

Monthly Status Report – Enterprise Compliance Activity

August 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.

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Executive Summary

This report provides activity regarding four components of the Enterprise Compliance program for the month of August 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, 88% were filed timely; 75% of consultant Form 700s were filed timely and 13% were filed late.
- There were three Personal Trading violations for the month.
- There were 16 ethics complaints received in the month.
- Of the Mandatory New Employee Trainings, 96% were completed on time.

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

Board & Employee Form 700 Filings

August 2020 Statements Due (Board & Employee)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	3	-	-	3
Leaving Office	4	-	1	5
Grand Total	7	-	1	8

Observations:

- CalPERS currently has 920 Board and employee Form 700 filers.
- Out of eight statements due in August 2020, seven statements (88%) were submitted timely, and one statement was outstanding.

Note:

- See Page 16 for Statement definitions.

Consultant Form 700 Filings

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

Observations:

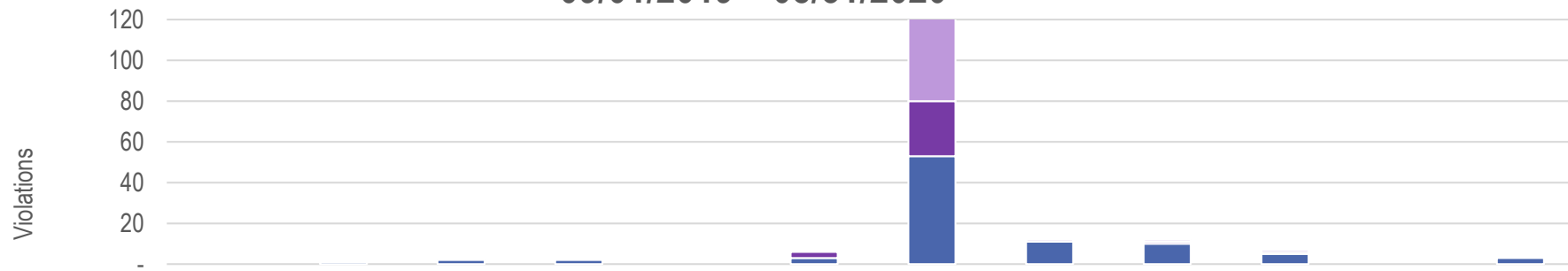
- CalPERS currently has 170 consultant Form 700 filers.
- Out of eight statements due in August 2020, six statements were submitted timely (75%), one was submitted late, and one was outstanding.

Note:

- See Page 16 for Statement definitions.

Personal Trade Monitoring: Violations

Personal Trade Monitoring: Violations by Type
09/01/2019 – 08/31/2020



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

Observations:

- One Covered Person in Enterprise Compliance attempted to pre-clear their transaction but selected the wrong transaction direction (buy/sell), resulting in one Missing Pre-clearance violation.
- One Covered Person in the Operations Branch attempted to pre-clear their transaction but selected the wrong ticker symbol, resulting in two Missing Pre-clearance violations.

Notes:

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

Personal Trade Monitoring: Personal Trading Regulation Affirmations

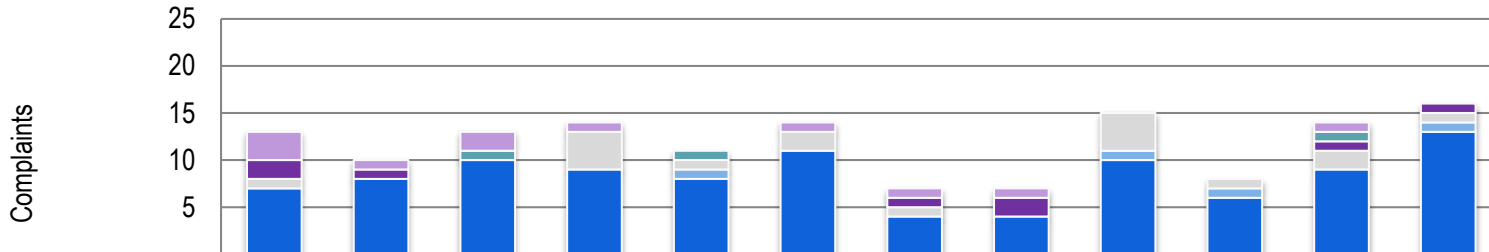
Personal Trading Affirmation / Attestation Report August 2020				
Affirmation Type	Total Due	Submitted Timely	Submitted Late	Outstanding
Initial Personal Trading Affirmations	2	2	-	-
Total	2	2	-	-

Observations:

- Two Initial Personal Trading Affirmations were due in August 2020 and they were submitted on time.

