

Quarterly Status Report – Enterprise Compliance Activity

First Quarter FY 2019-20

Presented to
Risk and Audit Committee
November 19, 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

Q1 FY 2019-20 Statements Due (Board & Employee)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	30	-	-	30
Leaving Office	31	2	-	33
Grand Total	61	2	-	63

Observations:

- CalPERS currently has 910 Board and employee Form 700 filers.
- Out of 63 statements due in Q1 FY 2019-20, 61 (97%) were submitted timely and 2 (3%) were not submitted timely.
- No statements due during the quarter remain outstanding at the end of Q1 FY 2019-20.

Note:

- See Page 14 for Statement definitions.

Consultant Form 700 Filings

Q1 FY 2019-20 Statements Due (Consultant)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	2	-	-	2
Leaving Office	9	2	8	19
Grand Total	11	2	8	21

Observations:

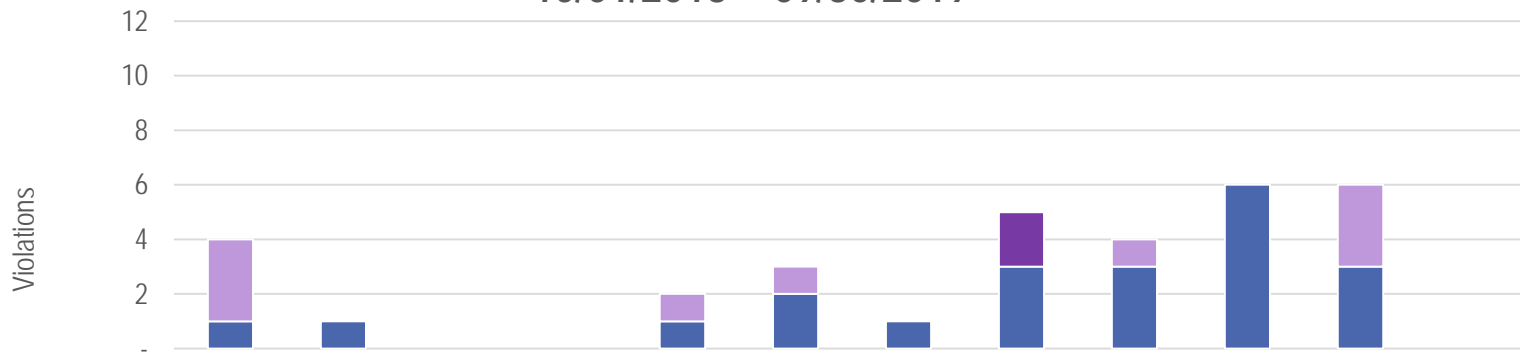
- CalPERS currently has 171 consultant Form 700 filers.
- Out of 21 statements due in Q1 FY 2019-20, 11 (52%) were submitted timely and 10 (48%) were not submitted timely.
- ECOM is actively monitoring eight outstanding statements due during Q1 FY 2019-20.

Note:

- See Page 14 for Statement definitions.

Personal Trade Monitoring: Violations

Personal Trade Monitoring: Violations by Type
10/01/2018 – 09/30/2019



	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Blackout Period	3	-	-	-	1	1	-	-	1	-	3	-
Restricted List	-	-	-	-	-	-	-	-	-	-	-	-
Holding Period	-	-	-	-	-	-	-	2	-	-	-	-
Missing Pre-Clearance	1	1	-	-	1	2	1	3	3	6	3	-
Total Violations	4	1	-	-	2	3	1	5	4	6	6	-

Observations:

- There were 12 violations committed during Q1 FY 2019-20 (nine Missing Pre-Clearance violations and three Blackout Period violations).
- 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

