

## **REGULATORY PROPOSAL: AB 1667 Regulations**

### **SUMMARY**

Staff is seeking approval to initiate preliminary rulemaking activities to further clarify and make specific provisions of AB 1667 (Statutes of 2022, Chapter 754).

### **RECOMMENDATION**

Staff recommends that the board approve initiation of preliminary rulemaking activities to further clarify and make specific provisions of AB 1667. The board's policy is to support or sponsor regulations that improve the delivery of benefits and services and provide more effective and efficient administration of the retirement plan.

### **BACKGROUND**

Among other provisions, AB 1667 requires that when a benefit is overpaid, the party responsible for the error that caused the overpayment must pay CalSTRS the full amount of the resulting overpayment, except in instances of CalSTRS error, in which case the overpayment must be recovered with interest on an annual basis from the General Fund and employers, as specified. AB 1667 also prescribes various processes for employer audit notifications and appeals and requires final audit reports to be published on the CalSTRS website.

As CalSTRS staff moved forward with implementing AB 1667, the need to further clarify and make specific, as well as the need to update existing regulations to align with, certain provisions of the bill became evident. For example, while Audit Services paused the start of new audits from the middle of November 2022 through the end of the 2022 to more easily delineate the audits that are subject to AB 1667, there is need for additional clarity as to how the statutory requirements apply to audits that began prior to January 1, 2023. There is also a need to specify the point in time a benefit has been overpaid for determining whether the overpayment liability provisions of AB 1667 apply. In addition, other situations in need of regulations may arise as implementation continues.

### **PROPOSED CHANGES**

If approved, preliminary rulemaking activities would begin in order to ensure that provisions of AB 1667 are implemented in a clear and consistent manner, including the examples described above.

### **NEXT STEPS**

With the board's approval, staff will engage with stakeholders and develop proposed regulations. Those proposed regulations will be presented to the board at a future meeting for approval to initiate the formal rulemaking process.