

# Quarterly Status Report – CalPERS Compliance Activity

Third Quarter FY 2017-18

Presented to  
Risk and Audit Committee  
June 20, 2018

# Purpose

Provide the Risk and Audit Committee with compliance monitoring and oversight analytics to aid in fulfilling their role in overseeing key compliance and ethics activities.

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## Board & Employee Form 700 Filings

Q3 FY 2017-18 Summary			
Statement Type	Submitted	Outstanding	Total
Annual	843	-	843
Assuming Office	24	-	24
Leaving Office	21	1	22
<b>Grand Total</b>	<b>888</b>	<b>1</b>	<b>889</b>

### Observations:

- CalPERS currently has 878 board and employee Form 700 filers.
- There were 888 statements filed during Q3 FY 2017-18.
- As of 03/31/2018, there was one outstanding statement.

**Note:**

- See Page 15 for Statement definitions.

## Consultant Form 700 Filings

Q3 FY 2017-18 Summary			
Statement Type	Submitted	Outstanding	Total
Annual	184	2	186
Assuming Office	13	1	14
Leaving Office	24	3	27
<b>Grand Total</b>	<b>221</b>	<b>6</b>	<b>227</b>

### Observations:

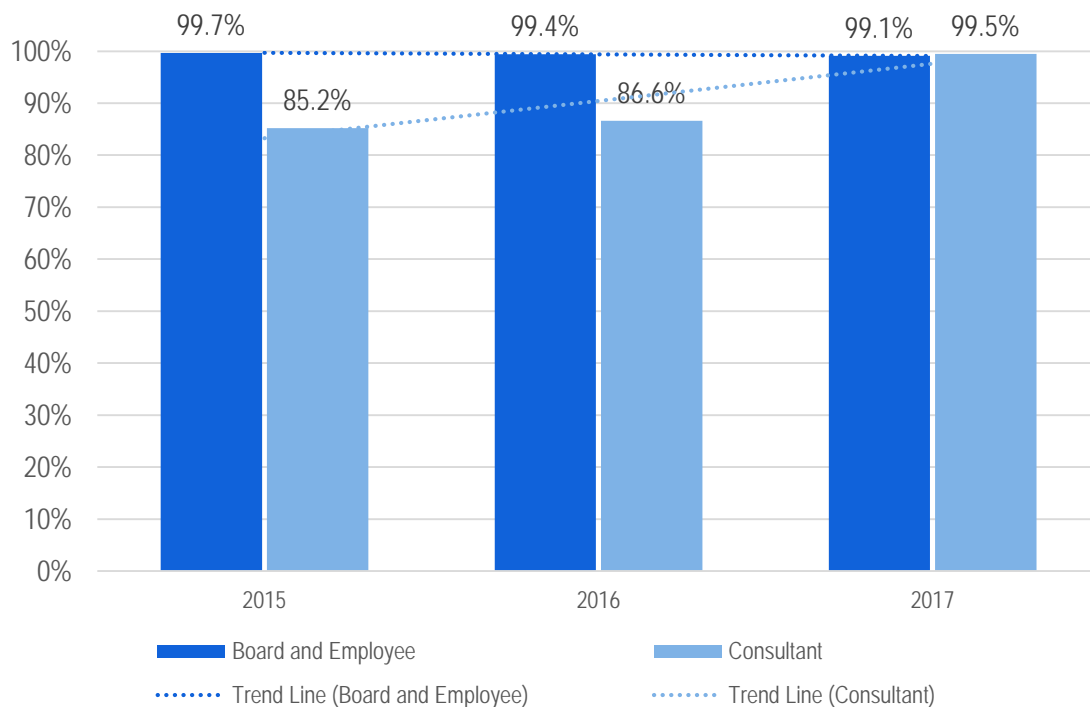
- CalPERS currently has 200 consultant Form 700 filers.
- There were 221 statements filed during Q3 FY 2017-18.
- As of 03/31/2018, there were six outstanding statements.

### Note:

- See Page 15 for Statement definitions.

