

Monthly Status Report – Enterprise Compliance Activity

May 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

May 2020 Statements Due (Board & Employee)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	6	-	-	6
Leaving Office	5	-	1	6
Grand Total	11	-	1	12

Observations:

- CalPERS currently has 922 Board and employee Form 700 filers.
- Out of 12 statements due in May 2020, 11 statements (92%) were submitted timely and one statement (8%) was outstanding.

Note:

- See Page 15 for Statement definitions.

Consultant Form 700 Filings

May 2020 Statements Due (Consultant)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	5	-	-	5
Leaving Office	1	2	-	3
Grand Total	6	2	-	8

Observations:

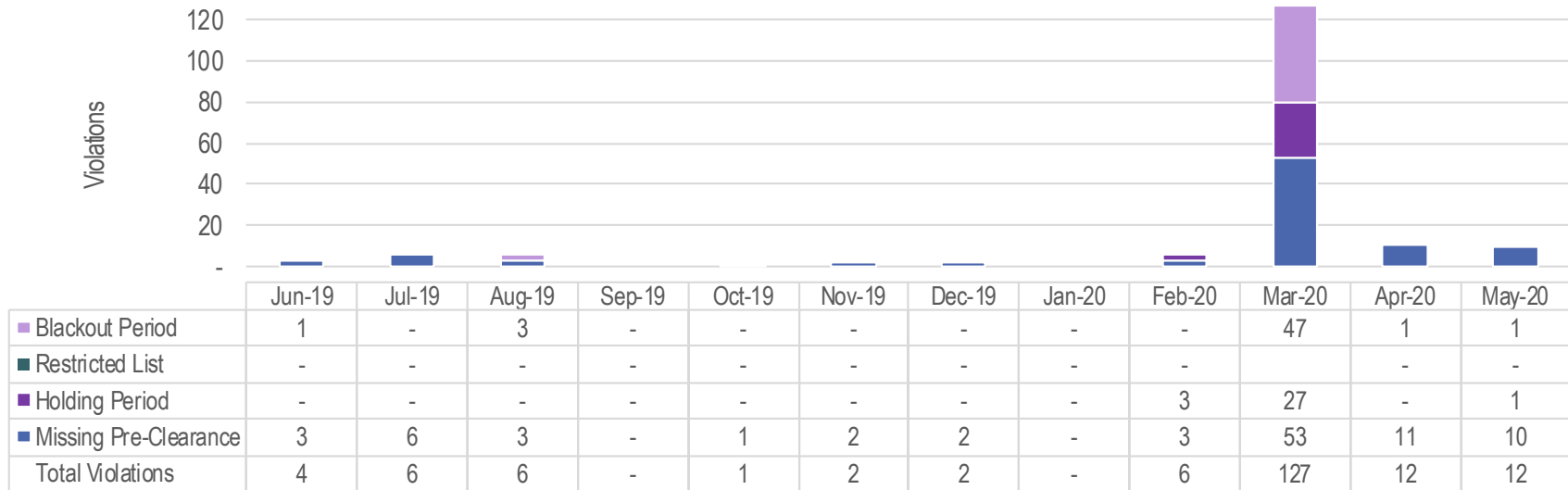
- CalPERS currently has 155 consultant Form 700 filers.
- Out of 8 statements due in May 2020, 6 statements were submitted timely (75%) and two statements were submitted late (25%).

Note:

- See Page 15 for Statement definitions.

Personal Trade Monitoring: Violations

Personal Trade Monitoring: Violations by Type
06/01/2019 – 05/31/2020



Observations:

- There were 12 violations committed by three Covered Persons during May 2020.
- Each Covered Person attempted to pre-clear their transactions, but made an error in the process which resulted in the violations.
- 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

