



COMPLIANCE REVIEW REPORT

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Compliance Review Unit
State Personnel Board
March 8, 2022

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INTRODUCTION

Established by the California Constitution, the State Personnel Board (the SPB or Board) is charged with enforcing and administering the civil service statutes, prescribing probationary periods and classifications, adopting regulations, and reviewing disciplinary actions and merit-related appeals. The SPB oversees the merit-based recruitment and selection process for the hiring of over 200,000 state employees. These employees provide critical services to the people of California, including but not limited to, protecting life and property, managing emergency operations, providing education, promoting the public health, and preserving the environment. The SPB provides direction to departments through the Board's decisions, rules, policies, and consultation.

Pursuant to Government Code section 18661, the SPB's Compliance Review Unit (CRU) conducts compliance reviews of appointing authorities' personnel practices in five areas: examinations, appointments, equal employment opportunity (EEO), personal services contracts (PSC's), and mandated training, to ensure compliance with civil service laws and Board regulations. The purpose of these reviews is to ensure state agencies are in compliance with merit related laws, rules, and policies and to identify and share best practices identified during the reviews.

Pursuant to Government Code section 18502, subdivision (c), the SPB and the California Department of Human Resources (CalHR) may "delegate, share, or transfer between them responsibilities for programs within their respective jurisdictions pursuant to an agreement." SPB and CalHR, by mutual agreement, expanded the scope of program areas to be audited to include more operational practices that have been delegated to departments and for which CalHR provides policy direction. Many of these delegated practices are cost drivers to the state and were not being monitored on a statewide basis.

As such, SPB also conducts compliance reviews of appointing authorities' personnel practices to ensure that state departments are appropriately managing the following non-merit-related personnel functions: compensation and pay, leave, and policy and processes. These reviews will help to avoid and prevent potential costly litigation related to improper personnel practices, and deter waste, fraud, and abuse.

The SPB conducts these reviews on a three-year cycle.

The CRU may also conduct special investigations in response to a specific request or when the SPB obtains information suggesting a potential merit-related violation.

It should be noted that this report only contains findings from this hiring authority's compliance review. Other issues found in SPB appeals and special investigations as well as audit and review findings by other agencies such as the CalHR and the California State Auditor are reported elsewhere.

EXECUTIVE SUMMARY

The CRU conducted a routine compliance review of the California State Teachers' Retirement System (CalSTRS) personnel practices in the areas of examinations, appointments, EEO, PSC's, mandated training, compensation and pay, leave, and policy and processes. The following table summarizes the compliance review findings.

Area	Severity	Finding
Examinations	In Compliance	Examinations Complied with Civil Service Laws and Board Rules
Examinations	In Compliance	Permanent Withhold Action Complied with Civil Service Laws and Board Rules
Appointments	In Compliance	Appointments Complied with Civil Service Laws and Board Rules
Appointments	Technical	Appointment Documentation Was Not Kept for The Appropriate Amount of Time ¹
Equal Employment Opportunity	In Compliance	Equal Employment Opportunity Program Complied With All Civil Service Laws and Board Rules
Personal Services Contracts	In Compliance	Personal Services Contracts Complied with Procedural Requirements
Mandated Training	In Compliance	Mandated Training Complied with Statutory Requirements
Compensation and Pay	In Compliance	Salary Determinations Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Compensation and Pay	In Compliance	Exceptions to Salary Rules Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines

¹ Repeat finding. August 31, 2018, the CalSTRS compliance review report identified 9 Notice of Personnel Actions (NOPA) and 25 applications missing of the 55 appointment files reviewed.

Area	Severity	Finding
Compensation and Pay	In Compliance	Alternate Range Movements Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Compensation and Pay	In Compliance	Hire Above Minimum Requests Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Compensation and Pay	In Compliance	Arduous Pay Authorization Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Compensation and Pay	In Compliance	Pay Differential Authorizations Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Compensation and Pay	In Compliance	Out of Class Pay Authorizations Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Leave	In Compliance	Positive Paid Employees' Tracked Hours Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Leave	Serious	Administrative Time Off Was Not Properly Documented
Leave	Very Serious	Incorrectly Posted Leave Usage and/or Leave Credit
Leave	In Compliance	Service and Leave Transactions Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	In Compliance	Nepotism Policy Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	In Compliance	Workers' Compensation Process Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Policy	In Compliance	Performance Appraisal Policy and Processes Complied with Civil Service Laws and Regulations and/or CalHR Policies and Guidelines

BACKGROUND

The CalSTRS was established by law in 1913 to provide retirement benefits to California's public-school educators from pre-kindergarten through community college. Today, CalSTRS is the largest educator-only pension fund in the world, and the second largest pension fund in the United States.

