

Monthly Status Report – Enterprise Compliance Activity

July 2020

To Be Presented
Risk and Audit Committee
November 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 | <u>Executive Summary</u> |
| 5 | <u>Board and Employee Form 700 Filings</u> <ul style="list-style-type: none">• Filing status of Board Members and employees required to file Statements of Economic Interests – Form 700, mandated by the CalPERS – Conflict of Interest Code |
| 6 | <u>Consultant Form 700 Filings</u> <ul style="list-style-type: none">• Filing status of consultants required to file Statements of Economic Interests – Form 700, mandated by the CalPERS – Conflict of Interest Code |
| 7 | <u>Personal Trade Monitoring</u> <ul style="list-style-type: none">• Transactions and violations to CalPERS Personal Trading Regulations |
| 9 | <u>Ethics Helpline</u> <ul style="list-style-type: none">• Complaints or reports received through CalPERS Ethics Helpline |
| 14 | <u>Training Compliance</u> <ul style="list-style-type: none">• Mandatory Training |
| 15 | <u>Appendix</u> <ul style="list-style-type: none">• Form 700 Statement Definitions• Personal Trading Violation Type Definitions• Ethics Helpline: Complaint Category and Case Outcome Definitions• Ethics Helpline: Closed Substantiated Case Summary |

Executive Summary

This report provides activity regarding four components of the Enterprise Compliance program for the month of July 2020. Those components are Form 700 filings, Personal Trading Monitoring, Ethics Helpline Complaints, and Mandatory Training completion rates.

- Of all the board and employee Form 700 filers, 83% were filed timely and 8% were filed late; 55% of consultant Form 700s were filed timely and 18% were filed late.
- There were no Personal Trading violations for the month.
- There were fourteen ethics complaints received in the month.
- Of the Mandatory New Employee Trainings, 86% were completed on time.

Additional details relating to these compliance activities can be found in pages five through fourteen.

Board & Employee Form 700 Filings

| July 2020 Statements Due (Board & Employee) | | | | |
|---|------------------|----------------|-------------|-----------|
| Statement Type | Submitted Timely | Submitted Late | Outstanding | Total Due |
| Assuming Office | 5 | 1 | – | 6 |
| Leaving Office | 5 | – | 1 | 6 |
| Grand Total | 10 | 1 | 1 | 12 |

Observations:

- CalPERS currently has 920 Board and employee Form 700 filers.
- Out of 12 statements due in July 2020, 10 statements (83%) were submitted timely, one statement was submitted late, one statement was outstanding.

Note:

- See Page 16 for Statement definitions.

Consultant Form 700 Filings

| July 2020 Statements Due (Consultant) | | | | |
|---------------------------------------|------------------|----------------|-------------|-----------|
| Statement Type | Submitted Timely | Submitted Late | Outstanding | Total Due |
| Assuming Office | 4 | - | 3 | 7 |
| Leaving Office | 2 | 2 | - | 4 |
| Grand Total | 6 | 2 | 3 | 11 |

Observations:

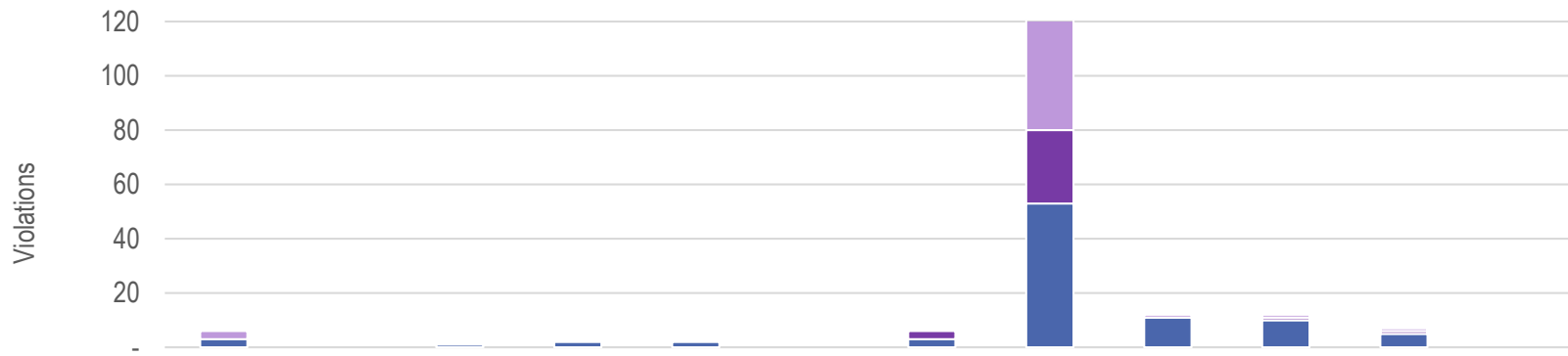
- CalPERS currently has 166 consultant Form 700 filers.
- Out of 11 statements due in July 2020, six statements were submitted timely (55%), two were submitted late, and three were outstanding.

