

Quarterly Status Report – Enterprise Compliance Activity

Fourth Quarter FY 2017-18

Presented to
Risk and Audit Committee
September 25, 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

Q4 FY 2017-18 Summary			
Statement Type	Submitted	Outstanding	Total
Annual	9	4	13
Assuming Office	36	–	36
Leaving Office	22	2	24
Grand Total	67	6	73

Observations:

- CalPERS currently has 888 board and employee Form 700 filers.
- There were 67 total statements submitted during Q4 FY 2017-18.
- As of 06/30/2018, there were six outstanding statements.

Note:

- See Page 15 for Statement definitions.

Consultant Form 700 Filings

Q4 FY 2017-18 Summary			
Statement Type	Submitted	Outstanding	Total
Annual	16	1	17
Assuming Office	9	–	9
Leaving Office	5	4	9
Grand Total	30	5	35

Observations:

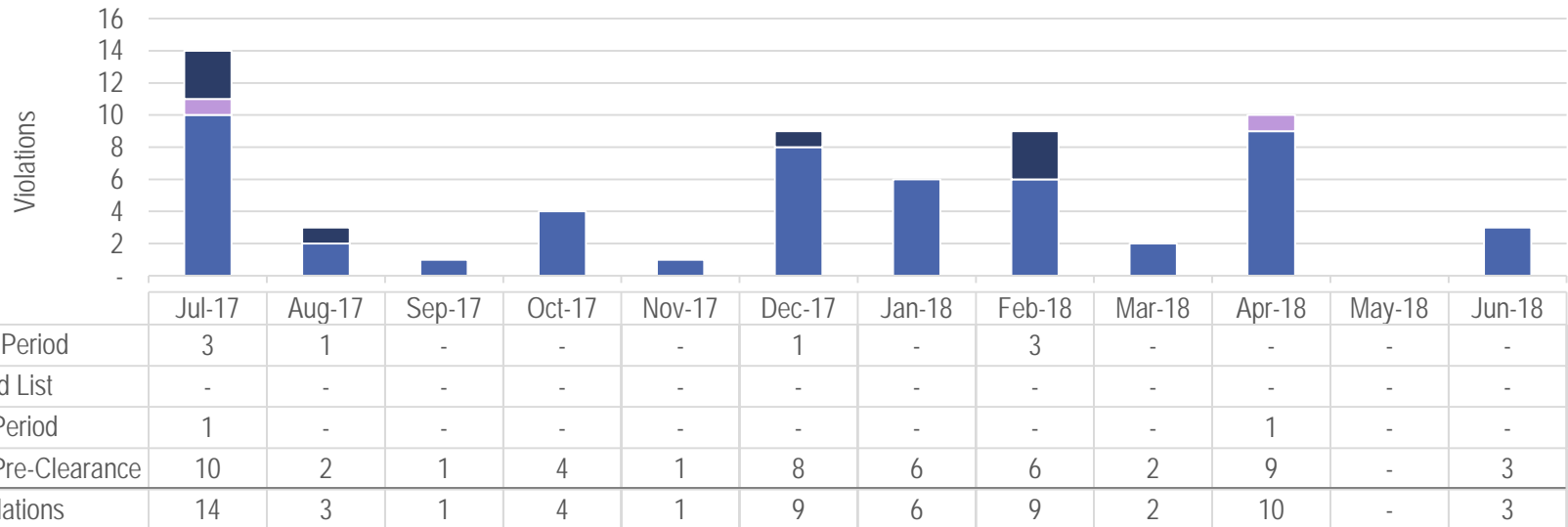
- CalPERS currently has 204 consultant Form 700 filers.
- There were 30 total statements submitted during Q4 FY 2017-18.
- As of 06/30/2018, there were five outstanding statements.

Note:

- See Page 15 for Statement definitions.