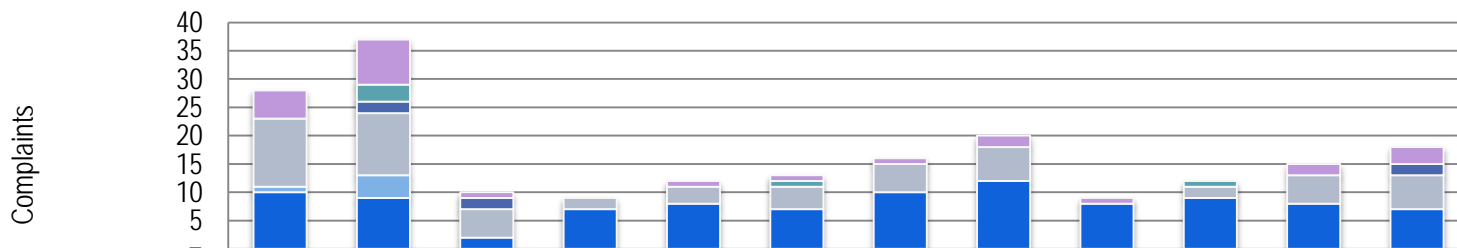
Personal Trading Affirmation / Attestation Report Q1 FY 2019-20				
Affirmation Type	Total Due	Submitted Timely	Submitted Late	Outstanding
Initial Personal Trading Affirmation	20	20	-	-
FY Q4 2018-19 Transaction Affirmation	48	47	1	-
Total	68	67	1	-

Observations:

- There were a total of 20 Initial Personal Trading Affirmations due in Q1 FY 2019-20, and all Affirmations were submitted timely.
- There were a total of 48 Q4 FY 2018-19 Transaction Affirmations due July 31, 2019 and one affirmation was submitted late.

Ethics Helpline: Complaints Received

Ethics Related Complaints Received by Complaint Category



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

Observations:

- During Q1 FY 2019-20, 45 ethics related complaints were received.
- Of the 45 ethics related complaints received, 53% (24 of 45) fell under the Retirement Benefits Fraud or Abuse category.

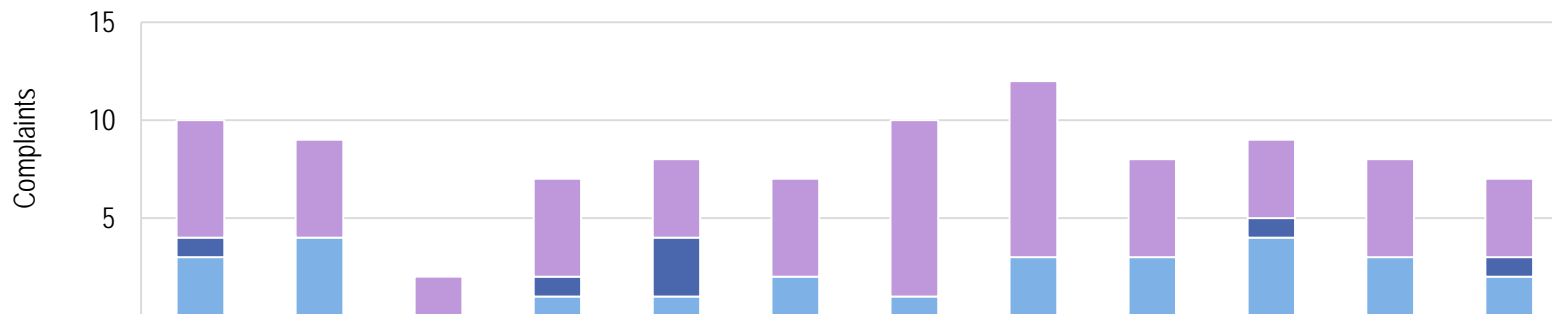
Notes:

- 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 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
10/01/2018 – 09/30/2019



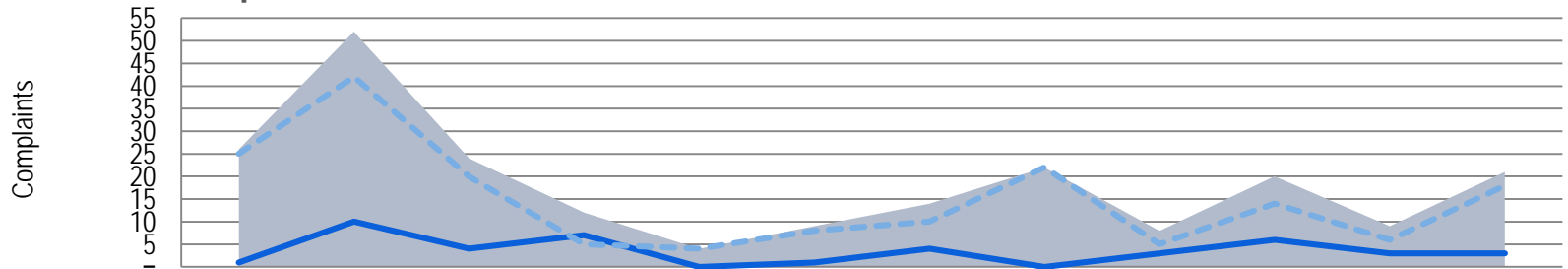
	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Public Agency Activities	6	5	2	5	4	5	9	9	5	4	5	4
Pension Spiking	1	-	-	1	3	-	-	-	-	1	-	1
Retired Annuitant	3	4	-	1	1	2	1	3	3	4	3	2
Total	10	9	2	7	8	7	10	12	8	9	8	7

