

Quarterly Enterprise Compliance Activity Report






Third Quarter FY 2015 – 16

Presented to
Risk and Audit Committee
June 13, 2016




Purpose

To provide the Risk and Audit Committee with compliance activity information in order to fulfill their role of overseeing and monitoring enterprise program and policy compliance.

Summary

| Slide | Functional Area | Description | Results in Brief | Status |
|--------|---|--|--|---|
| 4 | Conflict of Interest Code – Assuming / Leaving Office Statements | <ul style="list-style-type: none"> Report on the filing status of Statements of Economic Interests - Form 700 mandated to be filed upon assuming or leaving office by the Public Employees' Retirement System - Conflict of Interest Code – Form 700 | <ul style="list-style-type: none"> 8 past due Leaving Office Statements |  |
| 5 | Conflict of Interest Code – Annual Statements | <ul style="list-style-type: none"> Report on the filing status of Annual Statements of Economic Interests - Form 700 mandated to be filed annually by April 1st for Designated Staff by the Public Employees' Retirement System - Conflict of Interest Code – Form 700 | <ul style="list-style-type: none"> 100% staff filings by due date of April 1 |  |
| 6 | Mandated Training | <ul style="list-style-type: none"> Reporting of past due certifications/trainings mandated by law, policy, or regulation | <ul style="list-style-type: none"> 100% completion rate for all mandated training as of March 31 |  |
| 7 | Policy Management | <ul style="list-style-type: none"> New and amended policies reviewed and approved by ECOM | <ul style="list-style-type: none"> 15 reviewed 1 pending review |  |
| 8 – 10 | Personal Trade Monitoring | <ul style="list-style-type: none"> Transactions and exceptions to CalPERS Personal Trading Regulations captured within Schwab Compliance Technologies | <ul style="list-style-type: none"> 6,238 transactions 162 exceptions identified for further analysis |  |

Status Update Legend:

-  Indicates that the Functional Area results contain no major issues.
-  Indicates that there are potential / actual compliance issues which management is monitoring or addressing.
-  Indicates that compliance concerns have been identified and management is actively engaged in mitigation / resolution.

Conflict of Interest Code – Assuming / Leaving Office Statements

| Assuming / Leaving Office Statements Form 700 Staff Filings Status (Excluding consultants and Board) | | |
|--|---------------------------|------------|
| Certifications | Required By | # Past Due |
| Form 700 Assuming Office | • Government Code § 18722 | 0 |
| Form 700 Leaving Office | • Government Code § 18722 | 8 |

ECOM Observations:

- Assuming Office and Leaving Office statements are due within 30 days of assuming or leaving office. Statements are considered past due if they are not timely filed within this timeframe.
- Management has identified 8 past due Leaving Office statements during the Third Quarter. 1st Non-Filer Notifications were sent to the past due filers in April 2016. All 8 past due filers are no longer with CalPERS.
- Posted Form 700s can be viewed at the following link: [CalPERS Transparency and Accountability](#).

Conflict of Interest Code – Annual Statements

| Annual Statements 2015/16 Status <i>(as of April 1, 2016 – excluding consultants and Board)</i> | | | |
|---|------------|---------|-------------|
| Branch | # Required | # Filed | # Not-Filed |
| ACTO | 19 | 19 | 0 |
| BPPP | 41 | 41 | 0 |
| CSR | 2 | 2 | 0 |
| CSS | 43 | 43 | 0 |
| EXEO | 4 | 4 | 0 |
| FINO | 55 | 55 | 0 |
| GCO | 75 | 75 | 0 |
| INVO | 247 | 247 | 0 |
| OPT | 80 | 80 | 0 |

ECOM Observations:

- 2015 Form 700 Annual Statements were due on April 1, 2016. Enterprise Compliance worked with each Branch to ensure timely filing and achieved 100% filing status by the deadline of April 1, 2016.

