

Monthly Status Report – Enterprise Compliance Activity

April 2023

Presented to
Risk and Audit Committee
June 2023

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.

Executive Summary

This report provides activity regarding four components of the Enterprise Compliance program for the month of April 2023. 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, 80% were filed timely.
- There was one Personal Trading violation for the month.
- There were 11 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 5 through 15.

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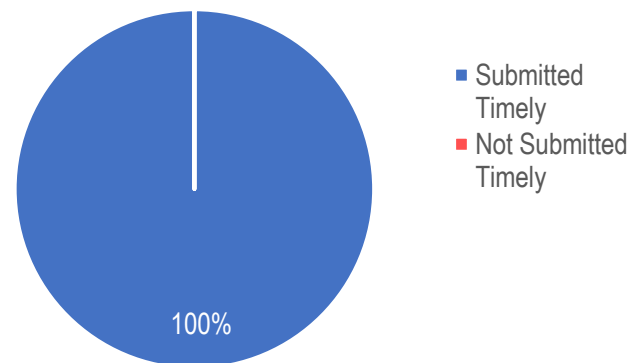
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|----|--|
| 5 | <u>Board and Employee Form 700 Filings</u> <ul style="list-style-type: none">Filing status of Board Members and employees required to file Statements of Economic Interests – Form 700, mandated by the CalPERS – Conflict of Interest Code |
| 6 | <u>Consultant Form 700 Filings</u> <ul style="list-style-type: none">Filing status of consultants required to file Statements of Economic Interests – Form 700, mandated by the CalPERS – Conflict of Interest Code |
| 7 | <u>Personal Trading Monitoring</u> <ul style="list-style-type: none">Violations to CalPERS Personal Trading Regulations |
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| 15 | <u>Training Compliance</u> <ul style="list-style-type: none">Mandatory Training |
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Board & Employee Form 700 Filings

| April 2023 Statement Activity (Board & Employee) | | | | | |
|--|------------------|----------------|-------------|------------------|-----------|
| Statement Type | Submitted Timely | Submitted Late | Outstanding | Referred to FPPC | Total |
| Assuming Office | 13 | - | - | - | 13 |
| Leaving Office | 4 | - | - | - | 4 |
| Amendment | 15 | - | - | - | 15 |
| Annual | 7 | - | - | - | 7 |
| Grand Total | 39 | - | - | - | 39 |

Percent Submitted Timely
April 2023



Observations:

- There were 39 Board and Employee statements submitted in April 2023.
- There were no outstanding Board and Employee statements as of 04/30/2023.

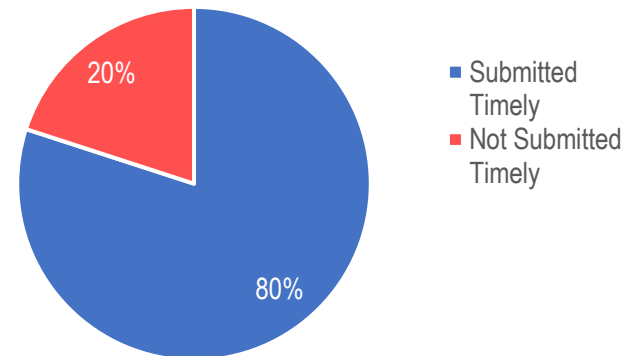
Notes:

- Monthly statement activity includes all Form 700 statements submitted during the month and all outstanding statements.
- Amendments are due within 30 days of the request date, which is a CalPERS initiated deadline.
- See Appendix for related details and definitions.

