

CALSTRS

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Employer Audits

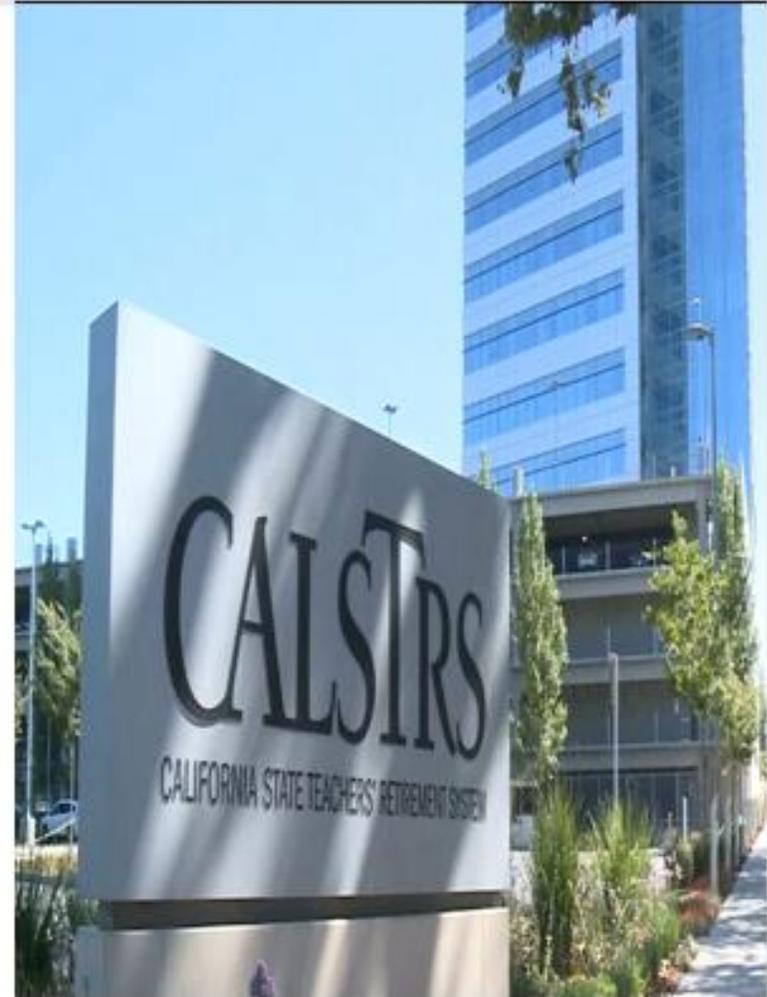
Advisory Meeting

August 31, 2020



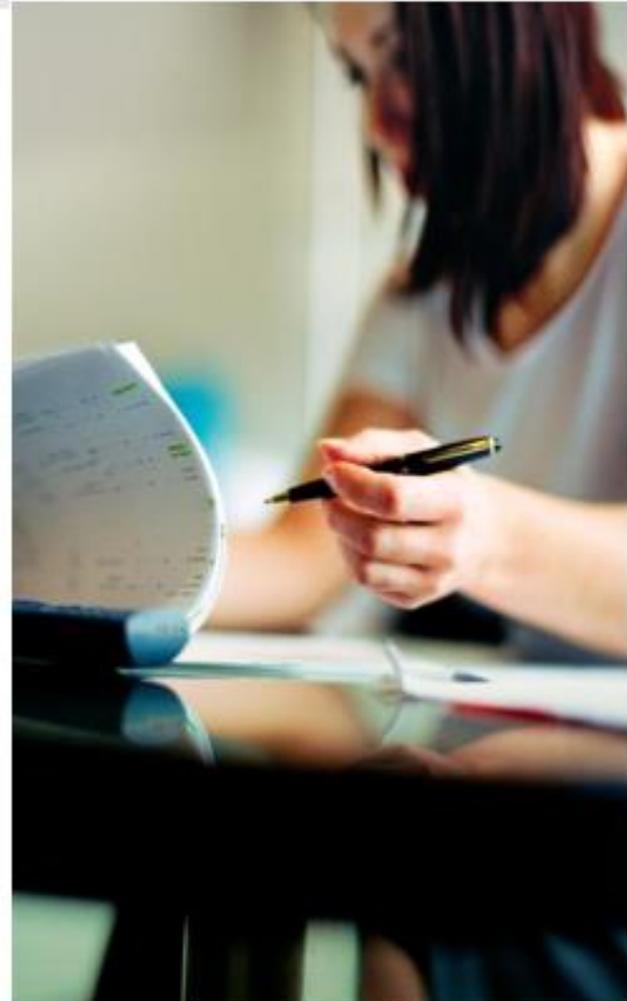
Audit Objectives

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



Audit Scope

- Limited-scope audits:
 - Focused on a specific reporting area
 - Less disruptive audits
 - No travel – performed as desk audits
- Full-scope audits:
 - Focused on all reporting areas
 - Requires travel to District – up to 5 days



How are school districts selected for audit?

Pre COVID-19 Goal for 2020

- 87 audits
 - 35 full-scope
 - 52 limited-scope