# Form 700: Statements Submitted Timely

Percent Annual Statements Submitted Timely as of April 5, 2018



**Observations:**

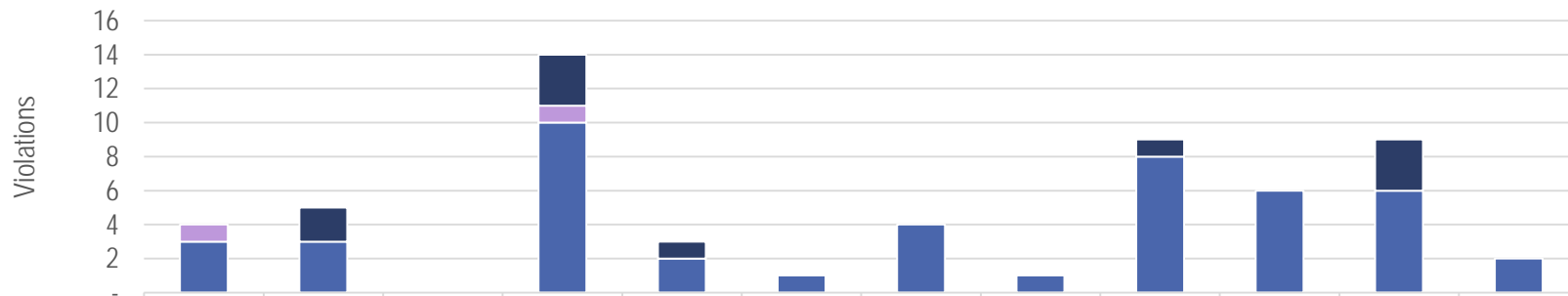
- Of the 2017 Annual statements, 99.1% of Board and Employee statements were submitted timely and 99.5% of the Consultant statements were submitted timely.
- The average percentage of statements submitted timely has increased over the past three years for Consultants due to outreach enhancements.
- There are eight outstanding 2017 Annual statements from seven team members on an official leave of absence and one team member who has left CalPERS.

**Note:**

- See Page 15 for Statement definitions.

# Personal Trade Monitoring: Violations

Personal Trade Monitoring: Violations by Type  
04/01/2017 - 03/31/2018



	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
■ Blackout Period	-	2	-	3	1	-	-	-	1	-	3	-
■ Restricted List	-	-	-	-	-	-	-	-	-	-	-	-
■ Holding Period	1	-	-	1	-	-	-	-	-	-	-	-
■ Missing Pre-Clearance	3	3	-	10	2	1	4	1	8	6	6	2
Total Violations	4	5	-	14	3	1	4	1	9	6	9	2

**Observations:**

- There were 17 violations committed during Q3 FY 2017-18.
- Historically, the majority of violations fall under the Missing Pre-Clearance violation type.

**Notes:**

- See Page 16 for violation type definitions.
- Multiple violations can be triggered by a single Covered Person at one time.

## Personal Trade Monitoring: Personal Trading Regulation Affirmations

Personal Trading Affirmation / Attestation Filing Report Q3 FY 2017-18				
Affirmation Type	Total Due	Submitted Timely	Submitted Late	Outstanding
Initial Personal Trading Affirmation	30	30	-	-
Q2 FY 2017-18 Transaction Affirmation	46	45	1	-
<b>Grand Total</b>	<b>76</b>	<b>75</b>	<b>1</b>	<b>-</b>

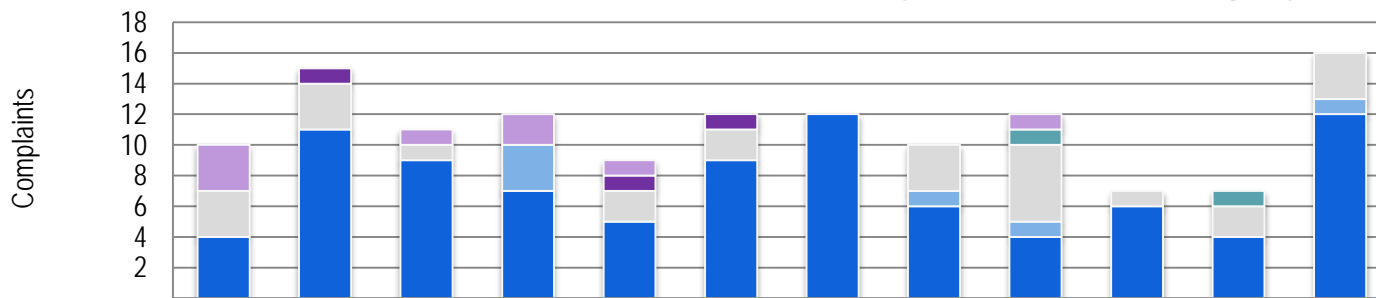
### Observations:

- There were a total of 30 Initial Personal Trading Affirmations due in Q3 FY 2017-18, and all Affirmations were submitted timely.
- There were a total of 46 Q2 FY 2017-18 Transaction Affirmations due February 2, 2018 and one affirmation was submitted late.