Observations:

- Over the past 12 months, the Ethics Helpline has received an average of 24 RBFA complaints per quarter.
- The majority of RBFA complaints during the last year fell into the “Public Agency Activities” subcategory.

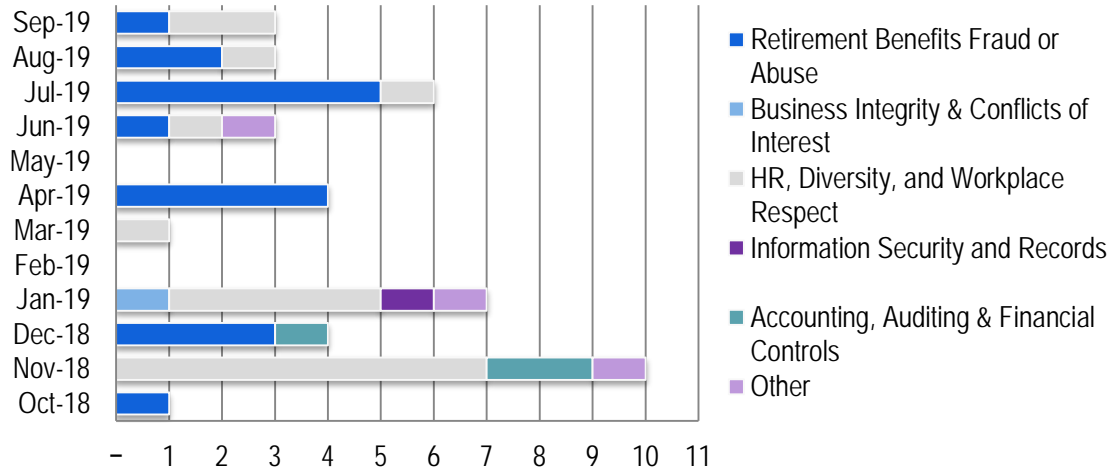
Ethics Helpline: Complaints Closed

Complaints Closed: Substantiated vs. Not Substantiated



	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Total	26	52	24	12	4	9	14	22	8	20	9	21
Closed: Substantiated	1	10	4	7	-	1	4	-	3	6	3	3
Closed: Not Substantiated	25	42	20	5	4	8	10	22	5	14	6	18

Substantiated Complaints by Category



Observation:

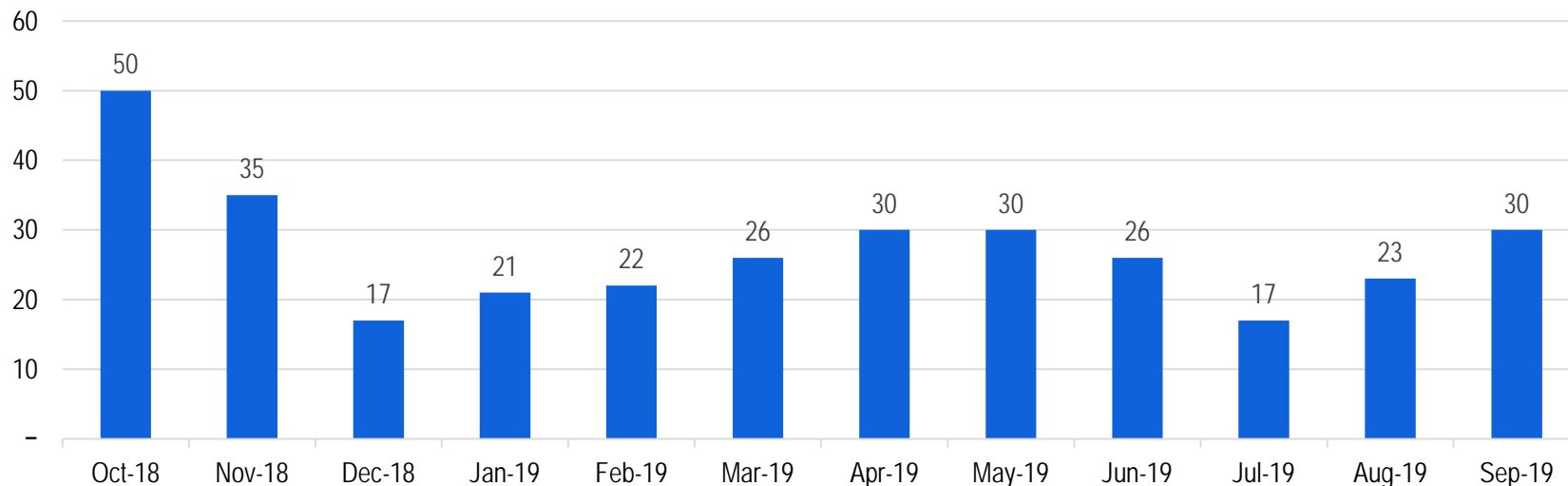
- During Q1 FY 2019-20, there were 12 total substantiated and 38 unsubstantiated complaints closed.

