



Consent

Agenda Item 4f

November 19, 2013

ITEM NAME: CalPERS Ethics Helpline Report

PROGRAM: Enterprise Compliance Division

ITEM TYPE: Information Consent

EXECUTIVE SUMMARY

This report provides the status of 40 pending and closed Ethics Helpline complaints covering the period August 16, 2013 through October 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 an 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 358 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 no finding. ECOM assigns a resolution description to all substantiated complaints based on the action taken by program staff or management to resolve the alleged issue(s).

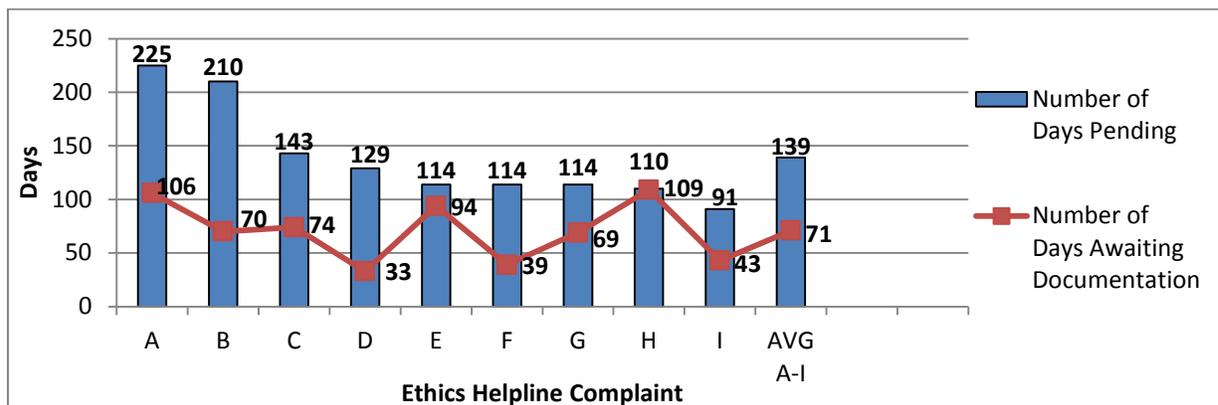
ANALYSIS

This report details the status of 40 pending and closed Helpline complaints. During the reporting period August 16, 2013 through October 15, 2013, ECOM received 20 new complaints. Sixteen of the 20 new complaints received involved allegations of retirement benefit fraud or abuse.

Program staff investigated and closed 17 complaints; 7 complaints were substantiated, and 10 complaints were closed with no finding. Staff completed their investigations within an average of 30 days, down from an average of 81 days reported at the 2013 September 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 the relevant documents and performs a thorough initial analysis before assigning a complaint to CSS for ongoing investigation. In turn, CSS established a central point of contact to facilitate 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 complex. Staff must also request and receive documentation from employers which can result in additional delays. 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.

As of October 15, 2013, 23 cases remain pending. Nine complaints, all retirement benefit fraud or abuse allegations, have been open longer than 90 days. The chart below shows that staff waited between 33 and 109 days for documentation with an average wait time of 71 days.



BUDGET AND FISCAL IMPACTS

There is no new information to report.

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 three graphs in Attachment 2 compare Helpline data for the reporting period August 16, 2012 through October 15, 2012 to data collected for the current reporting period August 16, 2013 through October 15, 2013. The first graph shows that 5 complaints were closed as substantiated during the 2012 reporting period; 7 reports were closed as substantiated during the 2013 reporting period. The second graph shows that 20 complaints were pending during the reporting period in 2012; at present, 23 complaints remain pending. The third graph shows that 9 complaints were closed with no finding in 2012 while 10 complaints were closed with no finding during this reporting period.

Attachment 3 - The *Report Resolution Chart* describes CalPERS actions with regard to the 17 reports closed during the reporting period.

Attachment 4 - The *Summary of Closed Substantiated Cases* summarizes the 7 substantiated complaints identified in this report.

GARY BUSH
Chief Compliance Officer
Enterprise Compliance Division

KATHLEEN K. WEBB
Chief Risk and Compliance Officer
Office of Enterprise Risk Management

CHERYL EASON
Chief Financial Officer