



Consent

Agenda Item 4g

August 14, 2012

ITEM NAME: CalPERS Ethics Helpline Report

PROGRAM: Enterprise Compliance Division

ITEM TYPE: Consent Information

EXECUTIVE SUMMARY

The CalPERS Ethics Helpline (Helpline) received 30 new reports for the period of April 16, 2012, to July 15, 2012. This report is provided to the Risk and Audit Committee to monitor the status of CalPERS Ethics Helpline reports. The attachments reflect the issue types, resolutions, management implication, intake method and substantiated cases.

BACKGROUND

The Helpline is openly available to the public for reporting inappropriate or incompatible activities and conflicts of interest pertaining to CalPERS business. The Helpline allows users to report to an independent third-party host. This enables CalPERS to foster a business culture of integrity and compliance by facilitating the reporting and identification of issues and events.

The Enterprise Compliance Division (ECOM) reviews each report for the issues identified and directs reports to the appropriate channels for resolution, within approximately two days of receipt. The status of each report is tracked with updates on resolution from the identified primary business line every two to four weeks. In some cases, the Legal Office and Office of Audit Services are provided secondary review of reports. Reports dispatched from EthicsPoint are considered pending until they are closed. Each closed report is assigned a resolution category, as reported in Attachment C.

ANALYSIS

In the cumulative reporting period, April 16 to July 15, 2012, the average time to close a report was 60 days. It should be noted that the length of time to close is higher as a result of the resolution of several long-term investigations. A total of 12 out of 26 reports closed within 30 days of opening. The remaining 27 reports are of pending status, awaiting resolution.

The Helpline continues to receive the most reports about suspected retirement benefits fraud or abuse. A detailed analysis shows continuing public concern about pension spiking and appropriate use of retired annuitants, but during the report

period, only 3 of 5 closed pension spiking cases have been substantiated, and only 5 of 11 closed reports regarding retired annuitants have been substantiated.

Intake method showed a slight uptick in alternative reporting methods such as mail or e-mail (15 percent, up from 6 percent in May), and in Call Center reporting, with 47 percent of members using the EthicsPoint Call Center (up from 43 percent). Use of the EthicsPoint website showed a corresponding reduction, down to 38 percent from 51 percent in May. Previous trends have shown a fairly consistent pattern of approximately equal use of EthicsPoint's Call Center and web site, so it seems probable that these numbers represent a temporary shift. Staff will continue to monitor these statistics for significant trends.

CalPERS continues to experience a high level of anonymous reporting, with 70 percent of reports being submitted anonymously.

ATTACHMENTS

CalPERS Ethics Helpline, Report Status Summary (Attachment A) provides a point-in-time summary of the 53 reports that were new, closed, or remained pending during the report period (April 16 to July 15, 2012). To allow easy identification of reports received during the reporting period, these reports are shown in white. Cases reported at the May 15, 2012, Risk and Audit Committee meeting are shown in gray.

CalPERS Ethics Helpline, Report Data Graphs (Attachment B), reflect the issue types, reports by resolution, management implication, report intake method, and anonymity of the reporter, during the report period (April 16 to July 15, 2012). The "other" category on the data graph labeled "Report Intake Method" includes reports received via mail, e-mail, or by callers who contacted CalPERS directly rather than using the Helpline.

CalPERS Ethics Helpline, Report Resolution Chart (Attachment C), reflects the actions taken in the closed reports, during the report period (April 16 to July 15, 2012). It is the goal of CalPERS to resolve all reported issues as soon as possible. However, reports have different priority levels. Certain timelines for the required processes, which includes the audit cycle and process as well as personnel actions, may extend the timeframe for resolution of these reports.

The *Summary of Closed Substantiated Cases* (Attachment D) report reflects a brief point-in-time summary of the disposition of substantiated cases that were closed during the reporting period of April 16, 2012 to July 15, 2012.

The *Transmittal and Escalation Protocol for Ethics Helpline Issues and Allegations* was approved and is available on request.

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