CalSTRS provides retirement, disability, and survivor benefits for full- and part-time California public school educators through a hybrid retirement system consisting of its Defined Benefit, Defined Benefit Supplement, and Cash Balance Benefit programs, and a voluntary defined contribution plan called CalSTRS Pension². The CalSTRS' mission is "Securing the financial future and sustaining the trust of California's educators."

SCOPE AND METHODOLOGY

The scope of the compliance review was limited to reviewing the CalSTRS' examinations, appointments, EEO program, PSC's, mandated training, compensation and pay, leave, and policy and processes². The primary objective of the review was to determine if the CalSTRS' personnel practices, policies, and procedures complied with state civil service laws and Board regulations, Bargaining Unit Agreements, CalHR policies and guidelines, CalHR Delegation Agreements, and to recommend corrective action where deficiencies were identified.

A cross-section of the CalSTRS' examinations were selected for review to ensure that samples of various examination types, classifications, and levels were reviewed. The CRU examined the documentation that the CalSTRS provided, which included examination plans, examination bulletins, job analyses, and scoring results. The CRU also reviewed the CalSTRS' permanent withhold action documentation, including the Withhold Determination Worksheet, State application (STD 678), class specification, and withhold letter.

A cross-section of the CalSTRS' appointments were selected for review to ensure that samples of various appointment types, classifications, and levels were reviewed. The CRU examined the documentation that the CalSTRS provided, which included NOPA forms, Request for Personnel Actions, vacancy postings, certification lists, transfer movement worksheets, employment history records, correspondence, and probation reports.

² Timeframes of the compliance review varied depending on the area of review. Please refer to each section for specific compliance review timeframes.

The CalSTRS did not conduct any unlawful appointment investigations during the compliance review period.

Additionally, the CalSTRS did not make any additional appointments during the compliance review period.

The CalSTRS' appointments were also selected for review to ensure the CalSTRS applied salary regulations accurately and correctly processed employees' compensation and pay. The CRU examined the documentation that the CalSTRS provided, which included employees' employment and pay history, and any other relevant documentation such as certifications, degrees, and/or the appointee's application. Additionally, the CRU reviewed specific documentation for the following personnel functions related to compensation and pay: hire above minimum (HAM) requests, arduous pay, monthly pay differentials, alternate range movements, and out-of-class assignments.

During the compliance review period, the CalSTRS did not issue or authorize red circle rate requests or bilingual pay.

The review of the CalSTRS' EEO program included examining written EEO policies and procedures; the EEO Officer's role, duties, and reporting relationship; the internal discrimination complaint process; the reasonable accommodation program; the discrimination complaint process; and the Disability Advisory Committee.

The CalSTRS' PSC's were also reviewed.³ It was beyond the scope of the compliance review to make conclusions as to whether the CalSTRS' justifications for the contracts were legally sufficient. The review was limited to whether the CalSTRS' practices, policies, and procedures relative to PSC's complied with procedural requirements.

The CalSTRS' mandated training program was reviewed to ensure all employees required to file statements of economic interest were provided ethics training, that all supervisors and managers were provided leadership and development training, and that all employees were provided sexual harassment prevention training within statutory timelines.

³If an employee organization requests the SPB to review any personal services contract during the SPB compliance review period or prior to the completion of the final compliance review report, the SPB will not audit the contract. Instead, the SPB will review the contract pursuant to its statutory and regulatory process. In this instance, none of the reviewed PSC's were challenged.

The CRU reviewed the CalSTRS' monthly internal audit process to verify all leave input into any leave accounting system was keyed accurately and timely and ensure the department certified that all leave records have been reviewed and corrected if necessary. The CRU selected a small cross-section of the CalSTRS' units in order to ensure they maintained accurate and timely leave accounting records. Part of this review also examined a cross-section of the CalSTRS' employees' employment and pay history, state service records, and leave accrual histories to ensure employees with non-qualifying pay periods did not receive vacation/sick leave and/or annual leave accruals or state service credit. Additionally, the CRU reviewed a selection of the CalSTRS employees who used Administrative Time Off (ATO) in order to ensure that ATO was appropriately administered. Further, the CRU reviewed a selection of CalSTRS' positive paid employees whose hours are tracked during the compliance review period in order to ensure that they adhered to procedural requirements.

Moreover, the CRU reviewed the CalSTRS' policies and processes concerning nepotism, workers' compensation, and performance appraisals. The review was limited to whether the CalSTRS' policies and processes adhered to procedural requirements.

On February 17, 2022, an exit conference was held with the CalSTRS to explain and discuss the CRU's initial findings and recommendations. The CRU received and carefully reviewed the CalSTRS' written response on February 22, 2022, which is attached to this final compliance review report.

