

# Quarterly Status Report – Enterprise Compliance Activity

Fourth Quarter FY 2018-19

Presented to  
Risk and Audit Committee  
September 17, 2019

# 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 2018-19 Statements Due (Board & Employee)

Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	26	1	-	27
Leaving Office	19	-	1	20
Annual	854	1	5	860
<b>Grand Total</b>	<b>899</b>	<b>2</b>	<b>6</b>	<b>907</b>

### Observations:

- CalPERS currently has 908 Board and employee Form 700 filers.
- Out of 907 statements due in Q4 FY 2018-19, 899 (99%) were submitted timely and 8 (1%) were not submitted timely.
- ECOM is actively monitoring one outstanding statement due prior to Q4 FY 2018-19, and six outstanding statements due during Q4 FY 2018-19.

**Note:**

- See Page 15 for Statement definitions.

# Consultant Form 700 Filings

Q4 FY 2018-19 Statements Due (Consultant)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	5	-	-	5
Leaving Office	-	2	-	2
Annual	162	9	1	172
<b>Grand Total</b>	<b>167</b>	<b>11</b>	<b>1</b>	<b>179</b>

**Observations:**

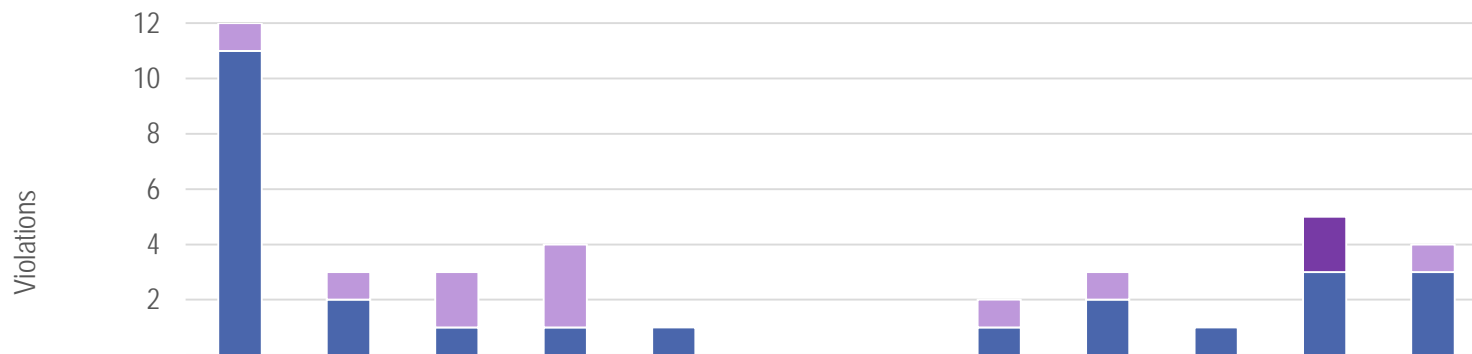
- CalPERS currently has 190 consultant Form 700 filers.
- Out of 179 statements due in Q4 FY 2018-19, 167 (93%) were submitted timely and 12 (7%) were not submitted timely.
- ECOM is actively monitoring five outstanding statements due prior to Q4 FY 2018-19, and one outstanding statement due during Q4 FY 2018-19.

**Note:**

- See Page 15 for Statement definitions.

# Personal Trade Monitoring: Violations

Personal Trade Monitoring: Violations by Type  
07/01/2018 – 06/30/2019



	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
Blackout Period	1	1	2	3	-	-	-	1	1	-	-	1
Restricted List	-	-	-	-	-	-	-	-	-	-	-	-
Holding Period	-	-	-	-	-	-	-	-	-	-	2	-
Missing Pre-Clearance	11	2	1	1	1	-	-	1	2	1	3	3
Total Violations	12	3	3	4	1	-	-	2	3	1	5	4

**Observations:**

- There were 10 violations committed during Q4 FY 2018-19 (seven Missing Pre-Clearance violations, two Holding Period violations, and one Blackout Period violation).