Mandated Training

| Due Date | Training | Required By | # of Staff Past Due |
|---------------------|--|--|---------------------|
| 12/31 (Biennial) | Sexual Harassment Prevention Training (Managers & Supervisors) | <ul style="list-style-type: none"> • Government Code § 19995.4(b) • AB 2053 | 0 |
| 12/31 (Biennial) | Sexual Harassment Prevention Training (Staff) | <ul style="list-style-type: none"> • Government Code § 19995.4(b) • AB 2054 | 0 |
| 12/31 (Biennial) | Workplace Violence Prevention | <ul style="list-style-type: none"> • Workplace Violence Prevention Policy | 0 |
| 06/30 (Annual) | Health Insurance Portability and Accountability Act | <ul style="list-style-type: none"> • HIPAA Staff Training Policy | 0 |
| 06/30 (Annual) | Information Security Awareness | <ul style="list-style-type: none"> • Awareness and Training Policy | 0 |
| 06/30 (Annual) | Working Values: Ethical Decision Making* | <ul style="list-style-type: none"> • Management Initiative | * |
| Varies | CalPERS Ethics Training for Form 700/FPPC Filers | <ul style="list-style-type: none"> • Government Code § 11146.1 | 0 |
| Varies | CalPERS Contracting Process: Delegated Authority (Executives & Division Chiefs)* | <ul style="list-style-type: none"> • CalPERS Board of Administration Contract Activity Reporting Policy | * |

ECOM Observations:

- As of March 31, 2016, all mandated trainings due as of December 31, 2015 have been completed for a 100% completion rate.
- Enterprise Compliance will provide management with completion rate reports on training due June 30th throughout May and June.

* Not currently tracked by ECOM. Shown as a potential future enhancement

Policy Management - Policies reviewed/currently in review

| New or Revised Policy | Status | Policy Title | Policy Category |
|-----------------------|-----------------------|--|-----------------|
| Revised | In Development | Audit Resolution Policy | Staff |
| New | Policy Completed | Ethical Decision-Making Policy | Staff |
| New | Policy Completed | Project Management Methodology Policy | Staff |
| Revised | Policy in Development | Insider Trading Policy | Board- Approved |
| Revised | Policy in Development | Risk Intelligent Enterprise Management Policy | Board- Approved |
| New | Policy in Development | Budget Policy | Board- Approved |
| New | Policy in Development | Travel Policy | Staff |
| New | Policy in Development | Discrimination Prevention Policy | Staff |
| Revised | Policy in Development | Actuarial Assumptions Policy | Board- Approved |
| Revised | Policy in Development | Actuarial Cost Method Policy | Board- Approved |
| Revised | Policy in Development | Actuarial Termination Policy | Board- Approved |
| Revised | Policy in Development | Amortization Policy | Board- Approved |
| Revised | Policy in Development | Contribution Allocation Policy | Board- Approved |
| Revised | Policy in Development | Board Employer Reimbursement Policy | Board |
| New | Policy in Development | Fiduciary Liability Self-Insurance Program Coverage Policy | Board-Approved |
| Revised | Policy in Development | Board Discharge Policy | Board |

Policy Categories

Board Policy: Governs the Board

Board-Approved Policy: Per delegation of authority, requires Board review or approval

