

# Quarterly Status Report – Enterprise Compliance Activity

First Quarter FY 2018-19

Presented to  
Risk and Audit Committee  
November 14, 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

Q1 FY 2018-19 Activity			
Statement Type	Submitted	Outstanding	Total
Annual	1	1	2
Assuming Office	22	-	22
Leaving Office	30	-	30
<b>Grand Total</b>	<b>53</b>	<b>1</b>	<b>54</b>

### Observations:

- CalPERS currently has 890 Board and employee Form 700 filers.
- There was one filer referred to FPPC for not filing two statements.
- There were 54 statements filed during Q1 FY 2018-19.
- As of 09/30/2018, there is one outstanding statement from a filer on an approved leave of absence.

### Note:

- See Page 14 for Statement definitions.

# Consultant Form 700 Filings

Q1 FY 2018-19 Activity			
Statement Type	Submitted	Outstanding	Total
Annual	-	-	-
Assuming Office	4	-	4
Leaving Office	6	-	6
<b>Grand Total</b>	<b>10</b>	<b>-</b>	<b>10</b>

**Observations:**

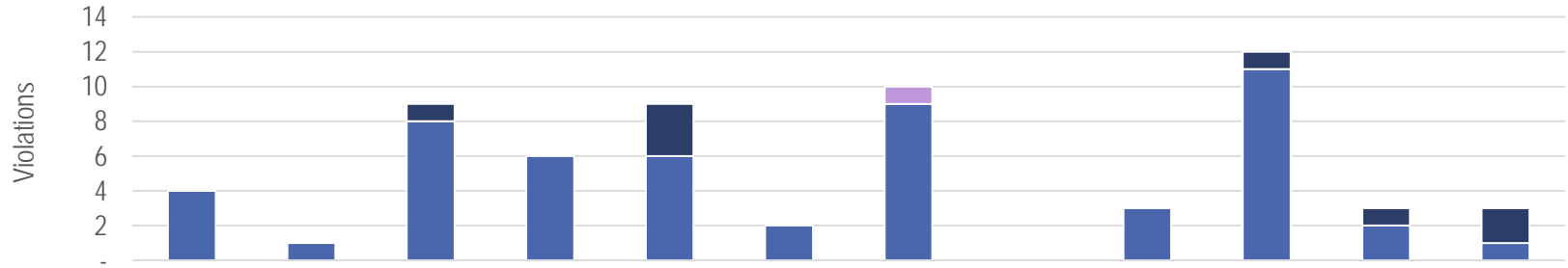
- CalPERS currently has 202 consultant Form 700 filers.
- There were 10 statements filed during Q1 FY 2018-19.
- As of 09/30/2018, there are no outstanding statements.

**Note:**

- See Page 14 for Statement definitions.

# Personal Trade Monitoring: Violations

Personal Trade Monitoring: Violations by Type  
10/01/2017 - 09/30/2018



	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18
■ Blackout Period	-	-	1	-	3	-	-	-	-	1	1	2
■ Restricted List	-	-	-	-	-	-	-	-	-	-	-	-
■ Holding Period	-	-	-	-	-	-	1	-	-	-	-	-
■ Missing Pre-Clearance	4	1	8	6	6	2	9	-	3	11	2	1
Total Violations	4	1	9	6	9	2	10	-	3	12	3	3

## Observations:

- There were 18 violations committed during Q1 FY 2018-19.
- Historically, the majority of violations fall under the Missing Pre-Clearance violation type.

## Notes:

- See Page 15 for violation type definitions.
- Multiple violations can be triggered by a single Covered Person at one time.

