

# Monthly Status Report – Enterprise Compliance Activity

May 2021

To Be Presented  
Risk and Audit Committee  
September 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.

# Executive Summary

This report provides activity regarding four components of the Enterprise Compliance program for the month of May 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, 92% were filed timely; one was outstanding.
- Of all the Consultant Form 700 filers, 100% were filed timely.
- There were 5 Personal Trading violations for the month.
- There were 9 ethics complaints received in the month.
- Of the Mandatory Employee Trainings, 97% were completed on time.

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

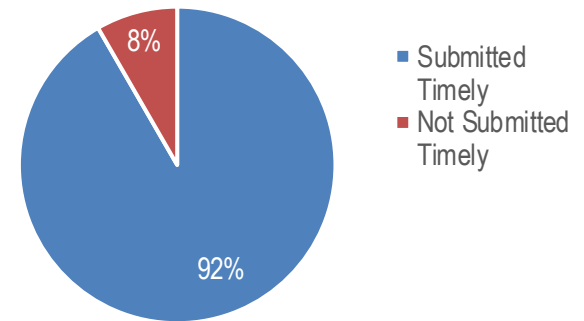
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## Board & Employee Form 700 Filings

May 2021 Statements Due (Board & Employee)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	7	-	-	7
Leaving Office	4	-	1	5
<b>Grand Total</b>	<b>11</b>	<b>-</b>	<b>1</b>	<b>12</b>

### Percent Submitted Timely May 2021



### Observations:

- Of the total filings due in May 2021, 92% (11 of 12) were filed timely.

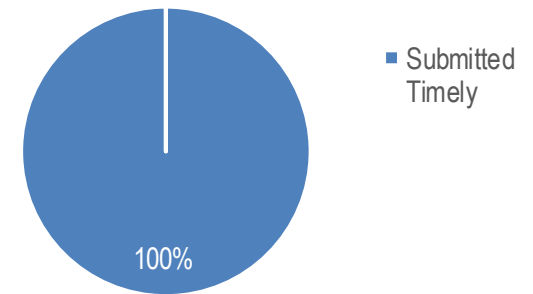
### Notes:

- As of August 24, there were no outstanding Board & Employee Form 700 Filings for the reporting period.
- See Appendix for definitions.

## Consultant Form 700 Filings

May 2021 Statements Due (Consultant)				
Statement Type	Submitted Timely	Submitted Late	Outstanding	Total Due
Assuming Office	-	-	-	-
Leaving Office	-	-	-	-
<b>Grand Total</b>	-	-	-	-

