. Manage the Compliance Hotline, including assignment of issues to appropriate functions or individuals for investigation; oversee the management of the investigation and resolution of all reports to the Compliance Hotline and other compliance-related allegations received by CalSTRS staff. Prepare quarterly reports to the ARM Committee that include an update of Enterprise Compliance Management division activities, investigations, Compliance Hotline reports of allegations and the investigation and resolution of those allegations. Partner with CalSTRS business areas and the Human Resources Division on ethics and compliance complaints to achieve consistent enforcement for violations related to compliance matters; work with investigators and other functions to: 1) identify appropriate program-related remedial measures following the identification of compliance violations and 2) track implementation of remedial measures.

Develop measurement standards and reporting formats for a variety of ethics and compliance-related information, including: 1) information related to reports of ethics or compliance misconduct; 2) investigation of such reports; 3) employees' perception of Enterprise Compliance Management; and 4) cultural business ethics; develop and assist in the implementation of self-assessments of compliance systems, as appropriate; and oversee and facilitate assessments and audits of Enterprise Compliance Management.

Coordinate with the General Counsel to communicate personally and promptly to the ARM Committee on all matters involving compliance or ethics allegations pursuant to elevation protocols of ethics violations.

Regularly attend professional development opportunities and conduct benchmarking in order to stay apprised of best practices in the compliance field.

B. SUMMARY OF REQUEST (continued)

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- Program is directly related to department's primary mission and is critical to achieving the department's goals.
- Program is indirectly related to department's primary mission.
- Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description: The program area under the direction of the Director of Enterprise Compliance Management will be responsible for developing, implementing and managing an effective enterprise-wide compliance program in support of CalSTRS mission to secure the financial future and sustain the trust of California's educators. The Director of ECM will provide senior leadership in the formulation, development and implementation of a comprehensive, proactive and risk aware enterprise compliance management program designed to promote a culture of a fair, ethical and professional work environment and aid in pro-actively mitigating compliance risk. The incumbent will develop policies, procedures, training and core communications to promote a robust culture of business ethics. The Director of ECM will formulate, develop and implement an effective compliance education and communication program that promotes awareness and sets the tone of an ethical climate and reinforces compliance with laws, regulations, policies and procedures that build and support CalSTRS positive reputation and level of trust.

B. SUMMARY OF REQUEST (continued)

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

With a portfolio valued at \$188.7 billion as of June 30, 2016, CalSTRS is the largest educator-only pension fund in the world and the second largest pension fund in the United States. CalSTRS serves California's 896,000+ public school educators, retirees, and beneficiaries from the state's 1,700 school districts, county offices of education and community college districts. CalSTRS provides retirement, disability and survivor benefits through a hybrid retirement system consisting of its Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs, and a voluntary defined contribution plan. The Teachers' Retirement Fund is a special trust fund established by law that holds the assets of the CalSTRS Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs. The assets come from contributions by employees, employers and the State of California. The fund's investments provide a stream of income to add to those assets. The Teachers' Retirement Board administers CalSTRS and sets policies and rules to ensure benefits are paid according to the law. For an institution of the size and complexity of CalSTRS, a broad and rigorous ethics and compliance program is best practice and a crucially important component of risk management.

In 2009, the Office of General Counsel created an Office of Ethics and Compliance to handle oversight and counsel regarding compliance with ethics policies, conflict of interest policies, California conflict of interest law, including the Political Reform Act, as well as the Public Records Act. Currently, these activities are narrowly focused on legal compliance and investigation and are not comprehensive. Similarly, several CalSTRS business areas implemented specifically-tailored compliance activities. As a result, there are currently disparate compliance activities throughout the organization, but no enterprise-wide compliance program with a single path of governance. At its June 2015 meeting, the TRB's Audits and Risk Management Committee (ARM Committee) discussed efforts to complete a third-party compliance assessment. CalSTRS engaged the consulting services of Kaplan & Walker LLP, a recognized law firm dedicated solely to the practice of compliance and ethics program related legal services, to conduct an on-site review of CalSTRS current compliance activities; to identify gaps or areas for improvement; to recommend activities and components for a best practice compliance program; and to provide an Implementation Roadmap to execute those recommendations. At the ARM Committee's June 2016 meeting, Kaplan & Walker LLP presented an overview of its assessment and findings. The firm made a number of recommendations to strengthen the compliance systems currently in place and enhance CalSTRS culture of compliance and business ethics with the principle recommendation that CalSTRS adopt an Enterprise Compliance Program (ECM). The ARM Committee approved the recommendations and the implementation strategy for a new ECM program under the executive leadership of the General Counsel. The ARM Committee also approved the establishment of a new position of Director of Enterprise Compliance Management, reporting to the General Counsel, to oversee the new program design, implementation and day-to-day management. The ARM Committee directed staff to commence recruitment activities to fill the Director position.

Included in the ARM Committee's Fiscal Year 2016-17 Work Plan is the oversight of the development and implementation of the new ECM program. The new ECM program currently in development is expected to include the enterprise-wide compliance functions of: Compliance Risk Management, Compliance and Ethics Awareness, Investigations and Program Analysis.