## Personal Trade Monitoring: Personal Trading Regulation Affirmations

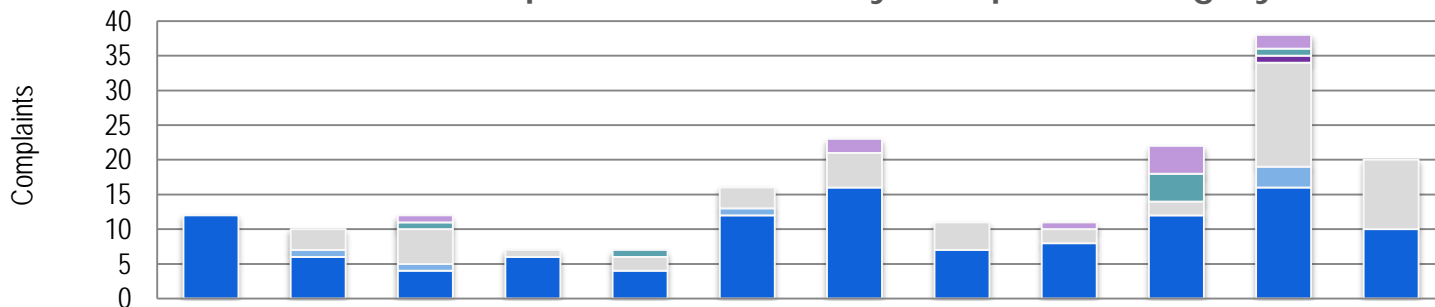
Personal Trading Affirmation / Attestation Filing Report Q1 FY 2018-19				
Affirmation Type	Total Due	Submitted Timely	Submitted Late	Outstanding
Initial Personal Trading Affirmation	48	48	-	-
Q4 FY 2017-18 Transaction Affirmation	16	16	-	-
<b>Grand Total</b>	<b>64</b>	<b>64</b>	<b>-</b>	<b>-</b>

### Observations:

- There were a total of 48 Initial Personal Trading Affirmations due in Q1 FY 2018-19 and none were submitted late.
- There were a total of 16 Q4 FY 2017-18 Transaction Affirmations due August 1, 2018 and none were submitted late.

# Ethics Helpline: Complaints Received

Ethics Related Complaints Received by Complaint Category



	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18
Other	—	—	1	—	—	—	2	—	1	4	2	—
Accounting, Auditing, and Financial Controls	—	—	1	—	1	—	—	—	—	4	1	—
Information Security and Records	—	—	—	—	—	—	—	—	—	—	1	—
HR, Diversity, and Workplace Respect	—	3	5	1	2	3	5	4	2	2	15	10
Business Integrity & Conflicts of Interest	—	1	1	—	—	1	—	—	—	—	3	—
Retirement Benefits Fraud or Abuse	12	6	4	6	4	12	16	7	8	12	16	10
Total	12	10	12	7	7	16	23	11	11	22	38	20

**Observations:**

- During Q1 FY 2018-19, 80 ethics related complaints were received.
- Of the 80 ethics related complaints received, 48% (38 of 80) fell under the Retirement Benefits Fraud or Abuse category.

**Notes:**

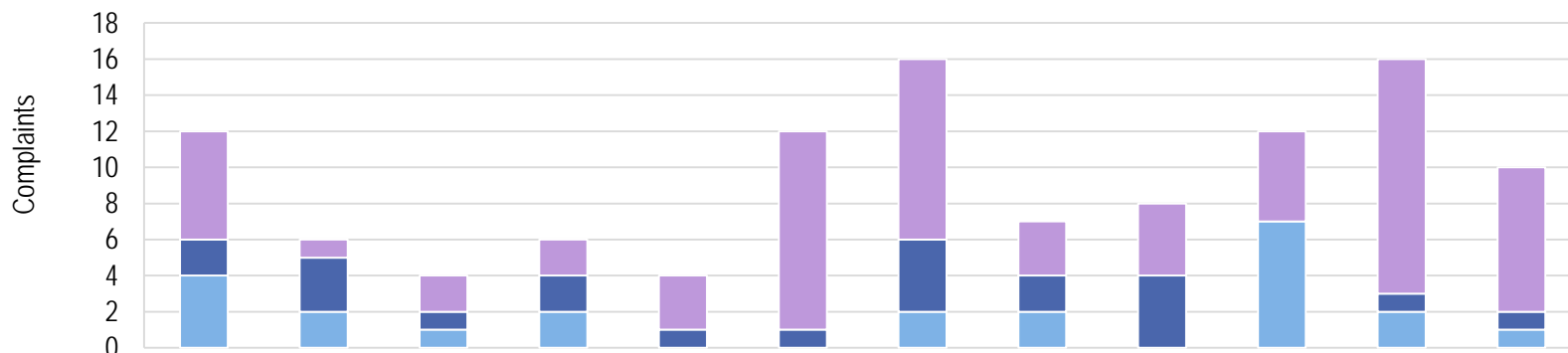
- Three non-ethics related complaints received during the reporting period are not represented in the above graph since they are not ethics related.
- See Page 16 for category descriptions.