Percent Submitted Timely  
May 2021

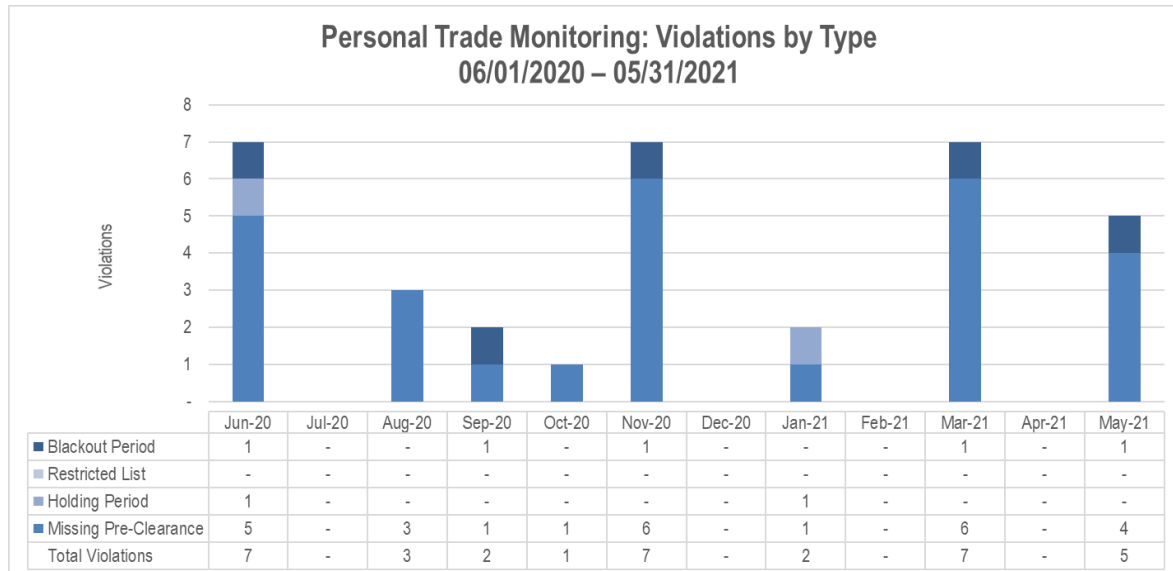


### Observations:

- There were no consultant statements due in May 2021.

*Note: See Appendix for definitions.*

# Personal Trade Monitoring: Violations



## Observations:

- There were 5 personal trading violations during May 2021.
- One Covered Person from the Investment Office failed to pre-clear their transaction, resulting in one Missing Pre-clearance violation.
- One Covered Person from the Operations & Technology Branch attempted to pre-clear their transactions but selected the wrong ticker symbol, resulting in three Missing Pre-clearance violations and one Blackout Period violation.

## Notes:

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

## Personal Trade Monitoring: Personal Trading Regulation Affirmations

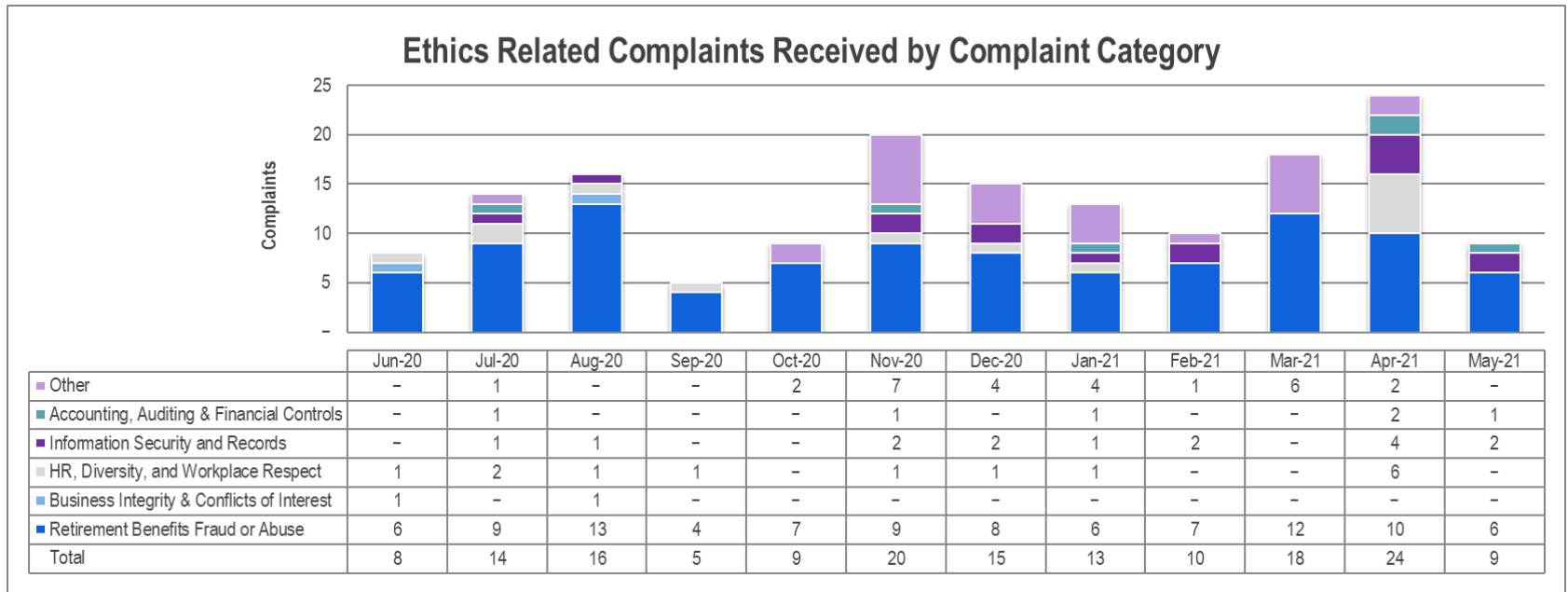
Personal Trading Affirmation / Attestation Filing Report May 2021				
Affirmation Type	Total Due	Submitted Timely	Submitted Late	Outstanding
Initial Personal Trading Affirmations	2	2	-	-
FY 2020-21 Q3 Transaction Affirmations	33	32	1	-
<b>Total</b>	<b>35</b>	<b>34</b>	<b>1</b>	<b>-</b>