Note:

- See Page 16 for Statement definitions.

Personal Trade Monitoring: Violations

Personal Trade Monitoring: Violations by Type
08/01/2019 – 07/31/2020



| | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 | Apr-20 | May-20 | Jun-20 | Jul-20 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Blackout Period | 3 | - | - | - | - | - | - | 47 | 1 | 1 | 1 | - |
| Restricted List | - | - | - | - | - | - | - | - | - | - | - | - |
| Holding Period | - | - | - | - | - | - | 3 | 27 | - | 1 | 1 | - |
| Missing Pre-Clearance | 3 | - | 1 | 2 | 2 | - | 3 | 53 | 11 | 10 | 5 | - |
| Total Violations | 6 | - | 1 | 2 | 2 | - | 6 | 127 | 12 | 12 | 7 | - |

Observations:

- There were no violations committed by Covered Persons during July 2020.

Notes:

- See Pages 17 for related details.
- Multiple violations can be triggered by a single Covered Person at one time..

Personal Trade Monitoring: Personal Trading Regulation Affirmations

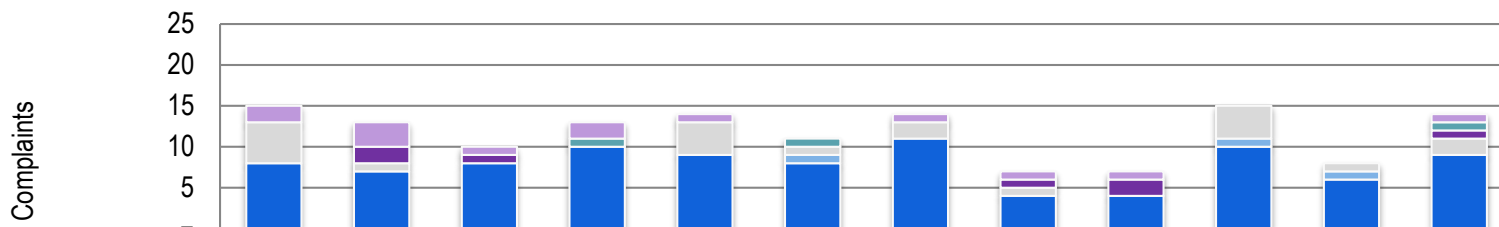
| Personal Trading Affirmation / Attestation Report June 2020 | | | | |
|--|-----------|------------------|----------------|-------------|
| Affirmation Type | Total Due | Submitted Timely | Submitted Late | Outstanding |
| Initial Personal Trading Affirmations | 2 | 2 | - | - |
| Q4 FY 2019-20 Transaction Affirmation | 34 | 33 | - | 1 |
| Total | 36 | 35 | - | 1 |

Observations:

- Two Initial Personal Trading Affirmations were due in July 2020 and they were submitted on time.
- 34 Q4 FY 2019-20 Transaction Affirmations were due in July 2020, 33 were submitted on time, and one was outstanding.