Personal Trade Monitoring: Violations

Personal Trade Monitoring: Violations by Type
07/01/2017 - 06/30/2018



Observations:

- There were 13 violations committed during Q4 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

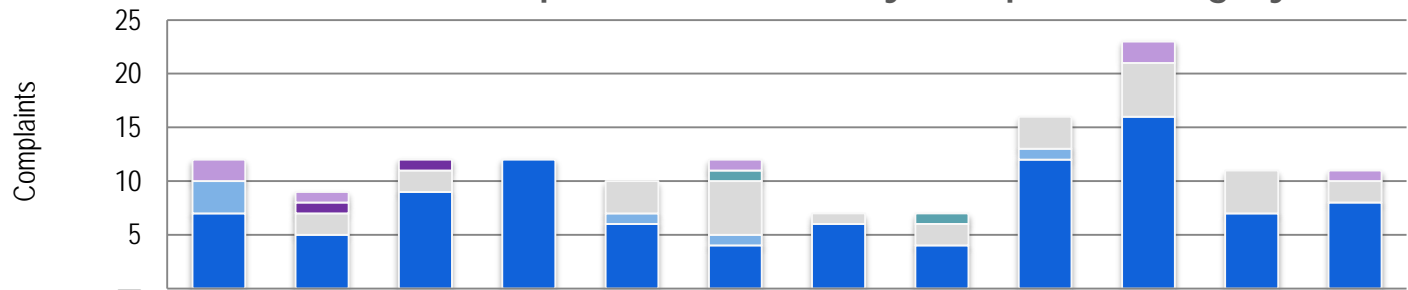
Personal Trading Affirmation / Attestation Filing Report Q4 FY 2017-18				
Affirmation Type	Total Due	Submitted Timely	Submitted Late	Outstanding
Initial Personal Trading Affirmation	24	23	1	–
2018 Annual Personal Trading Attestation	557	557	–	–
Q3 FY 2017-18 Transaction Affirmation	46	44	2	–
Grand Total	627	624	3	–

Observations:

- There were a total of 24 Initial Personal Trading Affirmations due in Q4 FY 2017-18, and one Affirmation was submitted late.
- There were a total of 557 2018 Annual Personal Trading Attestations due April 2, 2018.
- There were a total of 46 Q3 FY 2017-18 Transaction Affirmation due May 2, 2018, and two affirmations were submitted late.

Ethics Helpline: Complaints Received

Ethics Related Complaints Received by Complaint Category



	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Other	2	1	—	—	—	1	—	—	—	2	—	1
Accounting, Auditing, and Financial Controls	—	—	—	—	—	1	—	1	—	—	—	—
Information Security and Records	—	1	1	—	—	—	—	—	—	—	—	—
HR, Diversity, and Workplace Respect	—	2	2	—	3	5	1	2	3	5	4	2
Business Integrity & Conflicts of Interest	3	—	—	—	1	1	—	—	1	—	—	—
Retirement Benefits Fraud or Abuse	7	5	9	12	6	4	6	4	12	16	7	8
Total	12	9	12	12	10	12	7	7	16	23	11	11

Observations:

- During Q4 FY 2017-18, 45 ethics related complaints were received.
- Of the 45 ethics related complaints received, 69% (31 of 45) fell under the Retirement Benefits Fraud or Abuse category.

