

CALSTRS

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

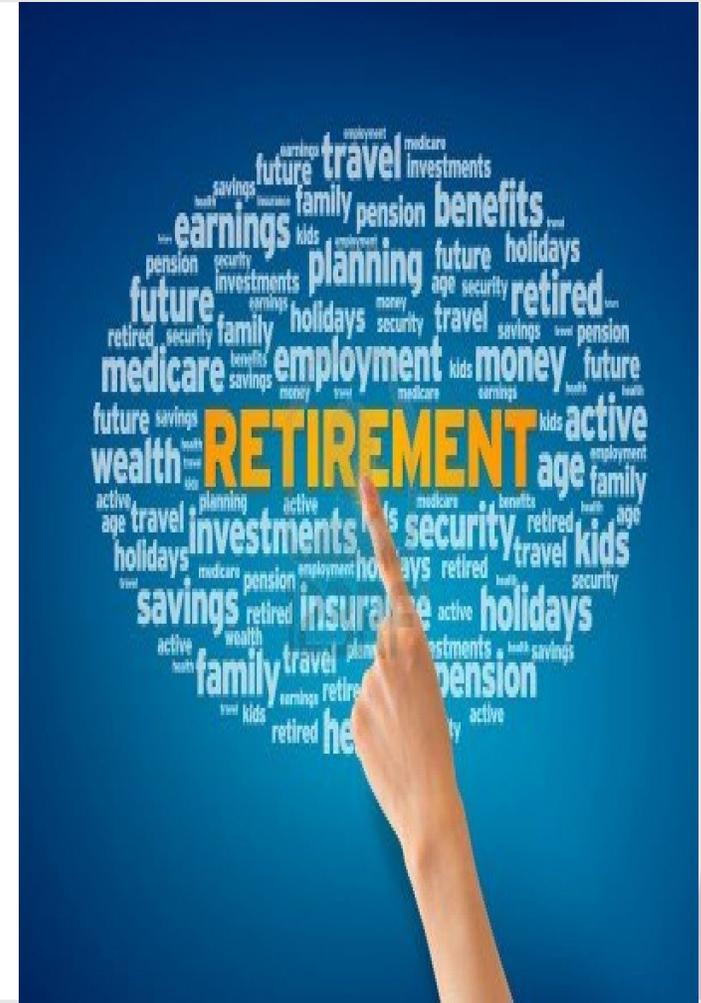
# Employer Audit Update

Employer Advisory Committee Meeting  
August 7, 2019



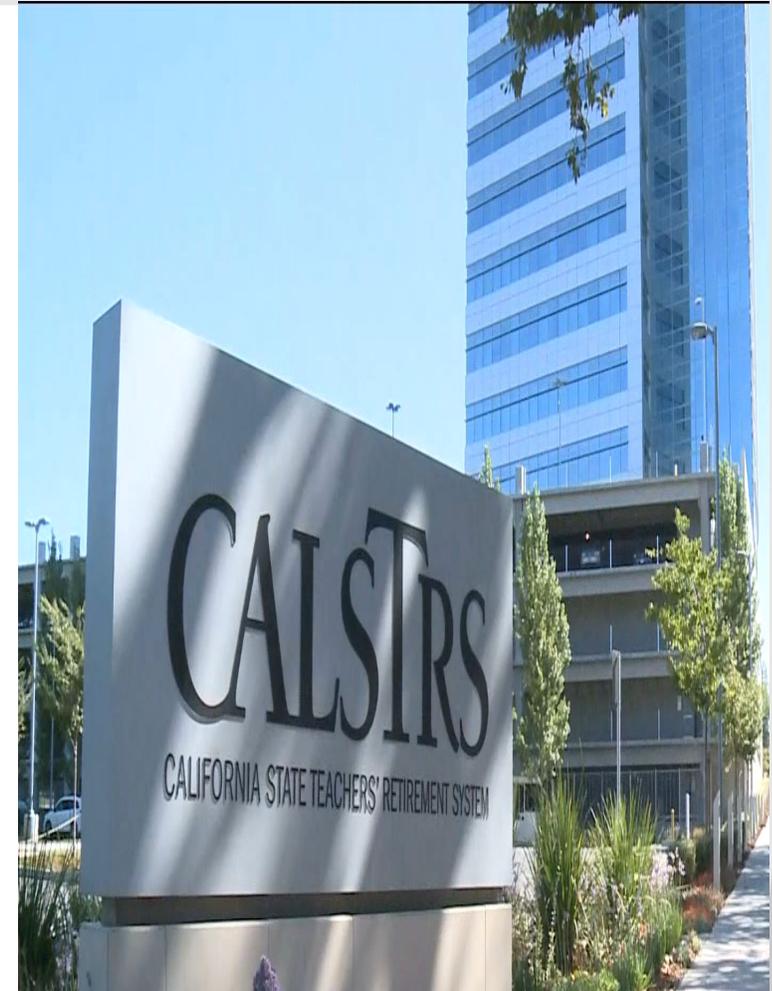
## Background

- Audits of school districts in 1990s
- Authorized by Education Code
- Accurate retirement allowance
- Financial reporting
- Employer training



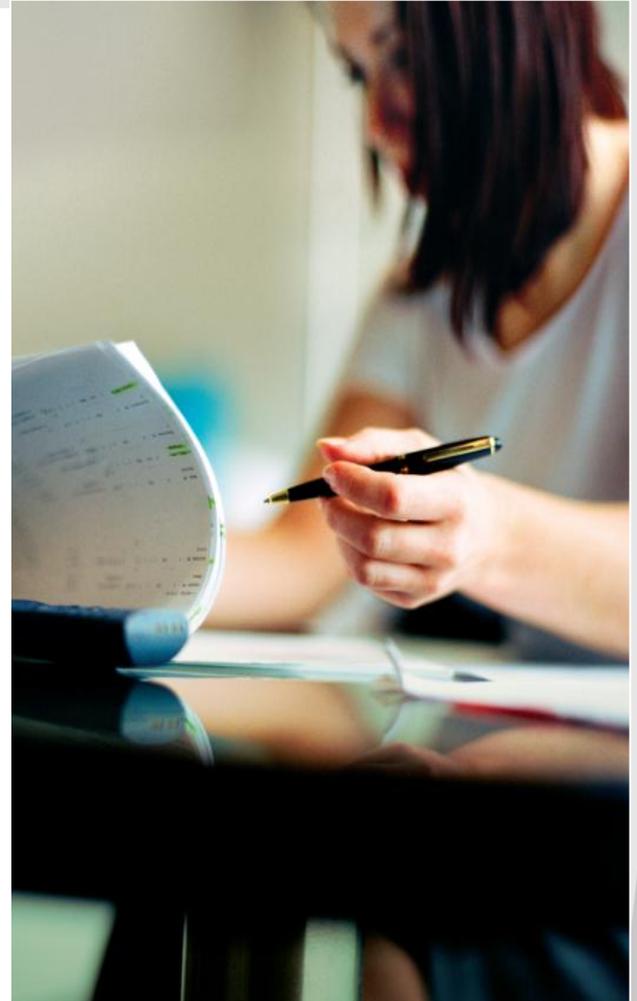
## Audit Objectives

- Integrity CalSTRS Defined Benefit Plan
- Audit district's compensation reporting:
  - Creditable compensation complies with TRL
  - Information reported is supported by payroll and personnel records



## What's New

- Limited-scope audits
- Correct reporting errors before retirement
  - Accurate retirement estimates
- Less disruptive audits
- Targeted training
- Risk assessment data