Consultant Form 700 Filings

| April 2023 Statement Activity (Consultant) | | | | | |
|--|------------------|----------------|-------------|------------------|-----------|
| Statement Type | Submitted Timely | Submitted Late | Outstanding | Referred to FPPC | Total |
| Assuming Office | 2 | - | - | - | 2 |
| Leaving Office | - | 1 | 1 | - | 2 |
| Amendment | 2 | - | - | - | 2 |
| Annual | 12 | 2 | - | - | 14 |
| Grand Total | 16 | 3 | 1 | - | 20 |

Percent Submitted Timely
April 2023



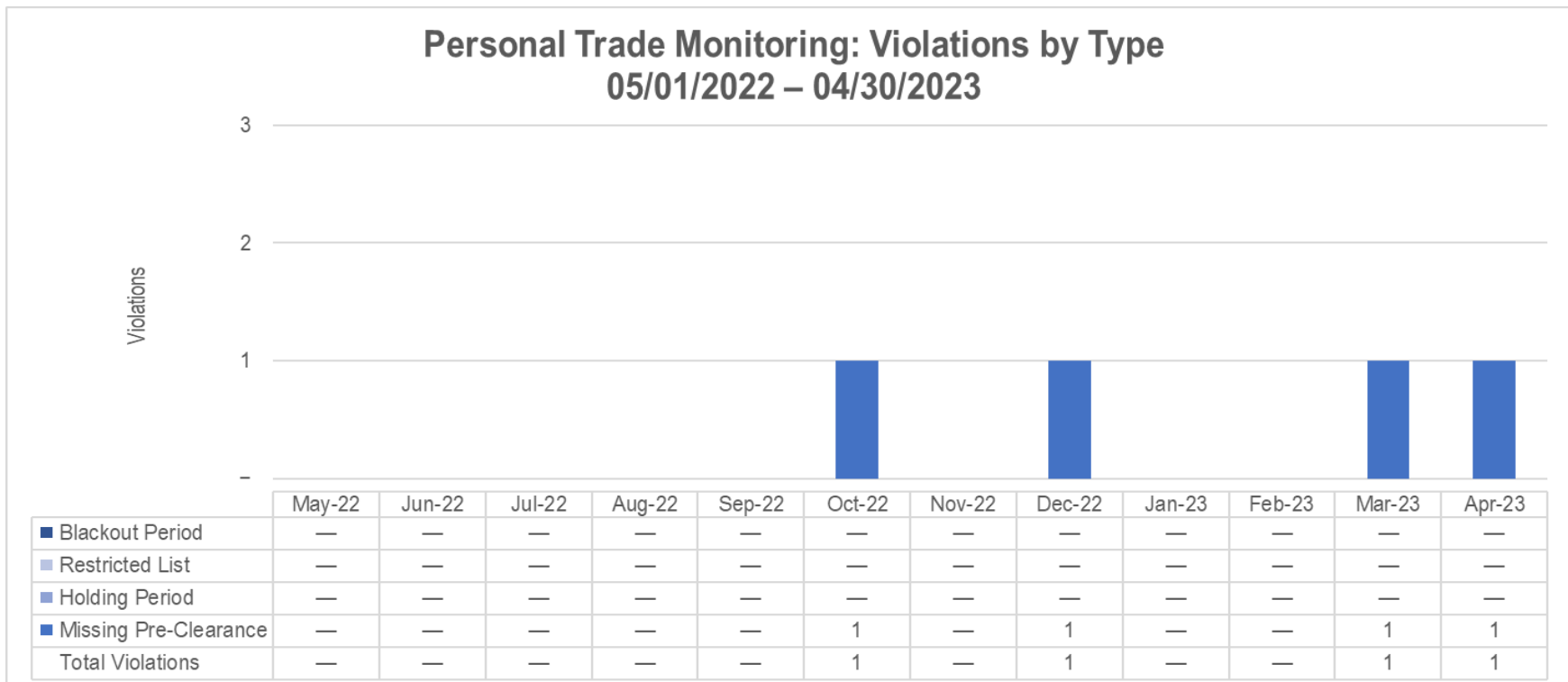
Observations:

- There were 19 Consultant statements submitted in April 2023.
- There was one outstanding Consultant statement as of 04/30/2023.

Notes:

- Monthly statement activity includes all Form 700 statements submitted during the month and all outstanding statements.
- Amendments are due within 30 days of the request date, which is a CalPERS initiated deadline.
- See Appendix for related details and definitions.

Personal Trade Monitoring: Violations



Observation:

- One Covered Person failed to pre-clear their transaction, resulting in one Missing Pre-clearance violation.

