

Monthly Status Report – Enterprise Compliance Activity

April 2020

Presented to
Risk and Audit Committee
June 17, 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

April 2020 Statements Due (Board & Employee)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	8	-	-	8
Leaving Office	4	-	1	5
Grand Total	12	-	1	13

Observations:

- CalPERS currently has 921 Board and employee Form 700 filers.
- Out of 13 statements due in April 2020, 12 statements (92%) were submitted timely and one statement (8%) was outstanding.

Note:

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

Consultant Form 700 Filings

April 2020 Statements Due (Consultant)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	7	-	3	10
Leaving Office	3	-	-	3
Grand Total	10	-	3	13

Observations:

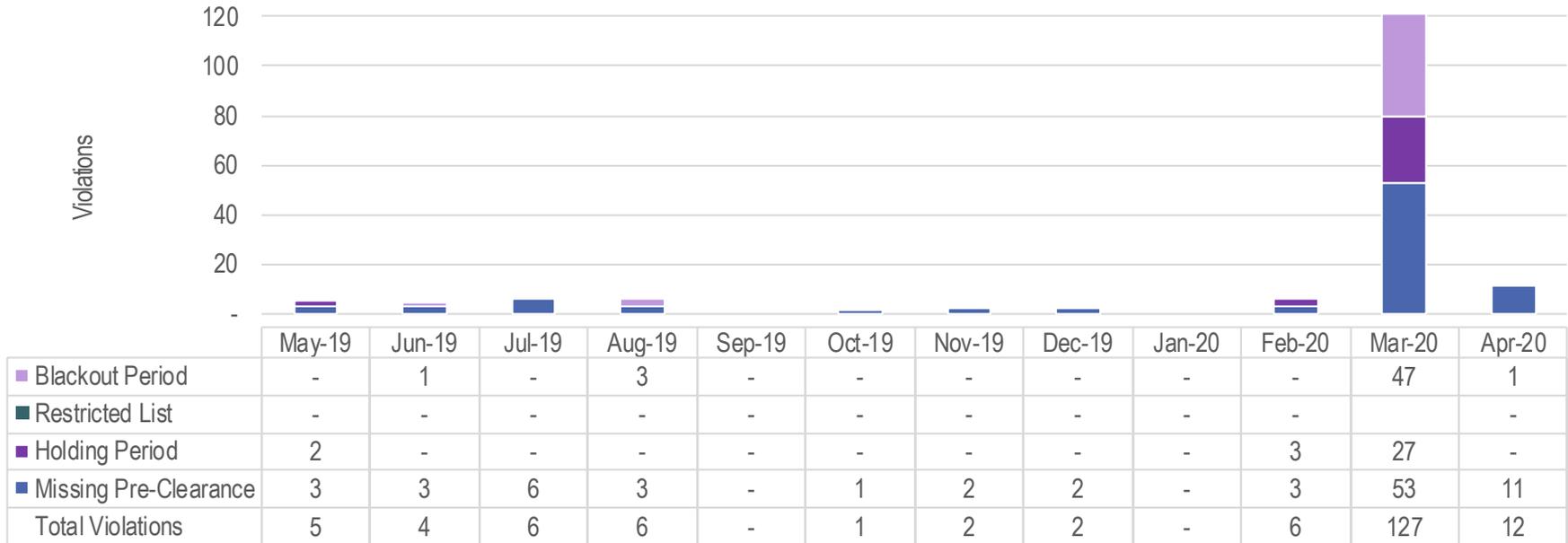
- CalPERS currently has 156 consultant Form 700 filers.
- Out of 13 statements due in April 2020, 10 statements were submitted timely (77%) and three statements remain outstanding (23%).

Note:

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

Personal Trade Monitoring: Violations

Personal Trade Monitoring: Violations by Type 05/01/2019 – 04/30/2020



Observation:

- There were 12 violations committed by three Covered Persons during April 2020.
- 10 of the violations were for failure to pre-clear Exchange Traded Funds.
- 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

