

# INITIAL STATEMENT OF REASONS

## TITLE 5. EDUCATION

### DIVISION 3. TEACHERS' RETIREMENT SYSTEM

#### CHAPTER 1. TEACHERS' RETIREMENT SYSTEM

#### ADDING ARTICLE 16, SECTIONS 27100 THROUGH 27101, TITLE 5 CALIFORNIA CODE OF REGULATIONS (Member's Right to Internal Informal Appeal of a Determination by CalSTRS Staff of a Right to a Benefit or Obligation)

#### INTRODUCTION

The regulations being proposed by the Teachers' Retirement Board ("Board") reflect a structure that guides a CalSTRS member, former member, participant, former participant, beneficiary, or entity (collectively "applicant") through the internal administrative remedy process. The regulations assist an applicant in moving the member's request or dispute forward within CalSTRS. The regulations also benefit CalSTRS business practice in that the regulations provide a framework to follow on behalf of the member.

In support of existing Teachers' Retirement Law, California Education Code sections 22000 through 28101 ("the Law"), the Board proposes to adopt regulations for the CalSTRS' administrative remedy process.

#### RATIONALE

The Board has exclusive authority to administer the California State Teachers' Retirement System ("CalSTRS" or "the System") under Article XVI, section 17 of the California Constitution. In addition, California Education Code section 22207 authorizes the Board to perform any acts necessary for the administration of the System and the plan in carrying into effect the provisions of the Law. Education Code section 22305 provides that any rules and regulations adopted by the Board have the force and effect of law. The Board, whenever it exercises its regulatory authority, focuses on its fiduciary responsibility to the membership, and this proposal is consistent with that objective.

The proposed regulations do the following:

1. **Section 27100: "Definitions"**

This section defines the following terms: applicant, Program Executive, Decision, Determination, System Headquarters, and Field Office. These terms used throughout the regulations. The definitions are reasonably necessary to carry out the proposed regulations as the definitions will provide meaning as to each regulation where the terms are used.

2. **Section 27101: "Administrative Remedy for Benefits & Services and Financial Services"**

This section applies to any requests or disputes falling under the Benefits & Services program area or the Financial Services program area. Subdivision (1)

regulates how and when a member may disagree with a Decision made by a Director of the Program Area. Subdivision (2) provides an opportunity for the Program Executive to decide that the member may go directly to administrative hearing instead of a higher internal review. Subdivision (3) outlines Determinations the Program Executive may make with the additional information provided. The Determinations include providing the member with the opportunity to go directly to administrative hearing or CalSTRS conducting an informal investigation regarding the member's request or dispute. Subdivision (4) outlines when a member is entitled to request an administrative hearing, how to request an administrative hearing and what the member can expect from CalSTRS regarding the administrative hearing process. This regulation is reasonably necessary as the regulation provides all the necessary information to submit a requestor dispute, explains the required steps a member needs to take, and how a member can obtain an answer or resolution.

3. **Section 27102: "Administrative Remedy for Audits"**

This section applies to an entity that may dispute a CalSTRS audit finding. Subdivision (1) cross-references the definition of an applicant and states who may appeal an audit. It further defines what a final audit report is and whether it is subject to an internal review. Subdivision (2) explains how an applicant or entity may proceed to challenge a final audit Determination and what the entity can expect from CalSTRS regarding the administrative hearing process. This regulation is reasonably necessary as the regulation provides all necessary information for an entity to dispute an audit finding and how to obtain a resolution.

4. **Section 27103: "Administrative Appeals"**

This section states that CalSTRS Legal Services or the Attorney General's office will process the appeal in accordance with the provisions of the Education Code and Administrative Procedures Act. The regulation is reasonably necessary as the regulation identifies who will be representing CalSTRS and which set of laws govern the appeals process.

## **DOCUMENTS INCORPORATED BY REFERENCE**

None.

## **CONFERRING WITH INTERESTED PERSONS**

Pursuant to Government Code section 11346.45, CalSTRS staff met with stakeholders, including representative from CalRTA, CFT, CTA, Senate PERS Committee, California School Board Association, FACC, the Client Advisory Committee, and the Employee Advisory Committee to discuss issues and concerns surrounding the proposed regulations. Early drafts of the regulations have been provided to interested persons and the Teachers' Retirement Board, and revisions have been made based upon the dialogue and feedback received.

### **ALTERNATIVES CONSIDERED**

No alternatives were presented to CalSTRS during the public discussions pursuant to Government Code section 11346.45. CalSTRS has not identified any alternative. Additionally, there is no indication there would be an adverse impact on any of CalSTRS constituents.

### **ECONOMIC IMPACT ON BUSINESS**

These regulations do not place any economic burden on business as they do not place any additional licensing, record keeping, or compliance requirements on businesses.

### **DUPLICATION FEDERAL REGULATIONS**

There are no federal regulations that address the CalSTRS administrative remedy process.