

November 15, 2016
Item Name: CalPERS Ethics Helpline Report

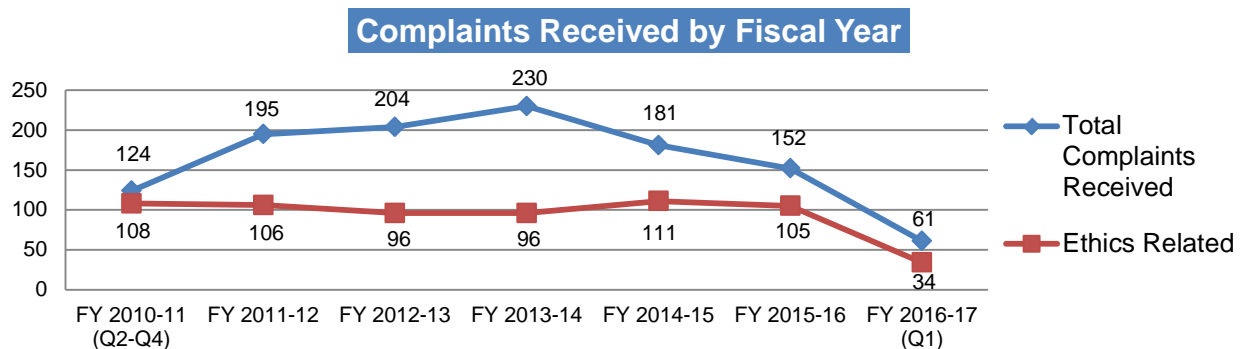
Program: Enterprise Compliance Division

Item Type: Information Consent

Executive Summary

Enclosed is the CalPERS Ethics Helpline Report for the period of July 1, 2016 through September 30, 2016. This report provides the status of CalPERS Ethics Helpline complaints received and administered for the period.

Since the Helpline’s launch, CalPERS has received a total of 1,133 complaints, 656 of which have been ethics related. Over the last two fiscal years, the total number of complaints received has trended downward since it peaked in FY 2013-14 at 230. For the quarter, and by far, the largest number of complaints received (38%) continues to be within the Retirement Benefits Fraud and Abuse (RBFA) category.


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.

Analysis

In total, 70 complaints are reported, 47 of which are new complaints received during the reporting period and 23 were still pending at the time of the September 2016 Risk and Audit Committee. Of the 70 complaints reported, 51 percent fall into the Retirements Benefits Fraud and Abuse complaint category. In terms of progress toward resolution, 26 percent of complaints closed during the reporting period were substantiated, and 74 percent were closed unsubstantiated. Additionally, complaints that closed this quarter averaged 23 days to close versus 99 days last quarter, and 39 percent of complaints still pending have been open for more than 90 days.

The chart below provides a detailed breakdown of the 70 complaints being reported by category and status type.

Total Complaints: July 1 – September 30, 2016

Complaint Category	Closed: Substantiated	Closed: Unsubstantiated	Open: Pending	Total
Accounting, Auditing, and Financial Controls	1	9	1	11
Business Integrity & Conflicts of Interest	0	0	2	2
HR, Diversity, and Workplace Respect	0	4	1	5
Information Security & Records	0	1	0	1
Non-Ethics Related	0	0	0	13
Other	0	2	0	2
Retirement Benefits Fraud or Abuse	9	13	14	36
Total	10	29	18	70

Retirement Benefits Fraud or Abuse

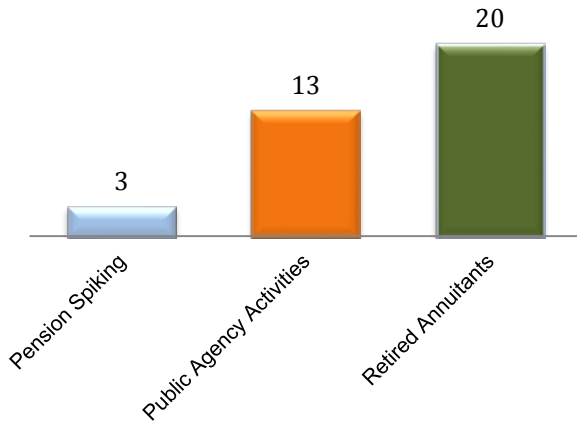
RBFA complaints comprise 36 of the 70 complaints being reported and are broken out into three subtypes: Retired Annuitants, Pension Spiking, and Public Agency Activities.

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.

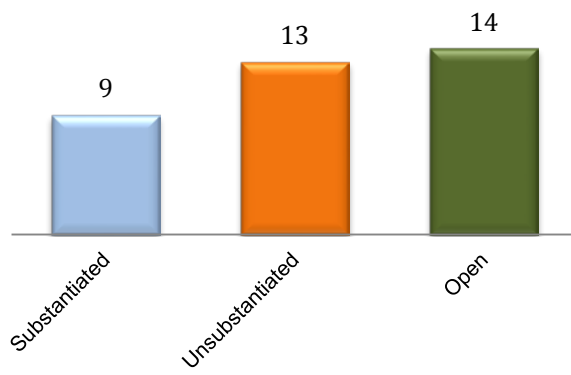
Additionally, the chart titled “Complaints by Status” shows 9 complaints were closed substantiated; 13 were closed unsubstantiated; and 14 remain open, pending further analysis or determination.