Amended Goal for 2020

- 72 audits
 - 13 full-scope
 - 59 limited-scope



How are school districts selected for audit?

Districts may be audited based on the following factors:

- Annual risk assessments
- Direction from CalSTRS management
- Anonymous tips
- Requests from the CalSTRS Board
- School District requests
- Other indications of non-compliance

How are school districts selected to be audited

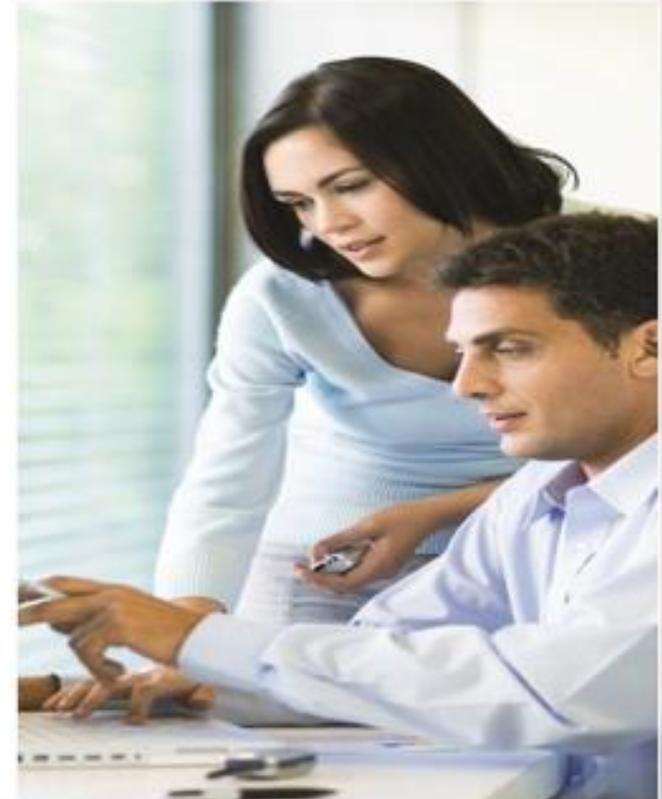
Annual Risk Assessment

- Statistical analysis of various risk factors
- Based on most recent completed school year
- Determine high, medium or low risk districts
- Selection based on risk assessment score



