

Monthly Status Report – Enterprise Compliance Activity

March 2021

To Be Presented:
Risk and Audit Committee
June 2021

Purpose

Provide the Risk and Audit Committee with compliance monitoring and oversight analytics to aid in fulfilling their role in overseeing key compliance and ethics activities.

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Executive Summary

This report provides activity regarding four components of the Enterprise Compliance program for the month of March 2021. Those components are Form 700 filings, Personal Trading Monitoring, Ethics Helpline Complaints, and Mandatory Training completion rates.

- Of all the board and employee Form 700 filers, 100% were filed timely.
- Of all the consultant Form 700 filers, 70% were filed timely, two were submitted late, one was outstanding.
- There were seven Personal Trading violations for the month.
- There were 18 ethics complaints received in the month.
- Of the Mandatory Employee Trainings, 99% were completed on time.

Additional details relating to these compliance activities can be found in pages five through fifteen.

Board & Employee Form 700 Filings

March 2021 Statements Due (Board & Employee)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	3	-	-	3
Leaving Office	9	-	-	9
Annual	6	-	-	6
Grand Total	18	-	-	18

Observations:

- CalPERS currently has 898 Board and employee Form 700 filers.
- Out of 18 statements due in March 2021, 18 statements (100%) were submitted timely.

Note:

- See Page 17 for Statement definitions.

Consultant Form 700 Filings

March 2021 Statements Due (Consultant)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	3	-	1	4
Leaving Office	4	2	-	6
Grand Total	7	2	1	10

Observations:

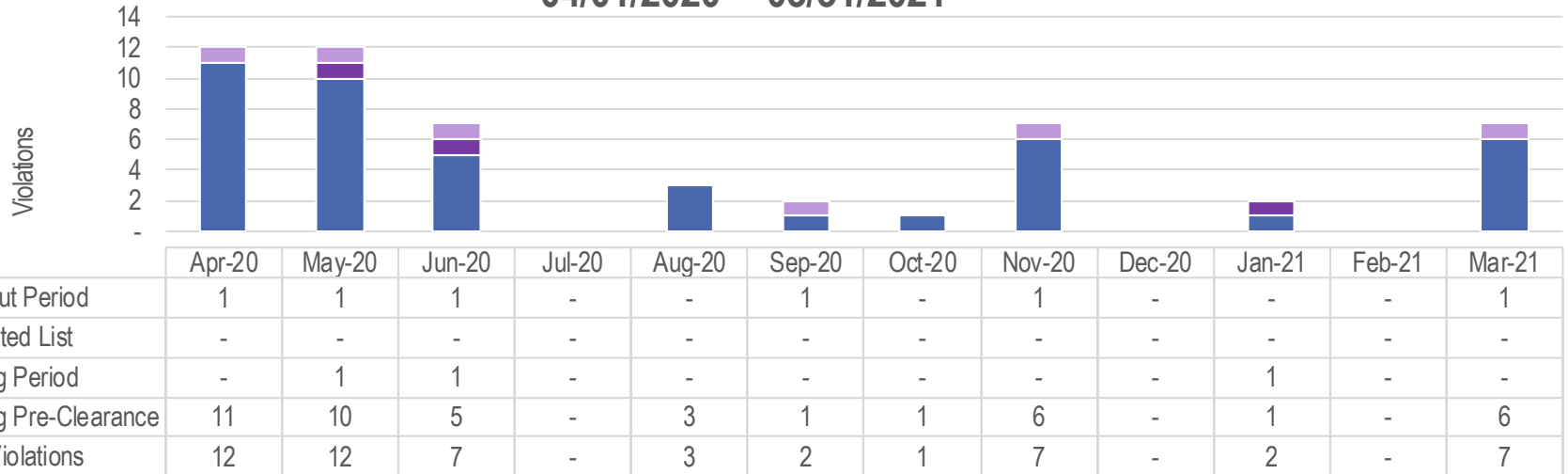
- CalPERS currently has 157 consultant Form 700 filers.
- Out of 10 statements due in March 2021, seven statements (70%) were submitted timely, two were submitted late, one was outstanding.

Note:

- See Page 17 for Statement definitions.