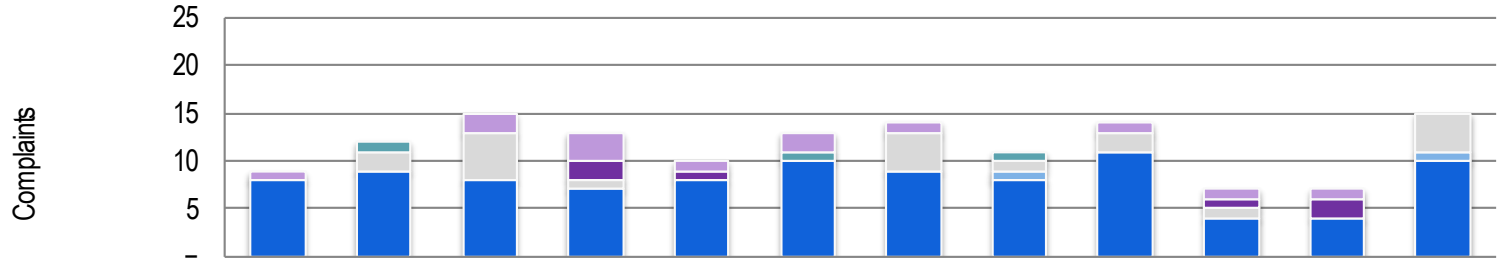
Personal Trading Affirmation / Attestation Report May 2020				
Affirmation Type	Total Due	Submitted Timely	Submitted Late	Outstanding
Initial Personal Trading Affirmations	3	2	1	-
Q3 FY 2019-20 Transaction Affirmations	33	33	-	-
Total	36	35	1	-

Observations:

- Three Initial Personal Trading Affirmations were due in May 2020; two were submitted on time and one was submitted late.
- 33 Q3 FY 2019-20 Transaction Affirmations were due May 1, 2020; all were submitted on time.

Ethics Helpline: Complaints Received

Ethics Related Complaints Received by Complaint Category



	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Other	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	-	2	5	1	-	-	4	1	2	1	-	4
Business Integrity & Conflicts of Interest	-	-	-	-	-	-	-	1	-	-	-	1
Retirement Benefits Fraud or Abuse	8	9	8	7	8	10	9	8	11	4	4	10
Total	9	12	15	18	10	13	14	11	14	7	7	15

Observations:

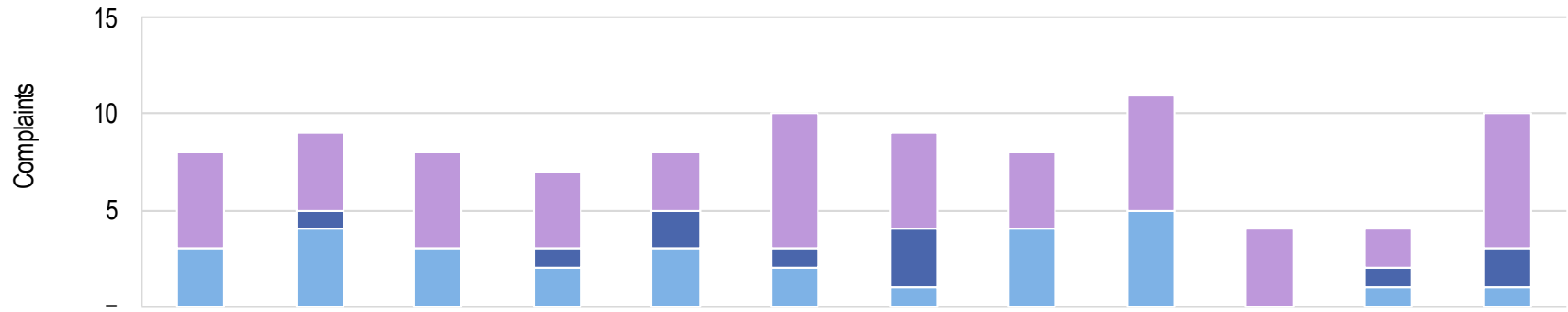
- In May 2020, the number of complaints increased from seven to fifteen compared to the prior month.
- Of the fifteen ethics related complaints received in May 2020, 67% (10 of 15) fell under the Retirement Benefits Fraud or Abuse category.

Notes:

- Two 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
06/01/2019 – 05/31/2020



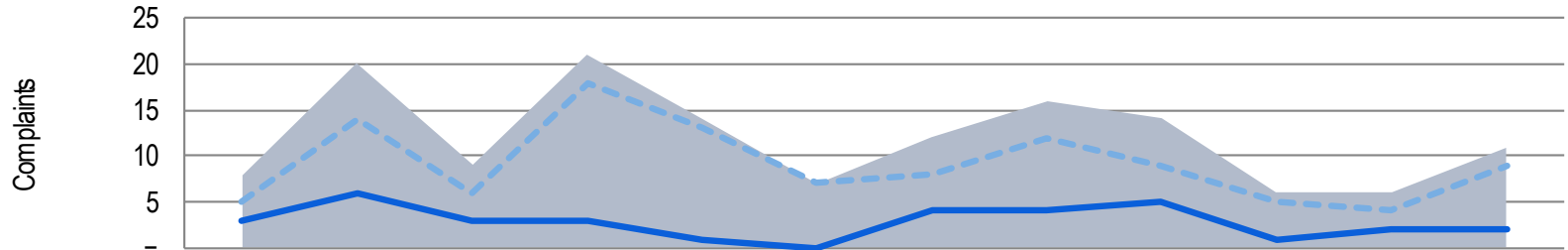
	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Public Agency Activities	5	4	5	4	3	7	5	4	6	4	2	7
Pension Spiking	–	1	–	1	2	1	3	–	–	–	1	2
Retired Annuitant	3	4	3	2	3	2	1	4	5	–	1	1
Total	8	9	8	7	8	10	9	8	11	4	4	10

