

Monthly Status Report – Enterprise Compliance Activity

November 2020

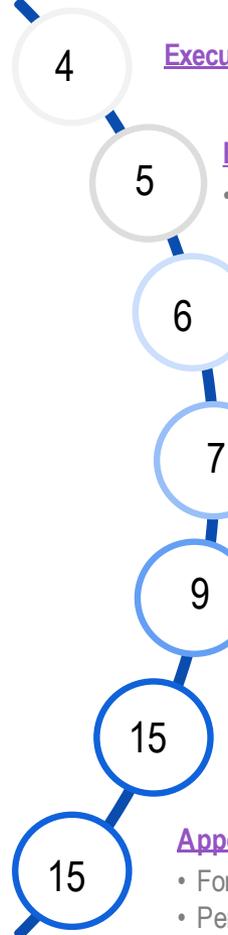
To Be Presented
Risk and Audit Committee
February 2021

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• Ethics Helpline: Closed Substantiated Case Summary
15	<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

Executive Summary

This report provides activity regarding four components of the Enterprise Compliance program for the month of November 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, 80% were filed timely, two were outstanding.
- Of all the consultant Form 700 filers, 40% were filed timely, three were outstanding.
- There were seven Personal Trading violations for the month.
- There were 20 ethics complaints received in the month.
- Of the Mandatory Employee Trainings, 100% were completed on time.

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

Board & Employee Form 700 Filings

November 2020 Statements Due (Board & Employee)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	5	-	-	5
Leaving Office	3	-	2	5
Grand Total	8	-	2	10

Observations:

- CalPERS currently has 908 Board and employee Form 700 filers.
- Out of 10 statements due in November 2020, eight statements (80%) were submitted timely, two were outstanding.

Note:

- See Page 17 for Statement definitions.

Consultant Form 700 Filings

November 2020 Statements Due (Consultant)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	1	-	-	1
Leaving Office	1	-	3	4
Grand Total	2	-	3	5

Observations:

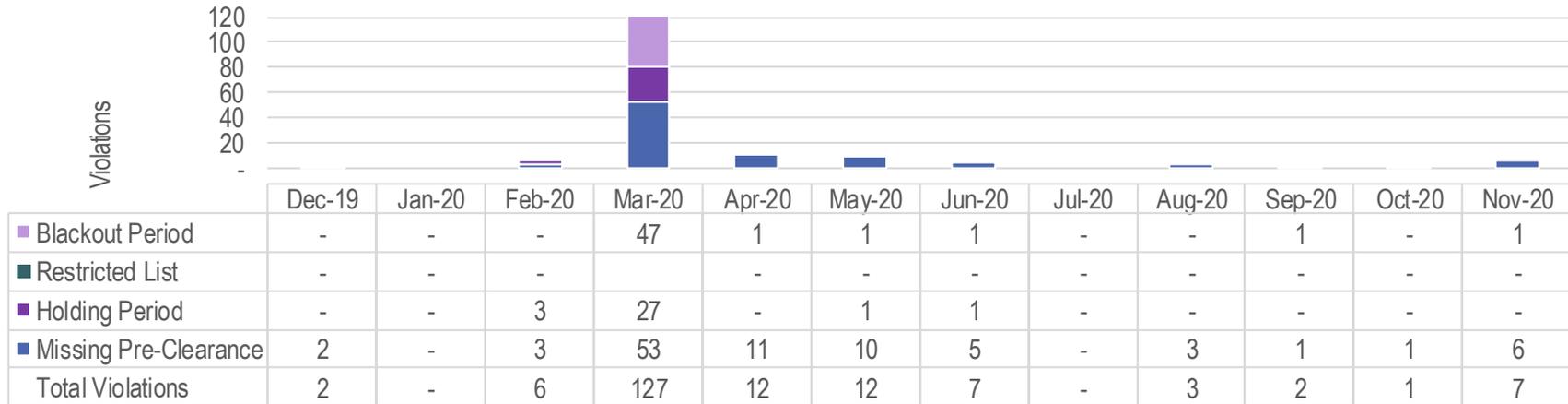
- CalPERS currently has 161 consultant Form 700 filers.
- Out of five statements due in November 2020, two statements (40%) were submitted timely, three were outstanding.