**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 2018-19				
Affirmation Type	Total Due	Submitted Timely	Submitted Late	Outstanding
Initial Personal Trading Affirmation	13	13	-	-
Q3 FY 2018-19 Transaction Affirmation	45	43	2	-
2019 Annual Personal Trading Attestation	570	565	2	3*
<b>Grand Total</b>	<b>628</b>	<b>621</b>	<b>4</b>	<b>3</b>

### Observations:

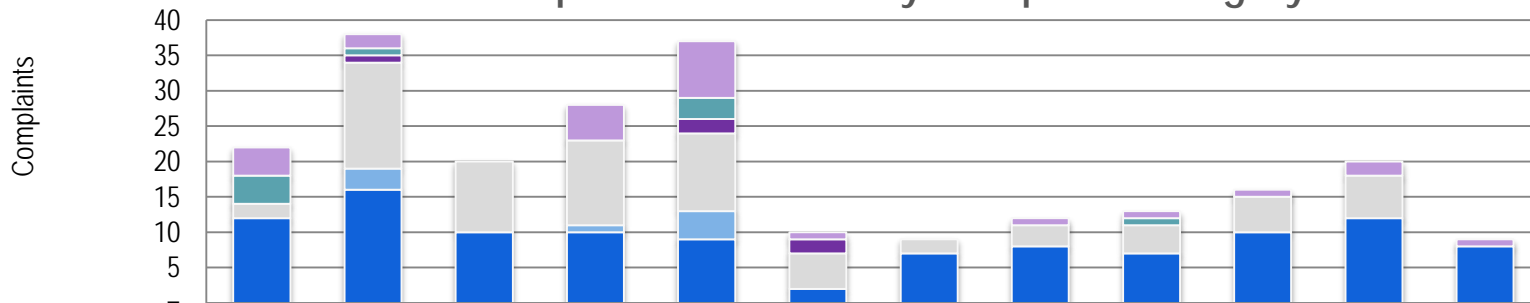
- There were a total of 13 Initial Personal Trading Affirmations due in Q4 FY 2018-19 and all affirmations were submitted timely.
- There were a total of 45 Q3 FY 2018-19 Transaction Affirmations due May 2, 2019 and two affirmations were submitted late.
- There were a total of 570 2019 Annual Personal Trading Attestations due April 2, 2019. Two affirmations were submitted late and three are outstanding\*.

### Note:

- *\*The three outstanding annual attestations belong to Covered Persons' on a formal Leave of Absence.*

# Ethics Helpline: Complaints Received

## Ethics Related Complaints Received by Complaint Category



	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
Other	4	2	-	5	8	1	-	1	1	1	2	1
Accounting, Auditing & Financial Controls	4	1	-	-	3	-	-	-	1	-	-	-
Information Security and Records	-	1	-	-	2	2	-	-	-	-	-	-
HR, Diversity, and Workplace Respect	2	15	10	12	11	5	2	3	4	5	6	-
Business Integrity & Conflicts of Interest	-	3	-	1	4	-	-	-	-	-	-	-
Retirement Benefits Fraud or Abuse	12	16	10	10	9	2	7	8	7	10	12	8
<b>Total</b>	<b>22</b>	<b>38</b>	<b>20</b>	<b>28</b>	<b>37</b>	<b>10</b>	<b>9</b>	<b>12</b>	<b>13</b>	<b>16</b>	<b>20</b>	<b>9</b>

### Observations:

- During Q4 FY 2018-19, 45 ethics related complaints were received.
- Of the 45 ethics related complaints received, 67% (30 of 45) fell under the Retirement Benefits Fraud or Abuse category.