Notes:

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

Personal Trade Monitoring: Personal Trading Affirmations

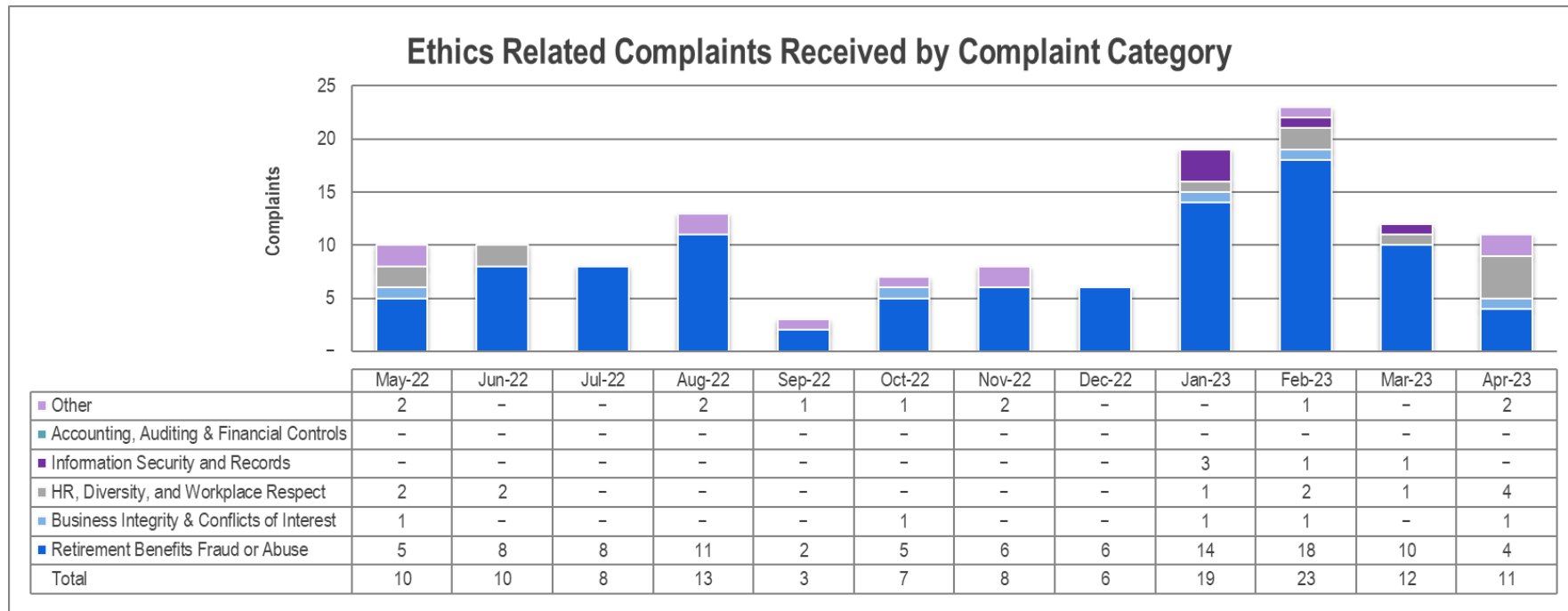
| Personal Trading Affirmation / Attestation Filing Report April 2023 | | | | |
|--|-----------|------------------|----------------|-------------|
| Affirmation Type | Total Due | Submitted Timely | Submitted Late | Outstanding |
| Initial Personal Trading Affirmations | 6 | 6 | - | - |
| 2023 Managed Account Certification | 1 | - | 1 | - |
| FY 2022-23 Q3 Transaction Affirmations | 21 | 21 | - | - |
| Total | 28 | 27 | 1 | - |

Observations:

- There were six Initial Personal Trading Affirmations due in April 2023; all were submitted timely.
- There was one 2023 Managed Account Certification due in April 2023; the affirmation was submitted late.
- There were 21 FY 2022-23 Q3 Transaction Affirmations submitted in April 2023; all were submitted timely.

Note: See Appendix for related details.