# Ethics Helpline: Complaints Received

## Ethics Related Complaints Received by Complaint Category



	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Other	3	—	1	2	1	—	—	—	1	—	—	—
Accounting, Auditing, and Financial Controls	—	—	—	—	—	—	—	—	1	—	1	—
Information Security and Records	—	1	—	—	1	1	—	—	—	—	—	—
HR, Diversity, and Workplace Respect	3	3	1	—	2	2	—	3	5	1	2	3
Business Integrity & Conflicts of Interest	—	—	—	3	—	—	—	1	1	—	—	1
Retirement Benefits Fraud or Abuse	4	11	9	7	5	9	12	6	4	6	4	12
<b>Total</b>	<b>10</b>	<b>15</b>	<b>11</b>	<b>12</b>	<b>9</b>	<b>12</b>	<b>12</b>	<b>10</b>	<b>12</b>	<b>7</b>	<b>7</b>	<b>16</b>

### Observations:

- During Q3 FY 2017-18, 30 ethics related complaints were received.
- Of the 30 ethics related complaints received, 73% (22 of 30) fell under the Retirement Benefits Fraud or Abuse category.

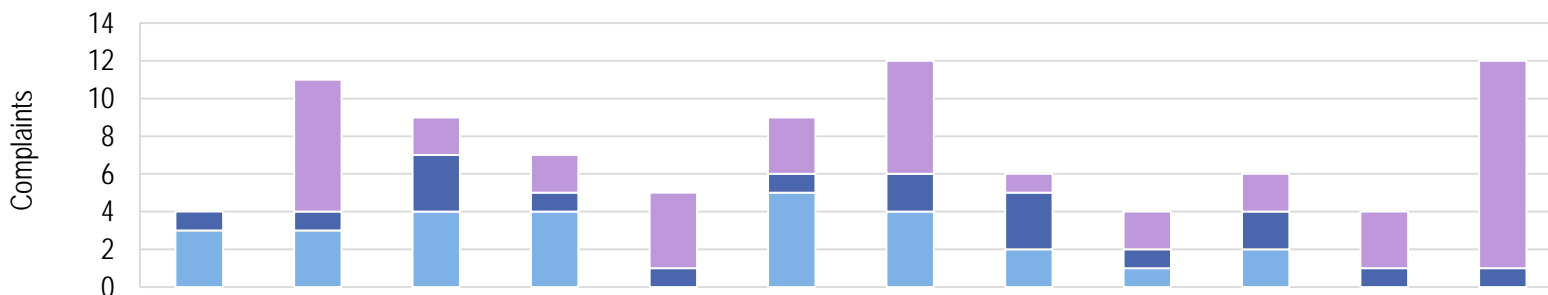
### Notes:

- Eight non-ethics related complaints received during the reporting period are not represented in the above graph since they are not ethics related.
- See Page 17 for category descriptions.

# Ethics Helpline Retirement Benefit Fraud or Abuse (RBFA) 1-Year Trend

The chart below displays the number of RBFA complaints received over the past 12 months by subcategory.