# 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**  
10/01/2017 – 09/30/2018



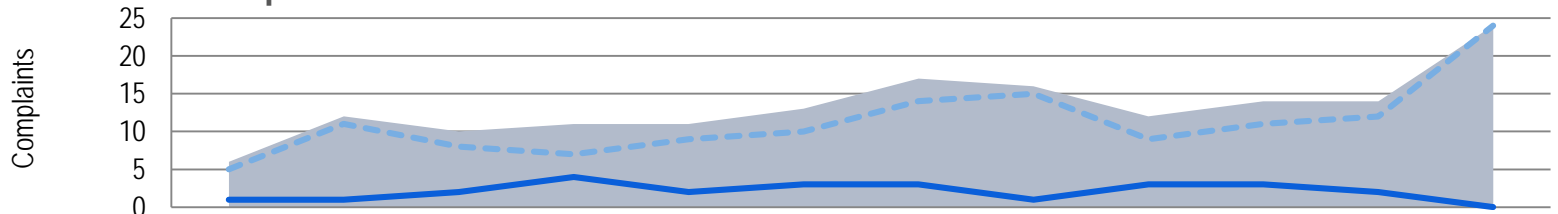
	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18
Public Agency Activities	6	1	2	2	3	11	10	3	4	5	13	8
Pension Spiking	2	3	1	2	1	1	4	2	4	—	1	1
Retired Annuitant	4	2	1	2	—	—	2	2	—	7	2	1
Total	12	6	4	6	4	12	16	7	8	12	16	10

**Observations:**

- Over the last 12 months, the Ethics Helpline has received an average of 28 RBFA complaints per quarter.
- Historically, the majority of the RBFA complaints fell into the “Retired Annuitant” subcategory, however there has been a shift with the majority of complaints falling into the “Public Agency Activities” subcategory.

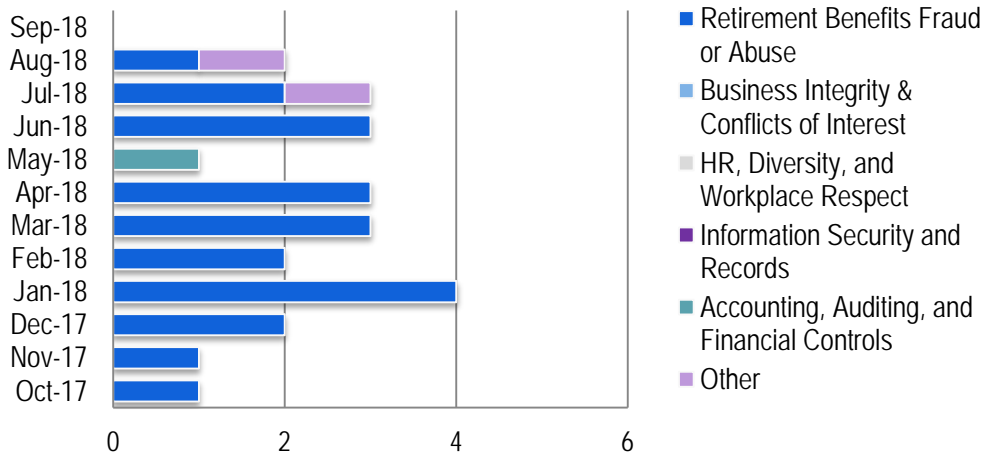
# Ethics Helpline: Complaints Closed

## Complaints Closed: Substantiated vs. Unsubstantiated



	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18
■ Total	6	12	10	11	11	13	17	16	12	14	14	24
— Closed: Substantiated	1	1	2	4	2	3	3	1	3	3	2	0
- - - Closed: Unsubstantiated	5	11	8	7	9	10	14	15	9	11	12	24

