



Audits and Risk Management Committee

Item number 6 – Open session

Subject: Compliance and Ethics Hotline Report

Presenter(s): Lynn Bashaw / Meagan Dean

Item type: Information

Date and time: September 24, 2026 – 10 minutes

Attachment(s): None

PowerPoint presentation(s): Compliance and Ethics Hotline Report

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.

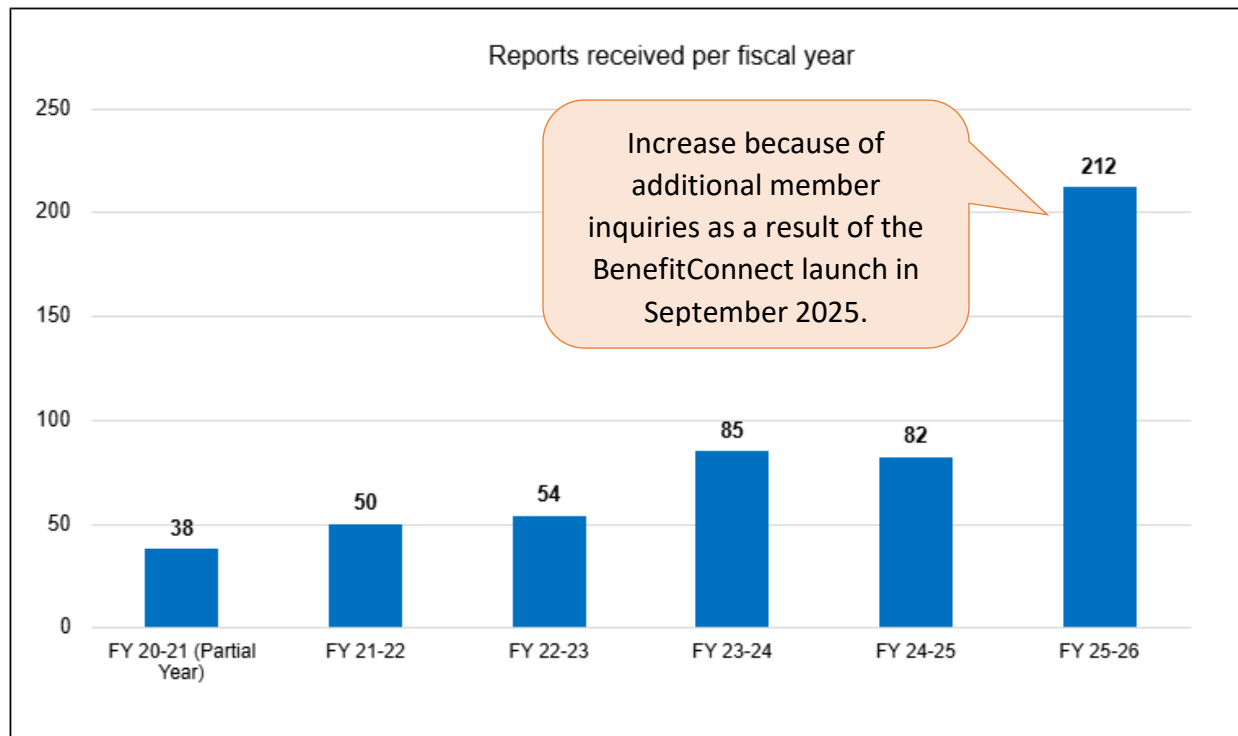
Executive summary

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

Reporting frequency

As shown in figure 1, the number of reports increased significantly this year, from 82 in fiscal year 2024-25 to 212 in fiscal year 2025-26. The increase in reports can largely be attributed to the longer wait times at the contact center, due to the launch of our new benefits administration system BenefitConnect. Members were looking for alternate ways to reach us and used the hotline portal to request support. Member service inquiries submitted through the hotline are routed to the appropriate business area for resolution, based on the member question or issue.

Figure 1: Compliance and Ethics Hotline Reports received per fiscal year



Accomplishments

Over the past year, Enterprise Compliance Services has continued strengthening the CalSTRS Compliance and Ethics Hotline, focusing on operational readiness, staff awareness, and enhancements that improve usability, and overall reporting quality.

- ECS and Public Affairs launched a digital education campaign to highlight the importance of reporting concerns.
- The hotline module in annual required Risk & Compliance Training was updated with clearer instructions enabling staff to confidently report issues.
- Annual confidentiality acknowledgment and training attestation for hotline case managers enhanced accountability.

These advancements directly support CalSTRS' culture of integrity and reinforce our commitment to providing staff and members with a reliable and confidential avenue to raise concerns.

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 CalSTRS Compliance and Ethics Hotline was established in 2020 and 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 on-line or by phone. Reporters can track the status of a report using a unique password and report key.

CalSTRS' General Counsel receives notification when a report is filed and assigns the reports based on the nature of the allegation. Pension abuse reports are assigned to Employer 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 promptly responds to each report. Any significant substantiated allegations are reported to the ARM committee by General Counsel.

ECS anticipated there would likely be an influx of member reports during the BenefitConnect transition and took several proactive steps to ensure the hotline was prepared. For example, a new "Customer Service" reporting category was launched in 2025 to capture the expected increase in member inquiries through the hotline. The new Customer Service category replaced much of what had historically fallen into the generic "Other" category, allowing us to better reflect and track the nature of concerns received. In total, 77 of the 212 reports this fiscal year were classified as "Customer Service and Account Questions." However, there were still a number of reports that were incorrectly categorized as "Other" that were actually Customer Service or Account Inquiry reports, and we will be working with case managers to continue training them on the proper use of the "Other" category to classify cases.

As part of our continuous improvement efforts, Enterprise Compliance Services, General Counsel, and Human Resources continue to collaborate on maturing the hotline program.

Strategic Plan linkage: [Goal 1: Trusted stewards – Ensure a well-governed, financially sound trust fund.](#)

Board Policy linkage: [Audits and Risk Management Committee Charter](#) - Compliance Responsibilities – Oversee CalSTRS' policies for the receipt and handling of allegations of suspected misconduct and receive reports on a periodic and as-needed basis regarding significant substantiated allegations.