Personal Trade Monitoring: Violations

Personal Trade Monitoring: Violations by Type
04/01/2020 – 03/31/2021



Observations:

- One Covered Person from the Investment Office failed to pre-clear their transactions resulting in four Missing Pre-Clearance violations.
- One Covered Person from the Operations & Technology Branch received pre-clearance approval but executed the transaction after the pre-clearance had expired resulting in one Missing Pre-Clearance violation and one Blackout Period violation.
- One Covered Person from the Operations & Technology Branch failed to pre-clear their transaction resulting in one Missing Pre-Clearance violation.

Notes:

- See Page 18 for related details.
- Multiple violations can be triggered by a single Covered Person at one time..

Personal Trade Monitoring: Personal Trading Regulation Affirmations

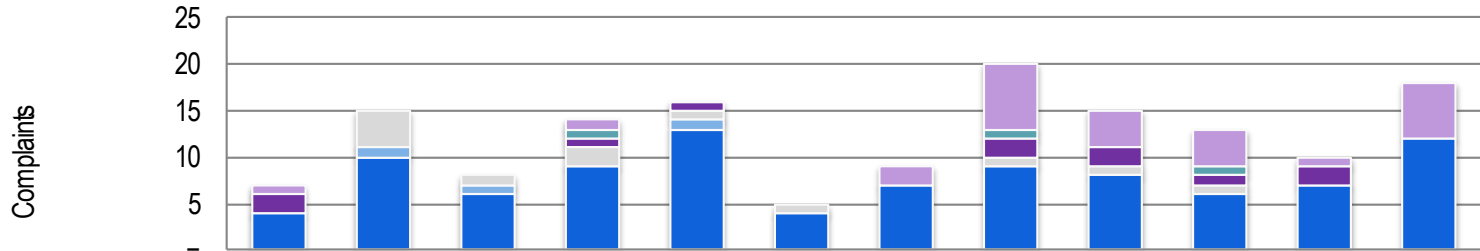
Personal Trading Affirmation / Attestation Report March 2021				
Affirmation Type	Total Due	Submitted Timely	Submitted Late	Outstanding
Initial Personal Trading Affirmations	2	2	-	-
2021 Annual Personal Trading Attestation	436	436	-	-
2021 Annual Managed Account Certification	23	23	-	-
Total	461	461	-	-

Observations:

- Two Initial Personal Trading Affirmations were due during the month of March, all were submitted on time.
- 436 Annual Personal Trading Attestations were due April 1, 2021, all were submitted on time.
- 23 Annual Managed Account Certifications were due April 1, 2021, all were submitted on time.

Ethics Helpline: Complaints Received

Ethics Related Complaints Received by Complaint Category



	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Other	1	-	-	1	-	-	2	7	4	4	1	6
Accounting, Auditing & Financial Controls	-	-	-	1	-	-	-	1	-	1	-	-
Information Security and Records	2	-	-	1	1	-	-	2	2	1	2	-
HR, Diversity, and Workplace Respect	-	4	1	2	1	1	-	1	1	1	-	-
Business Integrity & Conflicts of Interest	-	1	1	-	1	-	-	-	-	-	-	-
Retirement Benefits Fraud or Abuse	4	10	6	9	13	4	7	9	8	6	7	12
Total	7	15	8	14	16	5	9	20	15	13	10	18

Observations:

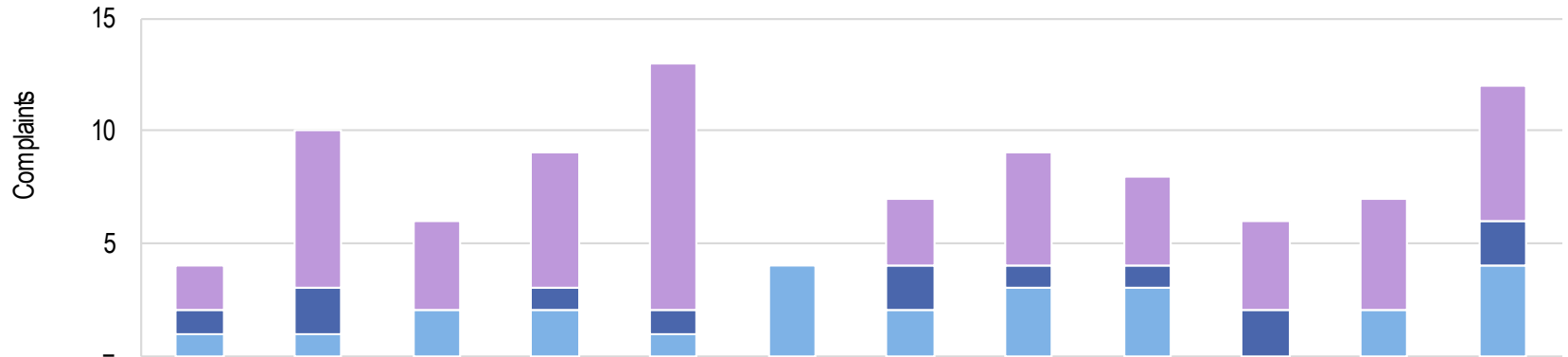
- In March 2021, the number of complaints increased by eight (10 to 18) compared to the prior month.
- Of the 18 ethics related complaints received in March 2021, 67% (12 of 18) fell under the Retirement Benefits Fraud or Abuse category.

Notes:

- *Two non-ethics related complaints were received during the reporting period are not represented in the above graph, since they are not ethics related.*
- *See Page 19 for category descriptions.*

Ethics Helpline Retirement Benefit Fraud or Abuse (RBFA) 1-Year Trend

RBFA Complaints Received by Month
04/01/2020 – 03/31/2021



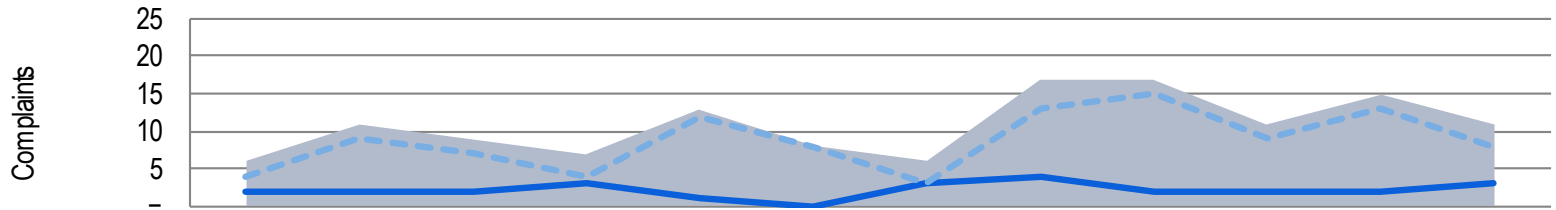
	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Public Agency Activities	2	7	4	6	11	-	3	5	4	4	5	6
Pension Spiking	1	2	-	1	1	-	2	1	1	2	-	2
Retired Annuitant	1	1	2	2	1	4	2	3	3	-	2	4
Total	4	10	6	9	13	4	7	9	8	6	7	12

Observation:

- The Public Agency Activities subcategory accounted for 50% (6 of 12) of the RBFA complaints received in March 2021.