## Substantiated Complaints by Category



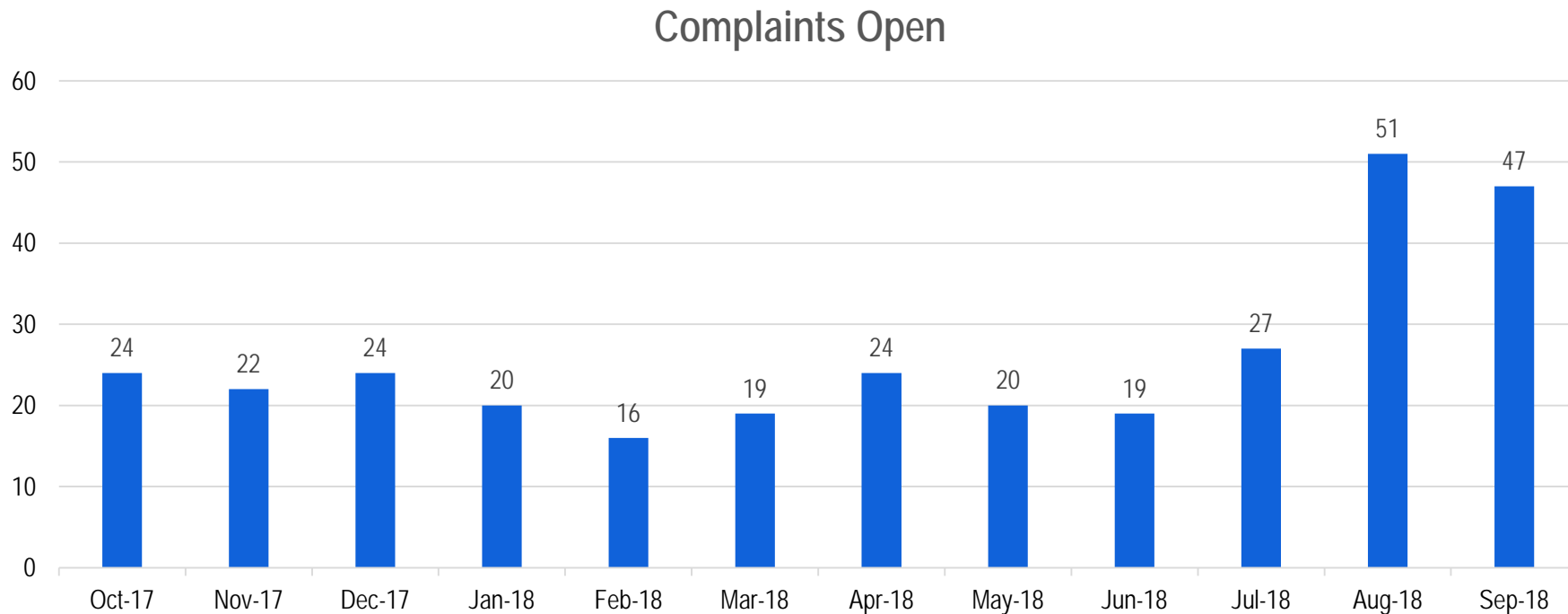
### Observation:

- During Q1 FY 2018-19, five closed complaints were substantiated and 47 closed complaints were not substantiated.

### Notes:

- "Not Substantiated" includes complaints that were closed as unsubstantiated, inconclusive, or for insufficient information.
- See Pages 16-17 for complaint category definitions and case outcome definitions.