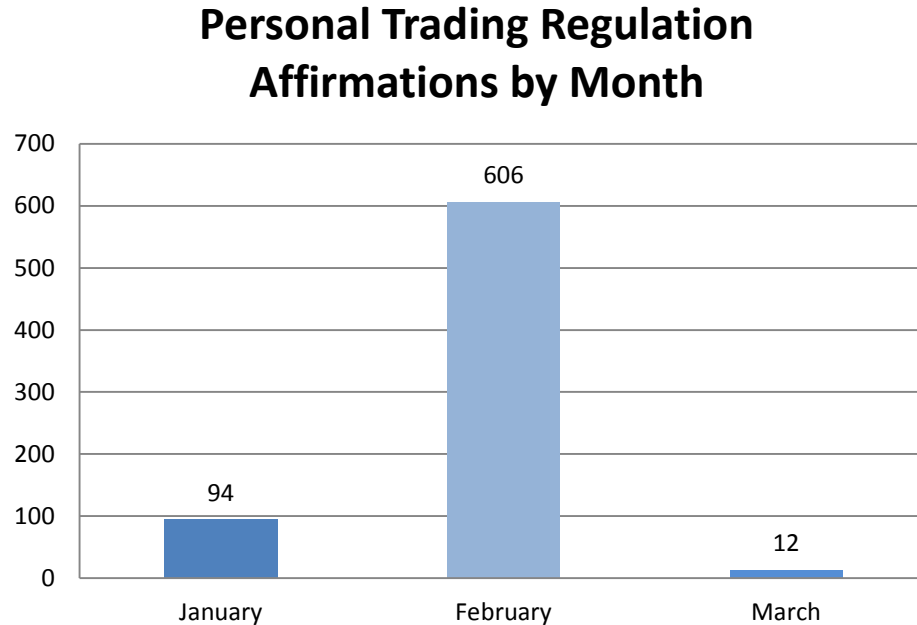
Staff Policy: Affects staff or program administration and requires Executive and/or Chief approval

Project Implementation Activities:

Beginning June 1, 2016, all policies uploaded online must meet the new policy framework requirements. Staff educated program areas about the new policy governance and publishing requirements and conducted trainings to policy authors and approvers.

Personal Trade Monitoring – Personal Trading Regulation Affirmations

| Personal Trading Regulation Affirmations by Month | |
|---|------------|
| January | 94 |
| February | 606 |
| March | 12 |
| Total | 712 |



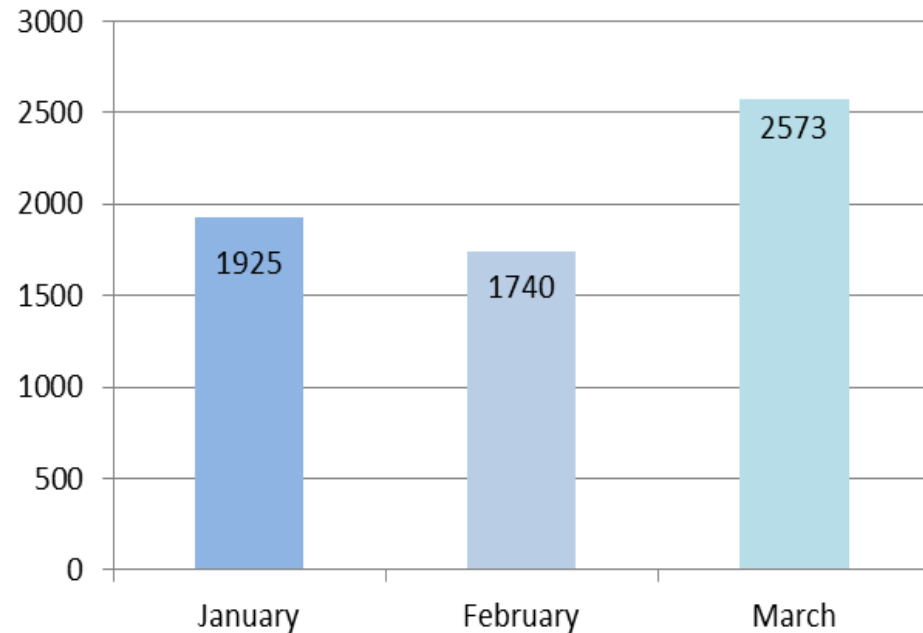
ECOM Observations:

- Annual Personal Trading Affirmations for all Covered Persons were due April 1, 2016.
- 100% of Annual Affirmations were filed timely.
- In February, staff newly classified as “covered persons” under the revised Conflict of Interest Code were required to file initial attestations. This resulted in an unusually high number of filings.