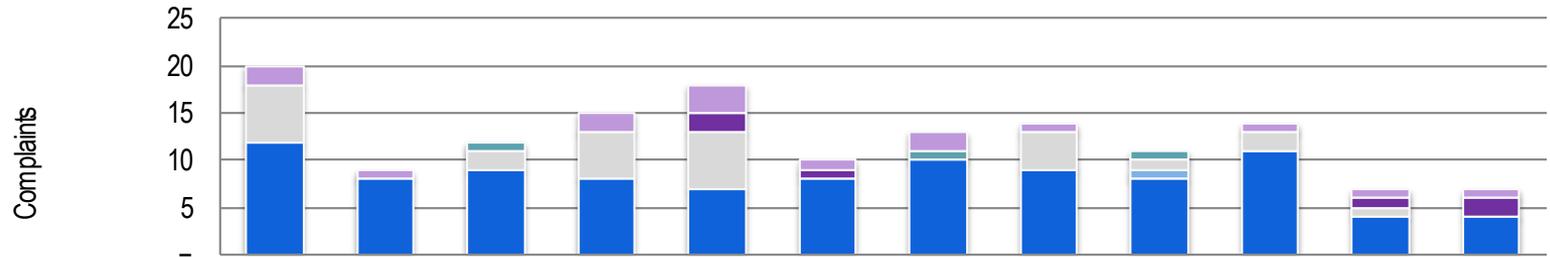
Personal Trading Affirmation / Attestation Report April 2020				
Affirmation Type	Total Due	Submitted Timely	Submitted Late	Outstanding
2020 Annual Personal Trading Attestation	464	461	2	1
2020 Annual Managed Account Certification	25	25	-	-
Total	489	486	2	1

Observations:

- 464 Annual Personal Trading Attestations were due April 1, 2020, 461 were submitted on time, two were submitted late, and one is outstanding.
- 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



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

Observations:

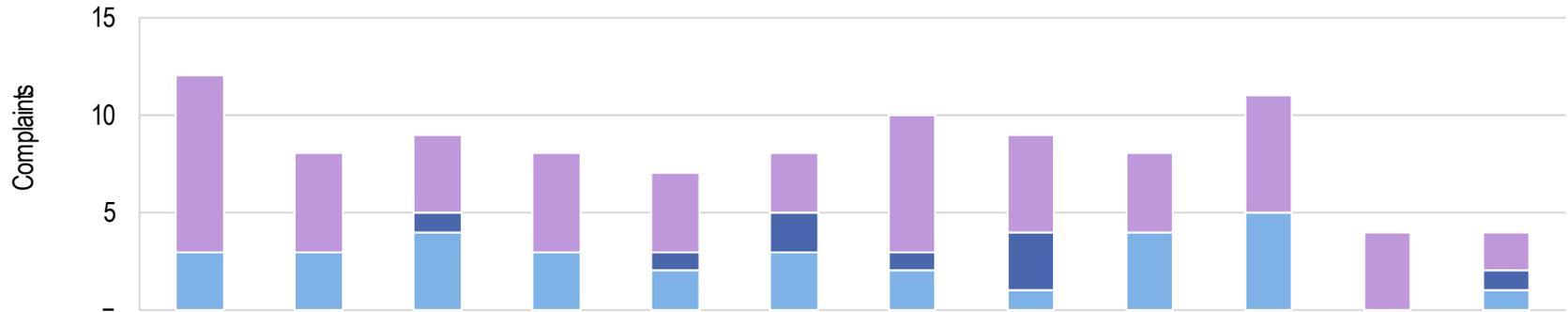
- In April 2020, the number of complaints remained the same compared to the prior month.
- Of the 7 ethics related complaints received in April 2020, 57% (4 of 7) fell under the Retirement Benefits Fraud or Abuse category.

Notes:

- Four non-ethics related complaints were 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

RBFA Complaints Received by Month
05/01/2019 – 04/30/2020



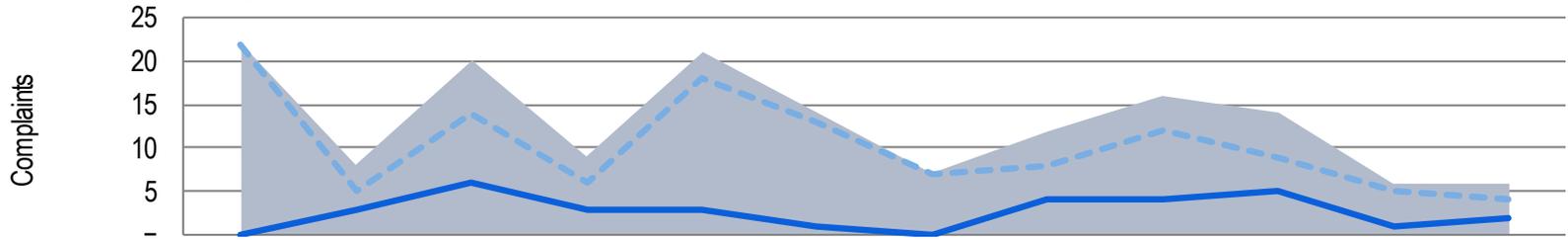
	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
Public Agency Activities	9	5	4	5	4	3	7	5	4	6	4	2
Pension Spiking	-	-	1	-	1	2	1	3	-	-	-	1
Retired Annuitant	3	3	4	3	2	3	2	1	4	5	-	1
Total	12	8	9	8	7	8	10	9	8	11	4	4

Observation:

- The Public Agency Activities subcategory accounted for 50% (2 of 4) of the RBFA complaints received in April 2020.

