



## Regular Meeting

### Item Number 13 – Open Session

**Subject:** Employer Reporting to Final Benefit Project Update

**Presenter(s):** Jeff Zimmer

**Item Type:** Information

**Date & Time:** November 5, 2021 – 15 minutes

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**Attachment(s):** None

**PowerPoint(s):** Employer Reporting to Final Benefit - November Update

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#### **PURPOSE**

To provide the board an update about the Employer Reporting to Final Benefit project, an effort initiated to address stakeholder concerns about adjustments to member benefits after retirement and guidance provided to employers to report contribution data accurately.

#### **DISCUSSION/SUMMARY**

The Employer Reporting to Final Benefit project (“project”) arose as an organizational response to comments provided at the December 2020 Teachers’ Retirement Board meeting regarding a legislative proposal. The proposal would have partially reassigned responsibility for repaying overpayments in cases of employer error, extended the time for collection in cases of member fraud or misrepresentation, and clarified the statute of limitations for collecting overpaid benefits. In response to member and employer stakeholder comments, the board instructed staff to continue working on the proposal.

Under the sponsorship of the CalSTRS Chief Executive Officer and General Counsel, the project acknowledges the need to revisit the proposal and to examine underlying laws, regulations, processes and information provided to employers that all ultimately impact accurate contribution reporting that leads to reduced risk of adjusted benefits. The project includes staff from Employer Services, Governmental Relations, Audit Services, Service Retirement, External Affairs, Legal Services, Enterprise Strategy Management and other areas as necessary. Project preparation started in January 2021 for a March 2021 kickoff, with 39 staff across those seven business areas, each working on one or more workstreams. As of October 7, these staff have invested more than 3,400 hours in the project.

Staff developed eight workstreams, all with specific outputs and outcomes intended to improve the accuracy of member benefits, strengthen employer guidance and to further reduce the minimal frequency of overpaid benefits. As CalSTRS continuously seeks improvements in the processes that lead to accurate benefits, the project incorporated and gave greater focus to efforts already underway before the project's formal commission, such as reviewing existing creditable compensation regulations and ongoing improvements to employer training and job aids.

A summary of the eight workstreams and their respective outputs and outcomes follows.

### **Quality Assurance**

The Quality Assurance workstream includes improvements to existing benefit-related business processes and identifies proofs of concept for new processes. These improvements and test approaches include:

- Six-month post-audit contribution reporting analysis.
- Increased active member reporting data sampling.
- Contract and/or bargaining unit agreement sampling.
- Formalized quality management pilot for responses to employer inquiries.
- Review a sample of bargaining agreements/contracts prior to benefit.
- Statistical modeling of contribution reporting.

Business area leadership will implement these approaches on a pilot scale, evaluate their efficacy and then propose resource and budget requests for those with the highest benefit. Due to limits on staff and budget, not all will be operationalized indefinitely.

**Planned Output:** New or enhanced business processes.

**Planned Outcome:** Improved benefit accuracy, potentially fewer audit findings.

### **Evaluation of Laws and Regulations for Creditable Service and Compensation**

Staff are reviewing existing regulations and law regarding service and compensation to find areas that could benefit from clarification based on common audit findings and escalated employer inquiries.

This workstream works together with the Employer Information workstream below, as any clarified laws or regulations will more explicitly guide employers as they report contribution data for members.

**Planned Output:** Proposals to clarify regulations or statute that will follow the established regulatory and legislative proposal process.

**Planned Outcome:** Clarified rules for reporting, improved benefit accuracy, potentially fewer audit findings.

## **Employer Information**

In the past two years, CalSTRS has developed new training curriculum, computer-based training and job aids to enhance employer education. Based on current and historic employer feedback, CalSTRS continues to identify ways to make training more effective and include more individual and distinct reporting situations at districts across California.

Employers have specifically asked for written guidance, and this workstream will consider the amount of guidance we can provide balanced against the employers' ultimate responsibility for accurate reporting. If CalSTRS and the stakeholder groups pursue statutory modifications to employer liability for overpayments due to employer reporting error, this workstream will be critical to strengthen the foundation of guidance that limits potential errors.

**Planned Output:** Enhanced and/or additional training materials and job aids.

**Planned Outcome:** Increased employer confidence to report accurately, fewer benefit adjustments after retirement, reduced audit findings.

## **Employer Audit Appeal Regulations**

CalSTRS had started working on audit appeal regulations prior to the start of this project and is now including this effort under this project's umbrella due to its impact on the goals of the project. This workstream continues this work on new regulations to update the employer audit appeal process, including working through possible responses to stakeholder feedback and clarifying administrative and procedural language.

**Planned Output:** New regulations for the employer audit appeal process.

**Planned Outcome:** Ability for systemic members (those not specifically named in the audit) to appeal findings, and other administrative improvements.

## **Audit Reporting**

To increase engagement with and transparency around CalSTRS audit findings, staff in this workstream created a prototype page on CalSTRS.com to publish information about in progress and completed audits, which districts have in progress or completed audits and common audit findings. The workstream will also improve the internal process to finalize an audit.

**Planned Output:** External-facing website to publish audit information, improved internal processes.

**Planned Outcome:** Increased transparency about audited districts and findings, and more information available to members and employers about audits.

### **Legislative Proposals for Benefit Finalization and Overpayment Liability**

Considering data about the number and timing of overpayments and underpayments after members have retired, staff have generally determined how a proposal for benefit finalization would impact nuanced benefit streams, whereby after a certain period elapses from the benefit initiation, no more changes would be made to the calculation of the benefit. Administrative costs and savings are also being analyzed. In addition, staff are exploring potential proposals to address stakeholder feedback, while continuing the attempt to clarify the statute of limitations, which could include employer responsibility for overpayments due to employer error.

**Planned Output:** Proposals to reduce unexpected benefit changes after retirement, clarify the statute of limitations for collections and other potential proposals where appropriate.

**Planned Outcome:** Secure retirement benefits with fewer unexpected changes after retirement, especially well into retirement.

### **Stakeholder Engagement and Governance**

The Stakeholder Engagement and the Governance workstreams form the foundation for ensuring adequate stakeholder outreach with updates and outputs, and how the project organizes itself and efficiently escalates required decisions to sponsors, respectively.

**Planned Output:** Meetings with stakeholder groups to share concepts and receive feedback from them, consistent key messaging to staff and stakeholders, and decision-making process and documentation.

**Planned Outcome:** Increased engagement and understanding of changes, improvements and output, and organized decision documents and deliverables.