Ethics Helpline: Complaints Received

Ethics Related Complaints Received by Complaint Category



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

Observations:

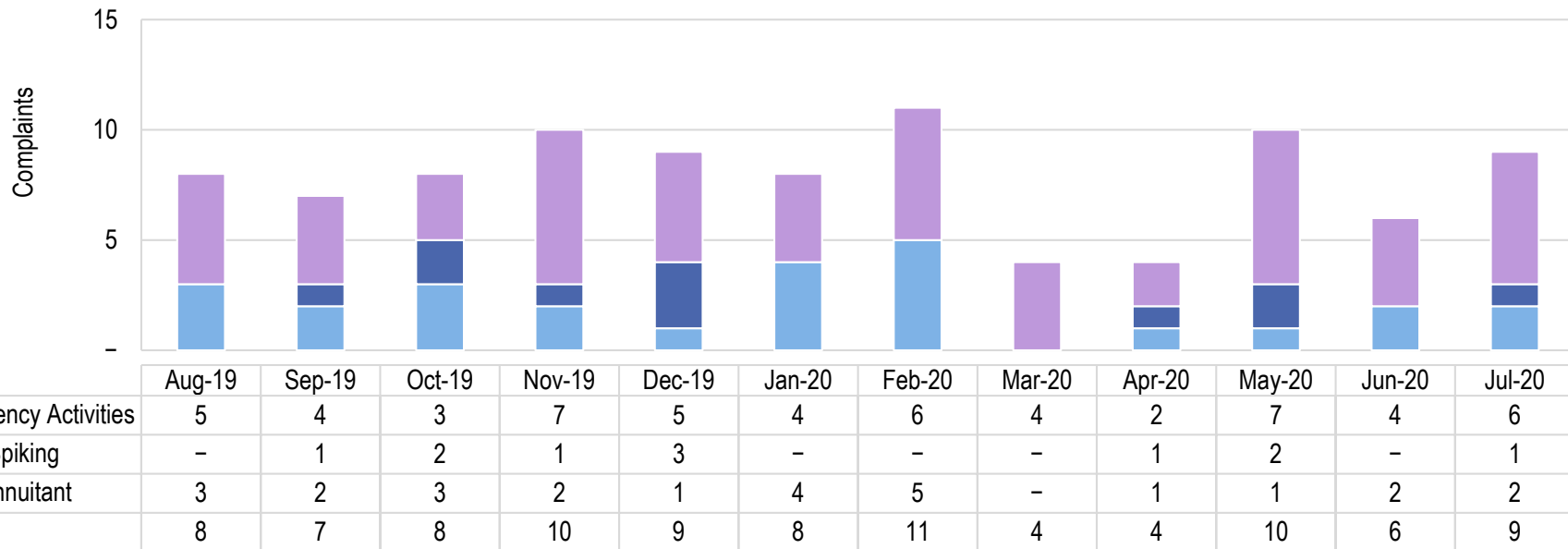
- In July 2020, the number of complaints increased from eight to fourteen compared to the prior month.
- Of the fourteen ethics related complaints received in July 2020, 64% (9 of 14) fell under the Retirement Benefits Fraud or Abuse category.

Notes:

- Three 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 18 for category descriptions.

Ethics Helpline Retirement Benefit Fraud or Abuse (RBFA) 1-Year Trend

**RBFA Complaints Received by Month
08/01/2019 – 07/31/2020**

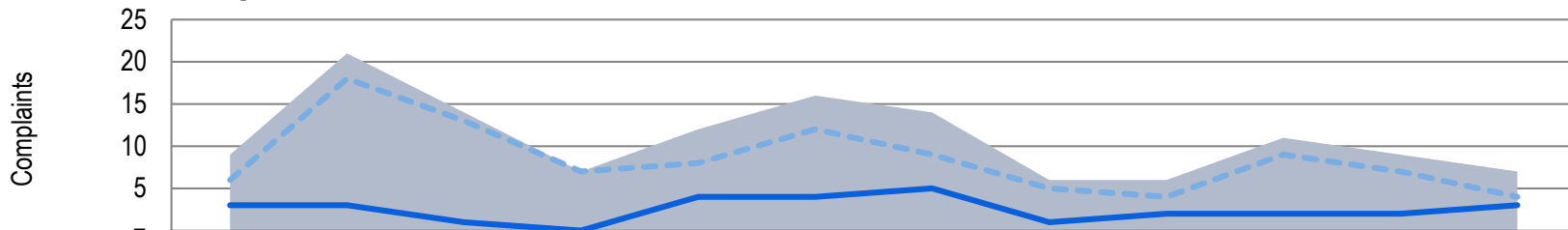


Observation:

- The Public Agency Activities subcategory accounted for 67% (6 of 9) of the RBFA complaints received in July 2020.

