

Monthly Status Report – Enterprise Compliance Activity

November 2021

To Be Presented
Risk and Audit Committee
February 14, 2022

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.

Executive Summary

This report provides activity regarding four components of the Enterprise Compliance program for the month of November 2021. 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, 100% were filed timely.
- Of all the Consultant Form 700 filers, 91% were filed timely.
- There were two Personal Trading violations for the month.
- There were nine ethics complaints received in the month.
- Of the Mandatory Employee Trainings, 99% were completed on time.

Additional details relating to these compliance activities can be found in pages 5 through 15.

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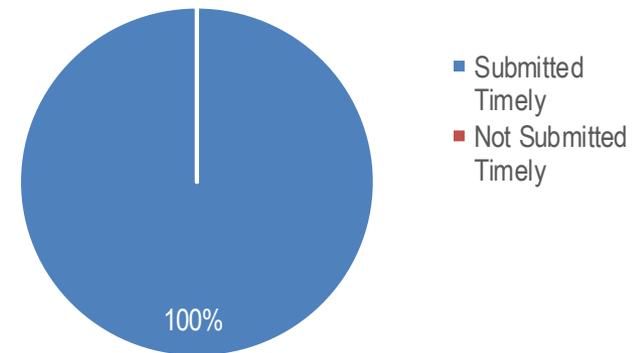
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| | |
|----|---|
| 5 | <u>Board and Employee Form 700 Filings</u> <ul style="list-style-type: none">Filing status of Board Members and employees required to file Statements of Economic Interests – Form 700, mandated by the CalPERS – Conflict of Interest 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 Trading 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 HelplineSummary of Closed Substantiated Complaints |
| 15 | <u>Training Compliance</u> <ul style="list-style-type: none">Mandatory TrainingECOM Led Training |
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Board & Employee Form 700 Filings

| November 2021 Statements Due (Board & Employee) | | | | |
|---|------------------|----------------|-------------|-----------|
| Statement Type | Submitted Timely | Submitted Late | Outstanding | Total Due |
| Assuming Office | 9 | - | - | 9 |
| Leaving Office | 6 | - | - | 6 |
| Grand Total | 15 | - | - | 15 |

Percent Submitted Timely November 2021



Observations:

- There were 15 Board and Employee statements due in November 2021.
- There were no Board and Employee statements outstanding as of 11/30/2021.

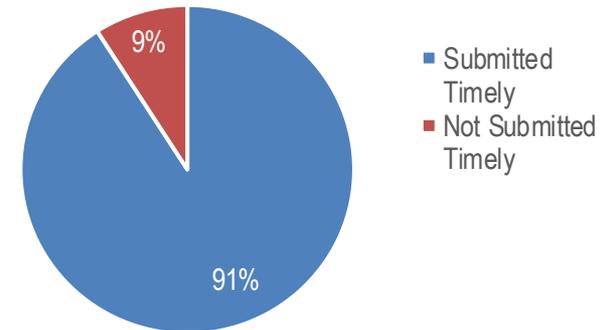
Notes:

- See Appendix for related details and definitions.

Consultant Form 700 Filings

| November 2021 Statements Due (Consultant) | | | | |
|---|------------------|----------------|-------------|-----------|
| Statement Type | Submitted Timely | Submitted Late | Outstanding | Total Due |
| Assuming Office | 8 | - | - | 8 |
| Leaving Office | 2 | - | 1 | 3 |
| Grand Total | 10 | - | 1 | 11 |

