Quarterly Status Report – Enterprise Compliance Activity

Third Quarter FY 2019-20

Presented to
Risk and Audit Committee
April 21, 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.
# Table of Contents

## Page 4
- **Board and Employee Form 700 Filings**
  - Filing status of Board Members and employees required to file Statements of Economic Interests – Form 700, mandated by the CalPERS – Conflict of Interest Code

## Page 5
- **Consultant Form 700 Filings**
  - Filing status of consultants required to file Statements of Economic Interests – Form 700, mandated by the CalPERS – Conflict of Interest Code

## Page 6
- **Personal Trade Monitoring**
  - Transactions and violations to CalPERS Personal Trading Regulations

## Page 8
- **Ethics Helpline**
  - Complaints or reports received through CalPERS Ethics Helpline

## Page 13
- **Training Compliance**
  - Mandatory Training

## Page 14
- **Appendix**
  - Form 700 Statement Definitions
  - Personal Trading Violation Type Definitions
  - Ethics Helpline: Complaint Category and Case Outcome Definitions
Board & Employee Form 700 Filings

<table>
<thead>
<tr>
<th>Statement Type</th>
<th>Submitted Timely</th>
<th>Submitted Late</th>
<th>Outstanding</th>
<th>Total Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assuming Office</td>
<td>25</td>
<td>1</td>
<td>1</td>
<td>27</td>
</tr>
<tr>
<td>Leaving Office</td>
<td>26</td>
<td>–</td>
<td>1</td>
<td>27</td>
</tr>
<tr>
<td>Annual*</td>
<td>885</td>
<td>–</td>
<td>8</td>
<td>893</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>936</strong></td>
<td><strong>1</strong></td>
<td><strong>10</strong></td>
<td><strong>947</strong></td>
</tr>
</tbody>
</table>

**Observations:**
- CalPERS currently has 920 Board and employee Form 700 filers.
- During Q3 FY 2019-20, there were 947 statements due and 936 statements were submitted timely.
- During Q3 FY 2019-20, there was one statement that was submitted late.
- As of 03/31/2020, there were 10 outstanding statements due during Q3 FY 2019-20.

**Note:**
- See Page 15 for Statement definitions.
- *FPPC has extended the deadline for Form 700 filers to June 1, 2020.
### Consultant Form 700 Filings

<table>
<thead>
<tr>
<th>Statement Type</th>
<th>Submitted Timely</th>
<th>Submitted Late</th>
<th>Outstanding</th>
<th>Total Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assuming Office</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Leaving Office</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>Annual*</td>
<td>144</td>
<td>-</td>
<td>4</td>
<td>148</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>150</strong></td>
<td><strong>3</strong></td>
<td><strong>7</strong></td>
<td><strong>160</strong></td>
</tr>
</tbody>
</table>

**Observations:**
- CalPERS currently has 140 consultant Form 700 filers.
- During Q3 FY 2019-20, there were 160 statements due and 150 statements were submitted timely.
- During Q3 FY 2019-20, there were three statements submitted late.
- As of 03/31/2020, there were seven outstanding statements due during Q3 FY 2019-20.

**Note:**
- See Page 15 for Statement definitions.
- *FPPC has extended the deadline for Form 700 filers to June 1, 2020.
Personal Trade Monitoring: Violations

Observations:
- There were 133 violations committed by ten Covered Persons during Q3 FY 2019-20.
- The number of violations in March are uncharacteristic and occurred during a time of significant market volatility.

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

<table>
<thead>
<tr>
<th>Affirmation Type</th>
<th>Total Due</th>
<th>Submitted Timely</th>
<th>Submitted Late</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Personal Trading Affirmation</td>
<td>12</td>
<td>10</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>Q2 FY 2019-20 Transaction Affirmation</td>
<td>34</td>
<td>34</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2020 Annual Personal Trading Attestation</td>
<td>464</td>
<td>461</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td>2020 Annual Managed Account Certification</td>
<td>25</td>
<td>25</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>535</td>
<td>530</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Observations:

- 12 Initial Personal Trading Affirmations were due in Q3 FY 2019-20. 10 were submitted timely and two were submitted late.
- 34 Q2 FY 2019-20 Transaction Affirmations were due February 3, 2020, and all were submitted on time.
- 464 Annual Personal Trading Attestations were due April 1, 2020. 461 were submitted on time.
- 25 Annual Managed Account Certifications were due April 1, 2020. All were submitted on time.
## Ethics Helpline: Complaints Received

### Observations:
- During Q3 FY 2019-20, 32 ethics related complaints were received.
- Of the 32 ethics related complaints received, 72% (23 of 32) fell under the Retirement Benefits Fraud or Abuse category.