### Notes:

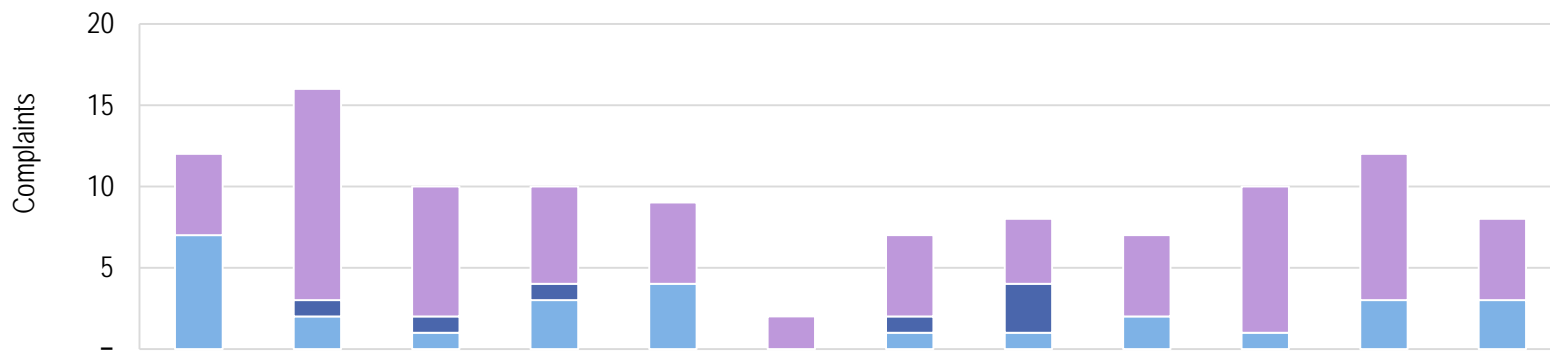
- Seven non-ethics related complaints received during the reporting period are not represented in the above graph since they are not ethics related.
- See Page 17 for category descriptions.



# 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**  
07/01/2018 – 06/30/2019



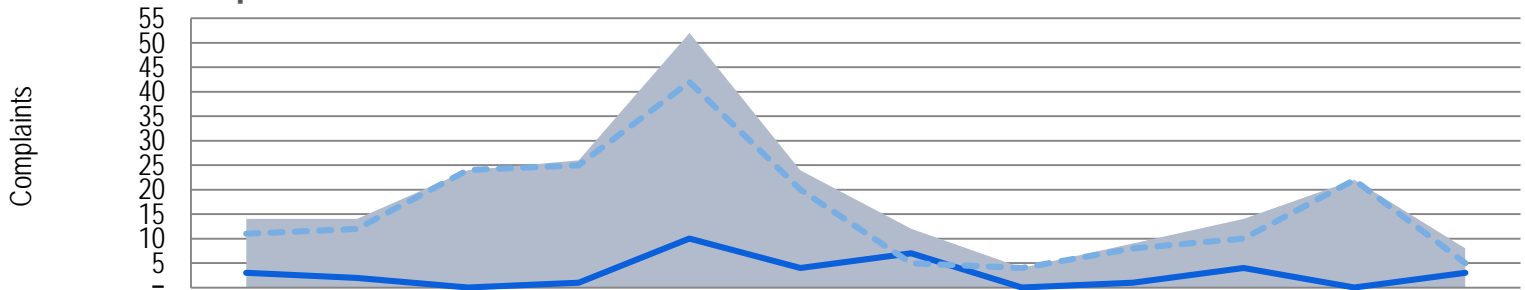
	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
Public Agency Activities	5	13	8	6	5	2	5	4	5	9	9	5
Pension Spiking	-	1	1	1	-	-	1	3	-	-	-	-
Retired Annuitant	7	2	1	3	4	-	1	1	2	1	3	3
Total	12	16	10	10	9	2	7	8	7	10	12	8

**Observations:**

- Over the past 12 months, the Ethics Helpline has received an average of 28 RBFA complaints per quarter.
- The majority of complaints fall into the “Public Agency Activities” subcategory.