FINDINGS AND RECOMMENDATIONS

Examinations

Examinations to establish an eligible list must be competitive and of such character as fairly to test and determine the qualifications, fitness, and ability of competitors to perform the duties of the class of position for which he or she seeks appointment. (Gov. Code, § 18930.) Examinations may be assembled or unassembled, written or oral, or in the form of a demonstration of skills, or any combination of those tests. (*Ibid.*) The Board establishes minimum qualifications for determining the fitness and qualifications of employees for each class of position and for applicants for examinations. (Gov. Code, § 18931, subd. (a).) Within a reasonable time before the scheduled date for the examination, the designated appointing power shall announce or advertise the examination for the establishment of eligible lists. (Gov. Code, § 18933, subd. (a).) The advertisement shall contain such information as the date and place of the examination and the nature of the minimum qualifications. (*Ibid.*) Every applicant for examination shall file an application with the department or a designated appointing power as directed by

the examination announcement. (Gov. Code, § 18934, subd. (a)(1).) The final earned rating of each person competing in any examination is to be determined by the weighted average of the earned ratings on all phases of the examination. (Gov. Code, § 18936.) Each competitor shall be notified in writing of the results of the examination when the employment list resulting from the examination is established. (Gov. Code, § 18938.5.)

During the period under review, June 1, 2020, through February 28, 2021, the CalSTRS conducted six examinations. The CRU reviewed six of those examinations, which are listed below:

Classification	Exam Type	Exam Components	Final File Date	No. of Apps
Career Executive Assignment (CEA) B, Assistant Director, Retirement Readiness	CEA	Statement of Qualifications (SOQ) ⁴	8/7/2020	21
CEA B, Senior Investment Accounting and Financial Reporting Manager	CEA	SOQ	1/30/2021	34
CEA C, Chief Public Affairs Officer	CEA	SOQ	10/30/2020	4
Investment Director, CalSTRS	Departmental Open	SOQ	6/13/2020	16
Associate Portfolio Manager, CalSTRS	Departmental Open	Training and Experience (T&E) ⁵	Continuous	94
Portfolio Manager, CalSTRS	Departmental Open	T&E	Continuous	74

⁴ In a Statement of Qualifications examination, applicants submit a written summary of their qualifications and experience related to a published list of desired qualifications. Raters, typically subject matter experts, evaluate the responses according to a predetermined rating scale designed to assess their ability to perform in a job classification, assign scores and rank the competitors in a list.

⁵ The Training and Experience examination is administered either online or in writing, and asks the applicant to answer multiple-choice questions about his or her level of training and/or experience performing certain tasks typically performed by those in this classification. Responses yield point values.

IN COMPLIANCE	FINDING No. 1 EXAMINATIONS COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES
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The CRU reviewed three CEA and three open examinations which the CalSTRS administered in order to create eligible lists from which to make appointments. The CalSTRS published and distributed examination bulletins containing the required information for all examinations. Applications received by the CalSTRS were accepted prior to the final filing date. Applicants were notified about the next phase of the examination process. After all phases of the examination process were completed, the score of each competitor was computed, and a list of eligible candidates was established. The examination results listed the names of all successful competitors arranged in order of the score received by rank. The CRU found no deficiencies in the examinations that the CalSTRS conducted during the compliance review period.

Permanent Withhold Actions

Departments are granted statutory authority to permit withhold of eligibles from lists based on specified criteria. (Gov. Code, § 18935.) Permanent appointments and promotions within the state civil service system shall be merit-based, ascertained by a competitive examination process. (Cal. Const., art. VII, § 1, subd. (b).) If a candidate for appointment is found not to satisfy the minimum qualifications, the appointing power shall provide written notice to the candidate, specifying which qualification(s) are not satisfied and the reason(s) why. The candidate shall have an opportunity to establish that s/he meets the qualifications. (Cal. Code Regs., tit. 2, § 249.4, subd. (b).) If the candidate fails to respond, or fails to establish that s/he meets the minimum qualification(s), the candidate’s name shall be removed from the eligibility list. (Cal. Code Regs., tit. 2, § 249.4, subd. (b)(1), (2)), (HR Manual, section 1105.) The appointing authority shall promptly notify the candidate in writing, and shall notify the candidate of his or her appeal rights. (*Ibid.*) A permanent withhold does not necessarily permanently restrict a candidate from retaking the examination for the same classification in the future; however, the appointing authority may place a withhold on the candidate’s subsequent eligibility record if the candidate still does not meet the minimum qualifications or continues to be unsuitable. (HR Manual, Section 1105). State agency human resources offices are required to maintain specific withhold documentation for a period of five years. (*Ibid.*)