### Observations:

- Two Initial Personal Trading Affirmations were due during the month of May 2021; all were submitted on time.
- Thirty-three FY 2020-21 Q3 Transaction Affirmations were due during the month of May 2021; 32 were submitted on time. One was submitted late.



# Ethics Helpline: Complaints Received



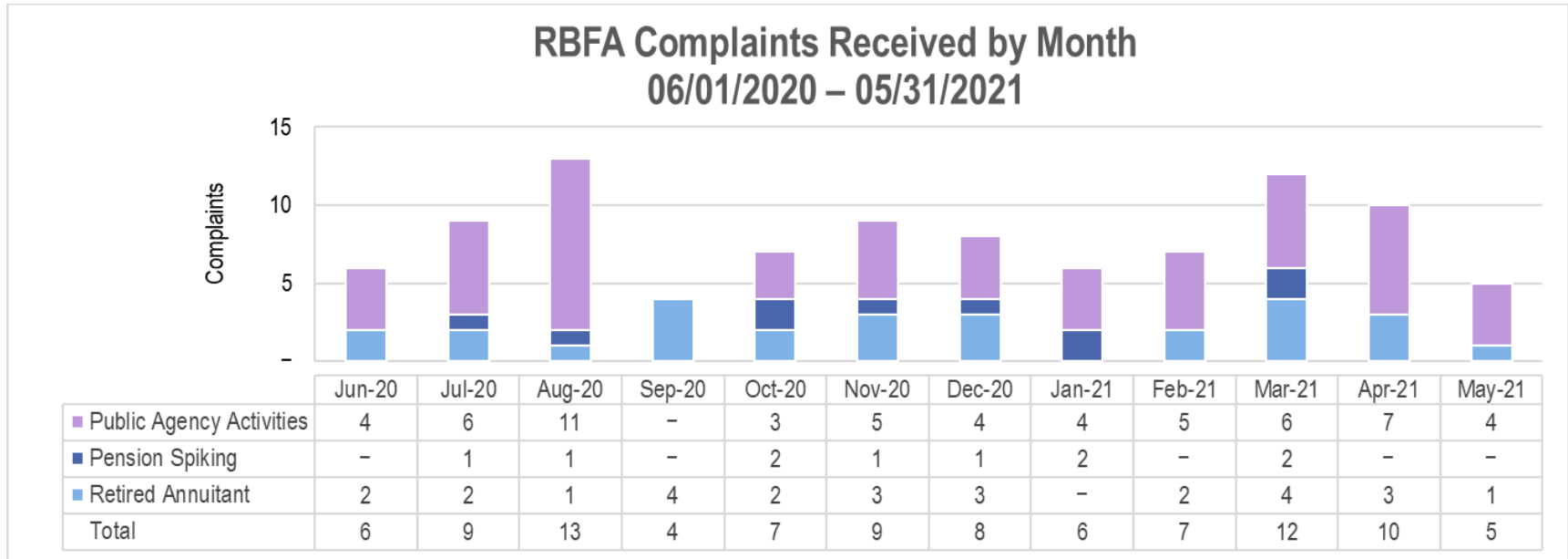
## Observations:

- In May 2021, the number of complaints decreased by 15 (from 24 to 9) compared to the prior month.
- Of the 9 ethics related complaints received in May, 67% (6 of 9) fell under the Retirement Benefits Fraud or Abuse category.

## Notes:

- Two non-ethics related complaints received during the reporting period are not represented in the above graph, since they are not ethics related.
- See Appendix for category descriptions.