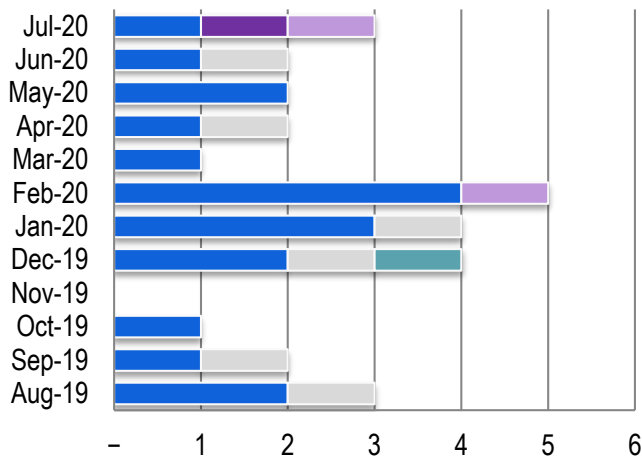
Ethics Helpline: Complaints Closed

Complaints Closed: Substantiated vs. Not Substantiated



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

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:

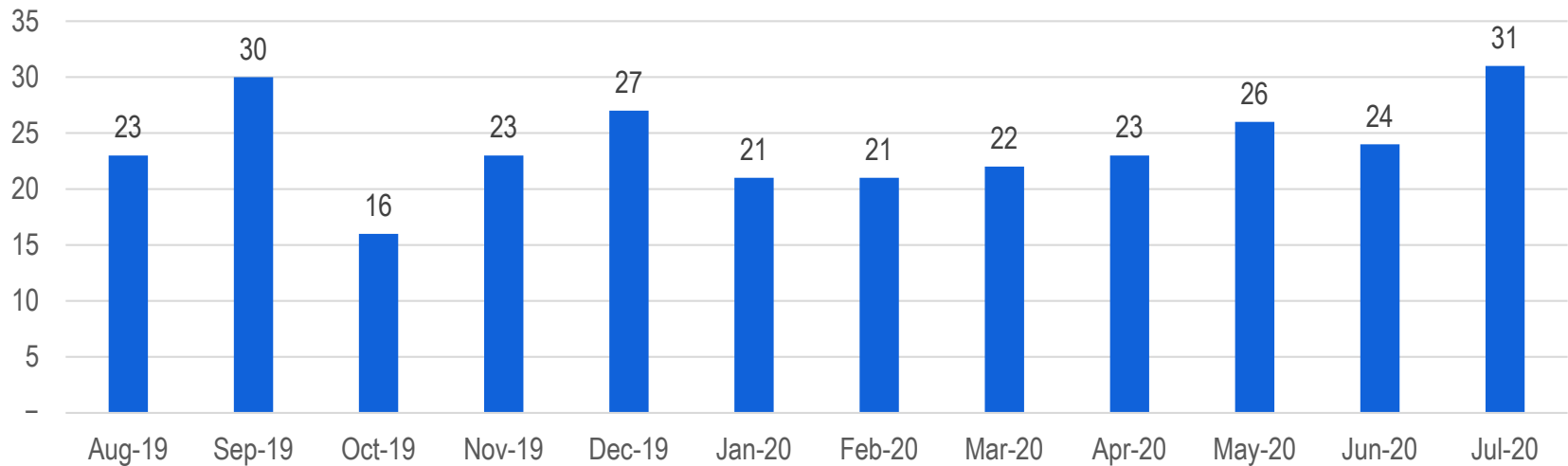
- During the month of July 2020, 57% (4 of 7) of closed complaints were not substantiated.

Note:

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

Ethics Helpline: Complaints Open

Complaints Open
08/01/2019 – 07/31/2020

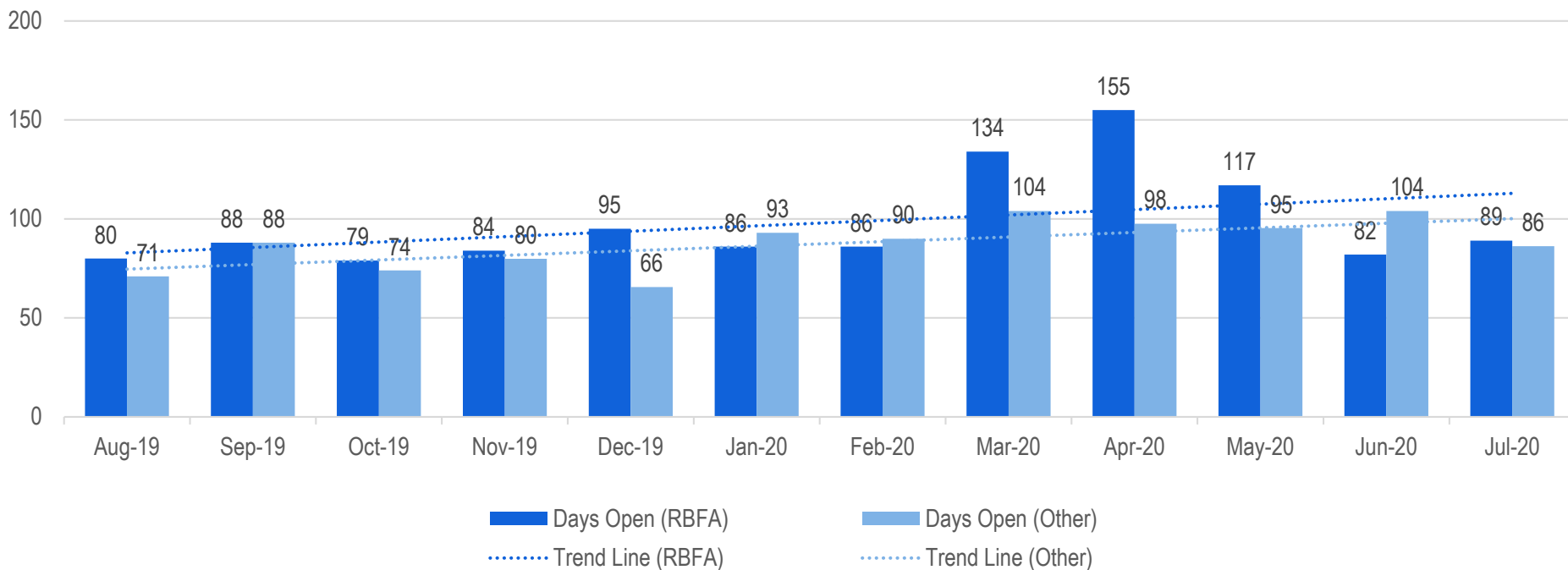


Observation:

- There were 31 open complaints as of 07/31/2020.

Ethics Helpline: Average Days Open

Average Days Open
08/01/2019 – 07/31/2020



Observation:

- As of 07/31/2020, Retirement Benefit Fraud or Abuse (RBFA) complaints were open for an average of 89 days, while all other complaints were open for an average of 86 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 July 2020 | | | |
|---|------------|-------------|-----------------|
| Training Type | Completed | Outstanding | Completion Rate |
| Mandatory Health Insurance Portability Accountability Act | 43 | 8 | 84% |
| Mandatory Information Security Awareness | 16 | 0 | 100% |
| Mandatory Acceptable Use Policy | 47 | 10 | 82% |
| Mandatory Workplace Violence Prevention | 16 | 0 | 100% |
| Mandatory Harassment Prevention for Team Members | 15 | 0 | 100% |
| Mandatory Harassment Prevention for Team Leaders | 1 | 0 | 100% |
| Mandatory Gift Policy Attestation | 7 | 1 | 88% |
| ISOF Cybersecurity Training | 46 | 11 | 81% |
| Total | 191 | 30 | 86% |

Observation:

- New employees completed 86% (191 of 221) of the assigned mandatory training courses due July 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
- Ethics Helpline Closed Substantiated Case Summary

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 5 and 6 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 7 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 9 – 13 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 Pages 9 – 13 details.

Ethics Helpline: Closed Substantiated Case Summary

July 2020

| Case Number | Issue Type | Allegation | Finding |
|-------------|------------------------------------|---|-------------------------------------|
| 2020 - 1134 | Information Security & Records | The reporting party alleges the contact email address for the members account was changed without authorization. | Closed: 07/20/2020 Substantiated |
| 2020 - 1130 | Other | The reporting party alleges their dependent was dropped from their health benefits without notification or authorization. | Closed: 07/16/2020 Substantiated |
| 2020 - 1117 | Retirement Benefits Fraud or Abuse | The reporting party alleges a member was not bringing eligible employees into membership. | Closed: 07/28/2020 Substantiated |