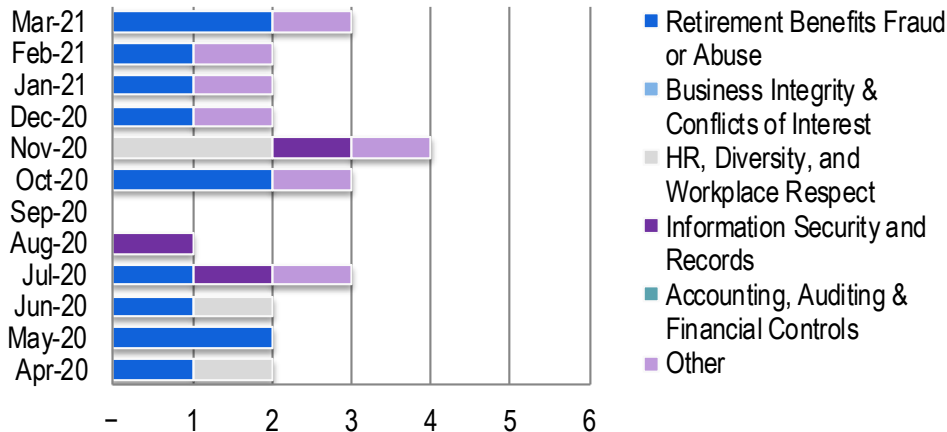
Ethics Helpline: Complaints Closed

Complaints Closed: Substantiated vs. Not Substantiated



	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Total	6	11	9	7	13	8	6	17	17	11	15	11
Closed: Substantiated	2	2	2	3	1	-	3	4	2	2	2	3
Closed: Not Substantiated	4	9	7	4	12	8	3	13	15	9	13	8

Substantiated Complaints by Category



Observation:

- During the month of March 2021, 73% (8 of 11) of closed complaints were not substantiated.

Notes:

- “Not substantiated” includes complaints that were closed as unsubstantiated, inconclusive, or for insufficient information.

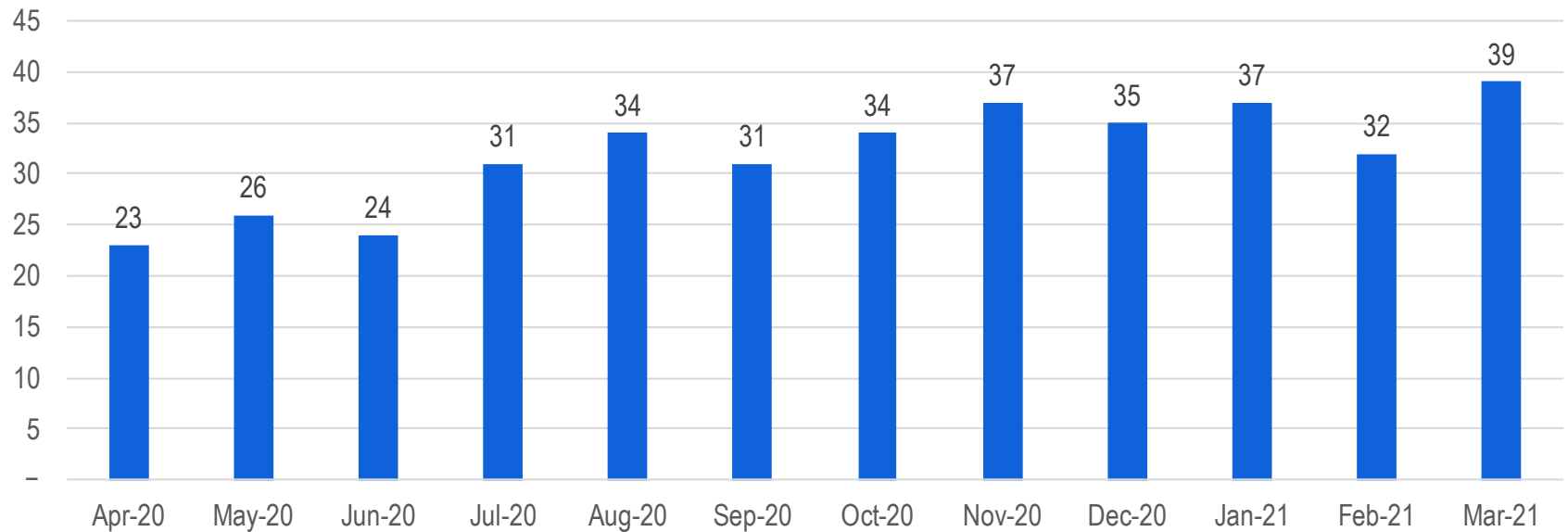
Ethics Helpline Summary of Closed Substantiated Complaints

