CalSTRS Compliance Program Alignment with Federal Sentencing Guidelines

| Federal Sentencing Guideline Requirement | Reference | CalSTRS Program | Action Items |
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| 1. **Compliance Program Oversight**<br><br>Organization's governing authority shall be knowledgeable and exercise reasonable oversight of compliance and ethics program (program)<br><br>Assign overall responsibility for the program | 8B2.1(b)(2)(A) & (B) | • Audits and Risk Management Committee assists the Teachers' Retirement Board in fulfilling fiduciary oversight responsibilities for compliance.<br>• Compliance Director has direct reporting responsibility to the Chief Auditor and dotted line reporting responsibility to the Audits and Risk Management (ARM) Committee.<br>• Compliance Director provides regular reports to the ARM Committee including, annual compliance plan and status updates. | No specific gaps to address |
| 2. **Operational Responsibility**<br><br>Delegate individual(s) with day-to-day responsibility for program and ensure provided adequate resources, appropriate authority, and direct access and reporting on program effectiveness to governing authority. | 8B2.1(b)(2)(C) | • Compliance Director has primary responsibility for oversight of Enterprise Compliance Services' operational program functions.<br>• Compliance Director provides periodic program updates to ARM Committee.<br>• Enterprise Compliance Services is staffed with a dedicated team<br>• Compliance Director regularly updates the Chief Auditor on compliance activities. | Should consider additional staffing as program matures. |

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| 3. **Standards and Procedures**<br><br>Establish standards and procedures to prevent and detect non-compliance | 8B2.1(b)(1) | • Policies are reviewed annually to ensure current and relevant<br>• Policies and Standards are centralized and available through CalSTRS Intranet (EpiCenter)<br>• CalSTRS Code of Ethics and Business Conducts contains learning aids<br>• Attestation of CalSTRS Code of Ethics and Business Conduct & specific CalSTRS policies is required annually<br>• Required training and reporting is monitored to ensure compliance<br>• Policy development, revision and decommission are supported by standardized process and templates | Develop a Supplier Code of Conduct to provide third parties (2022 Compliance Plan)<br><br>Automate Policy Management (2022 Compliance Plan) |
| 4. **Training and Communication**<br><br>Deliver ongoing compliance and ethics communication and training to board members, senior executives, employees and third parties | 8B2.1(b)(4)(A) | • Biennial ethics training required of leaders and staff<br>• Code of Ethics and Business Conduct provided to new employees<br>• Accountability and Internal Controls onboarding training delivered to all new hires<br>• Compliance and Ethics training presented periodically to board, senior executives, and employees<br>• Compliance and ethics communication through intranet announcement, emails and presentations is | Implement and promote compliance specific "micro trainings" for high-risk compliance topics (2022 Compliance Plan) |

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| 4. **Training and Communication (continued)** | | provided to organization (ex. Announcement of new or updated policies)<br>• Annual Security Awareness and Risk Management and Internal Controls Awareness training requires completion each year | |
| 5. **Compliance Promotion and Enforcement**<br><br>Promote and enforce compliance and ethics through consistent use of incentives and discipline | 8B2.1(b)(6) | • Core values included in performance standards<br>• Strong record of disciplining employee misconduct regardless of level<br>• Virtuosity program allows for recognition of compliance and ethical conduct<br>• Quarterly performance reviews to inform and monitor compliance-related performance | No specific gaps |
| 6. **Detect Non-compliance**<br><br>Take reasonable steps to detect non-compliance through:<br>• Monitoring and auditing<br>• Periodic program evaluation<br>• Maintaining an anonymous reporting system | 8B2.1(b)(5) | • Integrated assurance provided on key compliance risks and controls<br>• Compliance and Ethics Hotline available for staff to report anonymously 24 hours a day, 365 days a year, through web and phone intake<br>• Monitoring program over highest risk areas such as Procurement, Investments, Human Resources | Perform maturity self-assessment (2022 Compliance Plan)<br><br>Engage external audit of the compliance program<br><br>Expand monitoring program |

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| 7. **Response to Non-Compliance**<br><br>Take reasonable steps in response to any discovered noncompliance | 8B2.1(b)(7) | • Trend analysis of CalSTRS Compliance and Ethics Hotline reports reviewed/discussed to develop appropriate mitigation<br>• Hotline reports are assigned and managed by assigned leaders<br>• Third party legal investigation engaged if warranted | No significant gaps to address |
| 8. **Hiring/Delegation of Authority**<br><br>Use reasonable efforts to hire ethical and lawful leaders | 8B2.1(b)(3) | • Background checks conducted upon initial hire<br>• Personnel reference checks and file review for state employees<br>• Employee relationship disclosure required for new hires | No specific gaps |
| 9. **Compliance Risk Assessment**<br><br>Implement a continuing compliance risk assessment and take appropriate action to reduce the risks identified | 8B2.1(c) | • Comprehensive risk assessment process<br>• Mandatory conflict of interest disclosure process<br>• Biennial all employee survey reviewed, discussed and responded to, if necessary | Implement iterative process (2022 Compliance Plan) |