

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.

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Board & Employee Form 700 Filings

Q3 FY 2019-20 Statements Due (Board & Employee)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	25	1	1	27
Leaving Office	26	-	1	27
Annual*	885	-	8	893
Grand Total	936	1	10	947

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.
- *FPFC has extended the deadline for Form 700 filers to June 1, 2020.

Consultant Form 700 Filings

Q3 FY 2019-20 Statements Due (Consultant)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	1	–	–	1
Leaving Office	5	3	3	11
Annual*	144	–	4	148
Grand Total	150	3	7	160

Observations:

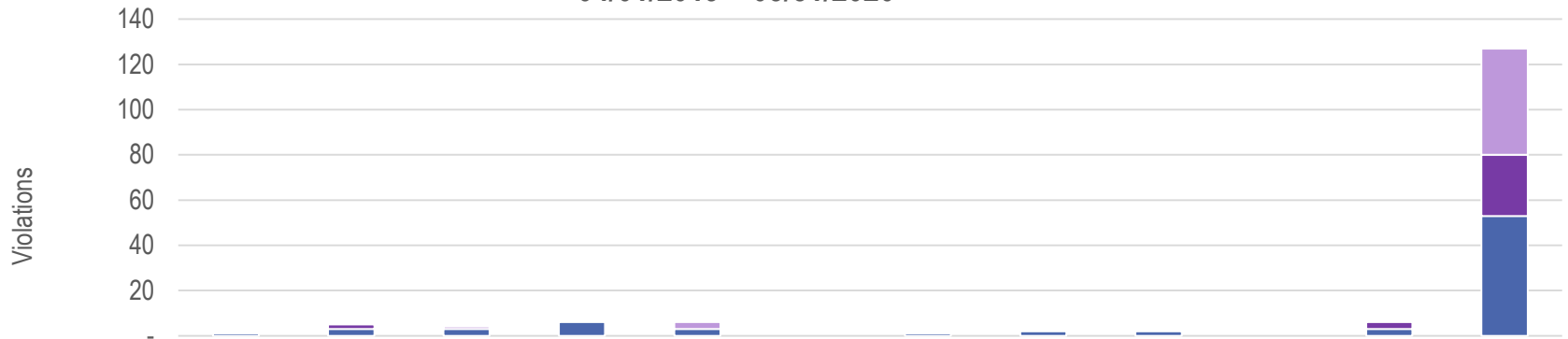
- CalPERS currently has 140 consultant Form 700 filers.
- During Q3 FY 2019-20, there were 160 statements due and 150 statements were submitted timely.
- During Q3 FY 2019-20, there were three statements submitted late.
- As of 03/31/2020, there were seven outstanding statements due during Q3 FY 2019-20.

Note:

- See Page 15 for Statement definitions.
- *FPFC has extended the deadline for Form 700 filers to June 1, 2020.

Personal Trade Monitoring: Violations

Personal Trade Monitoring: Violations by Type
04/01/2019 – 03/31/2020



	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Blackout Period	-	-	1	-	3	-	-	-	-	-	-	47
Restricted List	-	-	-	-	-	-	-	-	-	-	-	-
Holding Period	-	2	-	-	-	-	-	-	-	-	3	27
Missing Pre-Clearance	1	3	3	6	3	-	1	2	2	-	3	53
Total Violations	1	5	4	6	6	-	1	2	2	-	6	127

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

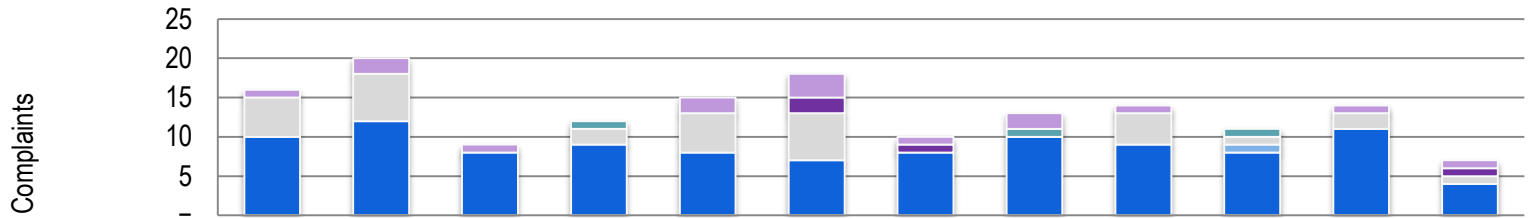
Personal Trading Affirmation / Attestation Report Q3 FY 2019-20				
Affirmation Type	Total Due	Submitted Timely	Submitted Late	Outstanding
Initial Personal Trading Affirmation	12	10	2	-
Q2 FY 2019-20 Transaction Affirmation	34	34	-	-
2020 Annual Personal Trading Attestation	464	461	-	3
2020 Annual Managed Account Certification	25	25	-	-
Total	535	530	2	3