## How are school districts selected for audit?

Goal for 2019

- 84 audits
  - 34 full-scope
  - 50 limited-scope



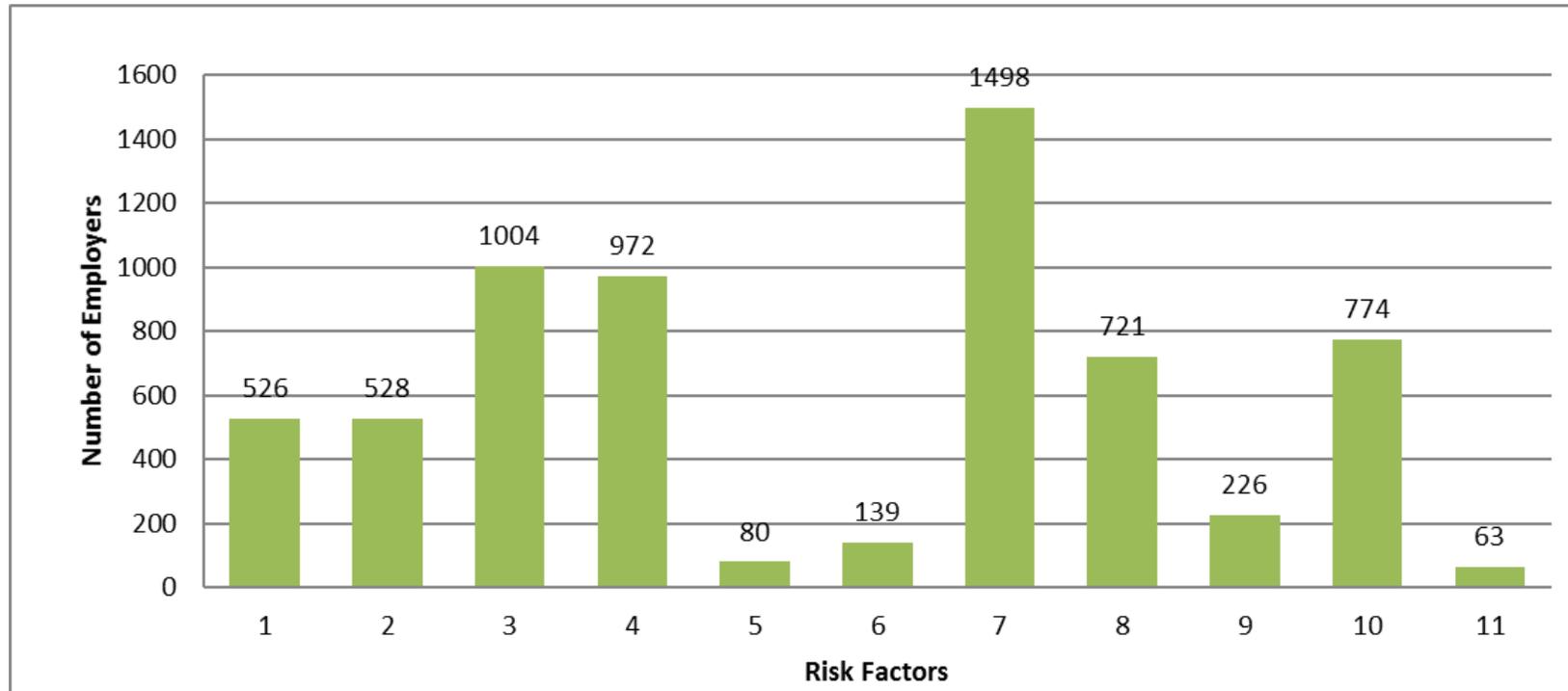
## How are school districts selected to be audited

### Annual Risk Assessment

- Statistical analysis of various risk factors
- Determine high, medium or low risk districts
- Selection based on risk assessment score



## Risk factor scores applied to district



## Districts within each risk rank based on total risk score

School/Employer	High-Risk	Medium-Risk	Low-Risk	Total
Community College Districts	55	16	1	72
K-12 School Districts	277	376	283	936
K-12 Charter Schools	14	303	336	653
State Agencies (Depts. of Ed, Corrections, and Commissions)	0	2	14	16
Regional Occupational Centers	0	12	6	18
County Superintendents	22	26	6	54
<b>Grand Total</b>	<b>368</b>	<b>735</b>	<b>646</b>	<b>1749</b>

## Limited-scope Audits: Districts are Audited Based on Selected Risk Scores

### 50 Limited-scope Reviews:

- Special Compensation Reviews
  - High Special Compensation
  - Employers with One-time Payments; and
  - PEPRA members with high special compensation.
- Unused Sick Leave Reviews
  - Retirees with Excess Sick Leave Days, and
  - Retirees with Sick Leave Exceeding Possible Accumulated Leave Earned.