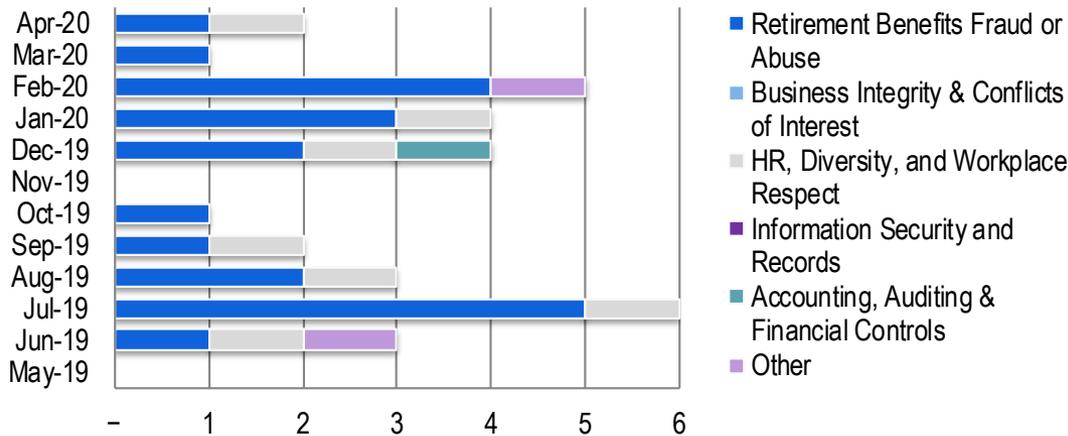
Ethics Helpline: Complaints Closed

Complaints Closed: Substantiated vs. Not Substantiated



	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
■ Total	22	8	20	9	21	14	7	12	16	14	6	6
— Closed: Substantiated	-	3	6	3	3	1	-	4	4	5	1	2
- - - Closed: Not Substantiated	22	5	14	6	18	13	7	8	12	9	5	4

Substantiated Complaints by Category



Observation:

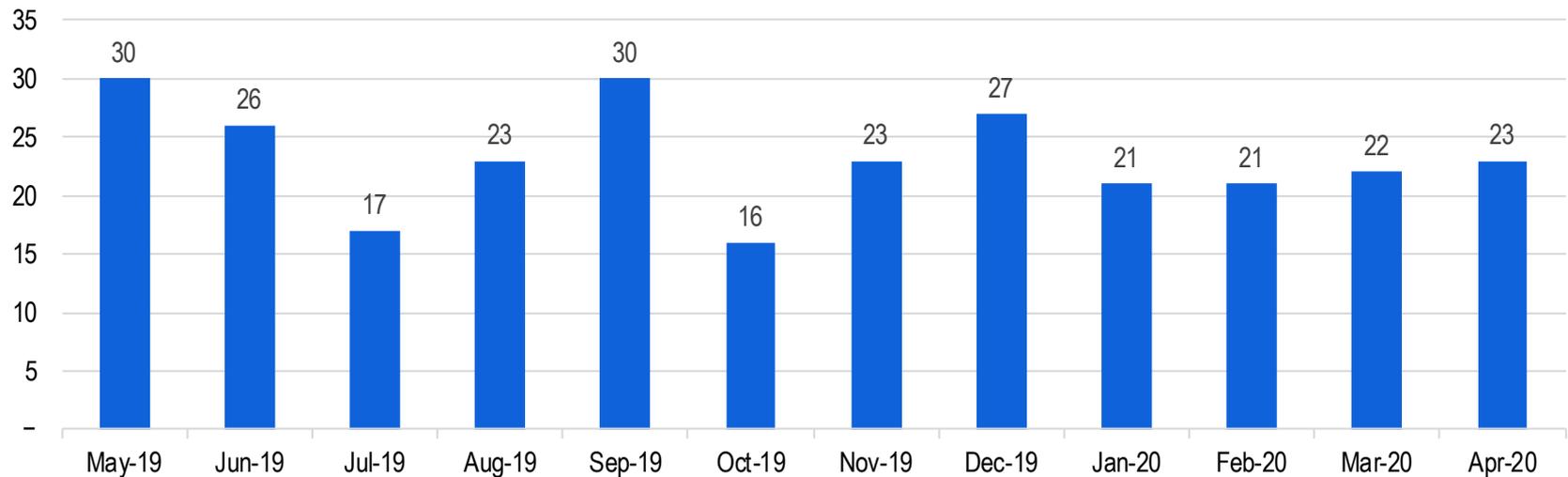
- During the month of April 2020, 67% (4 of 6) of closed complaints were not substantiated.