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

Ethics Related Complaints Received by Complaint Category



	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Other	1	2	1	-	2	3	1	2	1	-	1	1
Accounting, Auditing & Financial Controls	-	-	-	1	-	-	-	1	-	1	-	-
Information Security and Records	-	-	-	-	-	2	1	-	-	-	-	1
HR, Diversity, and Workplace Respect	5	6	-	2	5	6	-	-	4	1	2	1
Business Integrity & Conflicts of Interest	-	-	-	-	-	-	-	-	-	1	-	-
Retirement Benefits Fraud or Abuse	10	12	8	9	8	7	8	10	9	8	11	4
Total	16	20	9	12	15	18	10	13	14	11	14	7

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.

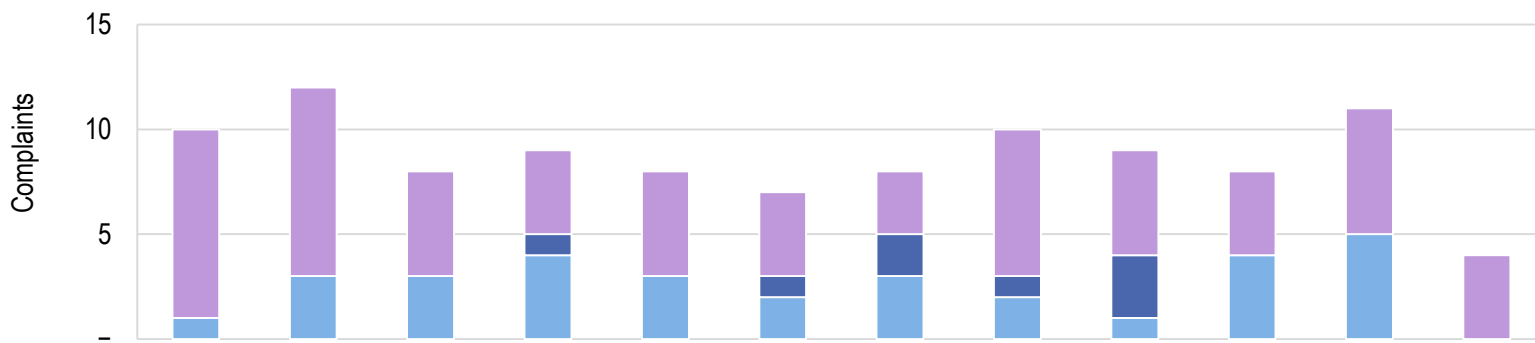
Notes:

- 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.

RBFA Complaints Received by Month
04/01/2019 – 03/31/2020



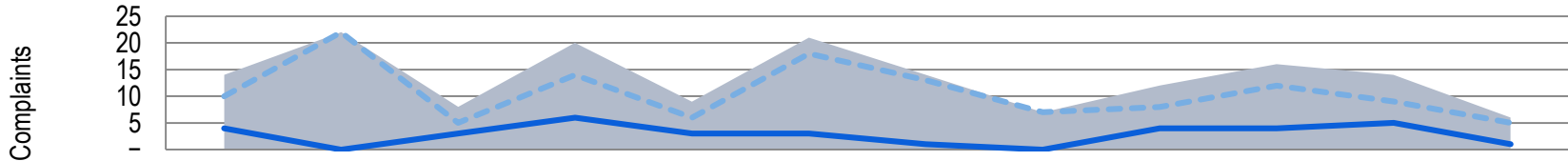
	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Public Agency Activities	9	9	5	4	5	4	3	7	5	4	6	4
Pension Spiking	-	-	-	1	-	1	2	1	3	-	-	-
Retired Annuitant	1	3	3	4	3	2	3	2	1	4	5	-
Total	10	12	8	9	8	7	8	10	9	8	11	4