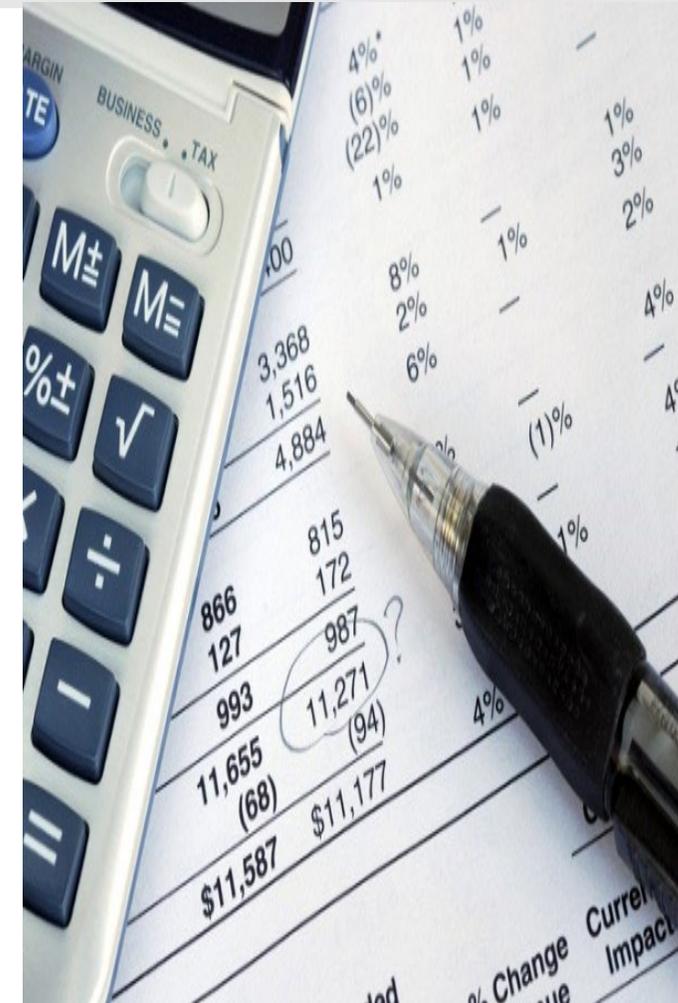
## Scope of the Audit

- Two-year time frame
- Sample of employee transactions
- Full-scope audit: on-site for five days
- Limited-scope audit: May be performed as a desk audit