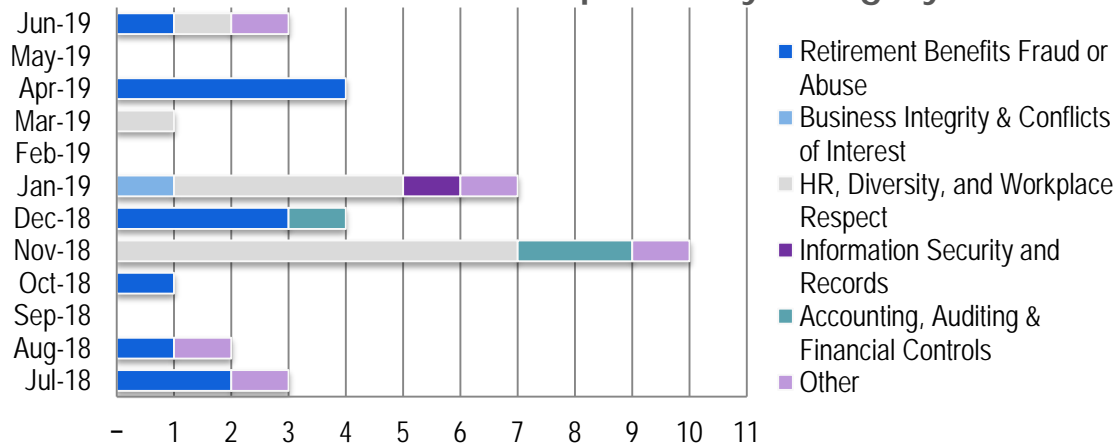
# Ethics Helpline: Complaints Closed

## Complaints Closed: Substantiated vs. Not Substantiated



	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
Total	14	14	24	26	52	24	12	4	9	14	22	8
Closed: Substantiated	3	2	-	1	10	4	7	-	1	4	-	3
Closed: Not Substantiated	11	12	24	25	42	20	5	4	8	10	22	5

## Substantiated Complaints by Category



### Observation:

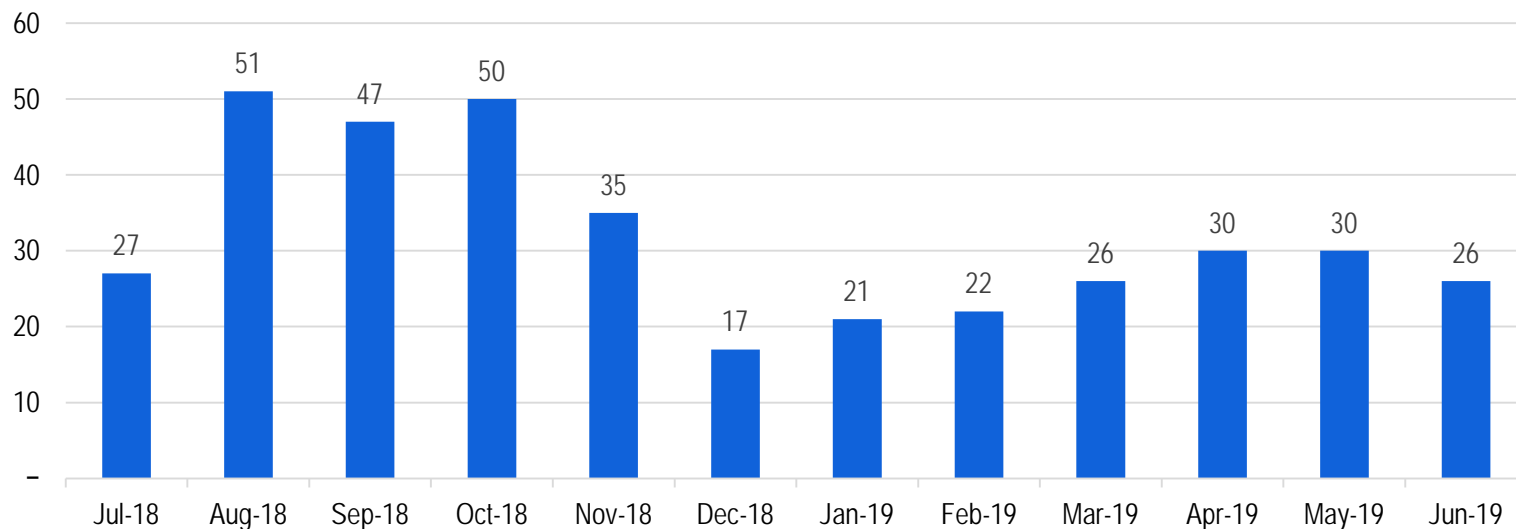
- During Q4 FY 2018-19, 19% (7 of 37) of closed complaints were substantiated.

### Note:

- "Not substantiated" includes complaints that were closed as unsubstantiated, inconclusive, or for insufficient information.
- See Pages 17-18 for complaint category definitions and case status definitions.