During the period under review, June 1, 2020, through February 28, 2021, the CalSTRS conducted one permanent withhold action. The CRU reviewed the permanent withhold action, which is listed below:

Exam Title	Exam ID	Date List Eligibility Began	Date List Eligibility Ended	Reason Candidate Placed on Withhold
Investment Officer III, CalSTRS	OPB4903	12/01/2020	01/27/2021	Failed to Meet Minimum Qualifications

IN COMPLIANCE	FINDING NO. 2 PERMANENT WITHHOLD ACTION COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES
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The CRU found no deficiencies in the permanent withhold action undertaken by the department during the compliance review period.

Appointments

In all cases not excepted or exempted by Article VII of the California Constitution, the appointing power must fill positions by appointment, including cases of transfers, reinstatements, promotions, and demotions in strict accordance with the Civil Service Act and Board rules. (Gov. Code, § 19050.) The hiring process for eligible candidates chosen for job interviews shall be competitive and be designed and administered to hire candidates who will be successful. (Cal. Code Regs., tit. 2, § 250, subd. (b).) Interviews shall be conducted using job-related criteria. (*Ibid.*) Persons selected for appointment shall satisfy the minimum qualifications of the classification to which he or she is appointed or have previously passed probation and achieved permanent status in that same classification. (Cal. Code Regs., tit. 2, § 250, subd. (d).) While persons selected for appointment may meet some or most of the preferred or desirable qualifications, they are not required to meet all the preferred or desirable qualifications. (*Ibid.*) This section does not apply to intra-agency job reassignments. (Cal. Code Regs., tit. 2, § 250, subd. (e).)

During the period under review, April 1, 2020, through December 22, 2020, the CalSTRS made 282 appointments. The CRU reviewed 50 of those appointments, which are listed below:

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Accounting Administrator II	Certification List	Limited Term	Full Time	1
Accounting Officer (Specialist)	Certification List	Permanent	Full Time	1
Accountant Trainee	Certification List	Permanent	Full Time	2

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Associate Governmental Program Analyst	Certification List	Permanent	Full Time	4
Associate Management Auditor	Certification List	Permanent	Full Time	1
Associate Portfolio Manager, State Teachers' Retirement System	Certification List	Permanent	Full Time	4
Financial Accountant III	Certification List	Permanent	Full Time	1
Information Technology Supervisor II	Certification List	Permanent	Full Time	1
Investment Officer I, California State Teacher's Retirement System	Certification List	Permanent	Full Time	1
Investment Officer II, California State Teacher's Retirement System	Certification List	Permanent	Full Time	1
Investment Officer III, California State Teacher's Retirement System	Certification List	Permanent	Full Time	1
Pension Program Manager I	Certification List	Limited Term	Full Time	1
Portfolio Manager, State Teachers' Retirement System	Certification List	Permanent	Full Time	1
Staff Program Auditor, CalPERS	Certification List	Permanent	Full Time	1
Staff Services Analyst (General)	Certification List	Permanent	Full Time	7
Staff Services Manager I	Certification List	Limited Term	Full Time	1
Staff Services Manager I	Certification List	Permanent	Full Time	2
Staff Services Manager II (Supervisory)	Certification List	Permanent	Full Time	1
Associate Governmental Program Analyst	Training & Development	Permanent	Full Time	1
Accounting Administrator I (Specialist)	Transfer	Permanent	Full Time	1
Accounting Administrator I (Supervisor)	Transfer	Permanent	Full Time	1
Associate Governmental Program Analyst	Transfer	Permanent	Full Time	4
Information Technology Associate	Transfer	Permanent	Full Time	1

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Information Technology Specialist I	Transfer	Permanent	Full Time	1
Information Technology Supervisor II	Transfer	Permanent	Full Time	1
Investment Director, California State Teachers' Retirement System	Transfer	Temporary	Full Time	1
Office Technician (General)	Transfer	Limited Term	Full Time	1
Pension Program Manager III	Transfer	Permanent	Full Time	1
Personnel Specialist	Transfer	Limited Term	Full Time	1
Staff Services Analyst (General)	Transfer	Permanent	Full Time	3
Staff Services Analyst (General)	Transfer	Limited Term	Full Time	1

IN COMPLIANCE	FINDING NO. 3 APPOINTMENTS COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES
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The CalSTRS measured each applicant's ability to perform the duties of the job by conducting hiring interviews and selecting the best-suited candidates. For each of the 32 list appointments reviewed, the CalSTRS ordered a certification list of candidates ranked competitively. After properly clearing the certification lists including SROA, the selected candidates were appointed based on eligibility attained by being reachable within the first three ranks of the certification lists.