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

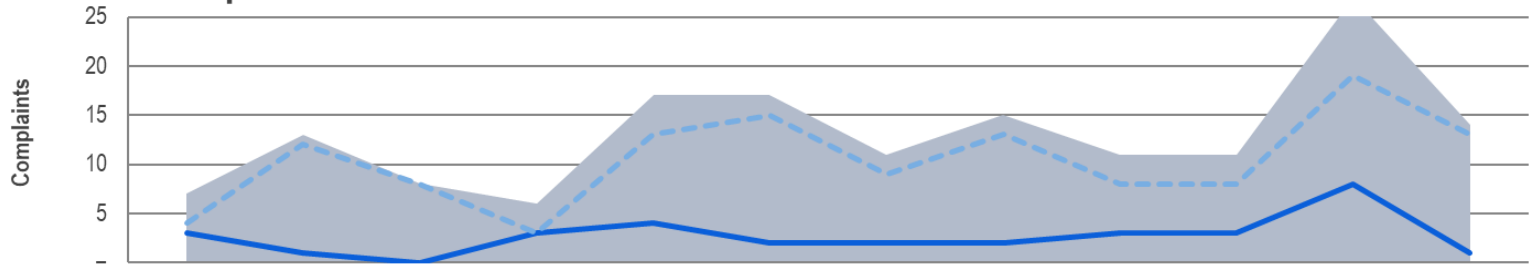


**Observation:**

- The Public Agency Activities subcategory accounted for 80% (4 of 5) of the RBFA complaints received in May 2021.

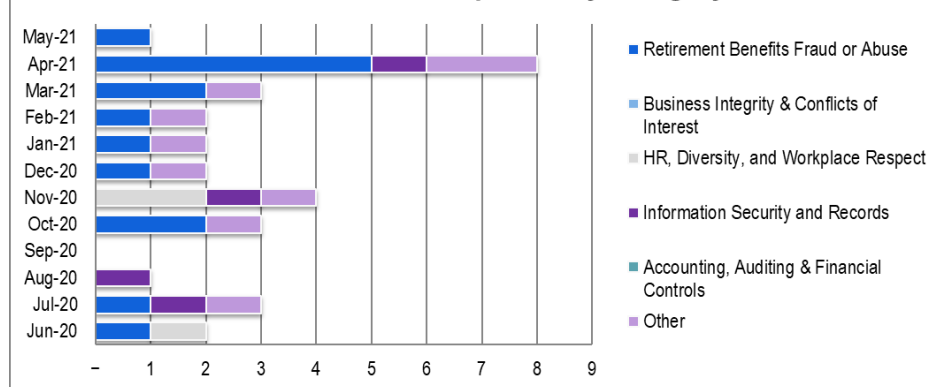
# Ethics Helpline: Complaints Closed

### Complaints Closed: Substantiated vs. Not Substantiated



	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21
Total	7	13	8	6	17	17	11	15	11	11	27	14
Closed: Substantiated	3	1	-	3	4	2	2	2	3	3	8	1
Closed: Not Substantiated	4	12	8	3	13	15	9	13	8	8	19	13

### Substantiated Complaints by Category



## Observation:

- During the month of May, 93% (13 of 14) of closed complaints were not substantiated.