**RBFA Complaints Received by Month**  
04/01/2017 – 03/31/2018



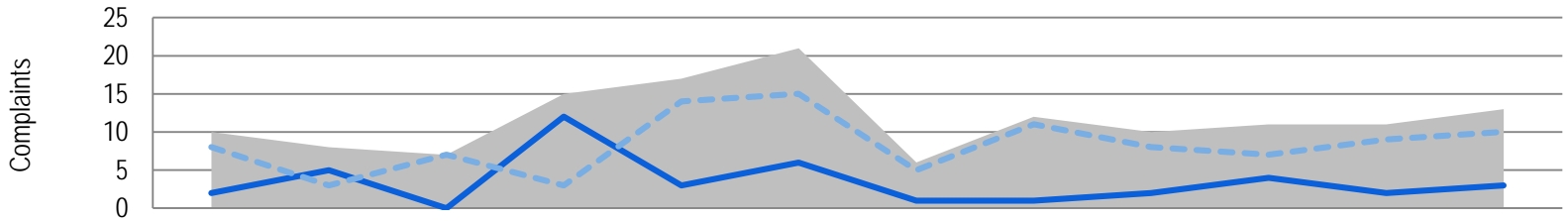
	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Public Agency Activities	—	7	2	2	4	3	6	1	2	2	3	11
Pension Spiking	1	1	3	1	1	1	2	3	1	2	1	1
Retired Annuitant	3	3	4	4	—	5	4	2	1	2	—	—
<b>Total</b>	<b>4</b>	<b>11</b>	<b>9</b>	<b>7</b>	<b>5</b>	<b>9</b>	<b>12</b>	<b>6</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>12</b>

**Observations:**

- Over the past 12 months, the Ethics Helpline has received an average of 22 new RBFA complaints per quarter.
- Historically, the majority of RBFA complaints generally fell into the “Retired Annuitant” subcategory, however there has been a recent shift with the majority of complaints falling into the “Public Agency Activities” subcategory.

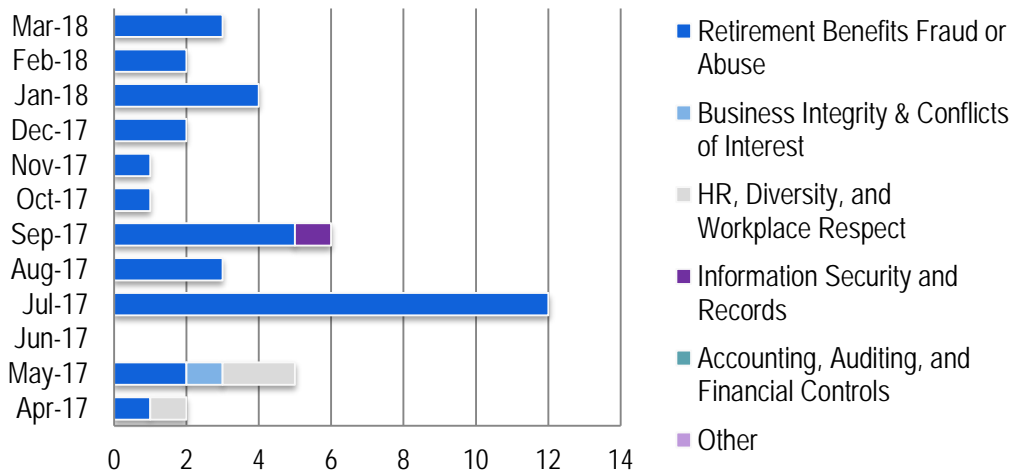
# Ethics Helpline: Complaints Closed

## Complaints Closed: Substantiated vs. Unsubstantiated



	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
■ Total	10	8	7	15	17	21	6	12	10	11	11	13
— Closed: Substantiated	2	5	—	12	3	6	1	1	2	4	2	3
- - - Closed: Unsubstantiated	8	3	7	3	14	15	5	11	8	7	9	10

