



Consent

Agenda Item 4g

November 18, 2014

ITEM NAME: CalPERS Ethics Helpline Report

PROGRAM: Enterprise Compliance Division

ITEM TYPE: Information Consent

EXECUTIVE SUMMARY

This report provides the status of 42 pending and closed Ethics Helpline complaints covering the period August 16, 2014 through October 15, 2014.

STRATEGIC PLAN

The CalPERS Ethics Helpline (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 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 462 complaints. An average of 67 percent of the total number of complaints received to date was submitted anonymously; this is up from the average of 64 percent for the three years ending December 2013. Compared to a 2014 survey conducted by NAVEX Global, the industry averages for 2013 and 2012 from anonymous sources were 60 and 62 percent respectively. The benchmark statistics are based on data gathered from over 8000 NAVEX Global clients representing 42 million employees in 23 industries and 45 sub-industries.

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 42 complaints; of those, 14 complaints were closed while 28 complaints remain pending. ECOM received 27 new complaints during this reporting period. Eleven of the 27 new complaints received involved allegations of retirement benefit fraud or abuse.

Fourteen of the 42 complaints were closed by program staff. Of those, 4 complaints were substantiated, and 10 complaints were closed with no finding. Staff completed their investigations within an average of 54 days, down from an average of 82 days reported at the 2014 September Risk & Audit committee meeting.

Of the 14 complaints closed during this reporting period, 7 complaints involved allegations of retirement benefits fraud or abuse. Investigations into retirement benefits fraud or abuse allegations are often complex. Staff request and wait for documentation from employers for a thorough investigation, which can result in additional delays. To better understand the impact this has on the overall length of an investigation, ECOM and Customer Services & Support (CSS) track the number of days staff wait for receipt of requested documentation. Staff waited an average of 34 days to receive the documentation needed to investigate and close the 7 complaints involving allegations of retirement benefits fraud or abuse.

As of October 15, 2014, 28 cases remain pending. Four complaints have been open longer than 90 days. CalPERS staff have waited between 90 and 240 days for documentation with an average wait time of 143 days.

BENEFITS / RISKS

The Ethics Helpline provides the following benefits to the organization:

- Confidential reporting tool for allegations and concerns associated with unethical conduct, improper business activity, retirement benefits fraud or abuse or illegal activity
- Opportunity to report allegations outside of the workplace 24 hours a day, 7 days a week
- Early detection of noncompliance with applicable laws, rules and regulations

The Ethics Helpline reduces CalPERS exposure to the following risks:

- Legal and financial risk due to violations of CalPERS post-retirement laws or regulations
- Reputational risks resulting from significant noncompliance or appearance of misconduct

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, 2013 through October 15, 2013 to data collected for the current reporting period August 16, 2014 through October 15, 2014. The first graph shows that 7 complaints were closed as substantiated during the reporting period ending October 15, 2013; 4 reports were closed as substantiated during the reporting period ending October 15, 2014. The second graph shows that 23 complaints were pending during the reporting period ending October 15, 2013; at present, 28 complaints remain pending. The third graph shows that 10 complaints were closed with no finding during the reporting period ending October 15, 2013, 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 14 reports closed during the reporting period.

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

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