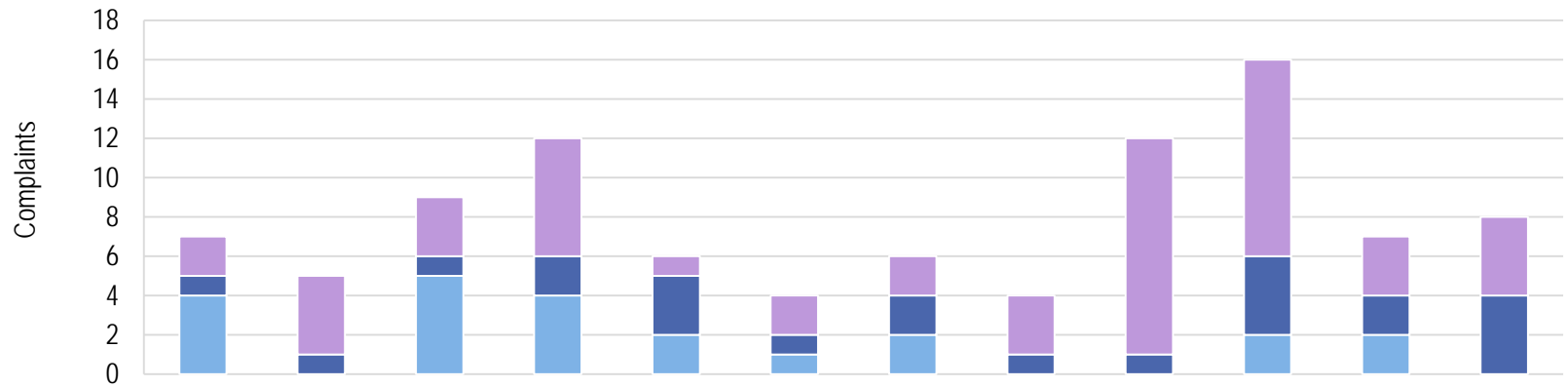
Notes:

- Twelve 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
07/01/2017 – 06/30/2018



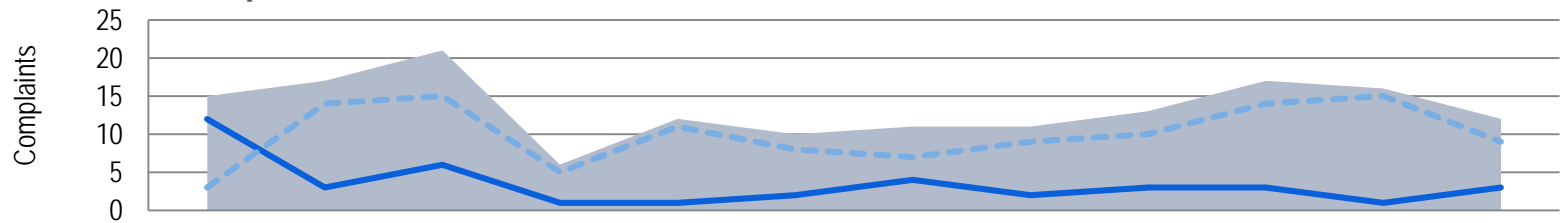
	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Public Agency Activities	2	4	3	6	1	2	2	3	11	10	3	4
Pension Spiking	1	1	1	2	3	1	2	1	1	4	2	4
Retired Annuitant	4	—	5	4	2	1	2	—	—	2	2	—
Total	7	5	9	12	6	4	6	4	12	16	7	8

Observations:

- Over the past 12 months, the Ethics Helpline received an average of 24 RBFA complaints per quarter.
- Historically, the majority of RBFA complaints 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.