Observations:

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

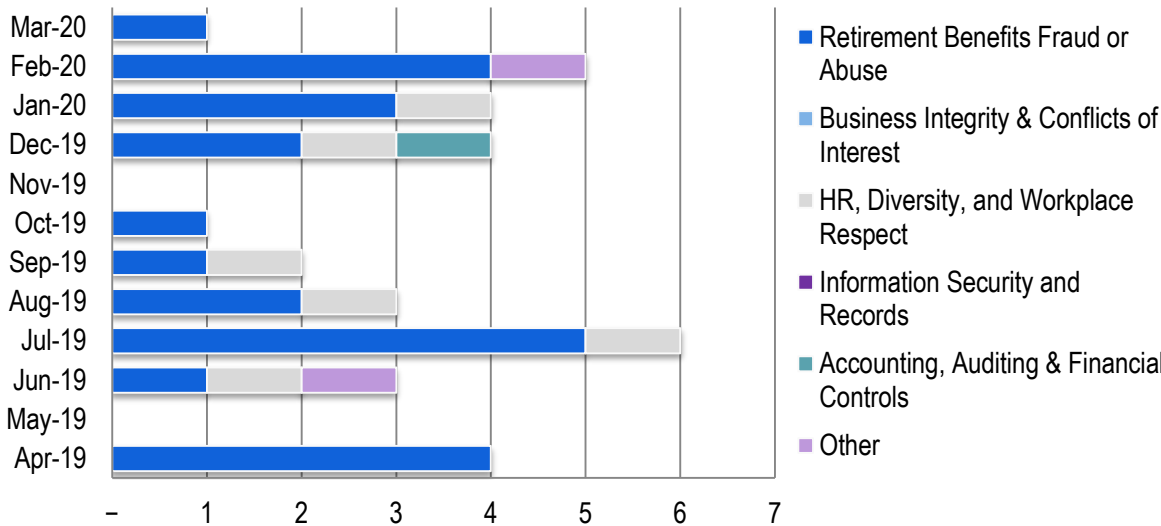
Ethics Helpline: Complaints Closed

Complaints Closed: Substantiated vs. Not Substantiated



	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Total	14	22	8	20	9	21	14	7	12	16	14	6
Closed: Substantiated	4	-	3	6	3	3	1	-	4	4	5	1
Closed: Not Substantiated	10	22	5	14	6	18	13	7	8	12	9	5

Substantiated Complaints by Category



Observation:

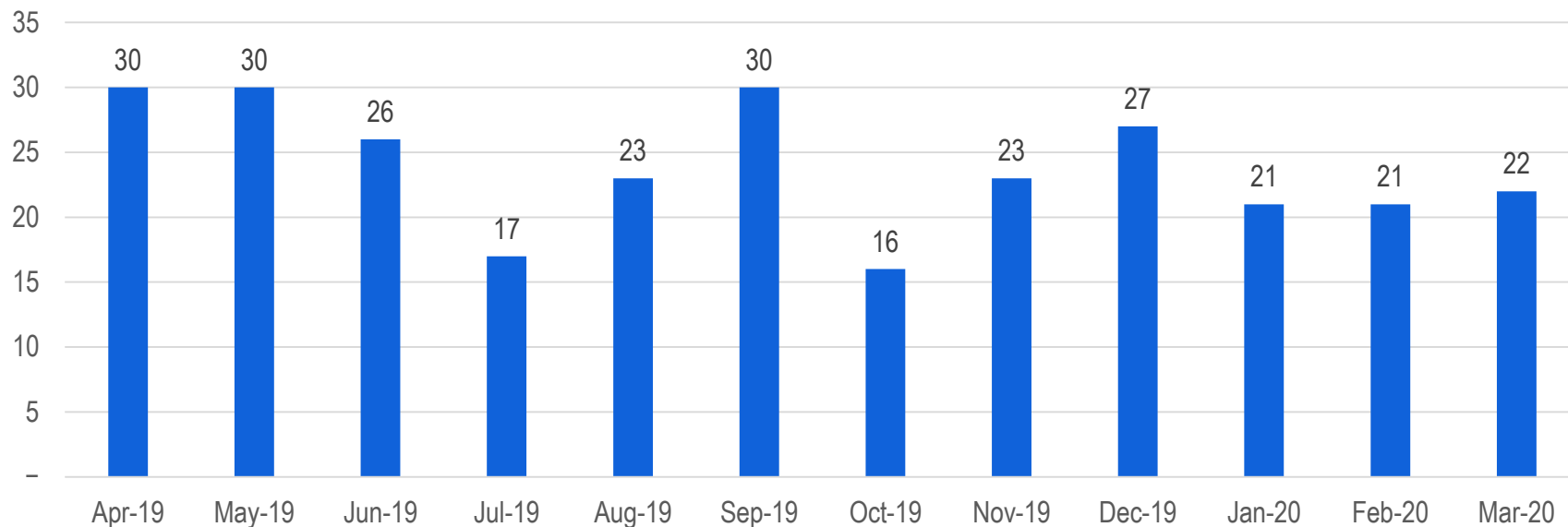
- During Q3 FY 2019-20, there were 10 total substantiated and 26 unsubstantiated complaints closed.