### Notes:
- 13 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.

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

Observation:
- During Q3 FY 2019-20, there were 10 total substantiated and 26 unsubstantiated complaints closed.

Note:
- “Not substantiated” includes complaints that were closed as unsubstantiated, inconclusive, or for insufficient information.
**Ethics Helpline: Complaints Open**

Complaints Open
04/01/2019 – 03/31/2020

Observation:
- There were 22 open complaints at the end of Q3 FY 2019-20.
Ethics Helpline: Average Days Open

Observation:
- As of March 31, 2020, Retirement Benefits Fraud or Abuse (RBFA) complaints were open for 134 days, while all other complaints were open for 104 days.

Note:
- Retirement Benefits Fraud or Abuse complaints often require research by external agencies, resulting in closure times greater than 30 days.
Training Compliance: Annual Mandatory Training

<table>
<thead>
<tr>
<th>Training Type</th>
<th>Completed</th>
<th>Outstanding</th>
<th>Completion Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandatory Health Insurance Portability Accountability Act</td>
<td>55</td>
<td>2</td>
<td>96%</td>
</tr>
<tr>
<td>Mandatory Information Security Awareness</td>
<td>61</td>
<td>5</td>
<td>92%</td>
</tr>
<tr>
<td>Mandatory Workplace Violence Prevention</td>
<td>61</td>
<td>5</td>
<td>92%</td>
</tr>
<tr>
<td>Mandatory Harassment Prevention for Team Members</td>
<td>59</td>
<td>4</td>
<td>94%</td>
</tr>
<tr>
<td>Mandatory Harassment Prevention for Team Leaders</td>
<td>18</td>
<td>1</td>
<td>95%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>254</strong></td>
<td><strong>17</strong></td>
<td><strong>94%</strong></td>
</tr>
</tbody>
</table>

Observations:
- Mandatory training was completed timely by 94% 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.

<table>
<thead>
<tr>
<th>Complaint Categories</th>
<th>Examples of Violations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting, Auditing &amp; Financial Controls</td>
<td>Accounting &amp; Auditing Matters; Compliance with Laws &amp; Regulations; Document Creation &amp; Retention; Fraud (Non-retirement benefits related); Override of Internal Controls; Securities Valuation; Tax Issues</td>
</tr>
<tr>
<td>Business Integrity &amp; Conflicts of Interest</td>
<td>Contract Compliance; Foreign Corrupt Practices Act &amp; Improper Payments; Improper Giving &amp; Receiving of Gifts; Insider Trading; Outside Employment &amp; Compensation; Relationships with Clients, Suppliers &amp; Vendors</td>
</tr>
<tr>
<td>Human Resources, Diversity &amp; Workplace Respect</td>
<td>Discrimination or Harassment; EEOC or ADA Matters; Human Resources (HR); Retaliation; Safety, Health &amp; Environment; Sexual Harassment; Workplace Violence</td>
</tr>
<tr>
<td>Information Security &amp; Records</td>
<td>Badging &amp; Access Control; Computer, Email &amp; Internet Use; Data Privacy; Disclosure of Confidential Information; Health Insurance Portability &amp; Accountability Act (HIPAA) Violations; Identity Theft</td>
</tr>
<tr>
<td>Retirement Benefits Fraud or Abuse</td>
<td>Pension Spiking; Public Agency Activities; Retired Annuitants</td>
</tr>
<tr>
<td>Other</td>
<td>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.</td>
</tr>
</tbody>
</table>

**Note:**
- See Pages 8 and 10 for details.
# Ethics Helpline Case Outcome Definitions

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

**Note:**
- See Page 10 for details.