Ethics Helpline: Complaints Received



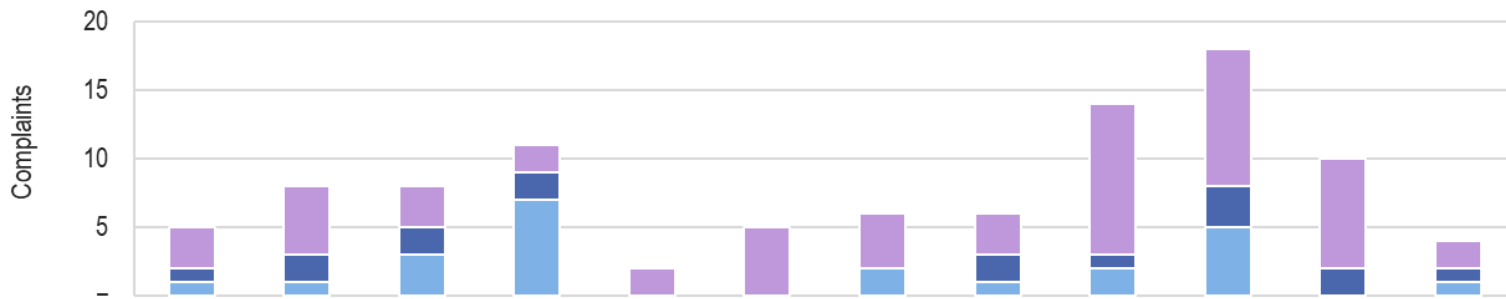
Observations:

- In April 2023, there were 11 new complaints, a decrease from the prior month.
- Of the ethics related complaints received in April 2023, 36% (4 of 11) fell under the Retirement Benefits Fraud or Abuse category.
- There were three non-ethics cases received in April 2023.

Note: See Appendix for category descriptions.

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

RBFA Complaints Received by Month
05/01/2022 – 04/30/2023



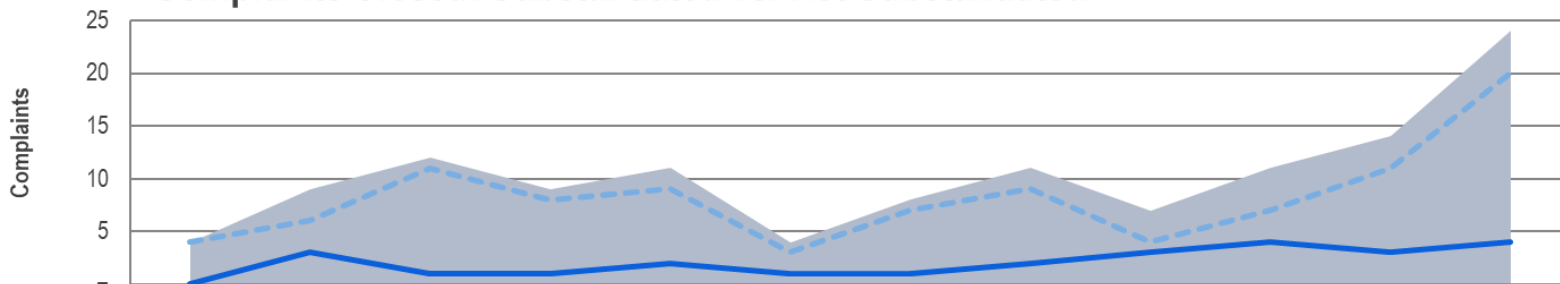
| | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 |
|--------------------------|----------|----------|----------|-----------|----------|----------|----------|----------|-----------|-----------|-----------|----------|
| Public Agency Activities | 3 | 5 | 3 | 2 | 2 | 5 | 4 | 3 | 11 | 10 | 8 | 2 |
| Pension Spiking | 1 | 2 | 2 | 2 | - | - | - | 2 | 1 | 3 | 2 | 1 |
| Retired Annuitant | 1 | 1 | 3 | 7 | - | - | 2 | 1 | 2 | 5 | - | 1 |
| Total | 5 | 8 | 8 | 11 | 2 | 5 | 6 | 6 | 14 | 18 | 10 | 4 |

Observation:

- The Public Agency Activities subcategory accounted for 50% (2 of 4) of the RBFA complaints received in April 2023.