## Substantiated Complaints by Category



### Observation:

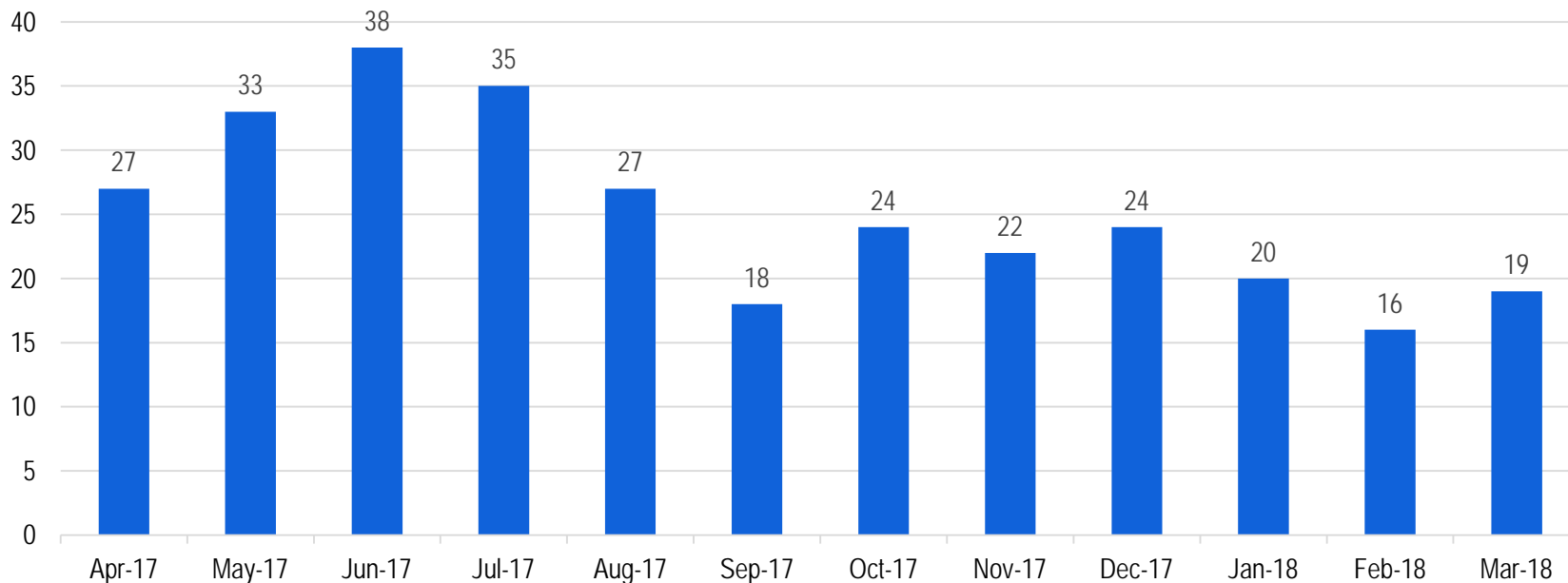
- During Q3 FY 2017-18, there were nine total substantiated and 26 unsubstantiated complaints closed.

### Note:

- See Pages 17 for category descriptions.

