

# Quarterly Status Report – Enterprise Compliance Activity

Second Quarter FY 2019-20

Presented to  
Risk and Audit Committee  
February 18, 2020

# 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

Q2 FY 2019-20 Statements Due (Board & Employee)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	13	-	-	13
Leaving Office	17	-	1	18
<b>Grand Total</b>	<b>30</b>	<b>-</b>	<b>1</b>	<b>31</b>

### Observations:

- CalPERS currently has 910 Board and employee Form 700 filers.
- During Q2 FY 2019-20, there were 31 statements due and 30 statements were submitted timely.
- As of 12/31/2019, there was one outstanding statement due during Q2 FY 2019-20.

### Note:

- See Page 15 for Statement definitions.

## Consultant Form 700 Filings

Q2 FY 2019-20 Statements Due (Consultant)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	-	-	-	-
Leaving Office	3	-	-	3
<b>Grand Total</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>3</b>

### Observations:

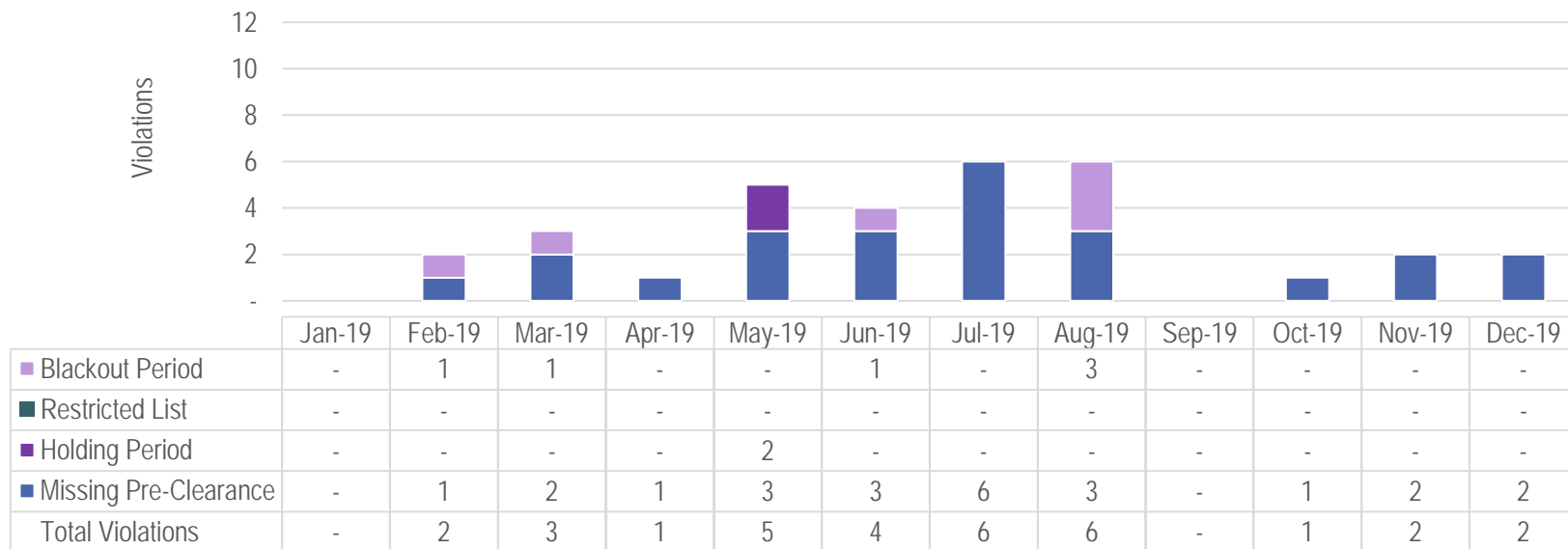
- CalPERS currently has 170 consultant Form 700 filers.
- During Q2 FY 2019-20, there were three statements due and three statements were submitted timely.
- As of 12/31/2019, there were zero outstanding statements due during Q2 FY 2019-20.