Note:

- See Page 17 for Statement definitions.

Personal Trade Monitoring: Violations

Personal Trade Monitoring: Violations by Type
12/01/2019 – 11/30/2020



Observations:

- One Covered Person from the Board of Administration attempted to pre-clear their transactions, but the transactions were not executed until after the pre-clearances had expired, resulting in four Missing Pre-clearance violations.
- One Covered Person from the Investment Office attempted to pre-clear their transaction, but selected “buy” instead of “sell”, resulting in one Missing Pre-clearance violation.
- One Covered Person from the Investment Office attempted to pre-clear their transaction, but selected the incorrect stock exchange, resulting in one Missing Pre-clearance and one Blackout Period violation.

Notes:

- See Page 18 for related details.
- Multiple violations can be triggered by a single Covered Person at one time..

Personal Trade Monitoring: Personal Trading Regulation Affirmations

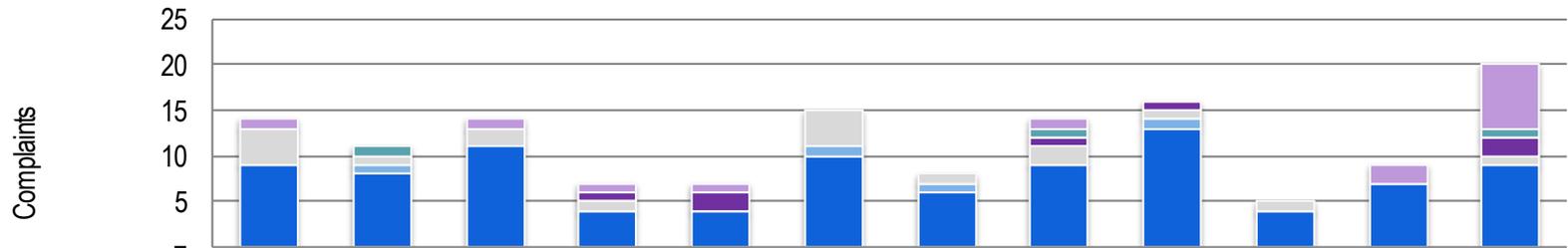
Personal Trading Affirmation / Attestation Report November 2020				
Affirmation Type	Total Due	Submitted Timely	Submitted Late	Outstanding
Initial Personal Trading Affirmations	7	7	-	-
Total	7	7	-	-

Observations:

- There were seven Initial Personal Trading Affirmations due in November 2020, all were submitted timely.

Ethics Helpline: Complaints Received

Ethics Related Complaints Received by Complaint Category



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

Observations:

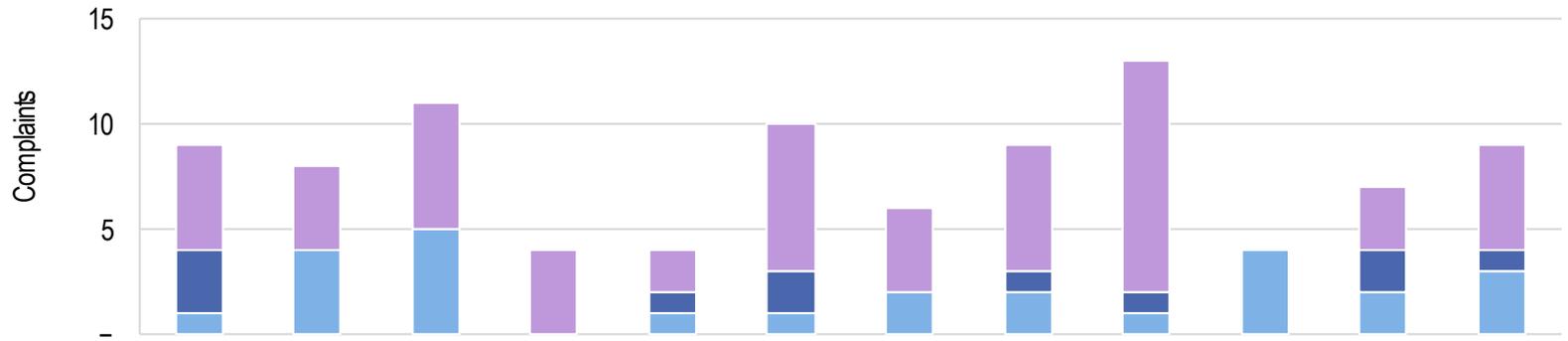
- In November 2020, the number of complaints increased by 11 (9 to 20) compared to the prior month.
- Of the 20 ethics related complaints received in November 2020, 45% (9 of 20) fell under the Retirement Benefits Fraud or Abuse category.