# Ethics Helpline: Complaints Open

Complaints Open  
07/01/2018 – 06/30/2019

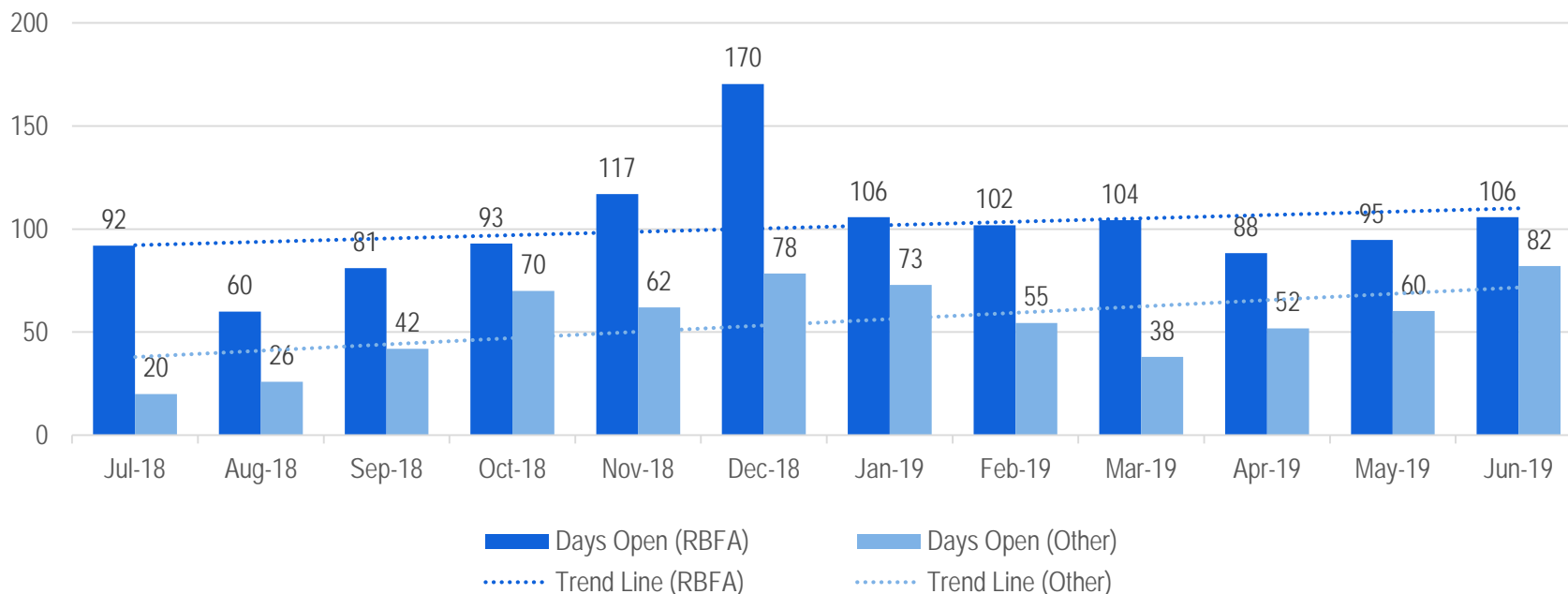


**Observation:**

- There were 26 open complaints at the end of Q4 FY 2018-19.

# Ethics Helpline: Average Days Open

Average Days Open  
07/01/2018 – 06/30/2019



**Observation:**

- As of June 30, 2019, Retirement Benefits Fraud or Abuse (RBFA) complaints were open for an average of 106 days, while all other complaints were open for an average of 82 days.

**Note:**

- Retirement Benefits Fraud or Abuse complaints often require research by external agencies, resulting in closure times greater than 30 days.
- Case averages only include cases tracked through the Navex Ethics Helpline System.

# Training Compliance: Annual Mandatory Training

Mandatory Training – Due 06/30/2019		
Training Type	# Past Due	Completion Rate
2018-19 Health Insurance Portability Accountability Act	1	99.96%
2018-19 Information Security Awareness	1	99.96%
2018-19 Speaking Up About Misconduct	0	100%
<b>Grand Total</b>	<b>2</b>	<b>99.97%</b>

**Observations:**

- Mandatory training was completed timely by 99.97% 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
- 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, 9, and 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.