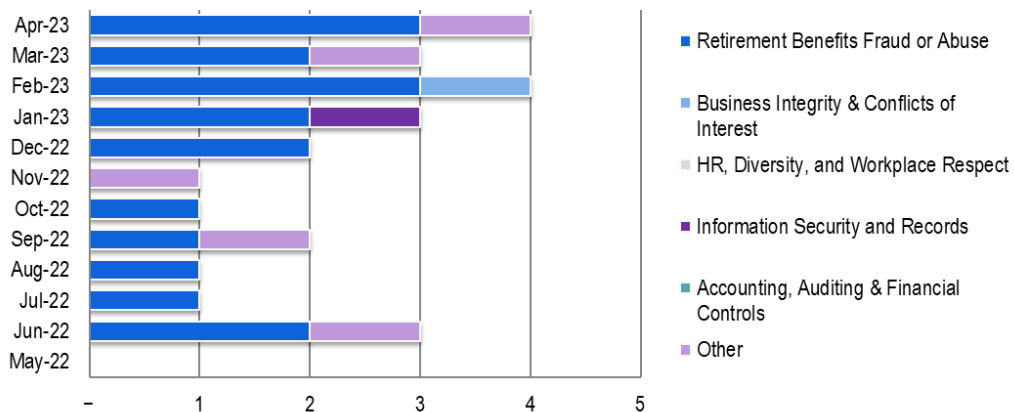
Ethics Helpline: Complaints Closed

Complaints Closed: Substantiated vs. Not Substantiated



| | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total | 4 | 9 | 12 | 9 | 11 | 4 | 8 | 11 | 7 | 11 | 14 | 24 |
| Closed: Substantiated | – | 3 | 1 | 1 | 2 | 1 | 1 | 2 | 3 | 4 | 3 | 4 |
| Closed: Not Substantiated | 4 | 6 | 11 | 8 | 9 | 3 | 7 | 9 | 4 | 7 | 11 | 20 |

Substantiated Complaints by Category



Observation:

- During the month of April, 83% (20 of 24) of closed complaints were not substantiated.

Notes:

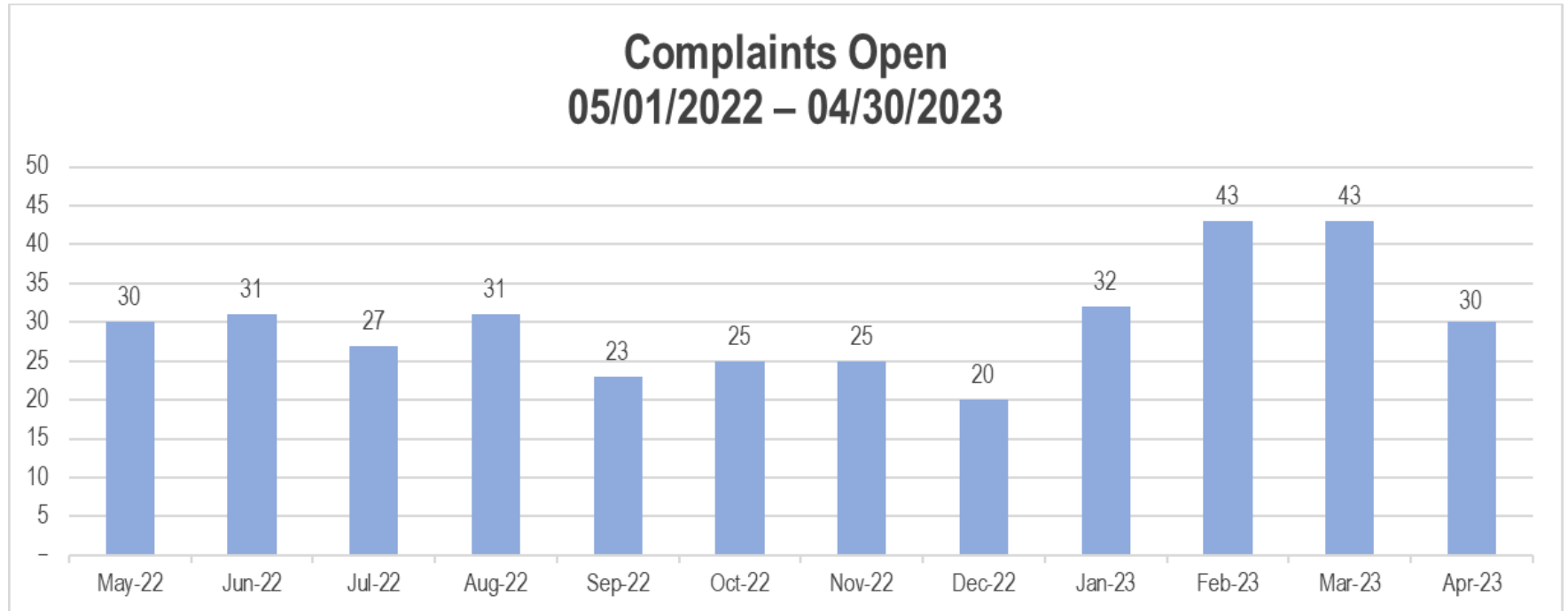
- “Not substantiated” includes complaints that were closed as unsubstantiated, inconclusive, or for insufficient information.
- See Appendix for complaint category definitions and case status definitions.

