



Risk and Audit Committee Agenda Item 4h

September 20, 2016

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 April 1, 2016 through June 30, 2016. This report provides the status of CalPERS Ethics Helpline complaints received and administered for the period.

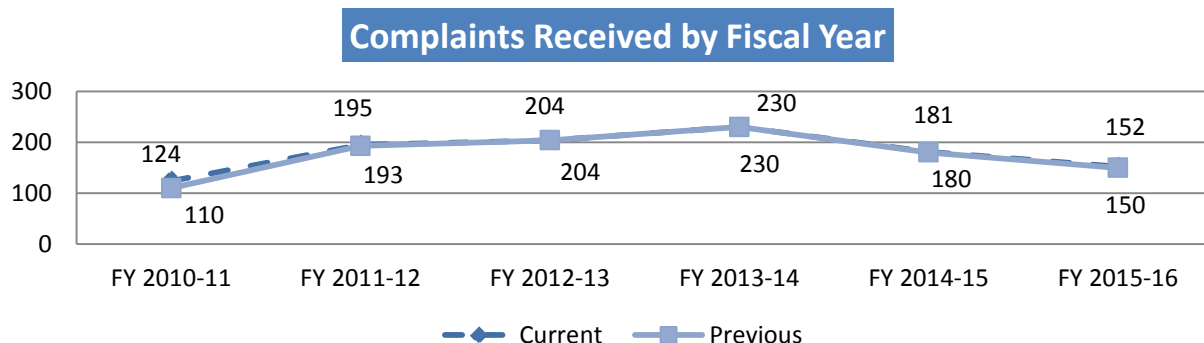
Strategic Plan

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 is responsible for receiving Helpline complaints from the vendor and assigning the complaints 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 or determine the allegation is unsubstantiated and close the complaint. Enterprise Compliance provides ongoing oversight, monitoring and reporting of the process.

Since the Helpline's launch, CalPERS has received a total of 1,086 complaints, 622 of which have been ethics related. The total number of complaints received has trended downward during the past two fiscal years. The following chart reflects an upward adjustment for 19 non-ethics complaints that were resolved but not reflected in previous reports. The data points above the line graph reflect the actual number of complaints that have been received, and the data points below the line graph reflect the number of cases that had been previously reported.



Analysis

Of the 51 complaints included in this report, 24 are new complaints received during the reporting period and 27 were still pending at the time of the June 2016 Risk and Audit Committee.

The chart below provides a detailed breakdown of the 51 complaints being reported by category and status type.

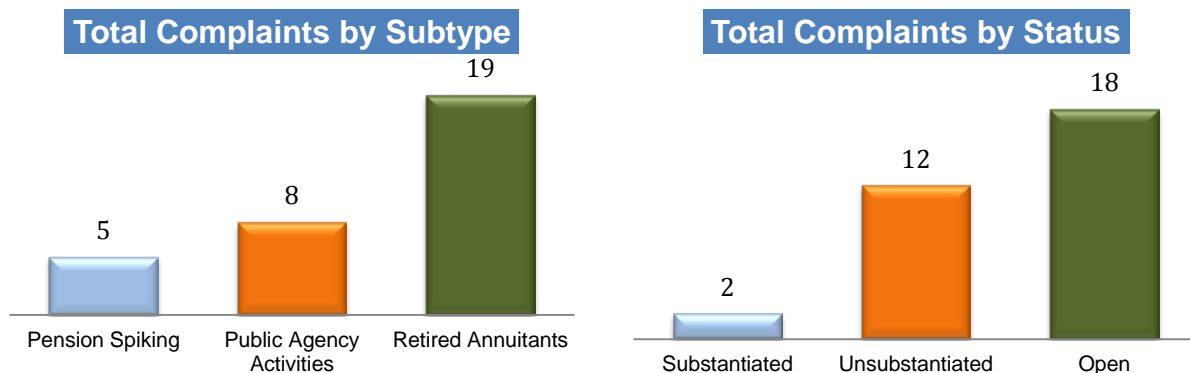
Total Complaints: April 1, 2016 – June 30, 2016

Complaint Category	Closed: Substantiated	Closed: Unsubstantiated	Open: Pending	Non-Ethics Related	Total
Fraud	0	4	3	0	7
Improper Supplier or Contractor Activity	0	0	1	0	1
Non-Ethics Related	0	0	0	8	8
Retirement Benefits Fraud or Abuse	2	12	18	0	32
Discrimination or Harassment	0	2	0	0	2
Override of Internal Controls	0	0	1	0	1
Total	2	18	23	8	51

Retirement Benefits Fraud or Abuse

Retirement benefits fraud or abuse comprises 32 of the 51 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 “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 “Complaints by Status” shows 2 complaints were closed substantiated; 12 were closed unsubstantiated; and 18 remain open, pending further analysis or determination.

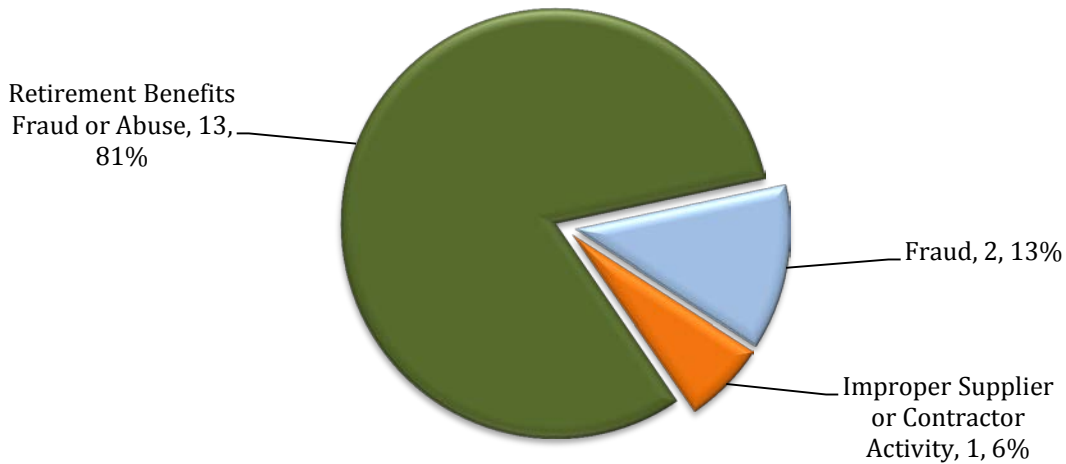
Retirement Benefits Fraud or Abuse: April 1, 2016 – June 30, 2016



Complaints Open Over 90 Days

The average length of time to review and close a complaint is 63 days from receipt via NAVEX Global. In reviewing the open complaints, 16 have been open for longer than 90 days. As seen by the chart below, the majority of complaints open over 90 days involve retirement benefits fraud or abuse.

Complaints Open Over 90 Days



Benefits and 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.
- Ability 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 can reduce 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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