The CRU reviewed 17 CalSTRS appointments made via transfer. A transfer of an employee from a position under one appointing power to a position under another appointing power may be made if the transfer is to a position in the same class or in another class with substantially the same salary range and designated as appropriate by the executive officer. (Cal. Code Regs., tit. 2, § 425.) The CalSTRS verified the eligibility of each candidate to their appointed class.

Eligibility for training and development (T & D) assignments are limited to employees who (1) have permanent status in their present class, or (2) who have probationary status and who previously have had permanent status and who, since such permanent status, have had no break in service due to a permanent separation. (Cal. Code Regs., tit. 2, § 438, subd. (a).) The CRU reviewed one training and development appointment, and determined it to be in compliance with applicable civil service laws and Board rules.

The CRU found no deficiencies in the appointments that the CalSTRS initiated during the compliance review period. Accordingly, the CRU found that the CalSTRS' appointments processes and procedures utilized during the compliance review period satisfied civil service laws and Board rules.

However, the CRU found the following technical finding:

SEVERITY: TECHNICAL	FINDING NO. 4 APPOINTMENT DOCUMENTATION WAS NOT KEPT FOR THE APPROPRIATE AMOUNT OF TIME
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Summary: The CalSTRS failed to retain personnel records such as NOPA's, duty statements, job announcements/bulletins, and applications. Of the 50 appointments reviewed, the CalSTRS did not retain 2 NOPA's. This is the second consecutive time this has been a finding for the CalSTRS.

Criteria: As specified in section 26 of the Board's Regulations, appointing powers are required to retain records related to affirmative action, equal employment opportunity, examinations, merit, selection, and appointments for a minimum period of five years from the date the record is created. These records are required to be readily accessible and retained in an orderly and systematic manner. (Cal. Code Regs., tit. 2, § 26.)

Severity: Technical. Without documentation, the CRU could not verify if the appointments were properly conducted.

Cause: The CalSTRS states that the two NOPA's that were identified in the compliance review as missing were dated the month after the declared state of emergency and CalSTRS' emergency transition to working remotely provided unique challenges for this workload. The documents may not have been received from the SCO or submitted by the employee to the Human Resources Office once signed.

Corrective Action: The CalSTRS provides that it has since established an electronic process to manage NOPA's. Within 90 days of the date of this report, the CalSTRS must submit to the SPB a written corrective action response which documents the corrections the department

implemented to ensure conformity with the record retention requirements of California Code of Regulations, title 2, section 26.

Equal Employment Opportunity

Each state agency is responsible for an effective EEO program. (Gov. Code, § 19790.) The appointing power for each state agency has the major responsibility for monitoring the effectiveness of its EEO program. (Gov. Code, § 19794.) To that end, the appointing power must issue a policy statement committed to EEO; issue procedures for filing, processing, and resolving discrimination complaints; and cooperate with the CalHR, in accordance with Civil Code section 1798.24, subdivisions (o) and (p), by providing access to all required files, documents and data necessary to carry out these mandates. (*Ibid.*) In addition, the appointing power must appoint, at the managerial level, an EEO Officer, who shall report directly to, and be under the supervision of, the director of the department to develop, implement, coordinate, and monitor the department's EEO program. (Gov. Code, § 19795, subd. (a).)

Each state agency must establish a separate committee of employees who are individuals with a disability, or who have an interest in disability issues, to advise the head of the agency on issues of concern to employees with disabilities. (Gov. Code, § 19795, subd. (b)(1).) The department must invite all employees to serve on the committee and take appropriate steps to ensure that the final committee is comprised of members who have disabilities or who have an interest in disability issues. (Gov. Code, § 19795, subd. (b)(2).)

IN COMPLIANCE	FINDING NO. 5 EQUAL EMPLOYMENT OPPORTUNITY PROGRAM COMPLIED WITH ALL CIVIL SERVICE LAWS AND BOARD RULES
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After reviewing the policies, procedures, and programs necessary for compliance with the EEO program's role and responsibilities according to statutory and regulatory guidelines, the CRU determined that the CalSTRS' EEO program provided employees with information and guidance on the EEO process including instructions on how to file discrimination claims. Furthermore, the EEO program outlines the roles and responsibilities of the EEO Officer, as well as supervisors and managers. The EEO Officer, who is at a managerial level, reports directly to the Executive Director of the CalSTRS. The CalSTRS also provided evidence of its efforts to promote EEO in its hiring and employment practices and to increase its hiring of persons with a disability.

