Consent

Agenda Item 4g

November 17, 2015

ITEM NAME: CalPERS Ethics Helpline Report

PROGRAM: Enterprise Compliance Division

**ITEM TYPE:** Information Consent

EXECUTIVE SUMMARY

Enclosed is the CalPERS Ethics Helpline Report for the period of July 1, 2015 through September 30, 2015. This report provides the status of CalPERS Ethics Helpline complaints received for the period.

STRATEGIC PLAN

This item supports CalPERS Strategic Plan Goal B: Cultivate a high-performing, risk-intelligent and innovative organization. By providing effective compliance monitoring and oversight, Enterprise Compliance aids in the prevention, detection, and correction of ethical and compliance risks throughout the organization.

BACKGROUND

The CalPERS Ethics Helpline (Helpline) was launched in September 2010. The Enterprise Compliance Division administers the Helpline process, and is responsible for receiving complaints from the vendor and assigns to the appropriate CalPERS program area for investigation and resolution. A Helpline user submits through an independent third-party administrator, NAVEX Global, and has the option to remain anonymous. Program staff and management either substantiate the allegation made or close the complaint with no finding. Enterprise Compliance provides ongoing oversight, monitoring and reporting of the process.

Complaints Received by Fiscal Year
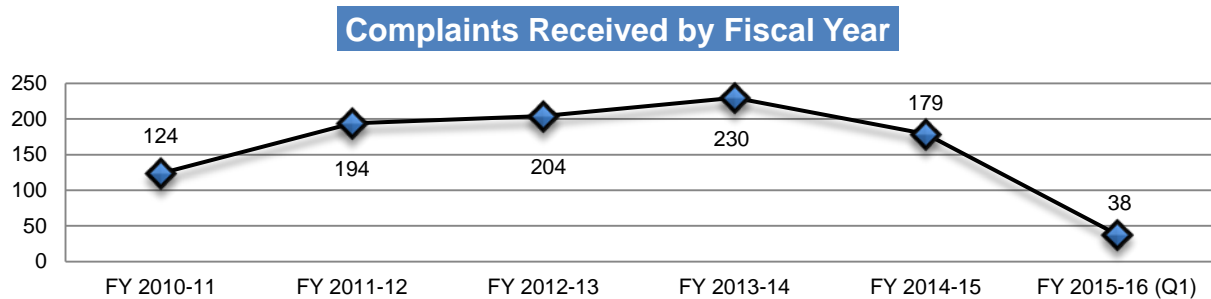
Since the Helpline's launch, CalPERS has received a total of 979 complaints. As seen by the chart above, titled "Complaints Received by Fiscal Year", CalPERS receives approximately 195 complaints each fiscal year. Through the first quarter of the current fiscal year, CalPERS has received 38 new complaints.

ANALYSIS

This report's numbers reflect a more precise methodology of complaint reporting. Previously reported as cases, the above chart now reflects the actual number of individual complaints CalPERS has received. We have restated past information.

Of the 57 complaints being reported, 38 are new complaints received during the reporting period and 19 were still pending at the time of the September 2015 Risk and Audit Committee.

The chart below provides a detailed breakdown of the 57 complaints being reported by category and status type.

Total Complaints: July 1, 2015 – September 30, 2015

Complaint Category	Closed: Substantiated	Closed: Unsubstantiated	Open: Pending	Non-Ethics Related	Total Complaint
Accounting and Auditing Matters	-	-	1	-	1
Compliance with Laws and Regulations	-	1	1	-	2
Discrimination or Harassment	-	-	2	-	3
Fraud	-	4	7	-	11
HIPAA	-	1	-	-	1
Human Resources (HR)	1	2	1	-	4
Non-Ethics Related	-	-	-	14	14
*Other	1	-	-	-	1
Regulatory Compliance	1	-	-	-	1
Retirement Benefits Fraud or Abuse	1	6	12	-	19
Workplace Violence	-	-	1	-	1
Total	4	14	25	14	57