**Note:**

- See Page 15 for Statement definitions.

# Personal Trade Monitoring: Violations

Personal Trade Monitoring: Violations by Type  
01/01/2019 – 12/31/2019



**Observations:**

- There were five violations committed by five Covered Persons during Q2 FY 2019-20.
- 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

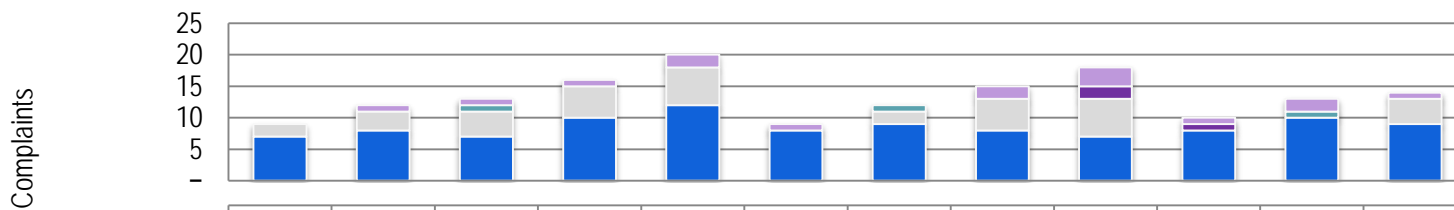
Personal Trading Affirmation / Attestation Report Q2 FY 2019-20				
Affirmation Type	Total Due	Submitted Timely	Submitted Late	Outstanding
Initial Personal Trading Affirmation	4	4	-	-
FY Q1 2018-19 Transaction Affirmation	48	48	-	-
<b>Total</b>	<b>52</b>	<b>52</b>	<b>-</b>	<b>-</b>

### Observations:

- Four Initial Personal Trading Affirmation were due in Q2 FY 2019-20, and all were submitted on time.
- 48 Q1 FY 2019-20 Transaction Affirmations were due October 31, 2019, and all were submitted on time.

# Ethics Helpline: Complaints Received

Ethics Related Complaints Received by Complaint Category



	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Other	-	1	1	1	2	1	-	2	3	1	2	1
Accounting, Auditing & Financial Controls	-	-	1	-	-	-	1	-	-	-	1	-
Information Security and Records	-	-	-	-	-	-	-	-	2	1	-	-
HR, Diversity, and Workplace Respect	2	3	4	5	6	-	2	5	6	-	-	4
Business Integrity & Conflicts of Interest	-	-	-	-	-	-	-	-	-	-	-	-
Retirement Benefits Fraud or Abuse	7	8	7	10	12	8	9	8	7	8	10	9
Total	9	12	13	16	20	9	12	15	18	10	13	14

**Observations:**

- During Q2 FY 2019-20, 37 ethics related complaints were received.
- Of the 37 ethics related complaints received, 73% (27 of 37) fell under the Retirement Benefits Fraud or Abuse category.

**Notes:**

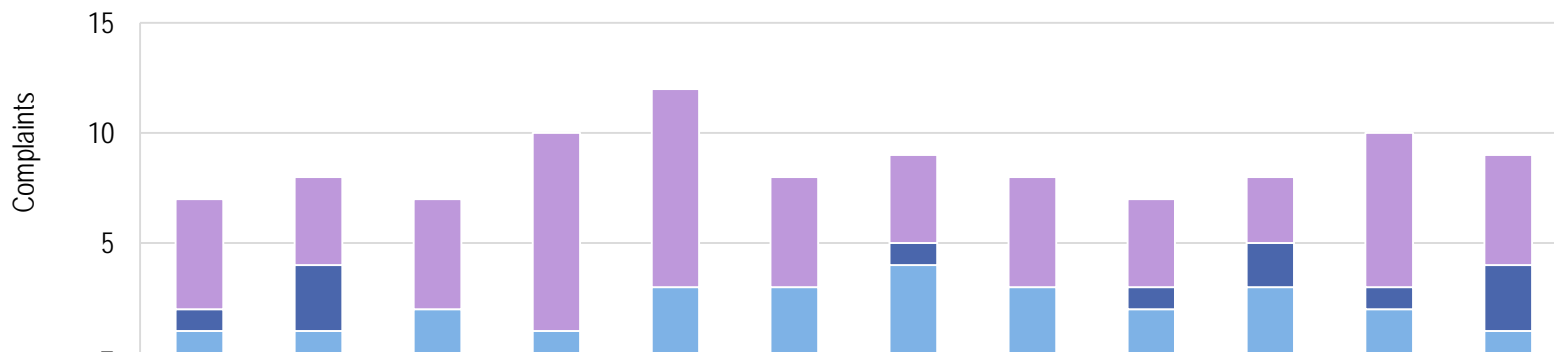
- 14 non-ethics related complaints received during the reporting period are not represented in the above graph since they are not ethics related.
- See Page 17 for category descriptions.