Percent Submitted Timely November 2021



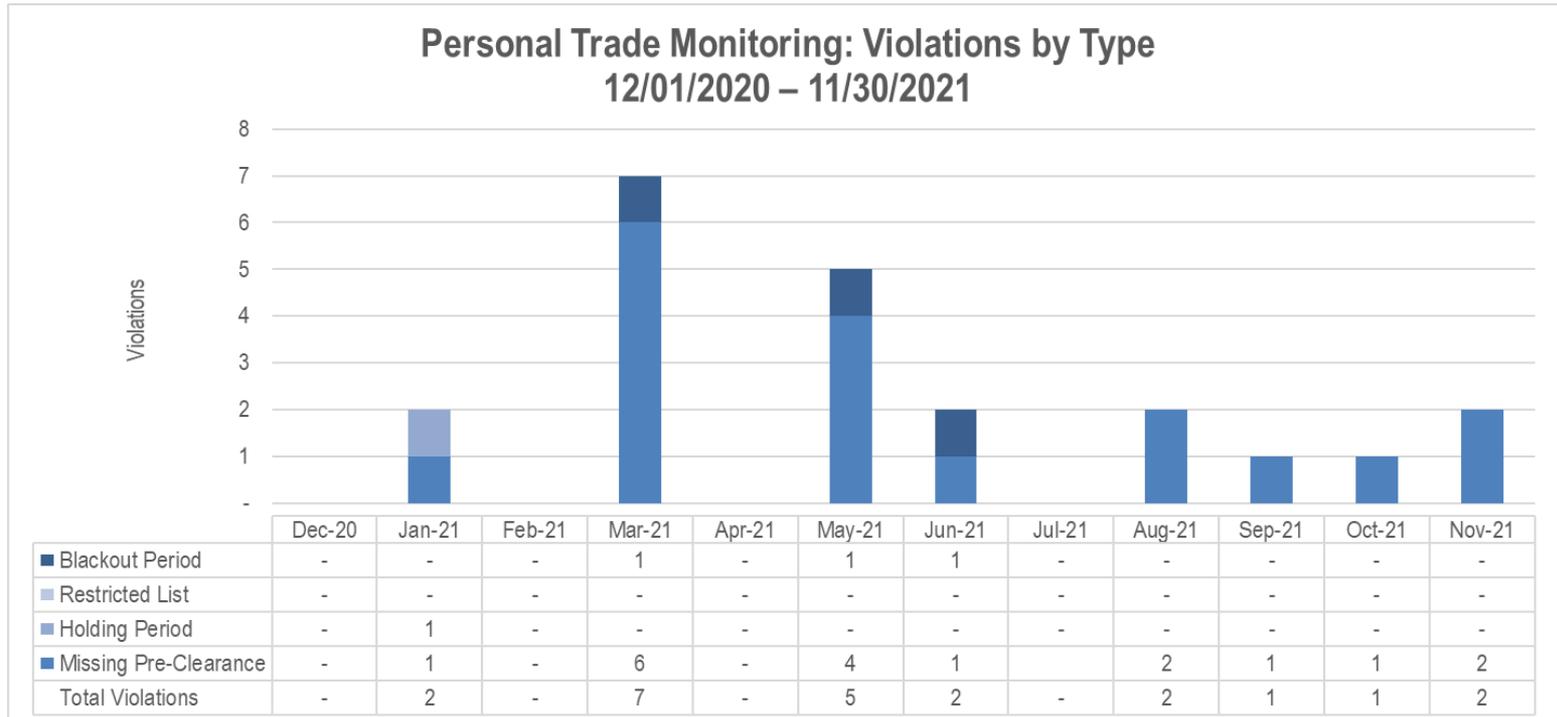
Observations:

- There were 11 Consultant statements due in November 2021.
- One Consultant statement was outstanding as of 11/30/2021.

Notes:

- *Update: As of December 6, 2021, there were no outstanding Consultant Form 700 Filings.*
- *See Appendix for related details and definitions.*

Personal Trade Monitoring: Violations



Observations:

- Two Covered Persons from the Investment Office failed to pre-clear their transactions, resulting in two Missing Pre-clearance violations.

Notes:

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

Personal Trade Monitoring: Personal Trading Affirmations

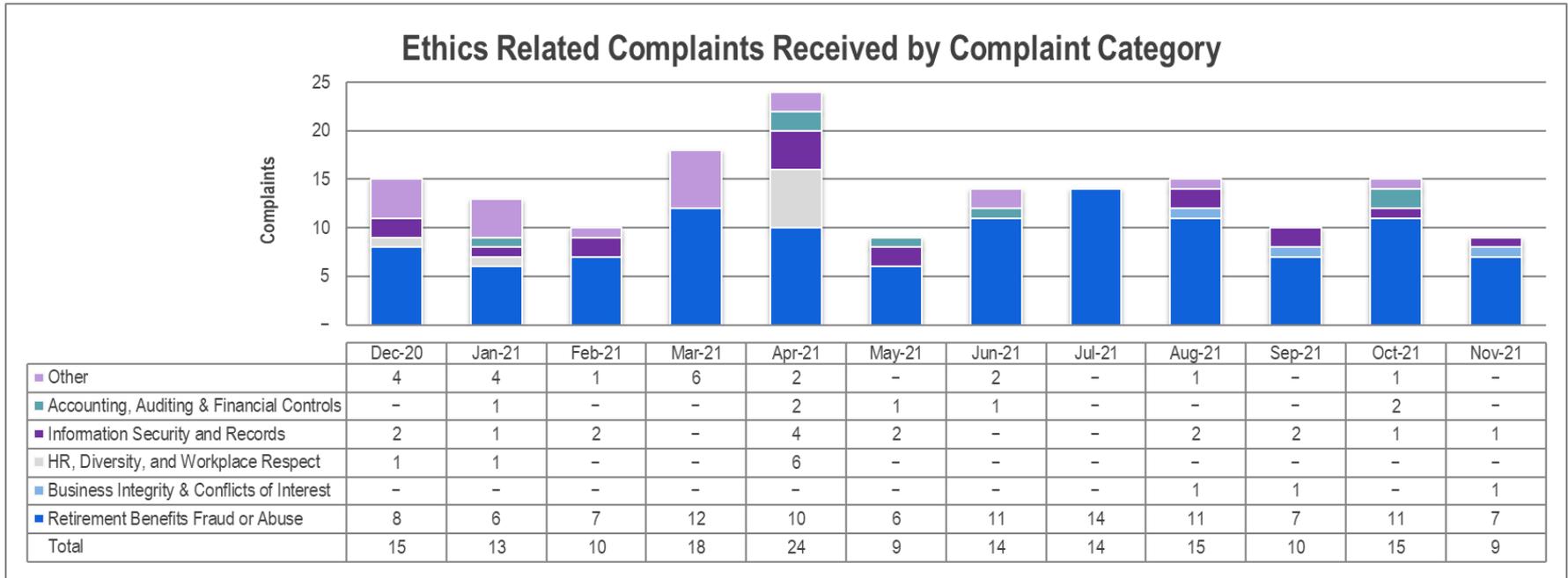
| Personal Trading Affirmation / Attestation Filing Report November 2021 | | | | |
|---|-----------|------------------|----------------|-------------|
| Affirmation Type | Total Due | Submitted Timely | Submitted Late | Outstanding |
| Initial Personal Trading Affirmations | 2 | 2 | - | - |
| Total | 2 | 2 | - | - |

Observations:

- Two Initial Personal Trading Affirmations were due during the month of November 2021; both were submitted on time.

Note: See Appendix for related details.

Ethics Helpline: Complaints Received



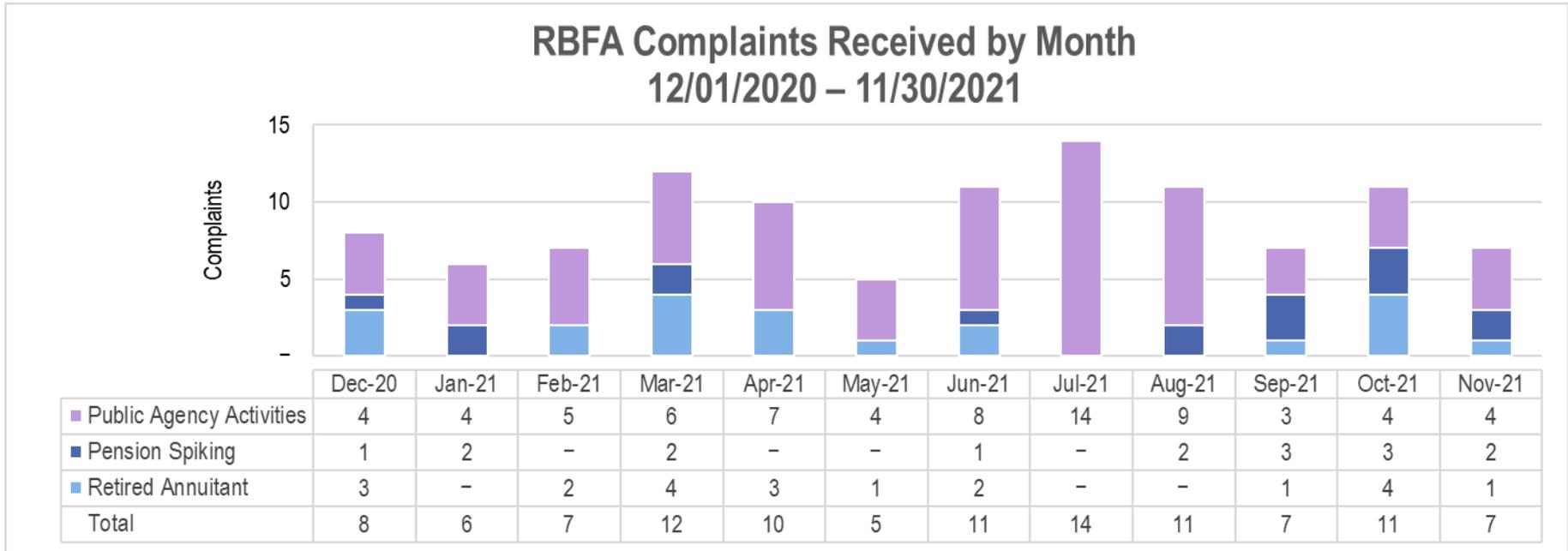
Observations:

- In November 2021, there were nine new complaints, a decrease from the prior month.
- Of the ethics related complaints received in November, 78% (7 of 9) fell under the Retirement Benefits Fraud or Abuse category.
- There were four non-ethics cases received in the month of November 2021.

Notes:

- See Appendix for category descriptions.

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

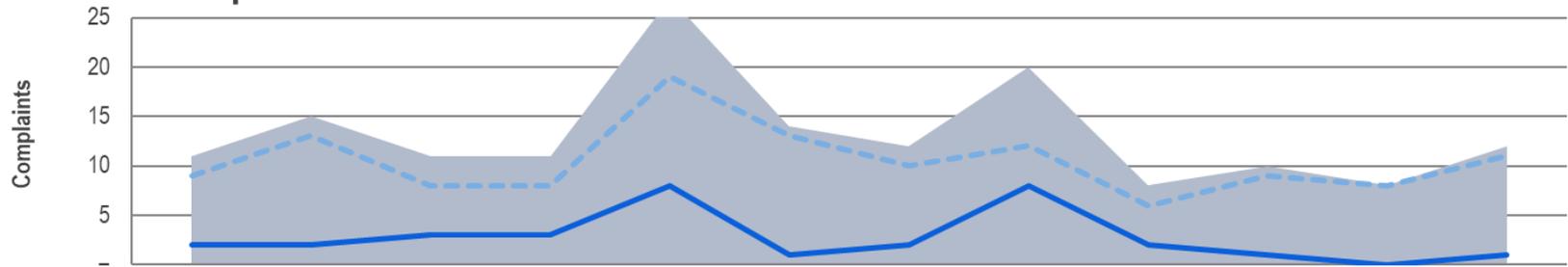


Observation:

- The Public Agency Activities subcategory accounted for 57% (4 of 7) of the RBFA complaints received in November 2021.

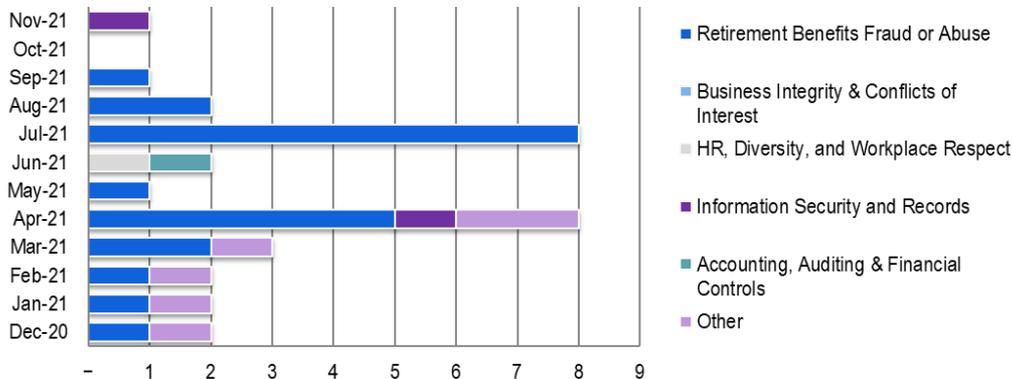
Ethics Helpline: Complaints Closed

Complaints Closed: Substantiated vs. Not Substantiated



| | Dec-20 | Jan-21 | Feb-21 | Mar-21 | Apr-21 | May-21 | Jun-21 | Jul-21 | Aug-21 | Sep-21 | Oct-21 | Nov-21 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total | 11 | 15 | 11 | 11 | 27 | 14 | 12 | 20 | 8 | 10 | 8 | 12 |
| Closed: Substantiated | 2 | 2 | 3 | 3 | 8 | 1 | 2 | 8 | 2 | 1 | - | 1 |
| Closed: Not Substantiated | 9 | 13 | 8 | 8 | 19 | 13 | 10 | 12 | 6 | 9 | 8 | 11 |

Substantiated Complaints by Category



Observation:

- During the month of November, 92% (11 of 12) of closed complaints were not substantiated.