Selected by reporting party when a specific category does not meet criteria for their complaint.
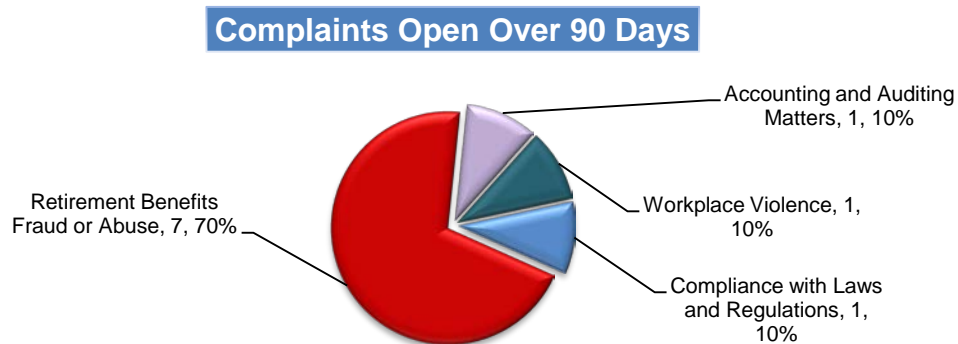
Retirement Benefits Fraud or Abuse

Retirement benefits fraud or abuse comprises 19 of the 57 complaints being reported, and are broken out into three subtypes as follows: Retired Annuitants, Pension Spiking, and Public Agency Activities. As seen below in the chart titled "Total Complaints by Subtype," retired annuitant complaints are the majority of retirement benefits fraud or abuse complaints reported. This is consistent with historical trends. Additionally, the chart titled "Total Complaints by Status" shows 1 complaint was closed substantiated; 6 were closed unsubstantiated; and 12 remain open, pending further analysis or determination.

Retirement Benefits Fraud or Abuse: July 1, 2015 – September 30, 2015

Total Complaints by Subtype

Retired Annuitants	12
Pension Spiking	5
Public Agency Activities	2

Total Complaints by Status

Substantiated	1
Unsubstantiated	6
Open	12
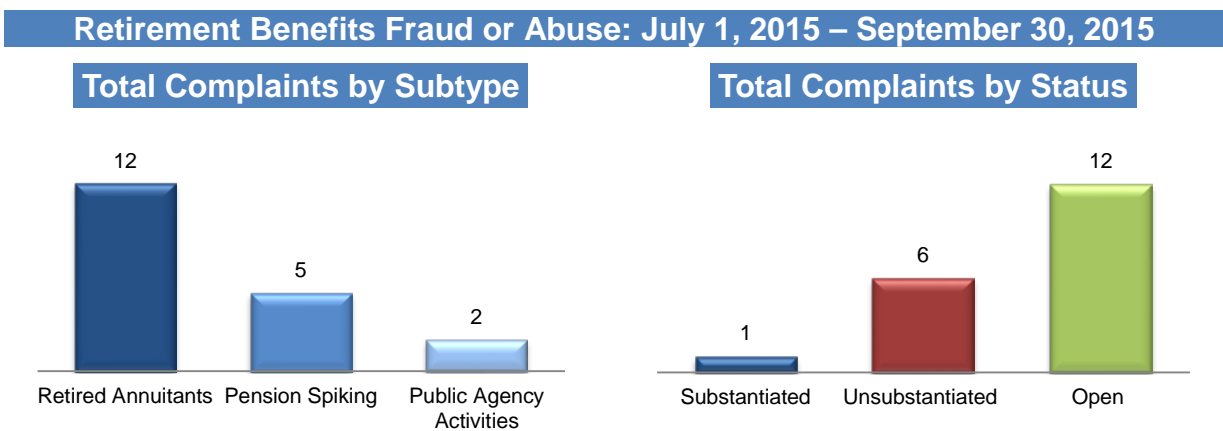
Complaints Open Over 90 Days

The average length of time to review and close a complaint is 60 days from receipt via NAVEX Global. In reviewing the 25 open complaints, 10 have been open for longer than 90 days. As seen by the chart below, the majority of compliant open over 90 days involve retirement benefits fraud or abuse. It is important to note that the investigation process takes an average of 22 days to gather and research information from public agencies.

Complaints Open Over 90 Days

- Accounting and Auditing Matters, 1, 10%
- Workplace Violence, 1, 10%
- Compliance with Laws and Regulations, 1, 10%
- Retirement Benefits Fraud or Abuse, 7, 70%

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 Complaints

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CHERYL EASON
Chief Financial Officer