Ethics Helpline: Summary of Closed Substantiated Complaints

Closed Substantiated Complaints 04/01/2023 – 04/30/2023

| Case Number | Issue Type | Allegation | Finding | Action Taken |
|-------------|------------------------------------|--|---|--------------------|
| 2023-1464 | Other | The reporting party alleges healthcare benefits for their dependent were terminated despite providing the required eligibility verification documents. | Health benefits have been reinstated for the member’s dependent. | Closed: 04/13/2023 |
| 2023-1455 | Retirement Benefits Fraud or Abuse | The reporting party alleges their child’s health benefits were modified without their consent. | The health benefits issue was resolved, and the resolution was communicated to the member. | Closed: 04/28/2023 |
| 2023-1450 | Retirement Benefits Fraud or Abuse | The reporting party alleges a retiree is working in violation of post-retirement employment rules. | A letter was sent to the retiree and their employer notifying them of a possible violation of post-retirement employment laws due to the service not being of a limited duration. | Closed: 04/18/2023 |
| 2023-1425 | Retirement Benefits Fraud or Abuse | The reporting party alleges an employer is hiring consultants to perform work normally done by employees. | There were multiple consultants working as common law employees. All cases have been remedied. | Closed: 04/26/2023 |

Ethics Helpline: Complaints Open

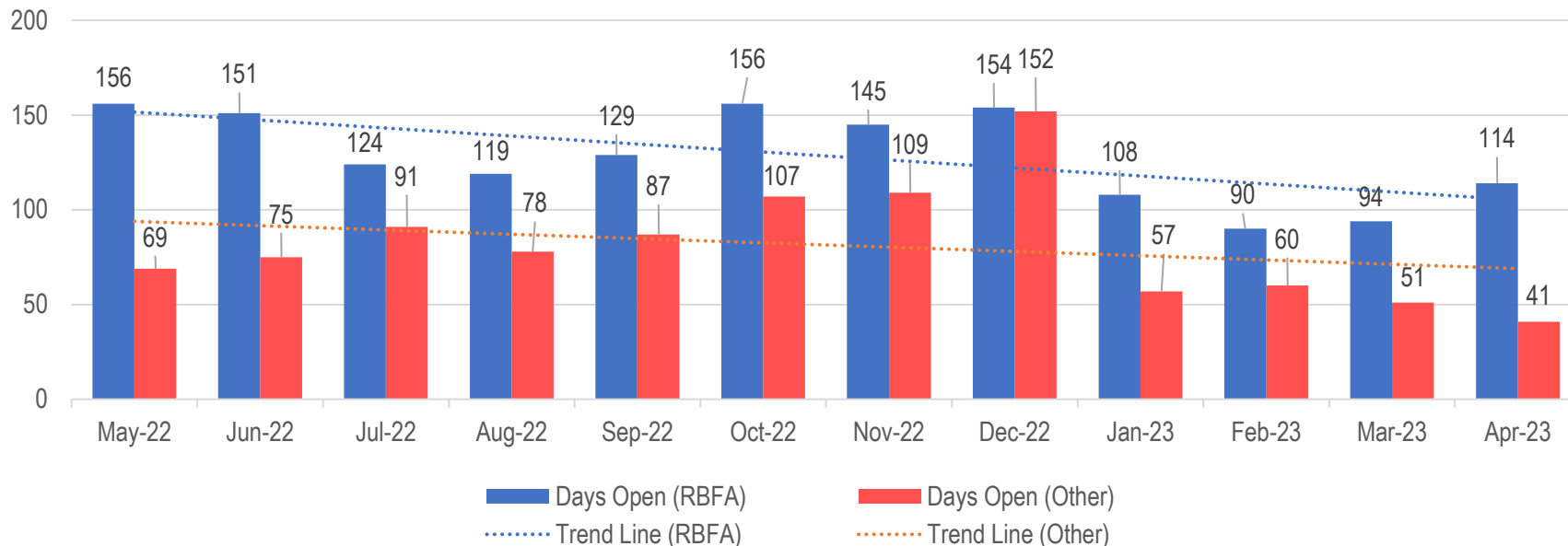


Observation:

- There were 30 open Ethics Helpline complaints as of 04/30/2023.

Ethics Helpline: Average Days Open

Average Days Open
05/01/2022 – 04/30/2023



Observation:

- As of 04/30/2023, Retirement Benefits Fraud or Abuse (RBFA) complaints were open for an average of 114 days, while all other complaints were open for an average of 41 days.

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

Training Compliance: Employee Mandatory Training

| Employee Mandated Training – Due April 2023 | | | | |
|---|------------|-------------|-----------------|--|
| Training Type | Completed | Outstanding | Completion Rate | |
| Acceptable Use Policy | 28 | - | 100% | |
| Code of Conduct | 28 | - | 100% | |