# 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**  
01/01/2019 – 12/31/2019



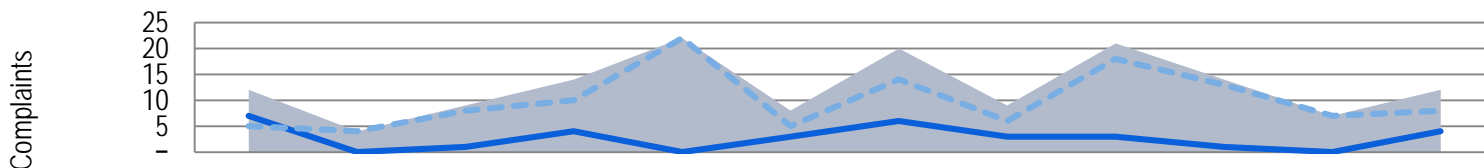
	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Public Agency Activities	5	4	5	9	9	5	4	5	4	3	7	5
Pension Spiking	1	3	-	-	-	-	1	-	1	2	1	3
Retired Annuitant	1	1	2	1	3	3	4	3	2	3	2	1
Total	7	8	7	10	12	8	9	8	7	8	10	9

**Observations:**

- Over the past 12 months, the Ethics Helpline has received an average of 26 RBFA complaints per quarter.