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 19 for category descriptions.

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

RBFA Complaints Received by Month
12/01/2019 – 11/30/2020



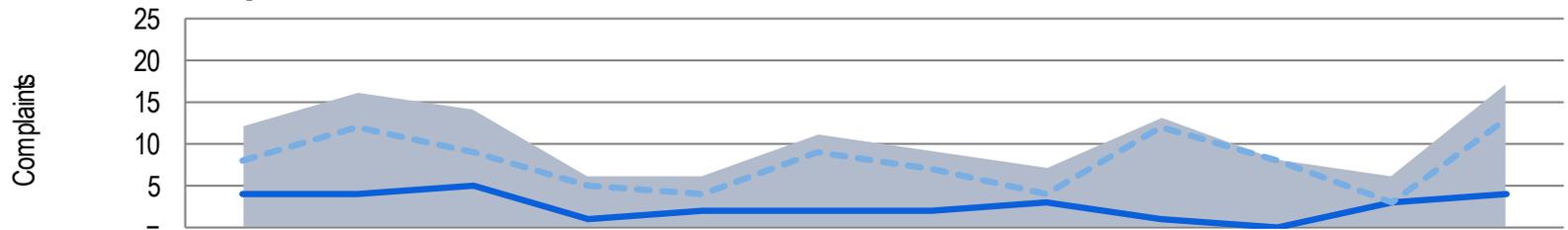
	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Public Agency Activities	5	4	6	4	2	7	4	6	11	–	3	5
Pension Spiking	3	–	–	–	1	2	–	1	1	–	2	1
Retired Annuitant	1	4	5	–	1	1	2	2	1	4	2	3
Total	9	8	11	4	4	10	6	9	13	4	7	9

Observation:

- The Public Agency Activities subcategory accounted for 56% (5 of 9) of the RBFA complaints received in November 2020.

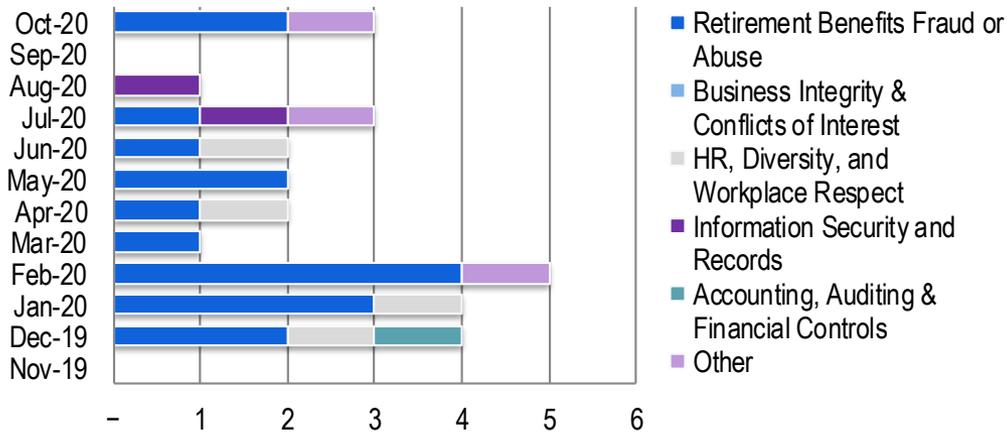
Ethics Helpline: Complaints Closed

Complaints Closed: Substantiated vs. Not Substantiated



	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Total	12	16	14	6	6	11	9	7	13	8	6	17
Closed: Substantiated	4	4	5	1	2	2	2	3	1	-	3	4
Closed: Not Substantiated	8	12	9	5	4	9	7	4	12	8	3	13

Substantiated Complaints by Category



Observation:

- During the month of November 2020, 76% (13 of 17) of closed complaints were not substantiated.