Closed Substantiated Complaints 3/1/2021 – 3/31/2021

Case Number	Issue Type	Allegation	Finding	Action Taken
2021-1212	Other	The reporting party alleges they were provided inaccurate retirement estimates from CalPERS.	An incorrect purchase service credit calculation generated an over-stated benefit estimate amount. The error was caught and corrected at the time of retirement and the member was informed.	Closed: 03/17/2021
2018-945c 2018-945d	Retirement Benefits Fraud or Abuse	The reporting party alleges a retiree on disability retirement was not injured on the job and is not disabled.	CalPERS reported the Member was found to no longer be substantially incapacitated, member appealed, Board adopted ALJ's decision and member was reinstated on 3/2/2021.	Closed: 03/25/2021

Ethics Helpline: Complaints Open

Complaints Open
04/01/2020 – 03/31/2021

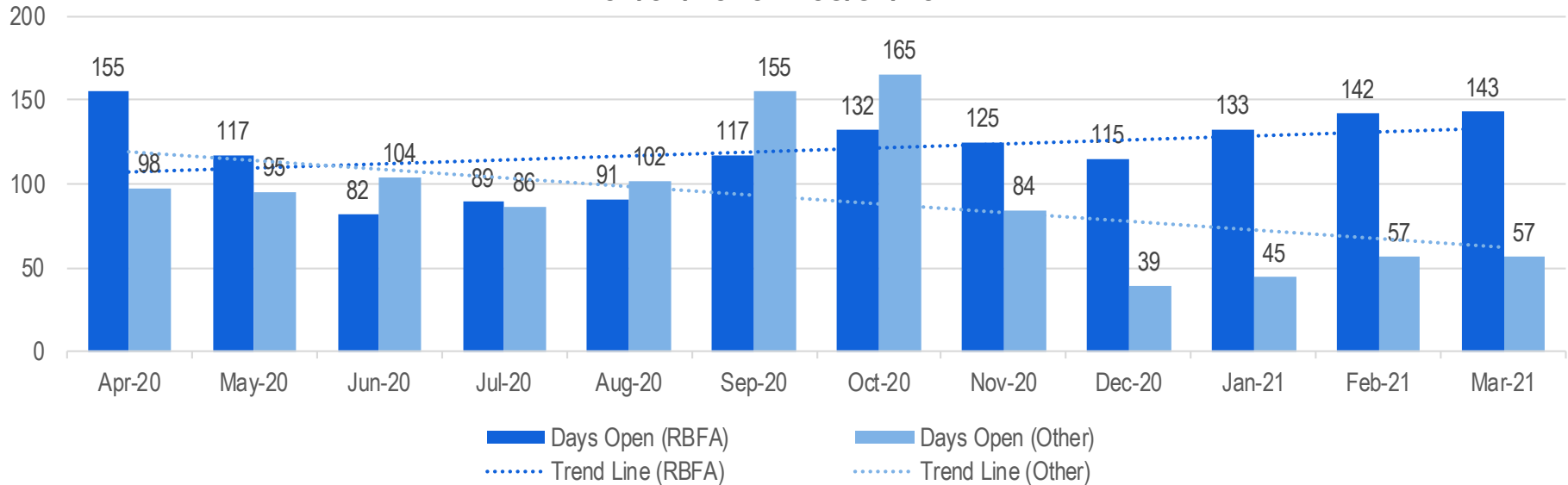


Observation:

- There were 39 open complaints as of 03/31/2021.

Ethics Helpline: Average Days Open

Average Days Open
04/01/2020 – 03/31/2021



Observation:

- As of 03/31/21, Retirement Benefit Fraud or Abuse (RBFA) complaints were open for an average of 143 days, while all other complaints were open for an average of 57 days.

Note:

- Retirement Benefits Fraud or Abuse complaints often require research by external agencies, resulting in closure times greater than 30 days.

Training Compliance: New Employee Mandatory Training

Mandatory Training – Due March 2021			
Training Type	Completed	Outstanding	Completion Rate
Acceptable Use Policy	18	0	100%
CalPERS Personal Trading Regulations Training	2	0	100%
Gift Policy Attestation for New Filers	4	0	100%
Harassment Prevention for Team Leaders	5	0	100%
Harassment Prevention for Team Members	14	0	100%
Health Insurance Portability and Accountability Act	9	0	100%
Health Insurance Portability and Accountability Act for Division Transfers	6	1	86%
ISOF Cybersecurity Training	18	0	100%
ISOF Privacy Training	18	0	100%
ISOF Developer Training	1	0	100%
Tools for an Ethical Workplace	19	0	100%
Workplace Violence Prevention	18	0	100%
AG Ethics Training	4	0	100%
Total	136	1	99%

Observation:

- Employees completed 99% (136 of 137) of the assigned mandatory training courses due March 2021.