Observation:

- The Public Agency Activities subcategory accounted for 70% (7 of 10) of the RBFA complaints received in May 2020.

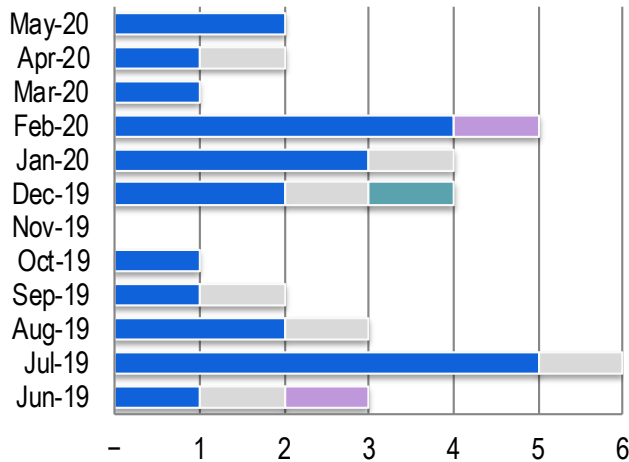
Ethics Helpline: Complaints Closed

Complaints Closed: Substantiated vs. Not Substantiated



	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
■ Total	8	20	9	21	14	7	12	16	14	6	6	11
— Closed: Substantiated	3	6	3	3	1	–	4	4	5	1	2	2
- - - Closed: Not Substantiated	5	14	6	18	13	7	8	12	9	5	4	9

Substantiated Complaints by Category



- Retirement Benefits Fraud or Abuse
- Business Integrity & Conflicts of Interest
- HR, Diversity, and Workplace Respect
- Information Security and Records
- Accounting, Auditing & Financial Controls
- Other

Observation:

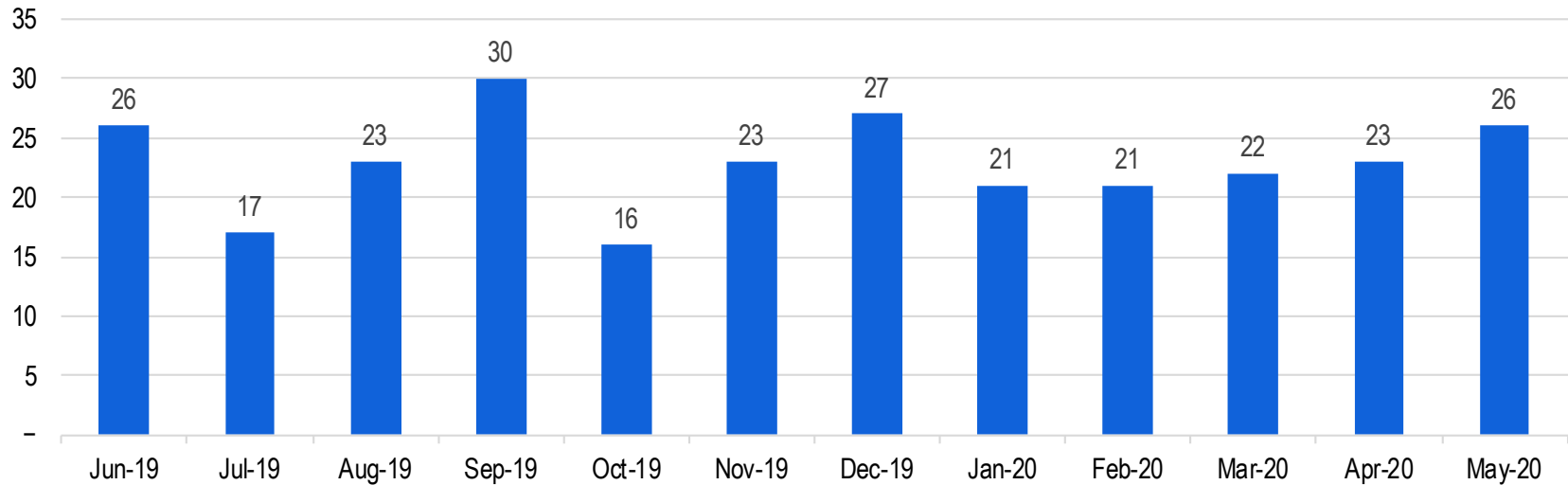
- During the month of May 2020, 82% (9 of 11) of closed complaints were not substantiated.