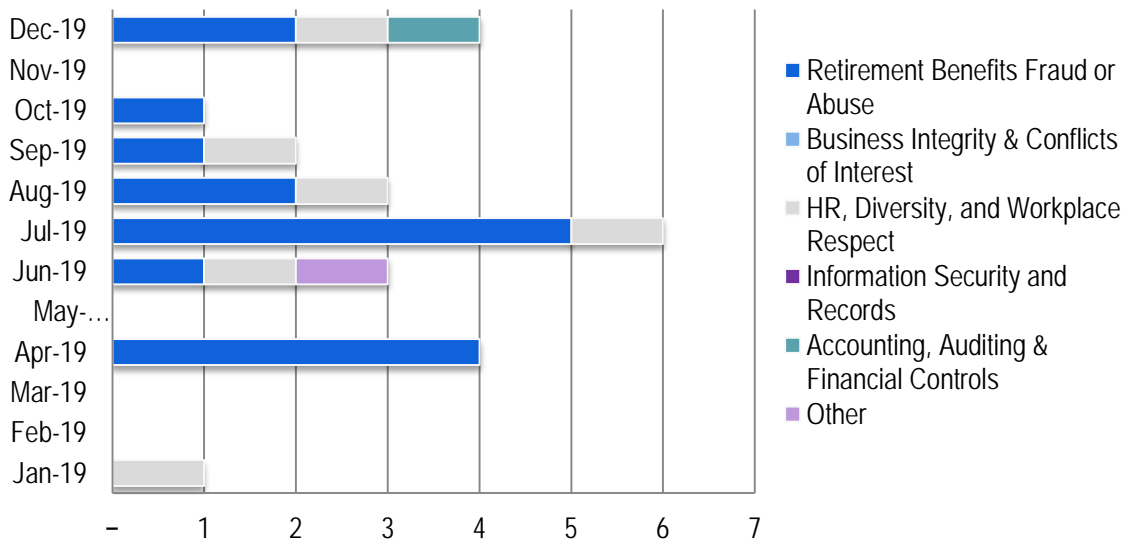
# Ethics Helpline: Complaints Closed

## Complaints Closed: Substantiated vs. Not Substantiated



	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Total	12	4	9	14	22	8	20	9	21	14	7	12
Closed: Substantiated	7	-	1	4	-	3	6	3	3	1	-	4
Closed: Not Substantiated	5	4	8	10	22	5	14	6	18	13	7	8

## Substantiated Complaints by Category



### Observation:

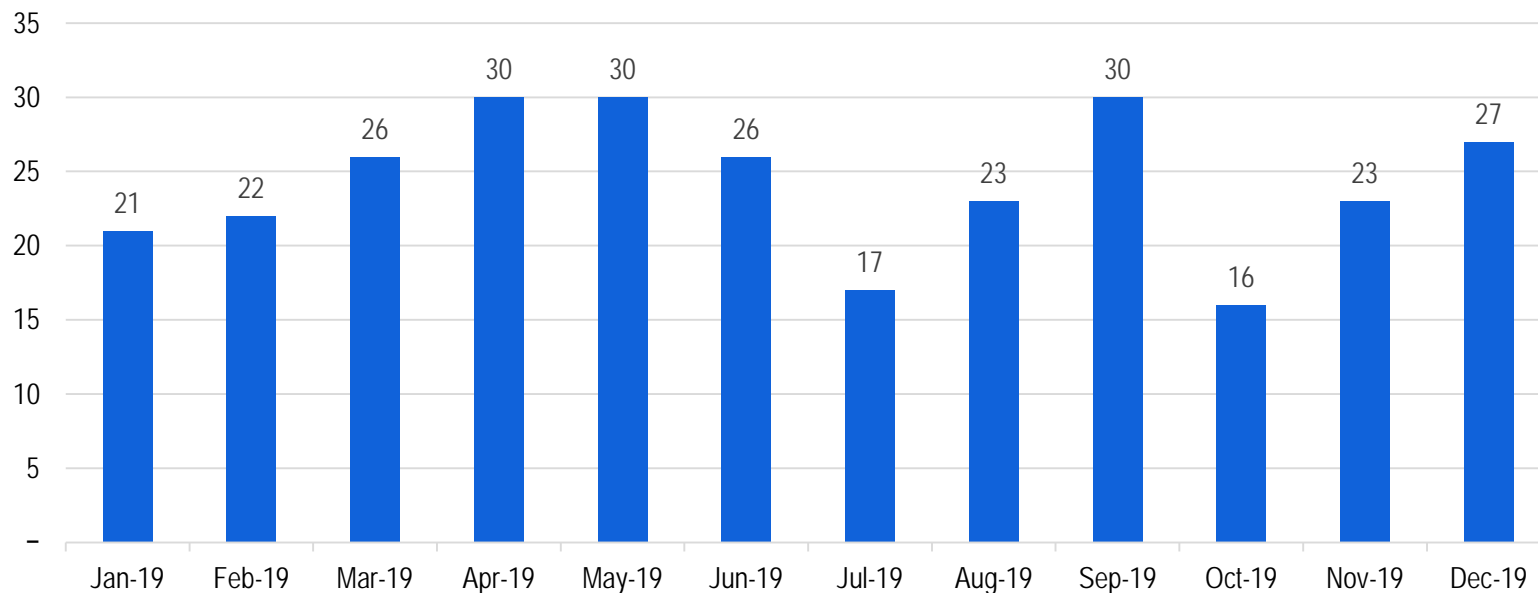
- During Q2 FY 2019-20, there were five total substantiated and 28 unsubstantiated complaints closed.

### Note:

- "Not substantiated" includes complaints that were closed as unsubstantiated, inconclusive, or for insufficient information.
- See Pages 19-20 for related details.

