



Consent

Agenda Item 5g

March 17, 2015

ITEM NAME: CalPERS Ethics Helpline Report

PROGRAM: Enterprise Compliance Division

ITEM TYPE: Information Consent

EXECUTIVE SUMMARY

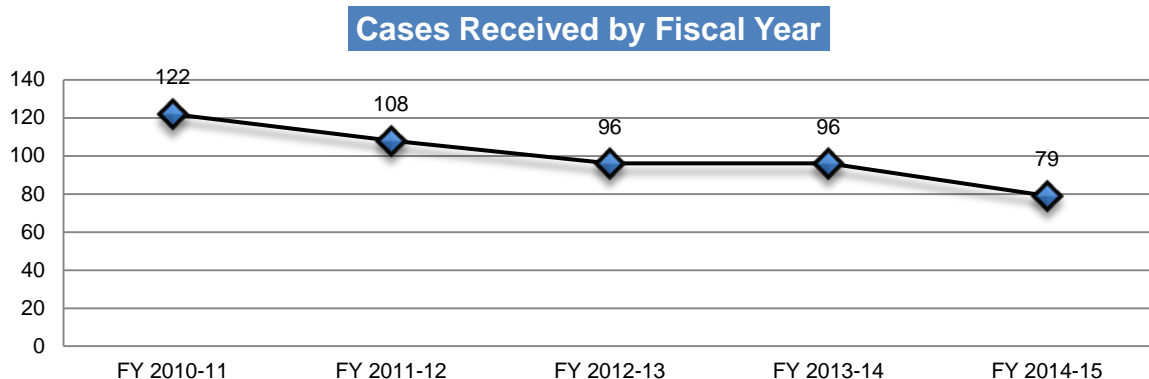
This report provides the status of open and closed CalPERS Ethics Helpline cases covering the period October 16, 2014 through February 15, 2015.

STRATEGIC PLAN

The CalPERS Ethics Helpline (Helpline) supports the CalPERS 2012-17 Strategic Plan Goal B to cultivate a high-performing, risk-intelligent and innovative organization.

BACKGROUND

The Helpline was launched in September 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, CalPERS has received a total of 501 ethics complaints. As seen by the chart below, titled "Cases Received by Fiscal Year", CalPERS receives, on average, 100 complaints each year. The current year's total reflects cases received through February 15, 2015.



The Enterprise Compliance Division (ECOM) administers the Ethics Helpline process, and is responsible for receiving cases from the vendor and conducting an initial inquiry before assigning the case to the appropriate CalPERS program area for investigation and resolution. Program staff and management either substantiate the

allegation made or close the case with no finding. ECOM provides ongoing oversight and monitoring of the process, with periodic reporting.

ANALYSIS

This report details the status of the 64 total cases for the period of October 16, 2014 through February 15, 2015. Of those, 2 cases were closed with findings (substantiated, see attachment 1), 32 cases were closed with no findings (unsubstantiated), and 30 cases remain open, pending further analysis or determination.

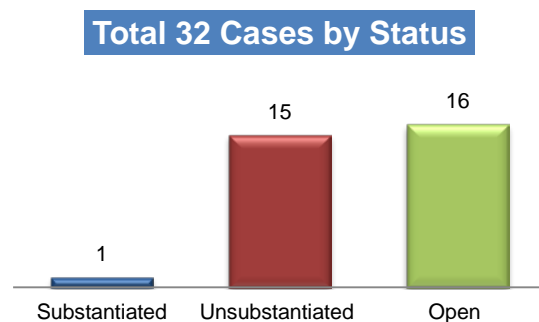
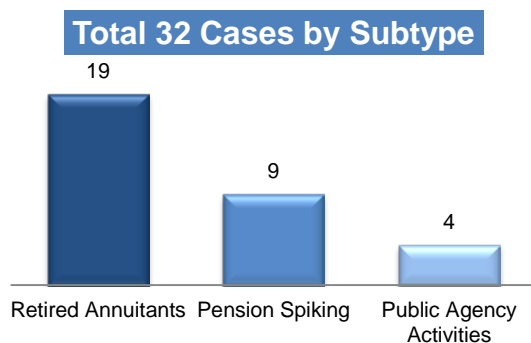
Total Cases: October 16, 2014 – February 15, 2015

