



## Consent

### Agenda Item 4e

September 17, 2013

**ITEM NAME:** CalPERS Ethics Helpline Report

**PROGRAM:** Enterprise Compliance Division

**ITEM TYPE:** Information Consent

#### **EXECUTIVE SUMMARY**

This report provides the status of 49 pending and closed Ethics Helpline complaints covering the period May 16, 2013 through August 15, 2013.

#### **STRATEGIC PLAN**

The CalPERS Ethics Helpline supports the 2012-2017 Strategic Plan Goal B to cultivate a high-performing, risk-intelligent and innovative organization. The Helpline manages risk by providing a method to identify and assess allegations of incompatible activities, conflicts of interests and other inappropriate activities that pertain to CalPERS business. Helpline complaint submissions help CalPERS identify, assess and mitigate potential risks and foster a business culture of integrity, transparency and compliance.

#### **BACKGROUND**

The Ethics Helpline (Helpline) was launched on September 13, 2010. A Helpline user submits their complaint to independent third-party administrator NAVEX Global and has the option to remain anonymous. Since the Helpline's launch in 2010, CalPERS has received a total of 336 complaints. An average of 64 percent of the total number of complaints received to date was submitted anonymously; this is up from an average of 62 percent for the two years ending December 2012. Compared to a 2013 survey conducted by NAVEX Global, the industry averages for 2013 and 2012 from anonymous sources were 63 and 62 percent respectively. The benchmark statistics are based on data gathered from over 8000 NAVEX Global clients representing 40 million employees in 21 industries and 45 subsidiaries.

Once a Helpline complaint is submitted, the Enterprise Compliance Division (ECOM) conducts an initial inquiry and then assigns the complaint to the appropriate CalPERS program area for ongoing investigation and resolution. The assigned program area provides ECOM with periodic updates until the investigation is closed.

Program staff and management either substantiate the allegation made or close the complaint with a no finding. ECOM assigns a resolution description to all substantiated complaints based on the action taken by program staff or management to resolve the issue(s) alleged.

### **ANALYSIS**

This report details the status of 49 pending and closed Helpline complaints. During the reporting period May 16, 2013 through August 15, 2013, ECOM received 29 new complaints. Twenty of the 29 complaints received involved allegations of retirement benefit fraud or abuse.

Program staff investigated and closed 29 complaints; 5 complaints were substantiated, and 24 complaints were closed with no finding. Staff completed their investigations within an average of 81 days, down from an average of 118 days reported at the 2013 June Risk & Audit committee meeting. ECOM and Customer Services & Support (CSS) improved their processes to help expedite the handling of retirement benefit fraud and abuse allegations. ECOM now requests relevant documents and performs a more thorough analysis before assigning a complaint to CSS for ongoing investigation. In turn, CSS established a central point of contact who facilitates CSS's Ethics Helpline intake and investigative process. The resulting changes are reflected in a reduced handling time.

Investigations into retirement benefits fraud or abuse allegations are often lengthy because staff must request and receive documentation from employers. To better understand the impact this has on the overall length of an investigation, ECOM and CSS track the number of days staff wait for receipt of requested documentation. During this reporting period, CalPERS staff waited between 1 and 106 days to receive requested documentation from an agency with a median wait time of 29 days.

As of August 15, 2013, 20 cases remain pending; 2 of those cases have been open longer than 90 days. Both investigations are complex and involve allegations of retirement benefit fraud or abuse. The following chart provides more detail:

	<b>Days Pending</b>	<b>Awaiting Documentation</b>
Complaint 1	168	106
Complaint 2	153	70

### **BUDGET AND FISCAL IMPACTS**

On June 26, 2013, CalPERS amended their contract with NAVEX Global (formerly Ethics Point) through FY14/15. The total amount encumbered for the two year extension is \$11,500.

**ATTACHMENTS**

Attachment 1 – The graphs in Attachment 1 show the issue type and status of reportable cases and a breakout of retirement benefit fraud or abuse subtypes.  
Attachment 2 – The graphs in Attachment 2 compare Helpline data for the reporting period May 16, 2013 through August 15, 2013 with data collected for the reporting period May 16, 2012 through August 15, 2012. The graphs show that program staff substantiated the same number of reports (5) and closed fewer reports with no finding this year when compared with last year. The number of pending reports doubled this year when compared with the same time last year.

Attachment 3 - The *Report Resolution Chart* describes CalPERS actions with regard to the 29 reports closed during the reporting period.

Attachment 4 - The *Summary of Closed Substantiated Cases* summarizes the 5 substantiated complaints identified in this report.

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