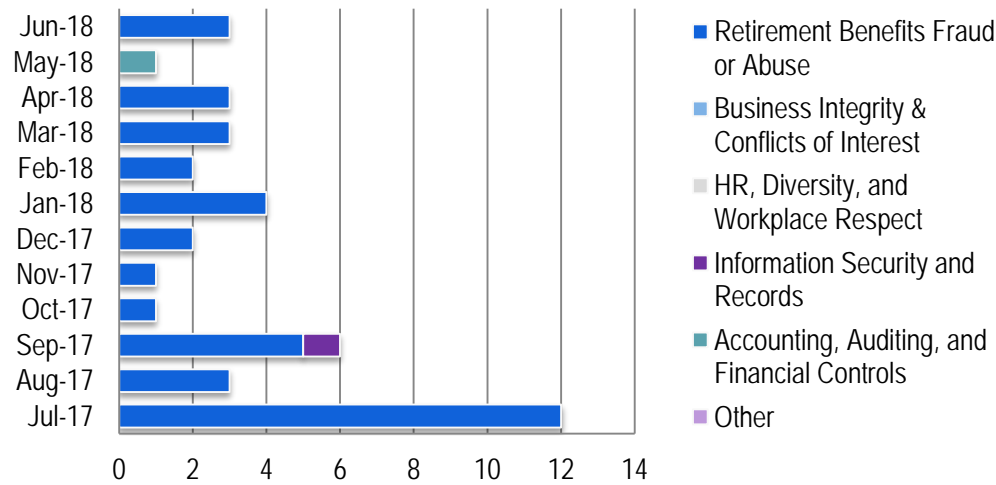
Ethics Helpline: Complaints Closed

Complaints Closed: Substantiated vs. Unsubstantiated



	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Total	15	17	21	6	12	10	11	11	13	17	16	12
Closed: Substantiated	12	3	6	1	1	2	4	2	3	3	1	3
Closed: Unsubstantiated	3	14	15	5	11	8	7	9	10	14	15	9

Substantiated Complaints by Category



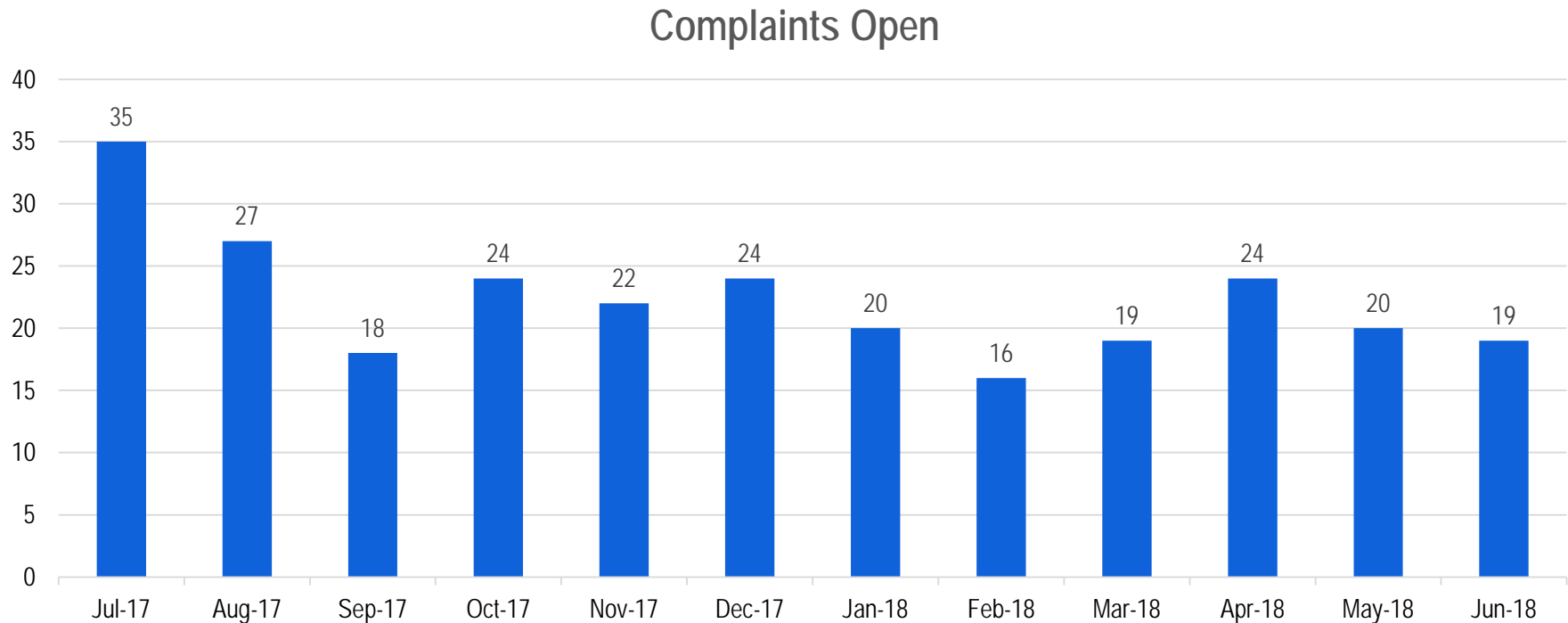
Observation:

- During Q4 FY 2017-18, there were seven total substantiated and 38 unsubstantiated complaints closed.