Note:

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

Ethics Helpline: Complaints Open

Complaints Open
06/01/2019 – 05/31/2020

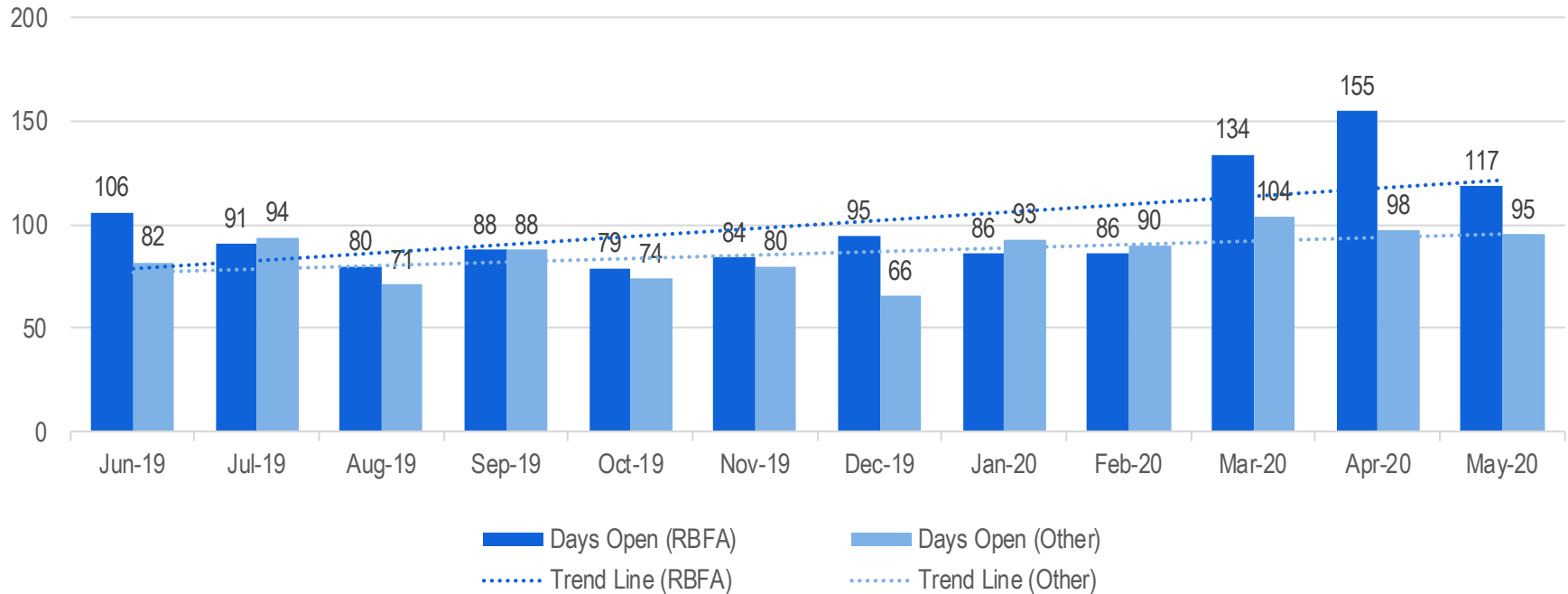


Observation:

- There were 26 open complaints as of 05/31/2020.

Ethics Helpline: Average Days Open

Average Days Open
06/01/2019 – 05/31/2020



Observation:

- As of 05/31/20, Retirement Benefit Fraud or Abuse (RBFA) complaints were open for an average of 117 days, while all other complaints were also open for an average of 95 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 May 2020			
Training Type	Completed	Outstanding	Completion Rate
Mandatory Health Insurance Portability Accountability Act	20	0	100%
Mandatory Information Security Awareness	20	2	91%
Mandatory Workplace Violence Prevention	18	3	86%
Mandatory Harassment Prevention for Team Members	18	2	90%
Mandatory Harassment Prevention for Team Leaders	3	0	100%
Mandatory Gift Policy Attestation	5	3	63%
Total	84	10	89%

Observation:

- New employees completed 89% (84 of 94) of the assigned mandatory training courses due May 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.