Scope of the Audit

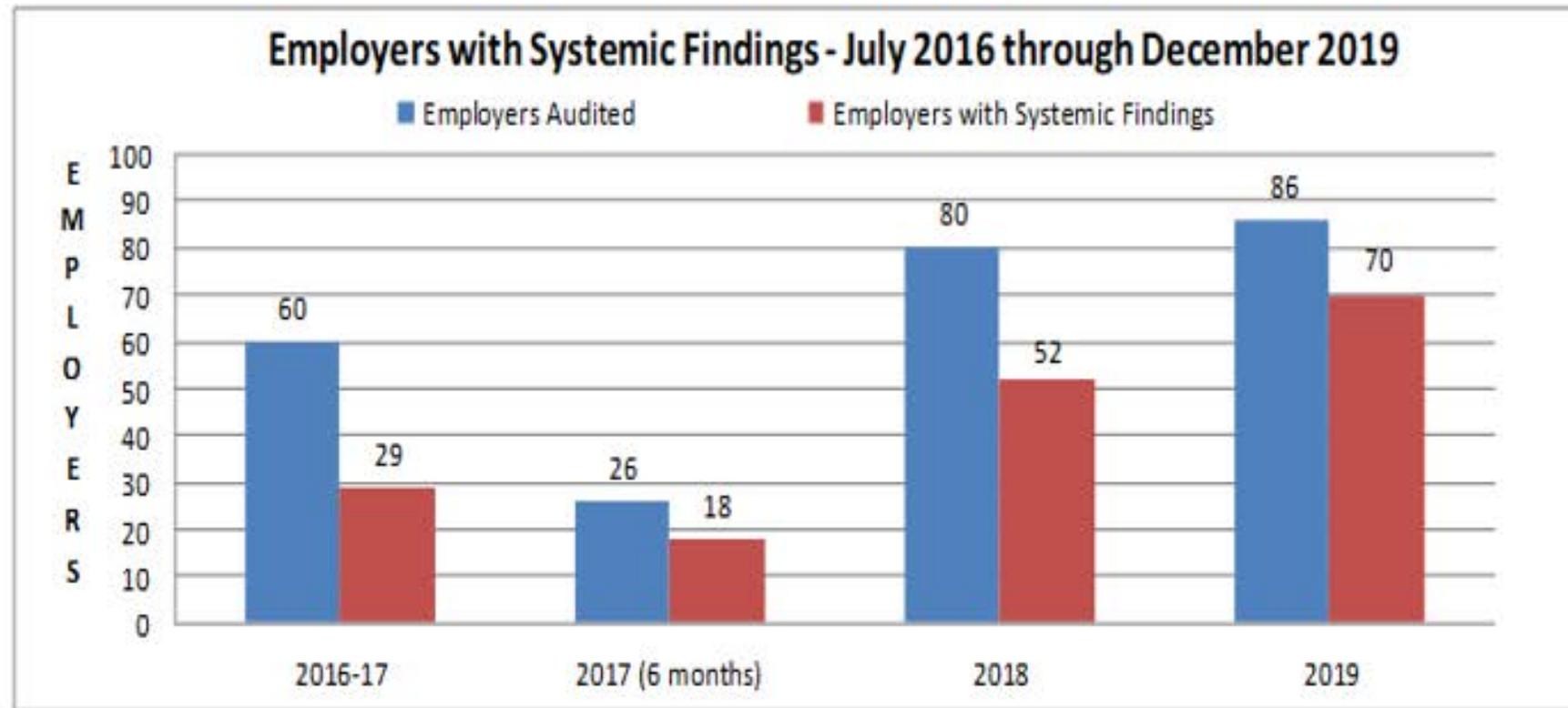
- Two year time frame
- Sample of employee compensation
- Full-scope audit: on-site for five days
- Limited-scope audit: Performed as a desk audit