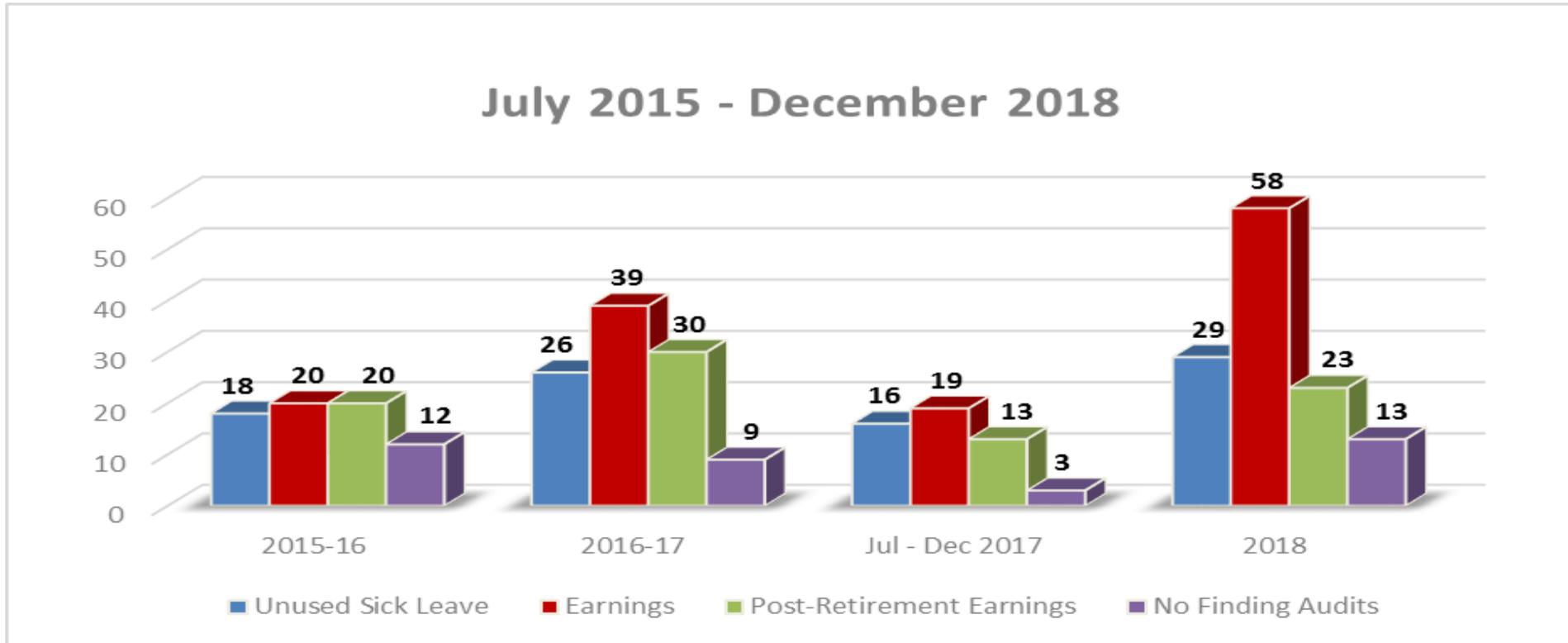


## Three Types of Audit Findings

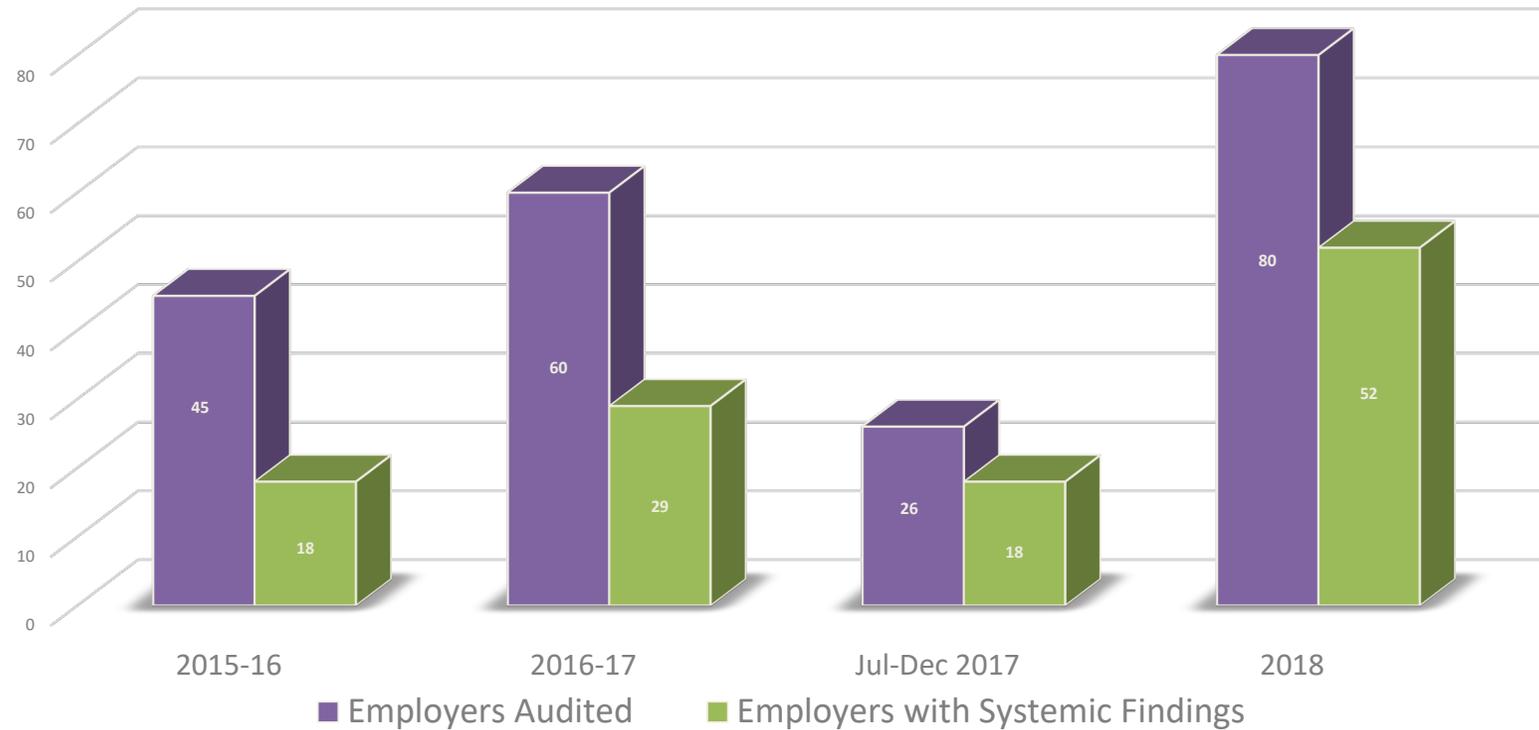
1. Unused Sick Leave
2. Postretirement Earnings
3. Compensation



## Audited Employers with Common Findings



## Employers with Systemic Findings



## What's the Benefit

- Fewer reporting errors
- Errors corrected before retirement
- Accurate retirement estimates
- Accurate retirement calculations
- Fewer adjustments going back multiple years

# Questions?

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