Notes:

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

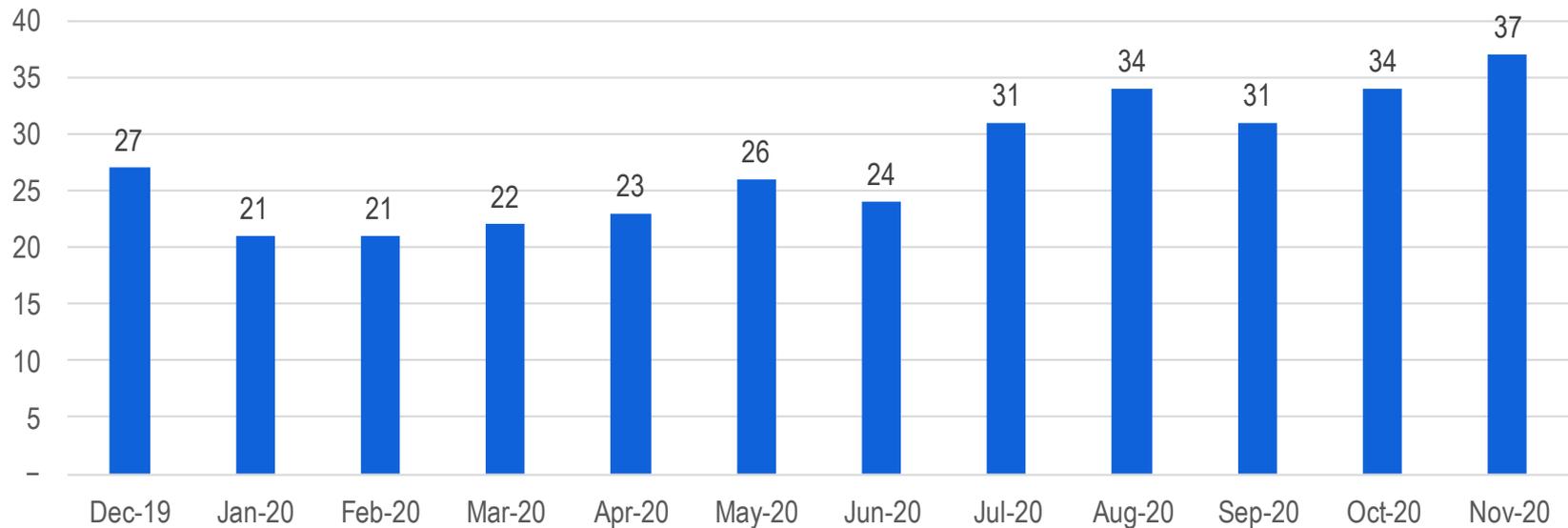
Ethics Helpline Summary of Closed Substantiated Complaints

Closed Substantiated Complaints 11/1/2020 – 11/30/2020

Case Number	Issue Type	Allegation	Finding	Action Taken
2020-1112a 2020-1112b	Human Resources, Diversity & Workplace Respect	The reporting party alleges a manager made a racist comment and is creating a hostile work environment.	On 11/30/20, CalPERS reported: Investigation completed; partially substantiated. However, no EEO policy violation findings.	Closed: 11/30/2020
2020-1174	Other	The reporting party alleges money is being withheld from their pension warrants for benefits they did not sign up for and are not receiving.	On 11/18/20, CalPERS reported: Member's healthcare benefits were canceled effective 10/01/2020 and health premiums deducted for October and November will be credited on 12/01/2020 retirement warrant.	Closed: 11/18/2020
2020-1169	Information Security & Records	The reporting party alleges they received another member's information in the mail.	On 11/18/20, CalPERS reported: The member is a new hire and the employer confirmed the address was keyed incorrectly; the mailing address has been corrected.	Closed: 11/18/2020