Ethics Helpline: Complaints Received

Ethics Related Complaints Received by Complaint Category



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

Observations:

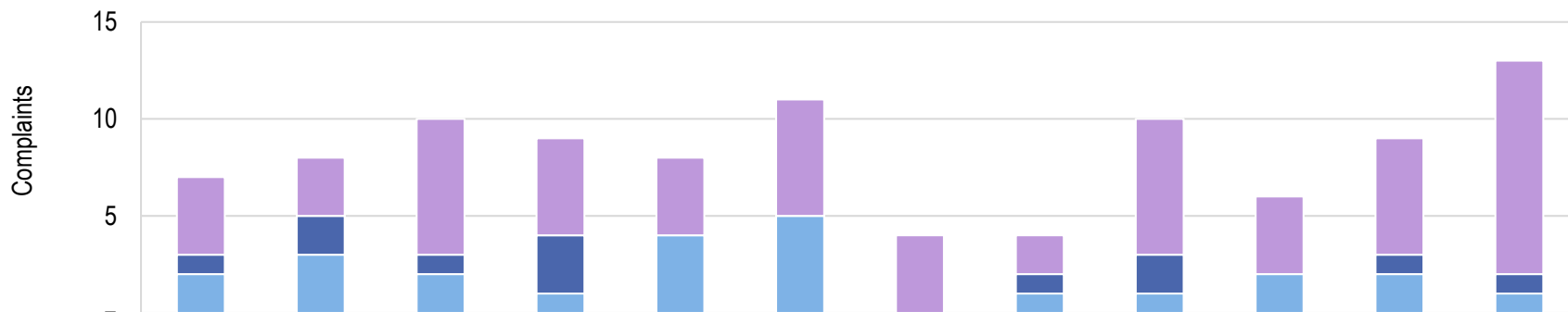
- In August 2020, the number of complaints increased from 14 to 16 compared to the prior month.
- Of the 16 ethics related complaints received in August 2020, 81% (13 of 16) fell under the Retirement Benefits Fraud or Abuse category.

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 25 for category descriptions.

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

RBFA Complaints Received by Month
09/01/2019 – 08/31/2020



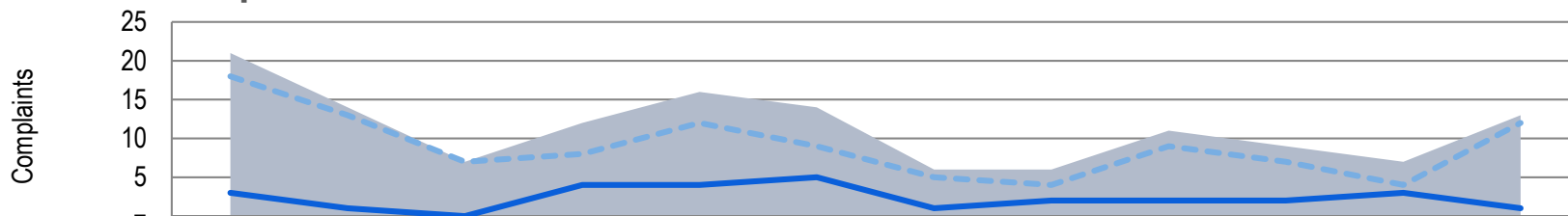
	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
Public Agency Activities	4	3	7	5	4	6	4	2	7	4	6	11
Pension Spiking	1	2	1	3	-	-	-	1	2	-	1	1
Retired Annuitant	2	3	2	1	4	5	-	1	1	2	2	1
Total	7	8	10	9	8	11	4	4	10	6	9	13

Observation:

- The Public Agency Activities subcategory accounted for 85% (11 of 13) of the RBFA complaints received in August 2020.