Personal Trade Monitoring – Transactions / Number of Trades

| Personal Trading Transactions - Q3 FY 15-16 | |
|---|------|
| Total # of Transactions | 6238 |

Transactions by Month



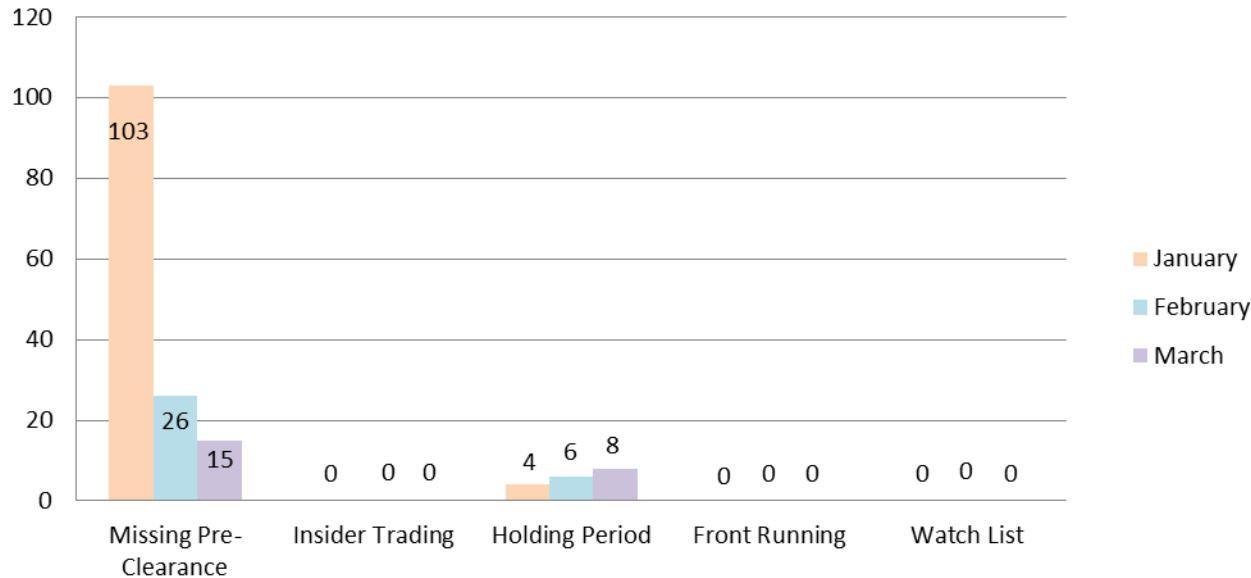
ECOM Observations:

“Total Transactions” includes transactions in non-Covered Securities occurring in Covered Accounts (e.g., cash, open-ended mutual funds, etc.).

Personal Trade Monitoring – Exceptions by Type

| Personal Trading Exceptions - Q3 FY 15-16 | |
|---|-----|
| Total # of Exceptions | 162 |

Exceptions by Type



Missing Pre-Clearance: Covered Persons are required to obtain pre-clearance approval before the purchase, sale or transfer of Covered Securities is executed in a Covered Account, unless the transaction is exempt from the requirement of pre-clearance.

Insider Trading: A transaction based on material and non-public information that a Covered Employee learns by virtue of his or her employment with CalPERS, position on the Board, or relationship with a Covered Employee.

Holding Period: The 30 calendar day period between the acquisition and sale, and the 30 calendar day period between sale and re-acquisition, of a Covered Security.

Front Running: A transaction that is executed on a Covered Security while taking advantage of knowledge of a pending CalPERS order in the same Covered Security, thereby trading “in front of” CalPERS (front-running).

Watch List: A Watch List means the list of Covered Securities that identifies companies which CalPERS Employees and/or Board Members have information that may be material and non-public.

ECOM Observations:

- 98 of the “Missing Pre-Clearance” and “Holding Period” Exceptions were the result of a new covered person improperly submitting covered account paperwork.