

## Introduction

1. The OCERS Board of Retirement (Board) is dedicated to acting for the exclusive benefit of the plan and its participants, managing assets of the plan prudently, and administering benefits with impartiality. Concomitant to these responsibilities is the need to ensure that OCERS operates in compliance with the various laws, rules, and regulations that govern OCERS' operation, especially the California Constitution, the County Employees Retirement Law of 1937 (CERL), and the bylaws, procedures, and policies adopted by the Board, as well as in accordance with the highest ethical standards. The Board implements the OCERS Compliance Program (Compliance Program or Program) to support these commitments.

## Purpose

2. The purpose of the Compliance Program is to create a risk-aware operating environment that reflects OCERS' culture and values, is supported by all levels of management, the CEO, and the Board, and has staff buy-in. The program will be designed to be an advocacy resource for employees, management, and members in promoting and establishing compliance industry best practice standards. Additionally, the Compliance Program will work in tandem with OCERS divisions and departments to implement risk-based compliance management programs to strengthen overall compliance activities and mitigate legal and reputational risks. The Program will contain elements that provide an effective framework with foundational areas such as governance, business unit support, control monitoring, reporting, and training and awareness that help detect, prevent, and mitigate compliance risks. In addition, it will seek to create an agency-wide culture of adherence to legal and ethical standards. All OCERS team members will assist the Program in exercising due diligence to ensure compliance and prevent illegal conduct.

## Scope

3. The Program seeks to mitigate the risks of violating law, Board policy, or procedure. The design of the Program will be based on the standards for an effective compliance and ethics program set forth in the U.S. Sentencing Guidelines. The Chief Compliance Officer (CCO) is authorized by the Board to develop and implement a comprehensive program. In consultation with the Audit Committee and the senior management, the CCO determines which subject matter areas are prioritized in response to risk assessment and based on compliance resources. Senior management refers to the Chief Executive Officer (CEO), Assistant CEOs, the Chief Investment Officer, and General Counsel. The CCO will serve as a proactive partner that provides objective guidance to the Board, the CEO, management, and staff to ensure adherence to the law and OCERS fiduciary duty to its membership. The specific duties and responsibilities of the CCO are set forth in the OCERS Chief Compliance Officer Charter.

## Governance Structure

4. The CCO manages the day-to-day administration of the Program and reports to the General Counsel. The CCO also has the authority to access the Audit Committee and the Board directly and independently on an as-needed basis and will report to the Audit Committee on at least a biannual

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basis on the operation and effectiveness of the Compliance Program. The CCO will also inform the Audit Committee of any credible allegations of serious misconduct or criminal activity.

5. Compliance Program activity must be objective and independent — free from influence that could threaten its ability to achieve its purpose. Any potential impairment to the independence of the Program or the CCO will be communicated to the General Counsel and escalated appropriately.
6. Compliance is everyone's responsibility at OCERS. Strong governance facilitates an effective compliance program that enables risk identification, mitigation, and accountability across the “three lines of defense.” These three lines offer a structure that defines responsibilities for OCER’s compliance activities as follows:
  - a. **First Line of Defense:** OCERS divisions and departments, which own, identify, assess, and effectively manage all applicable operational and compliance risks and adhere to relevant policies, procedures, and processes. Management is responsible for the overall compliance performance of their divisions and will facilitate the work of the Program, including providing support for Program initiatives and alerting the CCO of ethics and compliance issues.
  - b. **Second Line of Defense:** Legal and the Compliance Program, which monitors compliance risk and controls in support of the first line of defense, assesses the effectiveness of OCERS’ control environment to mitigate risks, offers independent review, challenges, and guidance, and promotes a strong risk and compliance culture. The Legal Division provides advice on legal compliance to each division of OCERS and is primarily responsible for compliance efforts related to tax, conflicts of interest, and fiduciary obligations.
  - c. **Third Line of Defense:** Internal Audit, which analyzes the effectiveness of governance, risk management, operational controls, and compliance management; and assesses the adequacy, design, and ongoing effectiveness of OCERS’ overall governance framework in accordance with the OCERS Internal Audit Charter.

### Compliance Program Elements

7. The Program’s framework will be based on the following compliance best practice elements:
  - a. **Program Administration:** The CCO will serve as a partner to OCERS divisions and departments and provide recommendations and guidance for the timely response to compliance issues and regulatory changes. In performing their duties, the CCO will maintain access to the internal processes and records of OCERS divisions and departments, including the ability to request information and run reports necessary for compliance activities and monitoring. OCERS will provide necessary support to the Program in the departments where compliance activities are undertaken. Management will also furnish timely reports on actions taken and proposed regarding compliance-related issues. The CCO will lead compliance investigations in coordination with the General Counsel or Human Resources as appropriate, assist with resulting action plans, and track the implementation of remedial measures. Should criminal conduct be detected, OCERS shall respond appropriately, and any necessary modifications to the Program will be made to prevent similar criminal conduct.

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- b. **Standards, Policies, and Procedures:** As part of the Program, the CCO will promote standards of conduct and internal controls capable of reducing the likelihood of non-compliance with the laws and policies applicable to OCERS and to detect and prevent criminal conduct. The CCO will contribute to developing, revising, and distributing professional conduct and other compliance-related policies, when applicable.
- c. **Risk Assessment:** The Program will include developing and implementing a risk assessment program to identify, prioritize, and mitigate legal and ethical compliance risks.
- d. **Control Monitoring:** The CCO will establish and monitor controls necessary for an effective compliance program. These controls will include regular monitoring to measure process control effectiveness and to continually identify opportunities for improving controls and mitigating risks.
- e. **Communication and Training:** Compliance training is a fundamental part of the Program. Messaging and branding that promotes the enhancement of risk awareness and makes compliance activities an integral part of OCERS' culture will also be a component.
- f. **Compliance Reporting:** Compliance reporting channels for employees to use without fear of retaliation will be established and maintained. The CCO will also report compliance effectiveness to senior management, the Audit Committee, and the Board, as appropriate. In addition, the CCO will collaborate with Internal Audit and relevant OCERS divisions to review audit reports, provide assistance with audit report management action plans, and ensure future compliance.

## Charter Review

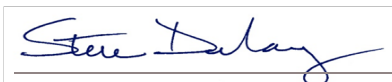
- 8. The Audit Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.

## Charter History

- 9. The OCERS Compliance Program Charter was adopted by the Board of Retirement on April 15, 2024.

## Secretary's Certificate

I, the undersigned, the duly appointed Secretary of the Orange County Employees Retirement System, hereby certify the adoption of this policy.



Steve Delaney, Secretary of the Board

4/15/2024

Date