Notes:

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

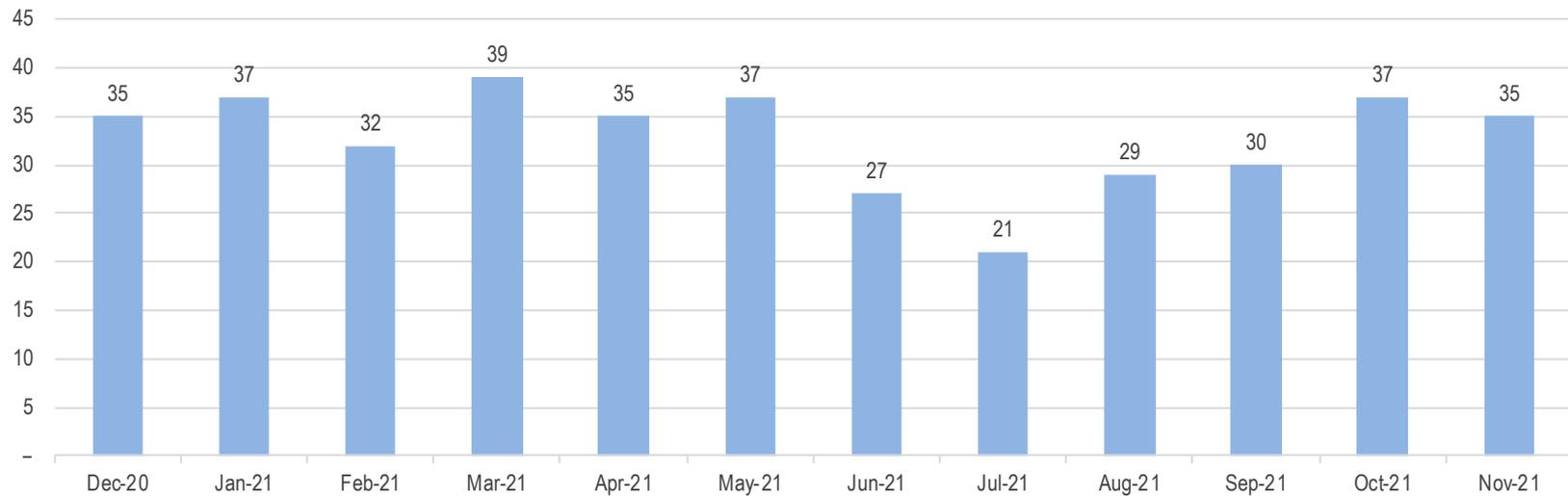
Ethics Helpline Summary of Closed Substantiated Complaints

Closed Substantiated Complaints 11/01/2021 – 11/30/2021

| Case Number | Issue Type | Allegation | Finding | Action Taken |
|-------------|----------------------------------|--|--|--------------------|
| 2021-1317 | Information Security and Records | The reporting party alleges their personal information, including CalPERS membership information, was on a stolen cellphone. | Member's account was locked as a safety precaution. Two factor authentication and a phone authorization code will be required to view the account. | Closed: 11/10/2021 |

