



District Business and Advisory Services

Bulletin: 23-027

Date: June 1, 2023

To: District Fiscal Directors
District Human Resource & Payroll Personnel
Charter School Administrators

From: Susan Ady, Director – District Business Services
Nghia Do, Advisor - District Business Services

Re: Assembly Bill (AB) 1667: Important Changes Regarding Liability to California State Teachers' Retirement System (CalSTRS) for Benefit Overpayment

Governor Newsom signed AB 1667 on September 29, 2022, and became largely effective as of January 1, 2023, with some components of the bill going into effect in July 2023. The Bill revised the key parts of the CalSTRS benefit overpayment recovery process. Under the bill, overpayment liability is only prospective, and changes in liability under the bill do not apply to members whose overpayment has already been established.

Effective date: January 1, 2023

AB 1667 requires the employer audit process to include specific notifications to employers and local union organizations regarding the audit. In addition, employers must provide CalSTRS with a list of members known to be affected by an audit within a certain period, and CalSTRS must provide an explanation of appeal rights to the employer and each member affected by the audit.

The bill also requires CalSTRS to make all final employer audit reports available on the CalSTRS website, excluding personal information regarding members.

Overpayment recovery

Employer impact: CalSTRS is currently crafting a new process for billing employers for overpayments they are responsible for paying, as well as a process for recovering the state's and employer's shares of overpayments resulting from CalSTRS errors on an annual basis. As we implement these provisions of the bill, further detailed information will be communicated.

CalSTRS is following the current overpayment recovery process for members and other benefit recipients who receive notification of a benefit reduction through a CalSTRS award or adjustment letter on or before December 31, 2022. Members and other benefit recipients who receive notification of a benefit reduction through a CalSTRS award or adjustment letter on or after January 1, 2023, are subject to the new overpayment recovery process under AB 1667, except in cases of active litigation or pending Compensation Review Unit matters.

AB 1667 requires:

- Overpayments occurring because of information submitted by or on behalf of a benefit recipient to be recovered from that benefit recipient.
- Overpayments occurring because of employer reporting to be recovered from the employer.

- Overpayments occurring because of CalSTRS error to be recovered with interest from the state and employers each fiscal year. **This process will begin July 1, 2024**, for overpayments that take place within the fiscal year ending June 30, 2023, and continue each fiscal year after that.

While CalSTRS will bill the counties for the overpayments occurring because of employer error, AB 1667 also includes language allowing county superintendents of schools to recover the cost of overpayments because of employer error from the employer directly in certain circumstances.

Effective date: July 1, 2023.

AB 1667 establishes a process for employers and local union organizations to request formal written guidance relating to compensation that is included, or proposed to be included, in a publicly available written contractual agreement in the form of an “advisory letter” from CalSTRS. The advisory letter is a written determination for the proper reporting of such compensation consistent with the laws and regulations governing creditable compensation. Advisory letters will be provided to the requestor within 30 days of receipt of all information requested by CalSTRS.

Annually published resources

Employer impact: CalSTRS intends to publish these resources in line with the upcoming school term. As we implement this provision of the bill, further detailed information will be communicated.

Effective date: July 1, 2023.

AB 1667 requires CalSTRS to at least annually provide resources that interpret and clarify the applicability of creditable compensation and creditable service laws and regulations. The bill also prohibits new or different interpretations in the resources, regulations, or an employer information circular or similar means from taking effect before notice is issued to employers and local union organizations and from being applied retroactively to compensation reported prior to that notice unless required by law or executive order. Any such changes are not applicable before the next July 1, unless a law, executive order, advisory letter, or program requires the revision of the creditability of compensation to be applied earlier.

Audits and appeals processes

Employer impact: CalSTRS is implementing the requirements for the new employer audits and appeals processes under AB 1667 at each step in the employer audit process.

- All employer audit engagement letters that were sent to employers in 2022 will follow the existing process. All engagement letters sent out on or after January 1, 2023, are subject to the new employer engagement letter process and will be sent to employers requesting that they submit a list of local union representatives’ contact information.
- All draft audit reports that were sent out in 2022 will follow the existing process. All draft audit reports sent out on or after January 1, 2023, are subject to the new draft audit process and will be sent to employers and local union representatives, giving both parties 60 days to provide any additional information for CalSTRS to take into consideration when drafting the final audit report.
- All final audit reports that were sent out in 2022 will follow the existing process. All final audit reports sent out on or after January 1, 2023, are subject to the new final audit process and will be sent to employers and local union representatives. The date of the final audit report begins the 60 days those employers have to submit the complete list of impacted members for each finding in the audit to CalSTRS; it also begins the 90 days employers have to request an administrative hearing. As we implement these provisions of the bill, further detailed information will be communicated.

The full text of AB 1667 is located [here](#).

Please distribute this memo within your District as deemed appropriate.