## Ethics Helpline: Complaints Open

Complaints Open  
01/01/2019 – 12/31/2019

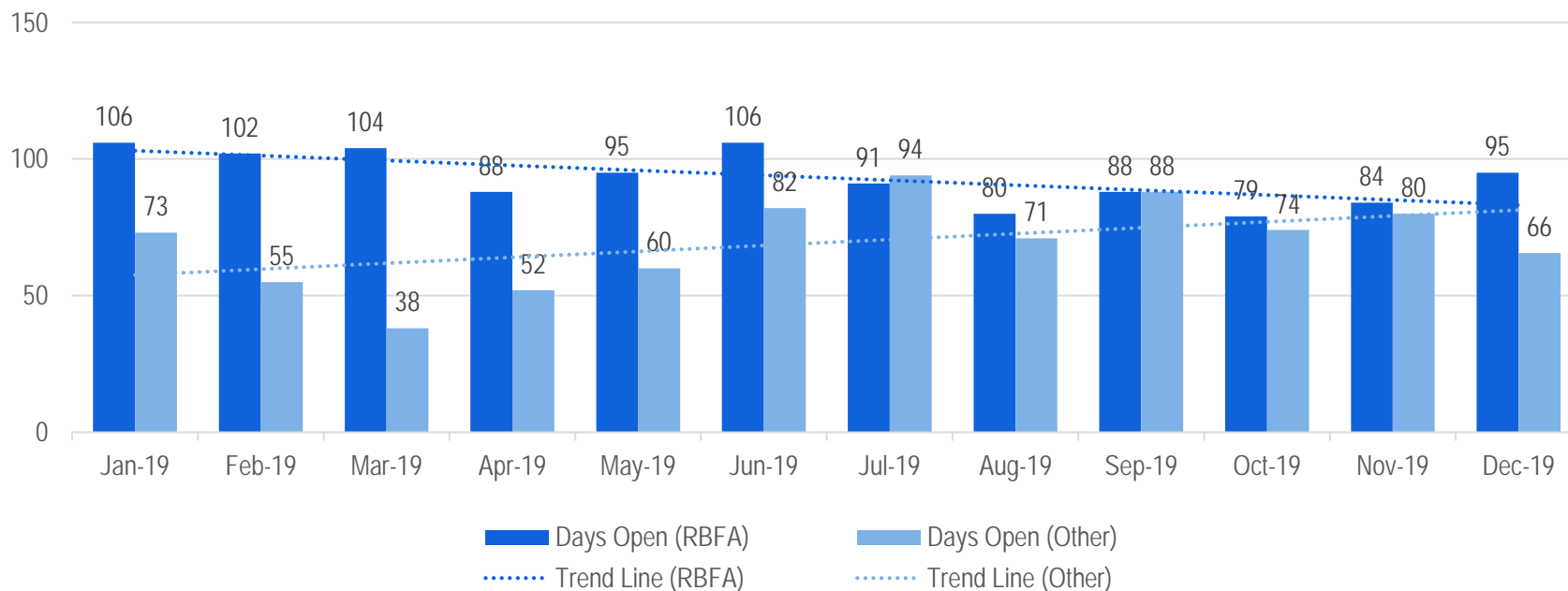


**Observation:**

- There were 27 open complaints at the end of Q2 FY 2019-20.

# Ethics Helpline: Average Days Open

Average Days Open  
01/01/2019 – 12/31/2019



**Observation:**

- As of December 31, 2019, Retirement Benefits Fraud or Abuse (RBFA) complaints were open for 95 days, while all other complaints were open for 66 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 12/31/2019			
Training Type	Completed	Outstanding	Completion Rate
Mandatory Harassment Prevention	2,598	1	99.96%
Mandatory Workplace Violence Prevention	2,613	1	99.96%
<b>Total</b>	<b>5,211</b>	<b>2</b>	<b>99.96%</b>

### Observations:

- Mandatory training was completed timely by 99.96% 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 Trade 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.