



Regular Meeting

Item Number 16 – Open Session

Subject: Initiate Rulemaking Process for Updates to the Administrative Remedy regulations

Presenter(s): Joycelyn Martinez-Wade

Item Type: Action

Date & Time: September 24, 2026 – 10 minutes

Attachment(s): Proposed text of Updates to the Administrative Remedy regulations

PowerPoint(s): None

Item Purpose

Staff is seeking approval to initiate the formal rulemaking process, pursuant to the Administrative Procedure Act, to adopt regulations to further clarify and make specific provisions of AB 1667 (Chapter 754, Statutes of 2022), regarding processes for employer audit notifications and appeals, and to also clarify processes for executive reviews.

Recommendation

Staff recommends that the board approve initiation of the formal rulemaking process and direct staff to schedule a public hearing to coincide with the February 2027 board meeting with adoption of the regulations taking place at the same meeting if no further changes are necessary.

Executive Summary

The proposed regulatory text (Attachment 1) ensures the processes for disputing decisions or determinations by CalSTRS staff or findings in a final audit report are clearly laid out, including the actions to be taken by public agencies audited by CalSTRS and, subsequent to that, by CalSTRS and specified individuals affected by the findings in a final audit report. The proposed amendments align with AB 1667 to ensure that a greater number of those affected by findings in a final audit report are notified of their administrative hearing rights. The proposed amendments also make updates to existing regulations related the process for executive reviews.

Background

Among other provisions, AB 1667 addresses the denial of due process rights to members in the

systemic population affected by employer audit findings by ensuring that CalSTRS is properly notified of who those members are. Under the bill, CalSTRS must then inform all affected members by providing the final audit report and notice of the window period to request an administrative hearing if they disagree with the final audit report. By extending due process rights to these systemic population members, AB 1667 helps to ensure equity for members in CalSTRS' audit appeals process.

At the January 2023 meeting, staff presented an agenda item and received board approval to begin preliminary rulemaking activities to adopt amendments to further clarify and make specific provisions of AB 1667. Additionally, staff determined that other existing regulatory provisions, including those related to the process for executive reviews, needed updates to improve their clarity and consistency.

At the March 2025 meeting, staff presented an [agenda item](#) to begin the formal rulemaking process, which the board approved. In September 2025, the board held a public hearing, which followed a public comment period. CalSTRS received one comment during the public comment period about two issues within the proposed regulations, which did not result in changes to the proposed regulations. Therefore, in November 2025, staff returned with an [agenda item](#), and the board adopted the proposed regulations.

Subsequently, during the course of their review, the Office of Administrative Law (OAL) noted three specific provisions of the regulations they determined were not sufficiently clear and, therefore, did not meet the requirements for approval. To move forward, the regulations would need to be withdrawn from OAL review, amended to improve clarity, noticed for a 15-day public comment period and resubmitted for review. Due to timing constraints, CalSTRS staff determined that completing these steps within the one-year timeframe from when the regulations were first publicly noticed, as required by statute, would not be feasible. Instead, the most effective option would be to reinstate the formal rulemaking process with a new public notice. The proposed regulations have been revised to improve the clarity of the specific provisions noted by the OAL and to make other minor changes to statutory citations and formatting.

Next Steps

With the board's approval, staff will initiate the formal rulemaking process. The board may elect to preschedule a public hearing, or it can direct staff to schedule one if it is requested by the public no later than 15 days before the close of the written comment period. The board may choose to conduct a hearing in person or delegate the hearing to the Chief Executive Officer. Delegation enables more flexibility in the timing of the hearing, which can shorten the timeline for adoption. However, in this instance, there is no scheduling advantage. Staff also notes that representatives from member organizations have communicated that they believe the board should conduct public hearings themselves as a best practice.

If the board elects to hold a hearing, it could be scheduled to coincide with its February 2027 meeting. Under this scenario, the board has two options for adopting the regulations. First, if there are no public comments affecting the content of the regulations, the board could adopt the regulations after the conclusion of the hearing. Second, the board could instead wait to

adopt the regulations at its March 2027 meeting. Since the board adopted a prior version of the proposed regulations, and the changes are clarifying in nature rather than substantive, staff recommends adopting the regulations at the February 2027 meeting if no further changes are necessary.

Under all scenarios, if staff determines additional changes are necessary, those changes will be brought to the board for approval prior to being noticed for an additional public comment period.

Strategic Plan linkage: Goal 2: Leading innovation and managing change—Innovate to grow resiliency and efficiency in service of our members

Board Policy linkage: Board Governance Manual: Section 5A—Legislation—Sponsor or support legislation and regulations that: improve the delivery of benefits and services and provide more effective and efficient administration of the retirement plan