## Notes:

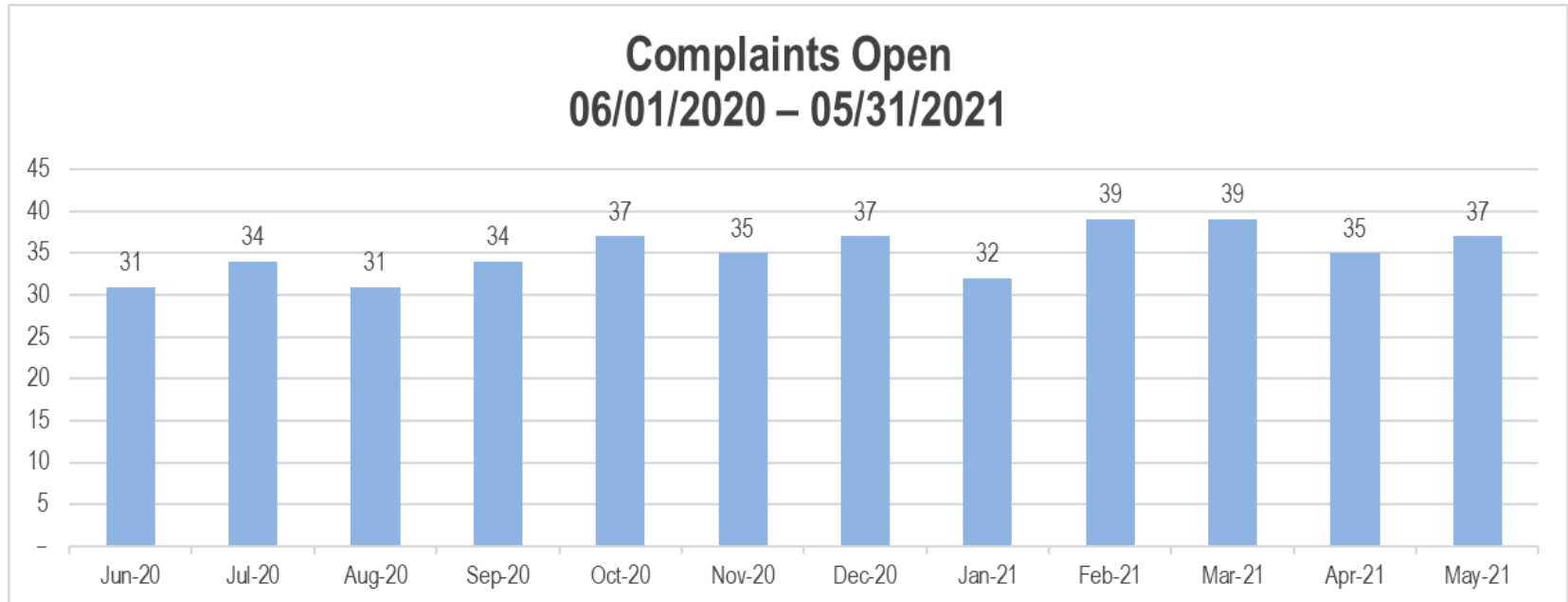
- “Not substantiated” includes complaints that were closed as unsubstantiated, inconclusive, or for insufficient information.
- See Appendix for complaint category definitions and case status definitions.

# Ethics Helpline Summary of Closed Substantiated Complaints

## Closed Substantiated Complaints 05/01/2021 – 05/31/2021

Case Number	Issue Type	Allegation	Finding	Action Taken
2020-1114c	Retirement Benefits Fraud or Abuse	The reporting party alleges a member may be participating in pension spiking.	EAMD investigated the matter and found the allegation to be substantiated. Issue is being addressed.	Closed: 5/28/2021

