



Audits & Risk Management Committee

Item Number 6c – Open Session

Subject: Charter Reviews and Updates - Enterprise Compliance Services Program Charter - First Reading

Presenter(s): Lynn Bashaw

Item Type: Information

Date & Time: May 1, 2024 – 5 minutes

Attachment(s): Attachment 1 - Enterprise Compliance Services Program Charter

PowerPoint(s): PowerPoint - Enterprise Compliance Services Program Charter

Item Purpose

The purpose of this item is to present the Audits and Risk Management Committee with a first reading of a proposed Enterprise Compliance Services (ECS) Program charter. This charter is new and is intended to codify the responsibilities, scope, and structures for managing enterprise compliance risks within the organization. Documenting this charter supports CalSTRS strategic plan goal 1, objective E: Enhance how risks are defined, viewed, and managed.

This charter also supports the Audits and Risk Management Committee in meeting their responsibility for reviewing and recommending to the board changes to the enterprise-wide risk management framework, as outlined in the Audits and Risk Management Committee charter.

Recommendation

Staff recommends that the Audits and Risk Management Committee consider the proposed Enterprise Compliance Services Program charter. Staff will incorporate feedback from the Committee into the charter and bring it back for a second reading unless the Committee decides to approve the recommended charter at this meeting.

Executive Summary

Documenting the Enterprise Compliance Services (ECS) program in a charter supports a culture of risk awareness, ethics and compliance within CalSTRS. This charter will serve as a foundational document that outlines the responsibilities, authorities, and processes governing the enterprise compliance services program activities across the organization.

The importance and benefits of documenting this charter includes:

- **Clarity and consistency:** Clearly defining the roles, responsibilities, and expectations for managing compliance risks promotes alignment across the organization.
- **Stakeholder confidence:** Demonstrating a formal commitment to effective ethics and compliance practices enhances stakeholder confidence.
- **Governance enhancement:** Establishing a charter enhances governance structures by providing transparency, accountability, and oversight mechanisms for compliance risk management and compliance activities.

Documentation of the ECS Program charter supports the ECS program’s maturity plan by providing a structured framework for risk management and compliance practices. This charter will guide our efforts to identify, assess, mitigate, and monitor risks while promoting adherence to regulatory requirements and ethical standards. This charter will be reviewed every two years, or as necessary, to facilitate continuous improvement.

This item is an Information item and staff intends to bring a subsequent Action item related to this charter at the September Audits and Risk Management Committee meeting. Staff however supports the Committee in approving this first reading, if so desired.

Background

A maturity assessment was completed by Weaver & Tidwell, LLC that was presented to the Audits and Risk Management Committee in March 2023. The maturity assessment recommendations emphasized the need to formalize risk management and compliance frameworks through governing documents. An 18-month maturity plan was presented in November 2023 to address the recommendations, which included developing a charter.

Strategic Plan Linkage: Goal 1: Trusted stewards – Ensure a well-governed financially sound trust fund, Objective E – Enhance how risks are defined, viewed and managed.

Board Policy Linkage: [Audits and Risk Management Committee Charter](#)

Optional Reference Material:

March 2023 ARM Committee, Item 7 – [Enterprise Risk Management and Compliance Services Framework and Maturity Recommendations](#)

November 2023 ARM Committee, Item 7 – [Enterprise Risk Management and Compliance Services 18-Month Maturity Plan](#).