Personal Services Contracts

A PSC includes any contract, requisition, or purchase order under which labor or personal services is a significant, separately identifiable element, and the business or person performing the services is an independent contractor that does not have status as an employee of the state. (Cal. Code Regs., tit. 2, § 547.59.) The California Constitution has an implied civil service mandate limiting the state’s authority to contract with private entities to perform services the state has historically or customarily performed. Government Code section 19130, subdivision (a), however, codifies exceptions to the civil service mandate where PSC’s achieve cost savings for the state. PSC’s that are of a type enumerated in subdivision (b) of Government Code section 19130 are also permissible. Subdivision (b) contracts include, but are not limited to, private contracts for a new state function, services that are not available within state service, services that are incidental to a contract for the purchase or lease of real or personal property, and services that are of an urgent, temporary, or occasional nature.

For cost-savings PSC’s, a state agency is required to notify SPB of its intent to execute such a contract. (Gov. Code, § 19131.) For subdivision (b) contracts, the SPB reviews the adequacy of the proposed or executed contract at the request of an employee organization representing state employees. (Gov. Code, § 19132.)

During the period under review, June 1, 2020, through February 28, 2021, the CalSTRS had 72 PSC’s that were in effect. The CRU reviewed 24 of those, which are listed below:

Vendor	Services	Contract Dates	Contract Amount	Just. Identified	Union Notified
Employers Choice Online, Inc.	Employment Background Investigation Reports	7/20 - 6/25	\$250,000.00	Yes	Yes
KPMG, LLP	Audit	6/20 - 6/21	\$2,107,493.70	Yes	Yes
Grant Thornton, LLP	Audit	6/20 - 6/21	\$1,492,520.60	Yes	Yes
SupportFocus, Inc.	Test Analyst	7/20 - 6/22	\$391,680.00	Yes	Yes
American Unit, Inc.	C#.NET Developer/IIS Administrator	7/20 - 7/22	\$384,000.00	Yes	Yes
Radian Solutions, LLC	Test Analyst	7/20 - 2/22	\$278,400.00	Yes	Yes

Vendor	Services	Contract Dates	Contract Amount	Just. Identified	Union Notified
Western Contract Furnishers Haworth	Facility Reconfigurations & Modifications	6/20 - 6/25	\$3,900,000.00	Yes	Yes
Teah M. Bennett Consulting	Executive Consulting Services, Research	7/20 - 6/25	\$97,500.00	Yes	Yes
Cuyler & Tufts, LLP	Legal	7/20 - 6/22	\$386,390.09	Yes	Yes
Olson Remcho, LLP	Legal	7/20 - 6/23	\$100,000.00	Yes	Yes
Shaw Law Group, PC	Legal	7/20 - 12/22	\$375,000.00	Yes	Yes
Government Operations Agency	Administrative	7/20 - 6/22	\$678,000.00	Yes	Yes
RERC, LLC	Real Estate Valuation Consulting	7/1 - 6/25	\$29,033,925.00	Yes	Yes
Egon Zehnder International, Inc.	Chief Executive Officer Search	11/20 - 7/21	\$250,000.00	Yes	Yes
Deloitte Consulting LLP	Business Direct Retrofit & Integration	2/21 - 10/22	\$14,572,507.64	Yes	Yes
Grant Thornton LLP	Audit	1/21 - 12/23	\$95,475.00	Yes	Yes
BLX Group LLC	Arbitrage Rebate Compliance Services	1/21 - 6/23	\$6,000.00	Yes	Yes
Maximus Human Services, Inc.	Independent Verification & Validation	1/21 - 3/21	\$1,517,741.28	Yes	Yes
CGI Technologies and Solutions Inc.	Data Validation Analyst	2/21 - 2/22	\$950,400.00	Yes	Yes
Capio Group	Senior Test Analyst	11/20 - 3/22	\$796,800.00	Yes	Yes
Performance Technology Partners LLC	Web Accessibility Consulting	11/20 - 10/22	\$80,000.00	Yes	Yes

Vendor	Services	Contract Dates	Contract Amount	Just. Identified	Union Notified
Acuity Technical Solutions	Senior Business Analyst	11/20 - 11/22	\$384,000.00	Yes	Yes
Visionary Integration Professionals	Accounting	12/20 - 12/21	\$3,883,909.81	Yes	Yes
Agile Global Solutions Inc.	SharePoint Architect	12/20 - 12/21	\$576,000.00	Yes	Yes

IN COMPLIANCE	FINDING NO. 6 PERSONAL SERVICES CONTRACTS COMPLIED WITH PROCEDURAL REQUIREMENTS
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The total dollar amount of all the PSC’s reviewed was \$62,587,743.10. It was beyond the scope of the review to make conclusions as to whether CalSTRS justifications for the contract were legally sufficient. For all PSC’s reviewed, the CalSTRS provided specific and detailed factual information in the written justifications as to how each of the contracts met at least one condition set forth in Government Code section 19130, subdivision (b). Additionally, CalSTRS complied with proper notification to all organizations that represent state employees who perform the type or work contracted. Accordingly, the CalSTRS PSC’s complied with civil service laws and board rules.