Retirement Benefits Fraud or Abuse: July 1 – September 30, 2016

Total Complaints by Subtype



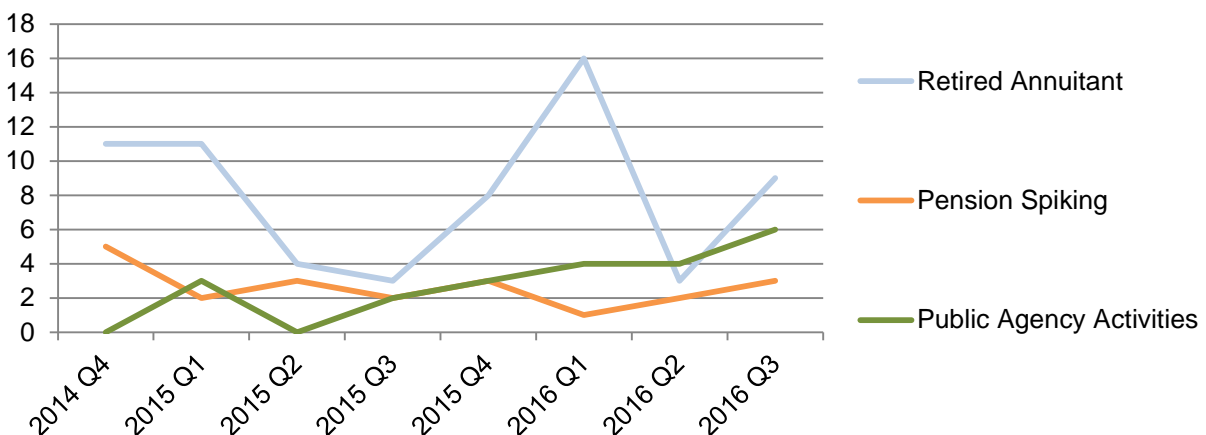
Total Complaints by Status



Over the past two calendar years, the Ethics Helpline has received an average of 14 new RBFA complaints per quarter. The majority of these complaints generally fall into the “Retired Annuitant” subtype and involve allegations regarding retirees and established Employment After Retirement restrictions.

The chart below shows the number of RBFA complaints received over the past two calendar years divided by subtypes.

RBFA Complaints Received by Quarter: October 1, 2014 – September 30, 2016



Other Observations

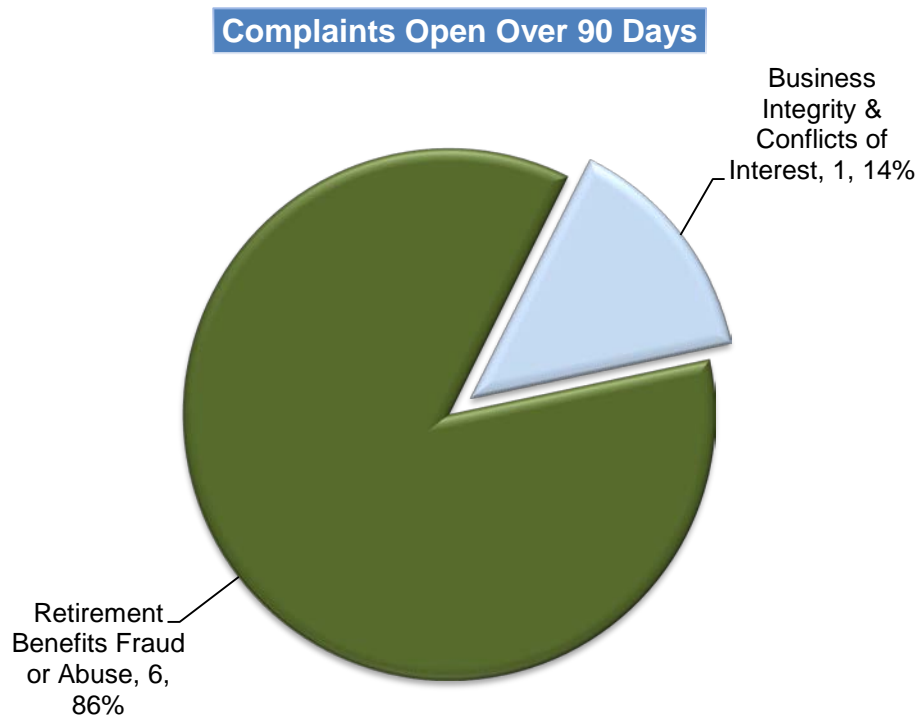
All other allegations of fraud not directly related to one of the three Retirement Benefit Fraud or Abuse subtypes mentioned above are tracked and addressed under the Accounting, Auditing, and Financial Controls (AAFC) complaint category. These account for the majority of AAFC complaints and can cover a wide range of allegations including, but not limited to, beneficiary fraud, personal caretaker fraud, and service provider fraud. The most significant item of note this reporting period is that 9 of the 10 AAFC allegations closed were unsubstantiated.

Additionally, the 13 non-ethics complaints that were received via the Helpline during the reporting period were all forwarded to the appropriate program areas to be addressed in accordance with Citizen Complaint Act requirements and organizational standards.

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, 7 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 allegations. Some factors leading to delays include on-going litigation and the timeliness of agency response to a CalPERS request for documentation.



Benefits and Risks

The Ethics Helpline provides the following benefits to the organization:

- Anonymous reporting tool for allegations and concerns associated with unethical conduct, improper business activity, retirement benefits fraud or abuse or illegal activity
- A method to identify and assess allegations of incompatible activities, conflicts of interests and other inappropriate activities that pertain to CalPERS business
- The 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

MARLENE TIMBERLAKE D'ADAMO

Chief Compliance Officer
Enterprise Compliance Division

CHERYL EASON

Chief Financial Officer