Ethics Helpline: Complaints Open

Complaints Open
12/01/2020 – 11/30/2021

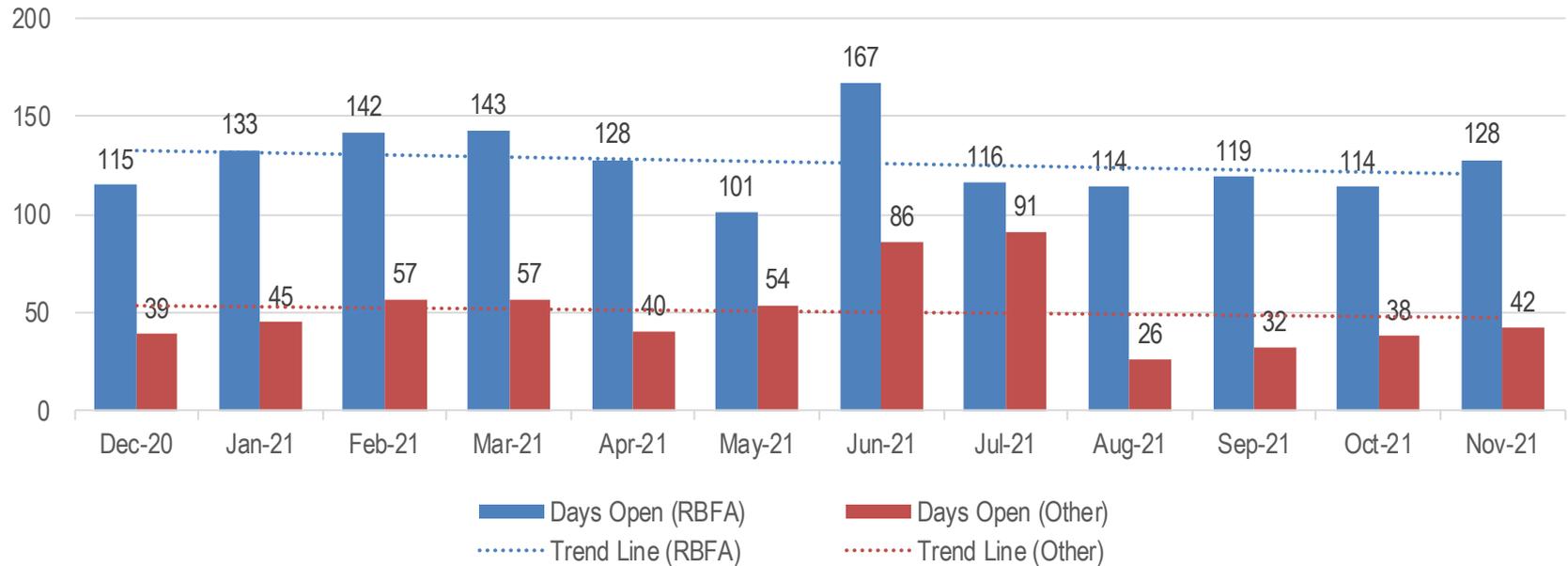


Observation:

- There were 35 open complaints as of 11/30/2021.

Ethics Helpline: Average Days Open

Average Days Open
12/01/2020 – 11/30/2021



Observation:

- As of 11/30/21, Retirement Benefit Fraud or Abuse (RBFA) complaints were open for an average of 128 days, while all other complaints were open for an average of 42 days.

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

Training Compliance: Employee Mandatory Training

| Employee Mandated Training – Due November 2021 | | | | |
|---|------------|-------------|-----------------|--|
| Training Type | Completed | Outstanding | Completion Rate | |
| Acceptable Use Policy | 23 | - | 100% | |
| CalPERS Personal Trading Regulations | 15 | - | 100% | |
| Gift Policy Attestation for New Filers | 10 | - | 100% | |
| Harassment Prevention for Team Leaders | 8 | - | 100% | |
| Harassment Prevention for Team Members | 23 | - | 100% | |
| Health Insurance Portability and Accountability Act | 13 | - | 100% | |
| Information Security and Privacy | 23 | - | 100% | |
| Workplace Violence Prevention Training | 23 | - | 100% | |
| COVID-19 Prevention Plan | 33 | 3 | 92% | |
| AG Ethics | 29 | - | 100% | |
| Total | 200 | 3 | 99% | |

Observation:

- Employees completed 99% (200 of 203) of assigned mandatory training courses due November 2021.

Notes:

- *Update: As of December 3, 2021, all outstanding Employee Mandatory Trainings were completed for November 2021*
- *Mandatory training is due within 30 days of a new employee’s start date.*
- *Annual enterprise-wide mandatory training due December 31 is reported separately.*
- *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
- Board and Employee Form 700 Filings: Detail Report
- Consultant Form 700 Filings: Detail Report
- Personal Trading Violation Type Definitions
- Personal Trading Violation Detail Report
- Personal Trading Affirmations Past Due Detail Report
- Ethics Helpline Complaint Category Definitions
- Ethics Helpline Case Status Definitions
- Ethics Helpline Summary of Closed Substantiated Complaints

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.

Referred: Unsubmitted Form 700 referred to Fair Political Practices Commission (FPPC) for enforcement.

Note: See Pages 5 & 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

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 | <ul style="list-style-type: none"> Retired Annuitants - Involves retired CalPERS members who work for a CalPERS covered agency post retirement. Pension Spiking - Involves situations where a CalPERS covered employer inflates the compensation of an employee in the years immediately preceding retirement for the purpose of increasing their monthly retirement allowance. Public Agency Activities - Refers to a CalPERS public agency’s failure to bring a qualified employee into CalPERS membership or any other allegations that do not fit either of the other subtypes. |
| 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 9-11 for details.

Ethics Helpline Case Status Definitions

| Case Status | 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 11 for details.