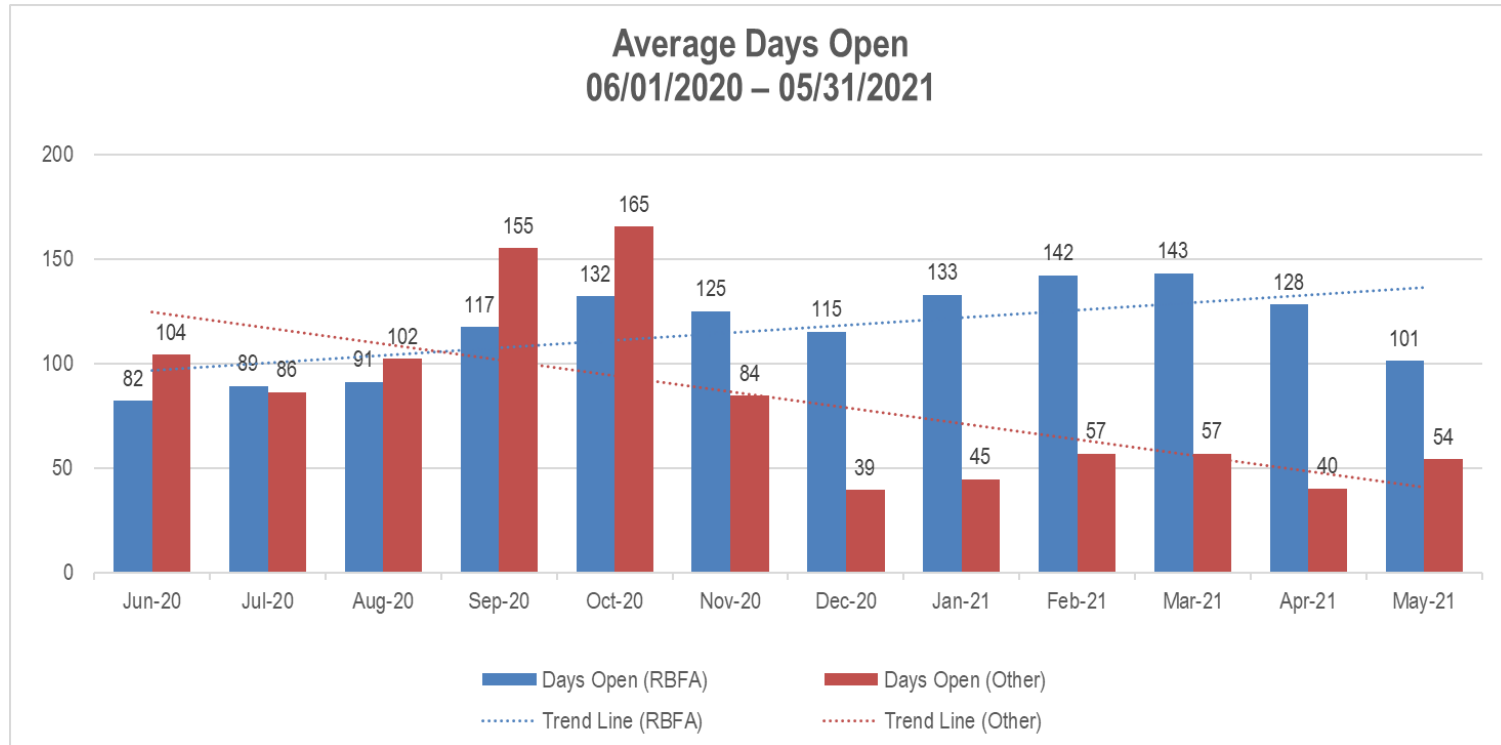
## Ethics Helpline: Complaints Open



### Observation:

- There were 37 open complaints as of 05/31/2021.

## Ethics Helpline: Average Days Open



### Observation:

- As of 05/31/21, Retirement Benefit Fraud or Abuse (RBFA) complaints were open for an average of 101 days, while all other complaints were open for an average of 54 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 May 2021			
Training Type	Completed	Outstanding	Completion Rate
Acceptable Use Policy	28	1	97%
CalPERS Personal Trading Regulations	2	0	100%
Gift Policy Attestation for New Filers	3	0	100%
Harassment Prevention for Team Leaders	5	0	100%
Harassment Prevention for Team Members	25	1	96%
Health Insurance Portability and Accountability Act for Division Transfers	2	0	100%
Health Insurance Portability and Accountability Act (HIPAA)	21	0	100%
ISOF Cybersecurity	28	1	97%
ISOF Privacy Training	26	1	96%
Tools for an Ethical Workplace	26	1	96%
Workplace Violence Prevention Training	29	1	97%
AG Ethics	3	0	100%
<b>Total</b>	<b>198</b>	<b>6</b>	<b>97%</b>

### Observation:

- Employees completed 97% (198 of 204) of assigned mandatory training courses due May 2021.

### Notes:

- *Mandatory training is due within 60 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.*
- *As of August 24, there were no outstanding Employee Mandatory Trainings for the reporting period.*

## Appendix - Additional Information

- Form 700 Statement Definitions
- Personal Trading Violation Type Definitions
- 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 May 1st (or the following Monday if May 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 3-6 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 Pages 8 and 9 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"> <li>• Retired Annuitants - Involves retired CalPERS members who work for a CalPERS covered agency post retirement.</li> <li>• 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.</li> <li>• 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.</li> </ul>
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 11-13 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 13 for details.