Note:

- "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

Complaints Open
10/01/2018 – 09/30/2019

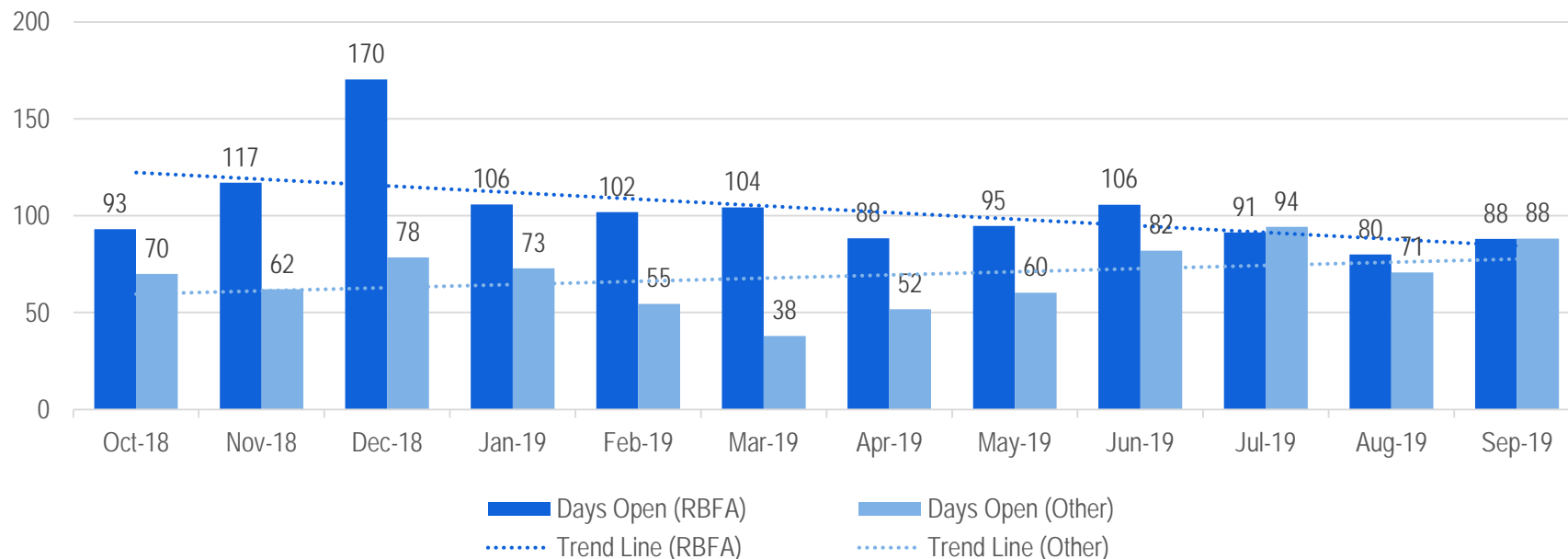


Observation:

- There were 30 open complaints at the end of Q1 FY 2019-20.

Ethics Helpline: Average Days Open

Average Days Open
10/01/2018 – 09/30/2019



Observation:

- As of September 30, 2019, Retirement Benefits Fraud or Abuse (RBFA) complaints were open for an average of 88 days, while all other complaints were also open for an average of 88 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.

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.

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.

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.