

REGULATORY PROPOSAL: AB 1997 regulations

Summary

Staff is seeking approval to initiate preliminary rulemaking activities to further clarify and make specific provisions of AB 1997 (Chapter 690, Statutes of 2024), regarding creditable compensation simplification, and to make updates to existing regulations as necessary for the implementation of that legislation and related processes.

Recommendation

Staff recommends that the board approve initiation of preliminary rulemaking activities to further clarify and make specific provisions of AB 1997 and to make updates to existing regulations, including those defining creditable compensation and class of employees, those delineating appropriate crediting of contributions, and those specifying the electronic file formats employers are required to use to report member data to CalSTRS. 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. In addition, this proposal aligns with the CalSTRS Strategic Plan Goal 2: Leading innovation and managing change—Innovate to grow resiliency and efficiency in service of our members.

Background

AB 1997 was signed into law on September 27, 2024, and addresses compensation reporting challenges and other concerns encountered by employers, members and CalSTRS staff by simplifying sections of the Teachers' Retirement Law relating to creditable compensation and creditable service, effective upon a date determined by the CalSTRS board and no later than July 1, 2027. Additional regulatory clarifications and amendments to existing regulations are necessary to carry out the effects of AB 1997. While CalSTRS previously developed regulations to clarify statutes regarding creditable compensation, class of employees and crediting of contributions, they only apply to CalSTRS 2% at 60 members, and ambiguities still exist. Additionally, in 2020, as part of the Pension Solution Project, CalSTRS updated regulations that specify the electronic file formats employers are required to use to report information for the administration of the Teachers' Retirement Plan. With the enactment of AB 1997 and the need to incorporate newer file format revisions, those regulations now require further updates.

Next steps

With the board's approval, staff will engage with stakeholders and form an internal drafting team that will develop proposed regulations and amendments to existing regulations. Those proposed regulations and amendments will be presented to the board at a future meeting for direction to initiate the formal rulemaking process.