



# Audits and Risk Management Committee

## Item number 4 – Open session

**Subject:** Compliance and Ethics Hotline Report

**Presenter(s):** Lynn Bashaw, Meagan Dean

**Item type:** Information

**Date and time:** September 25, 2024 – 15 minutes

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**Attachment(s):** None

**PowerPoint presentation(s):** Compliance and Ethics Hotline Report

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### **Item purpose**

The purpose of this item is to provide the Audits and Risk Management Committee with an annual report on the activity and progress of the CalSTRS Compliance and Ethics Hotline. As outlined in the Audits and Risk Management Committee Charter, the Audits and Risk Management Committee is responsible for overseeing CalSTRS policies for the receipt and handling of reports of suspected misconduct and receiving activity updates.

### **Recommendation**

This is an information item only.

### **Executive summary**

The CalSTRS Compliance and Ethics Hotline is an independent comprehensive reporting tool that supports our commitment to an ethical culture by providing a means of confidential and anonymous reporting of any irresponsible, noncompliant or unethical behaviors or concerns.

### **Marketing and awareness**

Enterprise Compliance Services initiated a hotline marketing campaign in June 2023 which included digital marketing instructing staff how to file a report using a new QR code from a mobile device and included distribution of physical wallet cards which contain hotline contact information. This marketing campaign was part of the enterprise compliance maturity plan, which seeks to raise awareness of ethics and compliance responsibilities across the organization.

Notably, the all-employee survey showed a 24% increase in hotline awareness from 2020 to 2023.

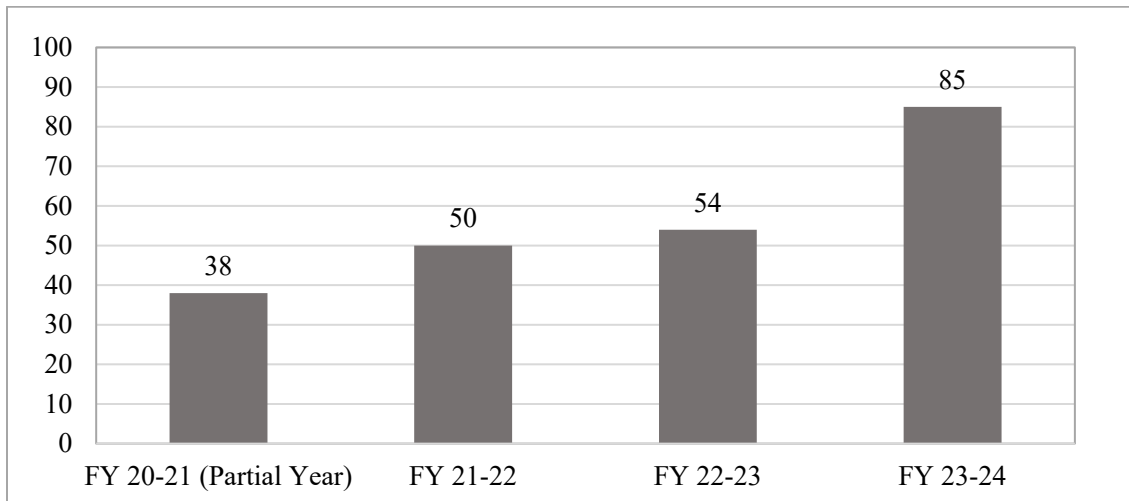
Information about the hotline was also highlighted in the annual risk and compliance training administered by Enterprise Risk Management that all employees are required to complete by May 15, 2024. In addition, the California Whistleblower Protection Act Annual Notification email from CalSTRS Chief Executive Officer went out in June 2024.

The CalSTRS.com “contact us” page and our member newsletter both prominently feature the compliance and ethics hotline as a reporting tool.

Reporting frequency

The hotline was established in March 2020 and has received over 200 reports. As shown in figure 1, the number of reports increased from 54 in fiscal year 2022-23 to 85 in fiscal year 2023-24. This is likely due to the increased marketing and awareness efforts across the organization. All reports were promptly routed to the appropriate business areas for resolution and no significant concerns were identified with the routing process.

*Figure 1: Reports received per fiscal year*



**Background**

CalSTRS is an organization with strong values of responsibility and integrity. We continually focus on our Core Values, both in the way we conduct business and our compliance with laws, regulations, policies and standards. CalSTRS Compliance and Ethics Hotline reinforces our commitment to an ethical way of doing business. Ethical behavior is essential to accomplish our mission in sustaining the trust of our members.

The hotline is hosted by an independent third-party provider, NAVEX through their EthicsPoint portal. Reporters do not have to provide their identity and can file a confidential report online or by phone. Reporters can track the status of a report using a unique password and report key.

General Counsel receives notification within 12 hours of a report being filed and assigns the reports based on the nature of the allegation. Pension abuse reports are assigned to Member Account Services, Compensation Review Unit and all other reports are referred to Human Resources, Office of the General Counsel, or other business area as appropriate. The Enterprise Compliance Services director is also notified when reports are filed and provides oversight of case management to ensure CalSTRS responds to each report.

Enterprise Compliance Services, Legal Counsel, and Human Resources continue to collaborate on maturing the hotline program through staff training and refinement of reporting categories.

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Strategic Plan linkage: Goal 1: Trusted stewards – Ensure a well-governed financially sound trust fund.

Board Policy linkage: Audits and Risk Management Committee Charter

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