Notes:

- *Mandatory training is due within 60 days of a new employee’s start date.*
- *Completion rates are calculated based on all active team members required to take each mandatory training. Team members on an official leave of absence and retired team members who have separated are not included in the calculation.*

Appendix - Additional Information

- Form 700 Statement Definitions
- Personal Trade Violation Type Definitions
- Ethics Helpline Complaint Category Definitions
- Ethics Helpline Case Outcome Definitions

Form 700 Statement Definitions

Statement Type

Annual: Form 700 statement that is due on April 1st (or the following Monday if April 1st falls on a weekend).

Assuming Office: Form 700 statement that is due within 30 days of assuming office.

Leaving Office: Form 700 statement that is due within 30 days of leaving office.

Statement Status

Submitted Timely: Form 700 statements submitted within the due date.

Submitted Late: Form 700 statements submitted after the due date.

Outstanding: Unsubmitted Form 700 statements after the due date has passed.

Note:

- See Pages 5 and 6 for details.

Personal Trading Violation Type Definitions

Blackout Period: Covered Persons are prohibited from buying, selling or transferring Covered Securities during the Blackout Period, which is the three (3) day period of time that commences one market day before and ends one market day after a transaction in Covered Securities by CalPERS.

Holding Period: The 30-calendar-day period between the acquisition and sale, and the 30-calendar-day period between sale and re-acquisition, of a Covered Security.

Missing Pre-Clearance: Covered Persons are required to obtain pre-clearance approval before the purchase, sale or transfer of Covered Securities is executed in a Covered Account, unless the transaction is exempt from the requirement of pre-clearance.

Restricted List: A Restricted List means the list of Covered Securities that identifies companies that CalPERS Employees and/or Board Members have information that may be material non-public.

Note:

- See Page 7 for details.

Ethics Helpline Complaint Category Definitions

In September 2016, ECOM started implementing new, streamlined complaint categories. All Ethics Helpline complaints now fall under one of the following six issue types. These categories were developed with CalPERS’ priorities in mind and to bring our reporting processes in line with established industry standards.

Complaint Categories	Examples of Violations
Accounting, Auditing & Financial Controls	Accounting & Auditing Matters; Compliance with Laws & Regulations; Document Creation & Retention; Fraud (Non-retirement benefits related); Override of Internal Controls; Securities Valuation; Tax Issues
Business Integrity & Conflicts of Interest	Contract Compliance; Foreign Corrupt Practices Act & Improper Payments; Improper Giving & Receiving of Gifts; Insider Trading; Outside Employment & Compensation; Relationships with Clients, Suppliers & Vendors
Human Resources, Diversity & Workplace Respect	Discrimination or Harassment; EEOC or ADA Matters; Human Resources (HR); Retaliation; Safety, Health & Environment; Sexual Harassment; Workplace Violence
Information Security & Records	Badging & Access Control; Computer, Email & Internet Use; Data Privacy; Disclosure of Confidential Information; Health Insurance Portability & Accountability Act (HIPAA) Violations; Identity Theft
Retirement Benefits Fraud or Abuse	Pension Spiking; Public Agency Activities; Retired Annuitants
Other	Reporting parties can select this issue type if they feel the ethical violation they are reporting doesn't fall under one of the other five categories.

Note:

- See Pages 9 - 14 for details.

Ethics Helpline Case Outcome Definitions

Case Outcome	Definition
Substantiated	The investigation establishes that it is more likely than not that the alleged conduct occurred.
Unsubstantiated	The investigation establishes that it is more likely than not that the alleged conduct did not occur.
Inconclusive	The investigation fails to establish one way or another whether the alleged conduct occurred.
Insufficient Information	Information submitted was not sufficient to initiate investigation.

Note:

- See Page 9 - 14 for details.