Note:

- “Not substantiated” includes complaints that were closed as unsubstantiated, inconclusive, or for insufficient information.

Ethics Helpline: Complaints Open

Complaints Open
05/01/2019 – 04/30/2020

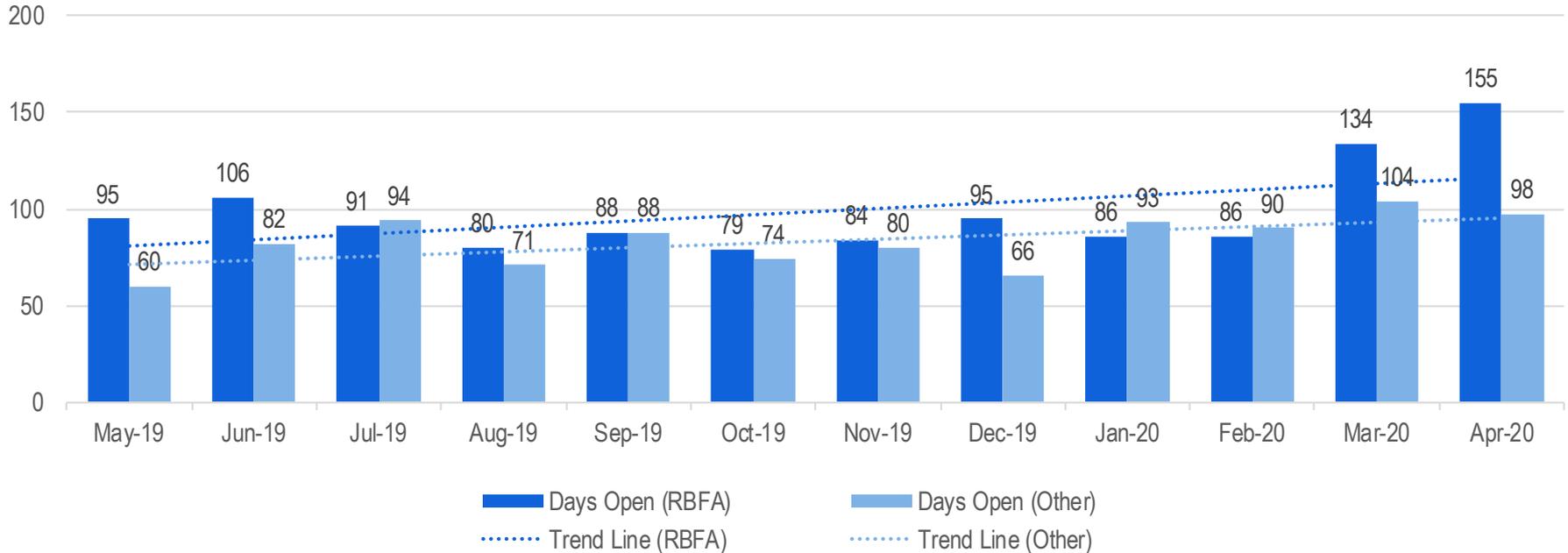


Observation:

- There were 23 open complaints as of 04/30/2020.

Ethics Helpline: Average Days Open

Average Days Open
05/01/2019 – 04/30/2020



Observation:

- As of 04/30/20, Retirement Benefit Fraud or Abuse (RBFA) complaints were open for an average of 155 days, while all other complaints were also open for an average of 98 days.

Note:

- Retirement Benefits Fraud or Abuse complaints often require research by external agencies, resulting in closure times greater than 30 days.

Training Compliance: New Employee Mandatory Training

Mandatory Training – Due April 2020			
Training Type	Completed	Outstanding	Completion Rate
Mandatory Health Insurance Portability Accountability Act	16	0	100%
Mandatory Information Security Awareness	18	0	100%
Mandatory Workplace Violence Prevention	18	0	100%
Mandatory Harassment Prevention for Team Members	14	0	100%
Mandatory Harassment Prevention for Team Leaders	3	0	100%
Total	69	0	100%

Observation:

- New employees completed 100% (69 of 69) of the assigned mandatory training courses due April 2020.

Notes:

- Completion rates are calculated based on all active team members required to take each mandatory 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.