| COVID-19 Prevention Plan | 28 | - | 100% | |
| Gift Policy Attestation for New Filers | 15 | - | 100% | |
| Harassment Prevention for Team Leaders | 13 | - | 100% | |
| Harassment Prevention for Team Members | 21 | - | 100% | |
| Health Insurance Portability and Accountability Act | 22 | - | 100% | |
| Information Security and Privacy | 28 | - | 100% | |
| Personal Trading Regulations | 6 | - | 100% | |
| Workplace Violence Prevention | 28 | - | 100% | |
| Attorney General's Ethics Course | 16 | 1 | 94% | |
| Total | 233 | 1 | 99% | |

Observation:

- Employees completed 99% (233 of 234) of assigned mandatory training courses due in April 2023.

Notes:

- *Mandatory training is due within 30 days of a new employee's start date.*
- *Annual enterprise-wide mandatory training due December 31 is reported separately.*
- *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 Trading Violation Type Definitions
- Ethics Helpline Complaint Category Definitions
- Ethics Helpline Case Status 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.

Amendment: An amended Form 700 statement that is due within 30 days of the amendment request date.

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.

Referred to FPPC: Unsubmitted Form 700 referred to the Fair Political Practices Commission (FPPC) for enforcement.

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

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 | <ul style="list-style-type: none"> • Retired Annuitants - Involves retired CalPERS members who work for a CalPERS covered agency post retirement. • Pension Spiking - Involves situations where a CalPERS covered employer inflates the compensation of an employee in the years immediately preceding retirement for the purpose of increasing their monthly retirement allowance. • Public Agency Activities - Refers to a CalPERS public agency’s failure to bring a qualified employee into CalPERS membership or any other allegations that do not fit either of the other subtypes. |
| 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 9-11 for details.

Ethics Helpline Case Status Definitions

| Case Status | 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 11 for details.