C. ROLE IN POLICY INFLUENCE

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

The CalSTRS Board is committed to the highest ethical standards and strictest adherence to federal, state laws and regulations and has set a directive for the development for a comprehensive enterprise compliance program. As the Enterprise Compliance Management Roadmap is implemented, and ECM matures to a robust and comprehensive program, new policies, protocols, procedures and educational programs will be developed and implemented. Additionally, new policies will be developed and implemented to address new and evolving risks impacting CalSTRS and its members. In the first phase of program development, the Director of ECM will coordinate and oversee the development, revision, issuance, distribution and enforcement of the current CalSTRS compliance policies and procedures, including but not limited to policies areas listed below. The Director will enhance, develop and implement new policies in additional phases.

- Ethical and Fiduciary Conduct: Sets forth the ethical responsibilities of Board members and staff.
- Statement of Ethical Conduct: Sets forth the activities that are inconsistent or in conflict with the duties of Board members and staff.
- Policy Prohibiting Insider Trading: To ensure that CalSTRS operates in a manner commensurate with its goal of promoting integrity in the investment, administration and management of securities.
- Disclosure of Campaign Contributions and Gifts: This policy provides the campaign contribution disclosure requirements for any party who engages in business with CalSTRS for gain, made to, or on behalf of, any existing CalSTRS Board members, candidates for Board members, Controller, Treasurer, Superintendent of Public Instruction or CalSTRS officers or employees.
- Disclosure of Placement Agent Campaign Contributions and Gifts: This policy provides the requirements for any person or entity to disclose certain relationships with placement agents prior to entering into any investment transaction or investment management contract.
- Investments Branch: The Investments Branch is uniquely affected by the ethical responsibilities and compliance related requirements at CalSTRS. As a result, ethics and compliance related information and requirements which are specifically relevant to Investments Branch staff include:
 - Investments Branch Ethics Pledge
- Ethics Training: In addition to State of California required Ethics training for certain state officers, the Director of ECM will develop ethics training for CalSTRS staff promote a enterprise-wide culture of business ethics.
- The Enterprise Compliance Management Division will be the central point of contact regarding the following compliance activities at CalSTRS:
 - Statement of Economic Interests (Form 700)
 - Incompatible Activities Agreement
 - Confidentiality, Non-Disclosure and Acceptable Use Agreement
 - Gift Policy
 - Public Records Act Policy
- Ethics and Compliance Hotline – Provides for anonymous reporting of alleged unethical behavior. Complaints are independently investigated by ECM.
- The ECM program also refers CalSTRS staff to the following compliance reporting resources:
 - Pension Abuse Reporting Hotline
 - Whistleblower Hotline

C. ROLE IN POLICY INFLUENCE (continued)

13. What is the CEA position's scope and nature of decision-making authority?

The Director of ECM will serve as a policy advisor to the CEO, General Counsel, Executive Staff and the TRB and its ARM Committee on all matters related to enterprise-wide compliance with laws, regulations, policies and best practices. The Director of ECM will provide reports, briefings and continuing education to the ARM Committee to assist it in its governance responsibilities. Reports of egregious allegations of compliance and ethics misconduct will be independently reported to the ARM Committee by the Director of ECM. The Director of ECM will provide leadership in the formulation, development and implementation of a comprehensive, proactive, and risk aware enterprise compliance program and has full management authority to direct the activities of the ECM division responsible for Compliance Risk Management, Compliance and Ethics Awareness, Compliance and Ethics Investigations and Program Analysis. The Director of ECM will oversee compliance risk assessments and will formulate forward thinking compliance strategies and enhancements that provide assurance of enterprise compliance with laws, regulations and policies. The Director of ECM will act as an independent review to ensure that compliance issues and concerns are appropriately evaluated, investigated and resolved. The Director of ECM, along with the General Counsel and Human Resources, will develop and oversee a system for consistent responses and handling of alleged compliance and ethics violations of rules, regulations, policies, procedures and codes of ethics. The incumbent will oversee the management of the Compliance and Ethics hotlines and conduct investigations of alleged violations. The incumbent will establish and co-chair the Compliance Council, an internal governance council that ensures strategic goals for the compliance program are appropriately managed and integrated into the business areas. The Director will develop enterprise-wide awareness campaigns, compliance training and communication plans that aid in mitigating compliance risks and enable CalSTRS to build and maintain a positive reputation.

14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?

The primary function of the CEA will be to develop and implement compliance policies, standards and protocols and ensure an effective implementation of the ECM program. The Director of ECM will develop and implement on-going education programs to create program awareness and ensure compliance with local, state, and federal regulations and CalSTRS policies. As the program grows, the CEA will develop new policies that continue to mature compliance principles and culture and strengthen compliance and control foundations. Each year CalSTRS conducts environmental scan activities including assessing CalSTRS strengths, weaknesses, opportunities, and threats (SWOT), potential legislative changes, and current and future projects that impact the system's long-term sustainability. The CEA will formulate and direct the development of new or revised compliance policies and standards based on this analysis. Additionally, each year CalSTRS business plan is fine-tuned to represent the focus of the organization allowing CalSTRS to continually assess the changing environment including regulatory changes, operational risks, financial market risks and the changing needs of CalSTRS members. The CEA will formulate and direct the development of new or revised enterprise compliance policies and strategies based on these ongoing changes to ensure CalSTRS continued commitment to a culture of compliance and business ethics and the mitigation of compliance risks.