Note:

- See Page 17 for category descriptions.

Ethics Helpline: Complaints Open

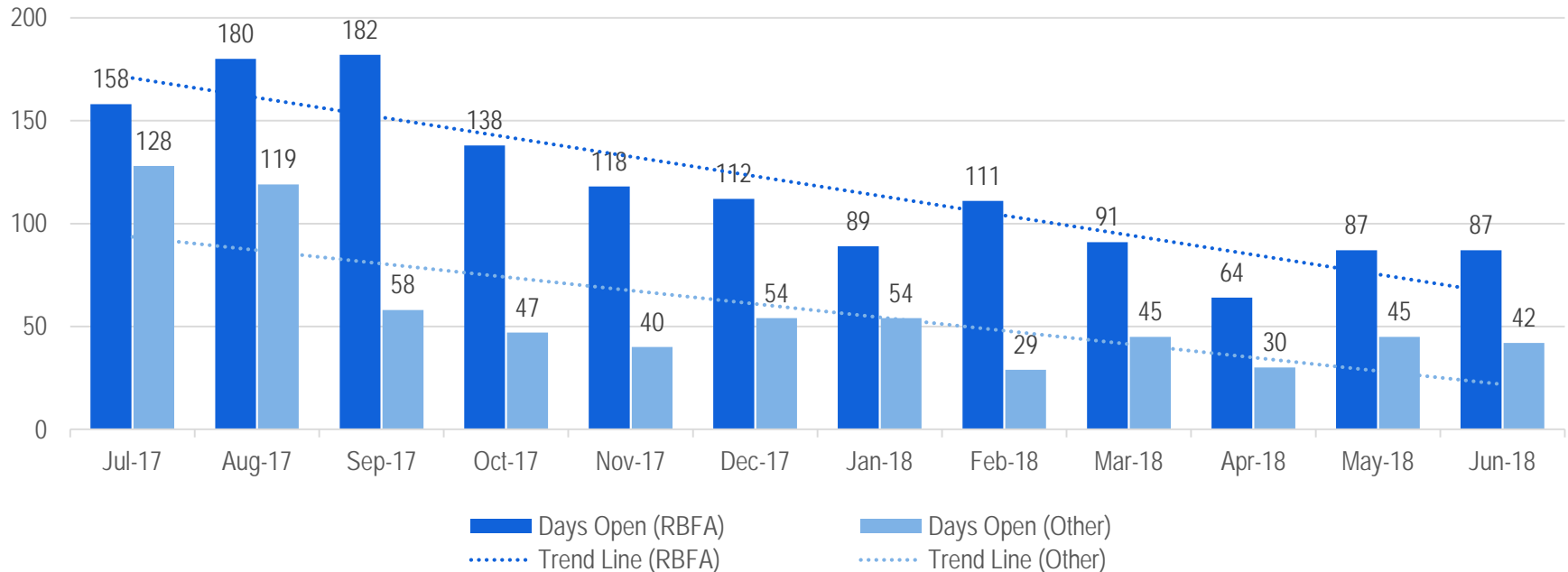


Observation:

- There were 19 open complaints at the end of Q4 FY 2017-18.

Ethics Helpline: Average Days Open

Average Days Open
07/01/2017 - 06/30/2018



Observation:

- As of June 30, 2018, Retirement Benefits Fraud or Abuse (RBFA) complaints were open for 87 days, while all other complaints were open for 42 days.

Note:

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

Training Compliance: Mandated Training

Mandated Training – Due 06/30/2018		
Training Type	# Past Due	Completion Rate
2017-18 Health Insurance Portability Accountability Act	3	99.89%
2017-18 Information Security Awareness	3	99.89%
Grand Total	6	99.89%

Observations:

- Mandated training was completed timely by 99.89% of all team members.

Note:

- Completion rates are calculated based on all team members required to take each mandated training. Team members on an official leave of absence and retired team members who have separated are not included in the calculation.

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 and 5 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 6 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 8 and 10 for details.