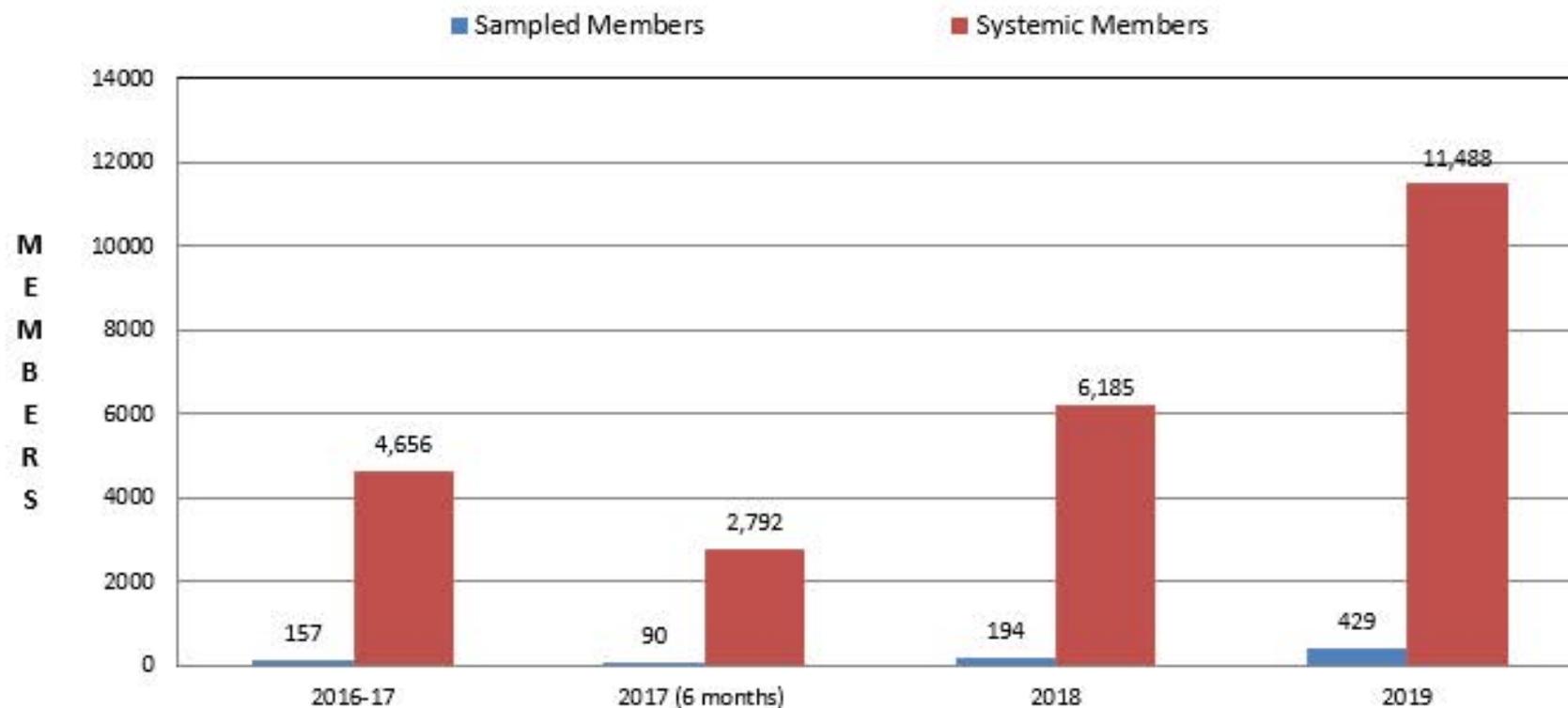
Systemic Findings

- Sample of Active and Retired Members
- Systemic findings may impact all members
- Employer correct compensation from date of initial reporting
- May impact retired members

Employers with Systemic Findings



Sampled vs. Impacted Systemic Members - July 2016 through December 2019



Reports, Response, and Appeals

- Draft report issued to employer
- Sample members notified of findings
- Employer and sample members respond to draft report
- Evaluation of responses to audit
- Issue final report to employer
- Sample members notified of final determination
- Employer and sample member may appeal

Systemic Population

- Not notified of audit findings upon issuance of reports
- Systemic population does not have same appeal rights
- Employer submits corrections based on finding
- Member retirement allowance may be adjusted
- Member required to repay amount due to CalSTRS
- Developing new regulations

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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