Mandated Training

Each member, officer, or designated employee of a state agency who is required to file a statement of economic interest (referred to as “filers”) because of the position he or she holds with the agency is required to take an orientation course on the relevant ethics statutes and regulations that govern the official conduct of state officials. (Gov. Code, §§ 11146 & 11146.1.) State agencies are required to offer filers the orientation course on a semi-annual basis. (Gov. Code, § 11146.1.) New filers must be trained within six months of appointment and at least once during each consecutive period of two calendar years, commencing on the first odd-numbered year thereafter. (Gov. Code, § 11146.3.)

Upon the initial appointment of any employee designated in a supervisory position, the employee shall be provided a minimum of 80 hours of training, as prescribed by the CalHR. (Gov. Code, § 19995.4, subd. (b).) The training addresses such topics as the role of the supervisor, techniques of supervision, performance standards, and sexual harassment and abusive conduct prevention. (Gov. Code, §§ 12950.1, subds. (a), and

(b), & 19995.4, subd. (b).) Additionally, the training must be successfully completed within the term of the employee’s probationary period or within six months of the initial appointment, unless it is demonstrated that to do so creates additional costs or that the training cannot be completed during this time period due to limited availability of supervisory training courses. (Gov. Code, § 19995.4, subd. (c).)

Additionally, new supervisors must be provided sexual harassment prevention training within six months of appointment. Thereafter, each department must provide its supervisors two hours of sexual harassment prevention training every two years. (Gov. Code, § 12950.1, subds. (a) and (b); Gov. Code, § 19995.4.)

The Board may conduct reviews of any appointing power’s personnel practices to ensure compliance with civil service laws and Board regulations. (Gov. Code, § 18661, subd. (a).) In particular, the Board may audit personnel practices related to such matters as selection and examination procedures, appointments, promotions, the management of probationary periods, and any other area related to the operation of the merit principle in state civil service. (*Ibid.*) Accordingly, the CRU reviews documents and records related to training that appointing powers are required by the afore-cited laws to provide its employees.

The CRU reviewed the CalSTRS’ mandated training program that was in effect during the compliance review period, March 1, 2019, through February 28, 2021. The CalSTRS’ ethics and sexual harassment prevention training were found to be in compliance.

IN COMPLIANCE	FINDING NO. 7	MANDATED TRAINING COMPLIED WITH STATUTORY REQUIREMENTS
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The CalSTRS provided ethics training to its 91 new filers within 6 months of appointment and, for 390 existing filers, “at least once during each consecutive period of 2 calendar years, commencing on the first odd-numbered year thereafter.” The CalSTRS also provided supervisory training to its 61 new supervisors within 12 months of appointment. In addition, the CalSTRS provided sexual harassment prevention training its 61 new supervisors within 6 months of appointment, and sexual harassment prevention training to its 214 existing supervisors every 2 years. Thus, the CalSTRS complied with mandated training requirements within statutory timelines.

Compensation and Pay

Salary Determination

The pay plan for state civil service consists of salary ranges and steps established by CalHR. (Cal. Code Regs., tit. 2, § 599.666.) Several salary rules dictate how departments calculate and determine an employee's salary rate⁶ upon appointment depending on the appointment type, the employee's state employment and pay history, and tenure.

Typically, agencies appoint employees to the minimum rate of the salary range for the class. Special provisions for appointments above the minimum exist to meet special recruitment needs and to accommodate employees who transfer into a class from another civil service class and are already receiving salaries above the minimum.

During the period under review, April 1, 2020, through December 22, 2020, the CalSTRS made 282 appointments. The CRU reviewed 20 of those appointments to determine if the CalSTRS applied salary regulations accurately and correctly processed employees' compensation, which are listed below:

Classification	Appointment Type	Tenure	Time Base	Salary (Monthly Rate)
Accounting Administrator I (Supervisor)	Certification List	Permanent	Full Time	\$6,403
Accountant Trainee	Certification List	Permanent	Full Time	\$3,793
Accounting Officer (Specialist)	Certification List	Permanent	Full Time	\$5,629
Accounting Officer (Specialist)	Certification List	Permanent	Full Time	\$4,496
Associate Governmental Program Analyst	Certification List	Permanent	Full Time	\$5,174
Associate Governmental Program Analyst	Certification List	Permanent	Full Time	\$5,204
Associate Governmental Program Analyst	Certification List	Permanent	Full Time	\$5,149

⁶ "Rate" is any one of the salary rates in the resolution by CalHR which establishes the salary ranges and steps of the Pay Plan (Cal. Code Regs., tit. 2, section 599.666).