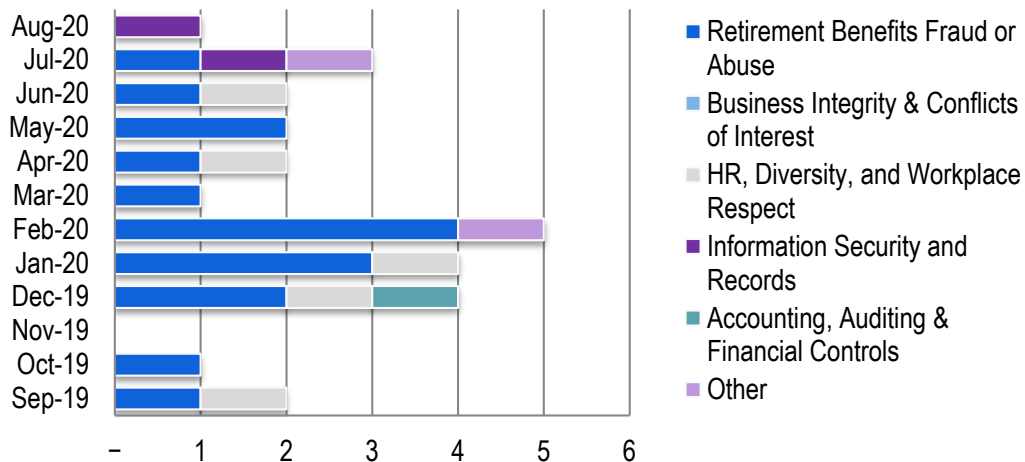
Ethics Helpline: Complaints Closed

Complaints Closed: Substantiated vs. Not Substantiated



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

Substantiated Complaints by Category



Observation:

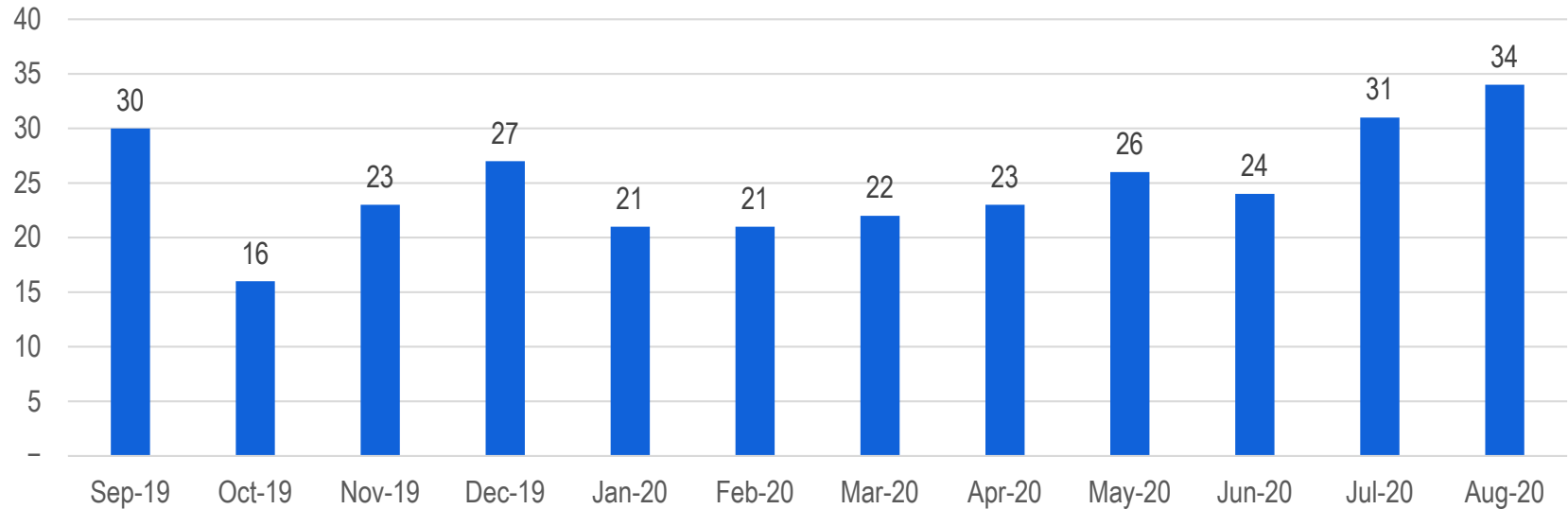
- During the month of August 2020, 92% (12 of 13) of closed complaints were not substantiated.

Notes:

- “Not substantiated” includes complaints that were closed as unsubstantiated, inconclusive, or for insufficient information.
- See Pages 25-26 for complaint category definitions and case status definitions.