# Ethics Helpline: Complaints Open

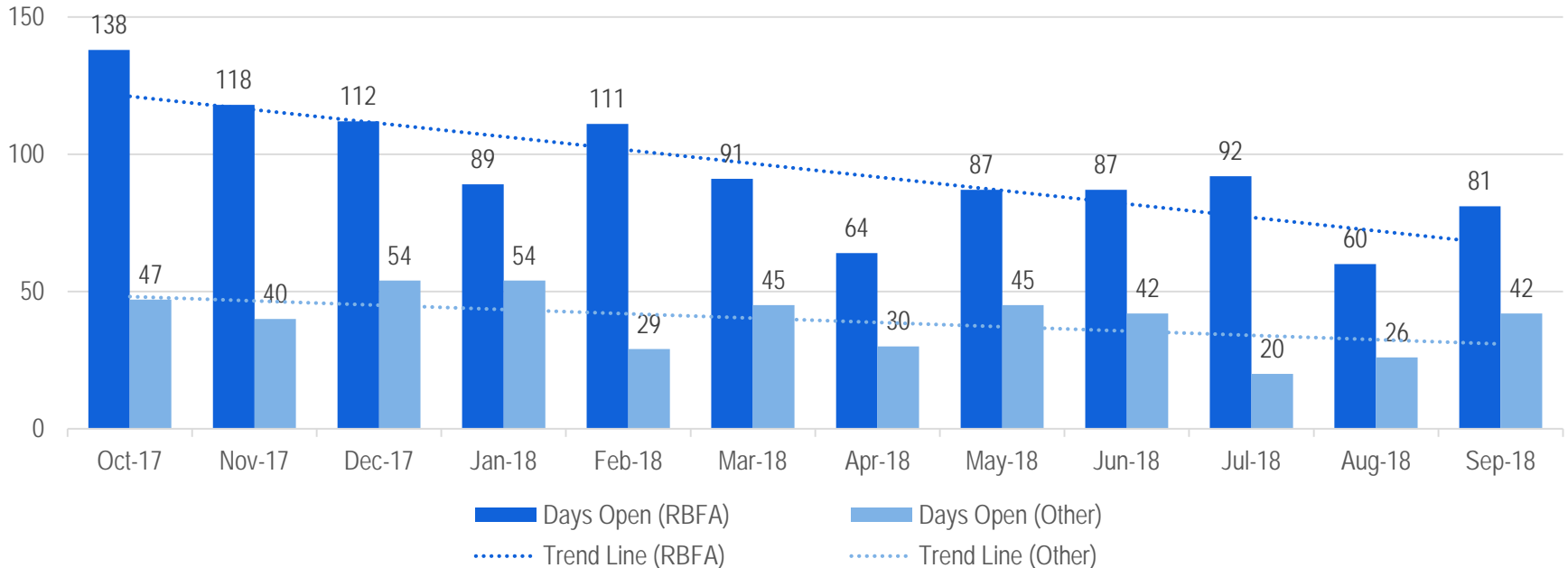


**Observation:**

- There were 47 open complaints at the end of Q1 FY 2018-19.

# Ethics Helpline: Average Days Open

Average Days Open  
10/01/2017 - 9/30/2018



**Observation:**

- As of September 30, 2018, Retirement Benefits Fraud or Abuse (RBFA) complaints were open for 81 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.

## Appendix - Additional Information

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

**Referred:** Unsubmitted Form 700 referred to Fair Political Practices Commission (FPPC) for enforcement.

### **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

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	<ul style="list-style-type: none"> <li>• Retired Annuitants - Involves retired CalPERS members who work for a CalPERS covered agency post retirement.</li> <li>• Pension Spiking - Involves situations where a CalPERS covered employer inflates the compensation of an employee in the years immediately preceding retirement for the purpose of increasing their monthly retirement allowance.</li> <li>• Public Agency Activities - Refers to a CalPERS public agency’s failure to bring a qualified employee into CalPERS membership or any other allegations that do not fit either of the other subtypes.</li> </ul>
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 8-10 for details.



## Ethics Helpline Case Outcome Definitions

Case Outcome	Definition
Substantiated	The investigation establishes that it is more likely than not that the alleged conduct occurred.
Unsubstantiated	The investigation establishes that it is more likely than not that the alleged conduct did not occur.
Inconclusive	The investigation fails to establish one way or another whether the alleged conduct occurred.
Insufficient Information	Information submitted was not sufficient to initiate investigation.

**Note:**

- See Page 10 for details.