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

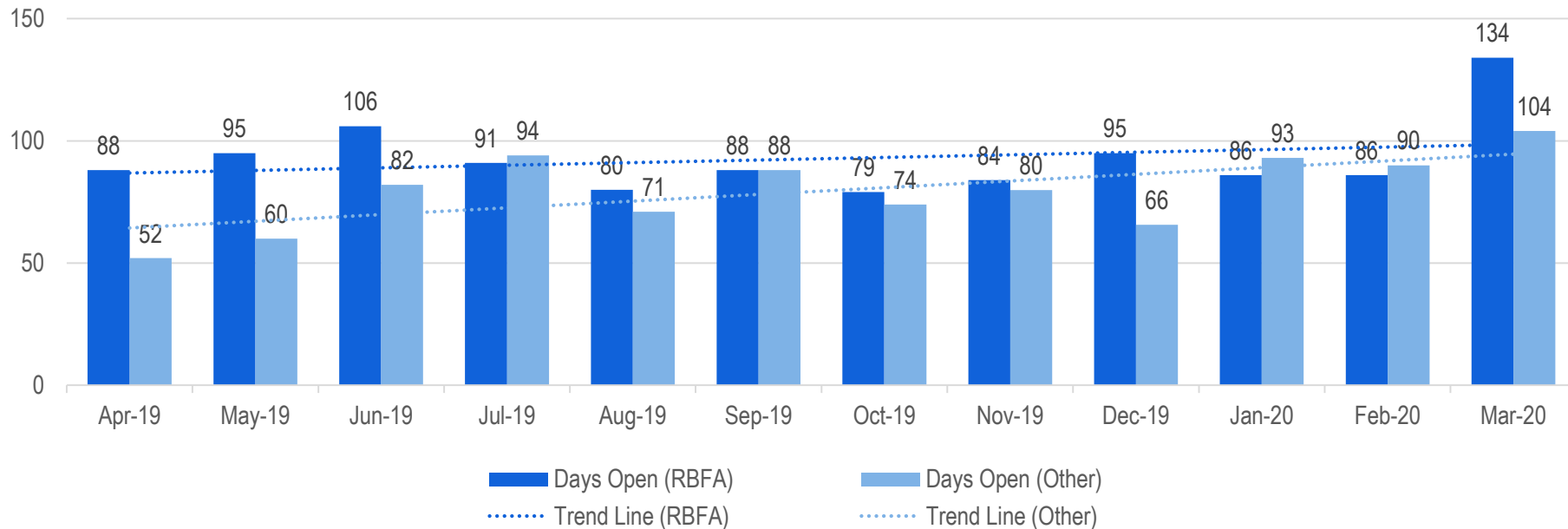


Observation:

- There were 22 open complaints at the end of Q3 FY 2019-20.

Ethics Helpline: Average Days Open

Average Days Open
04/01/2019 – 03/31/2020



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

Mandatory Training – Due 03/31/2020			
Training Type	Completed	Outstanding	Completion Rate
Mandatory Health Insurance Portability Accountability Act	55	2	96%
Mandatory Information Security Awareness	61	5	92%
Mandatory Workplace Violence Prevention	61	5	92%
Mandatory Harassment Prevention for Team Members	59	4	94%
Mandatory Harassment Prevention for Team Leaders	18	1	95%
Total	254	17	94%

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.

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.