Case Category	Substantiated	Unsubstantiated	Open	Total
Compliance with Laws and Regulations	0	3	1	4
Conflict of Interest	1	1	0	2
Disability Fraud	0	1	0	1
Fraud	0	3	1	4
Human Resources (HR)	0	1	6	7
Legal Issues	0	1	0	1
Other*	0	6	5	11
Outside Employment and Compensation	0	0	1	1
Override of Internal Controls	0	1	0	1
Retirement Benefits Fraud or Abuse	1	15	16	32
Total	2	32	30	64

**Selected by reporting party when a specific category does not meet criteria for their complaint.*

Retirement Benefits Fraud or Abuse

Retirement benefits fraud or abuse comprise the majority of cases, 32 of the 64 reported, and are broken out by 3 subtypes as follows: retired annuitants, pension spiking, and public agency activities. As seen by the chart below, titled “Total 32 Cases by Subtypes”, retired annuitant cases have been the majority of cases received. As seen by the chart below, titled “Total 32 Cases by Status”, of the cases reported, 1 case was closed with findings (substantiated), 15 cases were closed with no findings (unsubstantiated), and 16 cases remain open, pending further analysis or determination.



New Cases

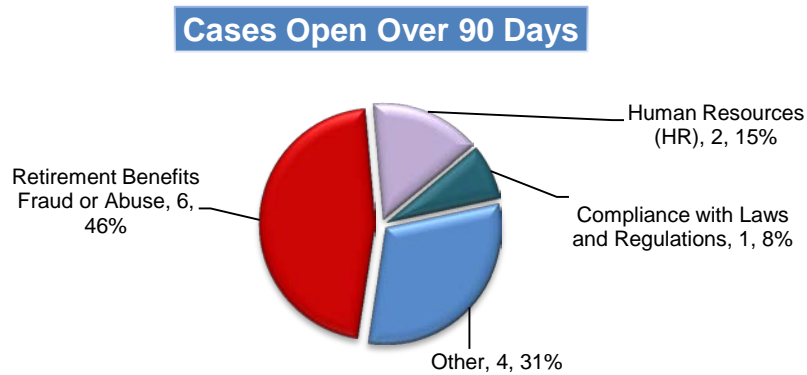
During the reporting period of October 16, 2014 through February 15, 2015, ECOM received 38 new cases. Of the cases received, no cases were substantiated, 16 were closed with no findings (unsubstantiated), and 22 remain open, pending further analysis or determination.

Case Category	Substantiated	Unsubstantiated	Open	Total
Compliance with Laws and Regulations	0	3	1	4
Conflict of Interest	0	1	0	1
Fraud	0	1	1	2
Human Resources (HR)	0	0	5	5
Other*	0	4	1	5
Outside Employment and Compensation	0	0	1	1
Retirement Benefits Fraud or Abuse	0	7	13	20
Total	0	16	22	38

*Selected by reporting party when a specific category does not meet criteria for their complaint.

Cases Open Over 90 Days

The average length of time to review and close a case is 144 days from receipt via Navex Global. In reviewing the open cases, 13 have been open for longer than 90 days. Additionally, the investigation process takes an average of 24 days to gather and research information from public agencies.



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
- Provides a method to identify and assess allegations of incompatible activities, conflicts of interests and other inappropriate activities that pertain to CalPERS business

- Opportunity to report allegations outside of the workplace 24 hours a day, 7 days a week
- Early detection and opportunity to address compliance risks proactively.

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 – Summary of Closed Substantiated Cases

KAMI NIEBANK
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Enterprise Compliance Division

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Chief Financial Officer