Ethics Helpline: Complaints Open

Complaints Open
09/01/2019 – 08/31/2020



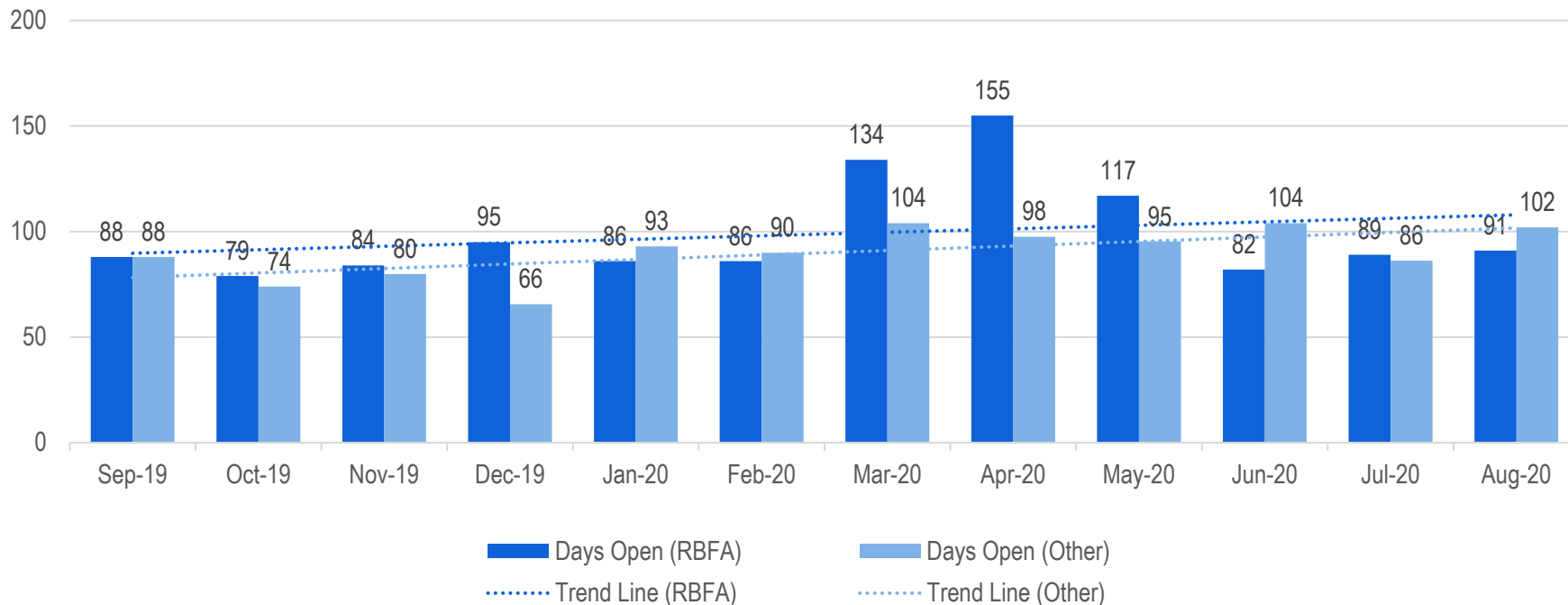
Observation:

- There were 34 open complaints as of 08/31/2020.

Notes:

Ethics Helpline: Average Days Open

Average Days Open
09/01/2019 – 08/31/2020



Observation:

- As of 08/31/20, Retirement Benefit Fraud or Abuse (RBFA) complaints were open for an average of 91 days, while all other complaints were open for an average of 102 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 August 2020			
Training Type	Completed	Outstanding	Completion Rate
Mandatory Health Insurance Portability Accountability Act	22	1	96%
Mandatory Information Security Awareness	23	0	100%
Mandatory Acceptable Use Policy	2	0	100%
Mandatory Workplace Violence Prevention	23	0	100%
Mandatory Harassment Prevention for Team Members	2	0	100%
Mandatory Harassment Prevention for Team Leaders	3	1	75%
Mandatory Gift Policy Attestation	11	2	85%
ISOF Cybersecurity Training	2	0	100%
Total	88	4	96%

Observation:

- New employees completed 96% (88 of 92) of the assigned mandatory training courses due August 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 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 Pages 9 – 13 for details.

Ethics Helpline: Closed Substantiated Case Summary

August 2020

Case Number	Issue Type	Allegation	Finding
2020 - 1144	Information Security & Records	The reporting party alleges they received correspondence for another member which contained the member's CalPERS identification number.	Closed: 08/17/2020 Substantiated