



Risk and Audit Committee Agenda Item 4f

September 19, 2017

Item Name: Quarterly Status Report - Enterprise Compliance Activity

Program: Enterprise Compliance

Item Type: Information Consent

Executive Summary

Enclosed is the Quarterly Status Report on CalPERS Compliance Activity for the period of April 1, 2017 through June 30, 2017. As part of the Enterprise Compliance plan, the team continues to improve their compliance monitoring and oversight capabilities and expand upon the Risk and Audit Committee reporting information.

Strategic Plan

This item supports the CalPERS 2017-22 Strategic Plan Goal: *Cultivate a risk-intelligent organization* and the strategic objective of providing enhanced compliance and risk functions throughout the enterprise.

Background

CalPERS Compliance program promotes a culture of continuous improvement that seeks to detect, correct and prevent potential instances of noncompliance and achieve high ethical and compliance standards.

The Enterprise Compliance Division reports compliance related information each quarter to the Risk and Audit Committee in order to fulfill their oversight role in program and policy compliance.

Analysis

The team has provided key observations regarding the Statement of Economic Interests (Form 700), Mandated Training, Personal Trade Monitoring, Investment Compliance Monitoring, and Ethics Helpline. A summary of the analysis is provided below, and additional information can be found in Attachment 1.

CalPERS Statement of Economic Interests – Form 700: Board and Employee

At the end of Fourth Quarter FY 2016-17, eight Form 700 Assuming/Leaving Office filers were past due. There were 21 Assuming Office filers, and 18 Leaving Office filers who filed during Fourth Quarter FY 2016-17.

CalPERS Statement of Economic Interest – Form 700: Consultant

At the end of Fourth Quarter FY 2016-17, there were 66 past due consultant filers, and 27 that filed. 2016 Annual Form 700 filing season ended April 3, 2017, and by the end of the Fourth Quarter FY 2016-17, 31 consultant filers were past due on their 2016 statements. The remaining six past due annual filers are from the 2015 filing season.

This reporting period, the Compliance team has continued to improve its notification and outreach processes to reduce the amount of past due filers and increase knowledge of the

disclosure requirements. Bi-weekly education sessions and office hours are held for all Form 700 filers to attend.

Mandated Training

At the close of the Fourth Quarter FY 2016-17, 99.52 percent of all staff completed mandated training. Training due June 30, 2017 included Health Insurance Portability and Accountability Act, Information Security Awareness, and Working Values: Ethical Decision Making.

Personal Trade Monitoring

Forty-five Quarterly Transaction Affirmations were due on May 3, 2017, with two affirmations submitted past due and none outstanding at the close of the reporting period. There were 28 Initial Personal Trading Affirmations due during the reporting period, with three affirmations submitted past due and none outstanding at the close of the reporting period.

There were 1,547 total transactions posted during Fourth Quarter FY 2016-17, which is consistent with the 12-month trend analytics.

The Enterprise Compliance Division continues to see a decrease in the number of Personal Trading Regulations violations since the beginning of last year. This decrease is likely due to increased education, communication and reporting, including recently introduced monthly Personal Trading Regulations education for all new Covered Persons. There were nine violations during Fourth Quarter FY 2016-17, two of which were Blackout Period violations, a newly reported violation type this quarter.

Investment Compliance Monitoring

Beginning in Third Quarter FY 2016-17, the Compliance team is reporting Investment Office Policy Exceptions in order to support the Risk and Audit Committee's delegation to oversee the effectiveness of investment policy compliance. During the Fourth Quarter FY 2016-17, there were six new policy exceptions, and no existing exceptions from previous quarters.

Ethics Helpline

At the close of Fourth Quarter FY 2016-17, there were 38 ethics related complaints open and under investigation. During the Fourth Quarter FY 2016-17, 36 ethics related complaints were received, and 25 were closed.

The overall volume of ethics related complaints received during the reporting period were in line with recent trends. The majority of complaints received through the Ethics Helpline involve Retirement Benefits Fraud or Abuse (RBFA). This has been the trend since the inception of Ethics Helpline reporting.

During the Fourth Quarter FY 2016-17, 70 percent of the reported claims fell into the RBFA category. The closure rate for ethics related complaints closed during Fourth Quarter FY 2016-17 averaged 83 days, as compared to 87 days in Third Quarter FY 2016-17. There were seven closed substantiated complaints during the Fourth Quarter FY 2016-17.

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

Not Applicable.

Attachments

Attachment 1:

Quarterly Status Report – CalPERS Compliance Activity – Fourth Quarter FY 2016-17

Marlene Timberlake D'Adamo
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