# Ethics Helpline: Complaints Open

Complaints Open

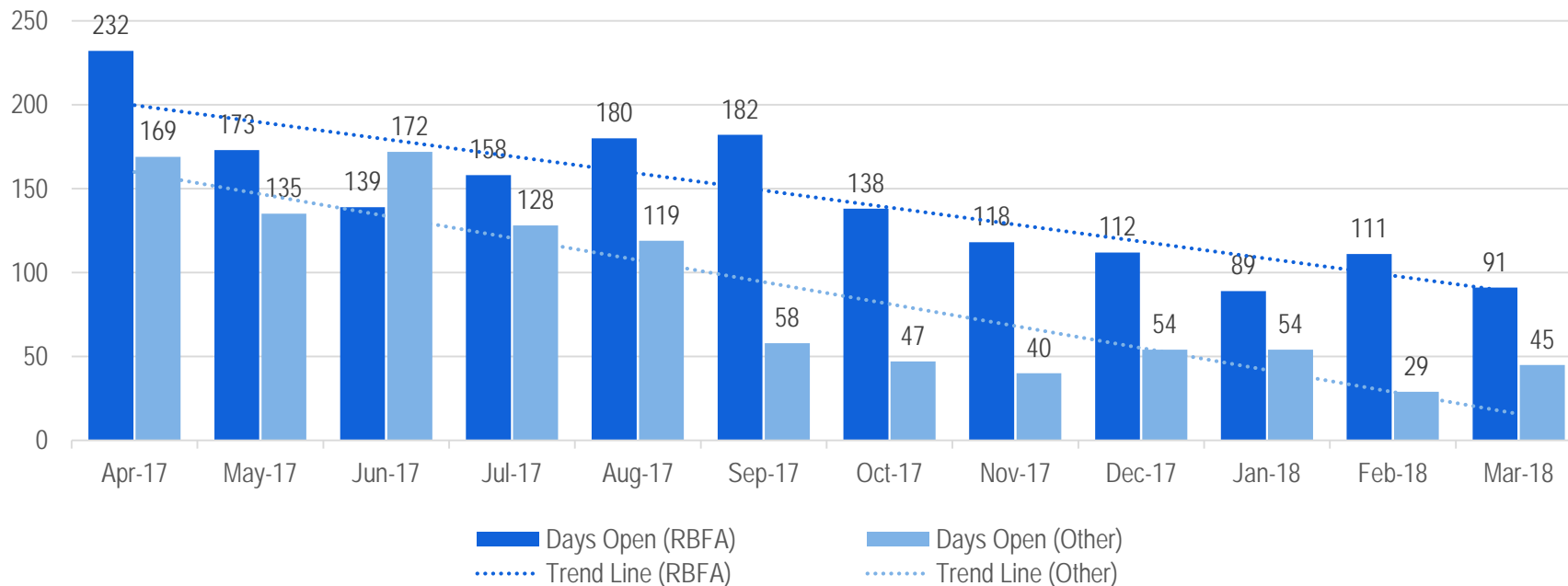


**Observation:**

- There were 19 open complaints at the end of Q3 FY 2017-18. This volume is consistent with the 12-month trend analytics.

# Ethics Helpline: Average Days Open

Average Days Open  
04/01/2017 - 03/31/2018



**Observation:**

- On average, Retirement Benefits Fraud or Abuse (RBFA) complaints were open for 91 days, while all other complaints were open for 45 days.

**Notes:**

- Retirement Benefits Fraud or Abuse complaints often require research by external agencies, resulting in closure times greater than 30 days.

## Appendix - Additional Information

- Form 700 Statement Definitions
- Personal Trading Violation Type Definitions
- Ethics Helpline Complaint Category Definitions

# Form 700 Statement Definitions

## Statement Type

**Annual:** Form 700 statement that is due on April 1st (or the following Monday if April 1st falls on a weekend).

**Assuming Office:** Form 700 statement that is due within 30 days of assuming office.

**Leaving Office:** Form 700 statement that is due within 30 days of leaving office.

## Statement Status

**Submitted Timely:** Form 700 statements submitted within the due date.

**Submitted Late:** Form 700 statements submitted after the due date.

**Outstanding:** Unsubmitted Form 700 statements after the due date has passed.

### **Note:**

- See Pages 4-6 for details.

## Personal Trading Violation Type Definitions

**Blackout Period:** Covered Persons are prohibited from buying, selling or transferring Covered Securities during the Blackout Period, which is the three (3) day period of time that commences one market day before and ends one market day after a transaction in Covered Securities by CalPERS.

**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.

**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.

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

**Note:**

- See Page 7 for details.



# Ethics Helpline Complaint Category Definitions

In September 2016, ECOM started implementing new, streamlined complaint categories. All Ethics Helpline complaints now fall under one of the following six issue types. These categories were developed with CalPERS’ priorities in mind and to bring our reporting processes in line with established industry standards.

Complaint Categories	Examples of Violations
Accounting, Auditing & Financial Controls	Accounting & Auditing Matters; Compliance with Laws & Regulations; Document Creation & Retention; Fraud (Non-retirement benefits related); Override of Internal Controls; Securities Valuation; Tax Issues
Business Integrity & Conflicts of Interest	Contract Compliance; Foreign Corrupt Practices Act & Improper Payments; Improper Giving & Receiving of Gifts; Insider Trading; Outside Employment & Compensation; Relationships with Clients, Suppliers & Vendors
Human Resources, Diversity & Workplace Respect	Discrimination or Harassment; EEOC or ADA Matters; Human Resources (HR); Retaliation; Safety, Health & Environment; Sexual Harassment; Workplace Violence
Information Security & Records	Badging & Access Control; Computer, Email & Internet Use; Data Privacy; Disclosure of Confidential Information; Health Insurance Portability & Accountability Act (HIPAA) Violations; Identity Theft
Retirement Benefits Fraud or Abuse	Pension Spiking; Public Agency Activities; Retired Annuitants
Other	Reporting parties can select this issue type if they feel the ethical violation they are reporting doesn't fall under one of the other five categories.

**Note:**

- See Pages 9 and 11 for details.