Ethics Helpline: Complaints Open

Complaints Open
12/01/2019 – 11/30/2020

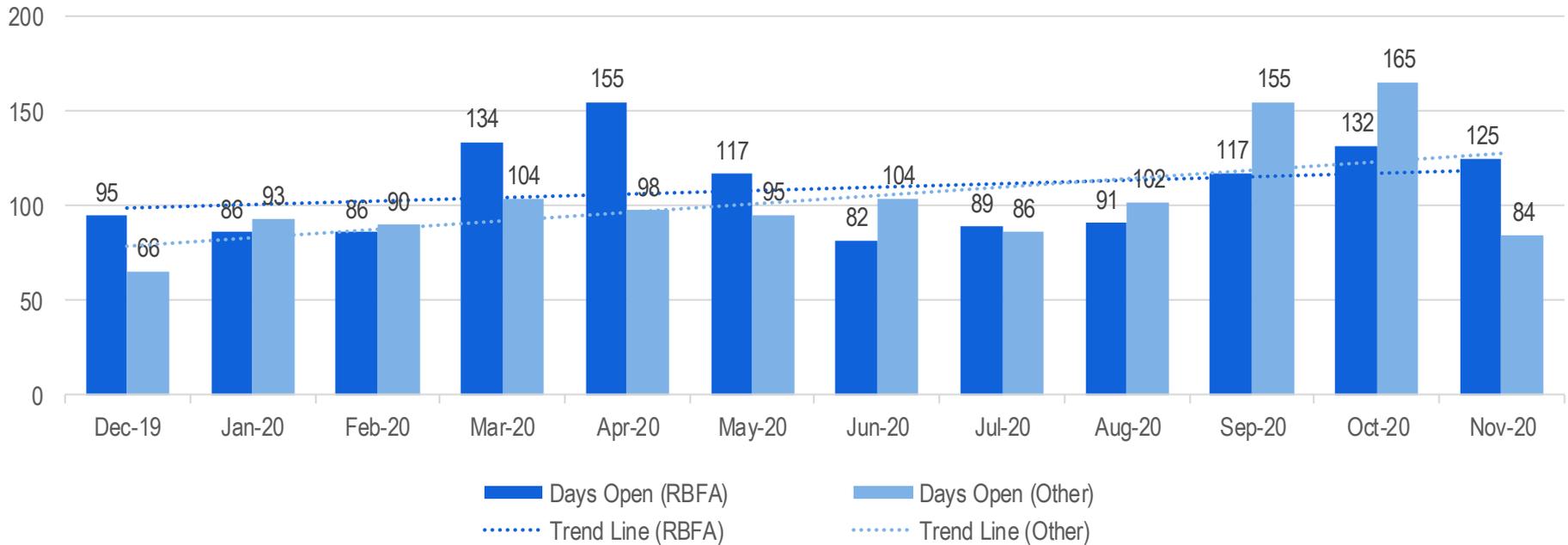


Observation:

- There were 37 open complaints as of 11/30/2020.

Ethics Helpline: Average Days Open

Average Days Open
12/01/2019 – 11/30/2020



Observation:

- As of 11/30/20, Retirement Benefit Fraud or Abuse (RBFA) complaints were open for an average of 125 days, while all other complaints were open for an average of 84 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 November 2020			
Training Type	Completed	Outstanding	Completion Rate
Mandatory Health Insurance Portability Accountability Act	8	0	100%
Mandatory ISOF Privacy Training	11	0	100%
Mandatory Acceptable Use Policy	12	0	100%
Mandatory Workplace Violence Prevention	11	0	100%
Mandatory Harassment Prevention for Team Members	10	0	100%
Mandatory Harassment Prevention for Team Leaders	2	0	100%
Mandatory Health Insurance Portability and Accountability Act for Division Transfers	1	0	100%
Mandatory ISOF Cybersecurity Training	12	0	100%
Total	67	0	100%

Observation:

- New employees completed 100% (67 of 67) of the assigned mandatory training courses due November 2020.

Notes:

- *Mandatory training is due within 60 days of a new employee’s start date.*
- *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 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 - 14 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 9 - 14 for details.