Classification	Appointment Type	Tenure	Time Base	Salary (Monthly Rate)
Associate Management Auditor	Certification List	Permanent	Full Time	\$6,517
Information Technology Supervisor II	Certification List	Permanent	Full Time	\$9,449
Investment Officer I	Certification List	Permanent	Full Time	\$4,720
Investment Officer III	Certification List	Permanent	Full Time	\$9,122
Staff Services Analyst (General)	Certification List	Permanent	Full Time	\$4,339
Staff Services Analyst (General)	Certification List	Permanent	Full Time	\$3,298
Staff Services Manager I	Certification List	Permanent	Full Time	\$6,124
Staff Services Analyst (General)	Permissive Reinstatement	Limited Term	Full Time	\$4,496
Accounting Administrator I (Supervisor)	Transfer	Permanent	Full Time	\$7,434
Associate Governmental Program Analyst	Transfer	Permanent	Full Time	\$5,227
Associate Governmental Program Analyst	Transfer	Permanent	Full Time	\$5,406
Information Technology Associate	Transfer	Permanent	Full Time	\$6,787
Staff Services Analyst (General)	Transfer	Permanent	Full Time	\$3,571

IN COMPLIANCE	FINDING NO. 8 SALARY DETERMINATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRU found no deficiencies in the salary determinations that were reviewed. The CalSTRS appropriately calculated and keyed the salaries for each appointment and correctly determined employees’ anniversary dates ensuring that subsequent merit salary adjustments will satisfy civil service laws, Board rules and CalHR policies and guidelines.

Exceptions to Salary

California Code of Regulations sections 599.674 and 599.676 allow employees to receive a salary rate up to one step (5%) above the salary rate they last received. In those instances when these rules do not provide employees with the equivalent rate last received (1) upon transfer to a deep class or (2) in their former class, then under the authority of Government Code section 19836, an exception to these salary rules can be made. Exceptions to these rules should be applied uniformly for all employees. (Classification and Pay Guide Section 285.)

For those affected employees incurring salary loss upon transfer to a deep class, CalHR recommends placing the employee on a T&D Assignment for a period of time sufficient to meet the higher alternate range criteria. Upon successful completion of the T&D assignment, the employee may be transferred to the transferable range, and then moved to the next higher alternate range effective the same day. If this does not provide the employee their current salary, departments may process an exception so the employee does not incur a salary loss. (*Ibid.*)

Delegation agreements with CalHR give departments the delegated authority to approve an exception to the salary rules under the following circumstances: when there is a salary loss upon transfer to a deep class; when there is a reappointment or reinstatement without a break in service.

During the period under review, April 1, 2020, through December 22, 2020, the CalSTRS authorized one salary exception request. The CRU reviewed one of those authorized salary exception requests, listed below, to determine if the CalSTRS correctly verified, approved and documented the salary exception authorization process:

Classification	Prior Classification	T&D Assignment? (Y/N)	Approved Salary
Personnel Specialist	Staff Services Analyst (General)	No	\$5,360.00

IN COMPLIANCE	FINDING NO. 9	EXCEPTIONS TO SALARY RULES COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRU found that the exception to salary determinations the CalSTRS made during the compliance review period, satisfied civil service laws, Board rules and CalHR policies and guidelines.

Alternate Range Movement Salary Determination (within same classification)

If an employee qualifies under established criteria and moves from one alternate range to another alternate range of a class, the employee shall receive an increase or a decrease equivalent to the total of the range differential between the maximum salary rates of the alternate ranges. (Cal. Code Regs., tit. 2, § 599.681.) However, in many instances, the CalHR provides salary rules departments must use when employees move between alternate ranges. These rules are described in the alternate range criteria. (CalHR Pay Scales). When no salary rule or method is cited in the alternate range criteria, departments must default to Rule 599.681.

During the period under review, April 1, 2020, through December 22, 2020, the CalSTRS employees made 48 alternate range movements within a classification. The CRU reviewed 17 of those alternate range movements to determine if the CalSTRS applied salary regulations accurately and correctly processed each employee’s compensation, which are listed below:

Classification	Prior Range	Current Range	Time Base	Salary (Monthly Rate)
Attorney	C	D	Full Time	\$7,818
Information Technology Specialist I	A	B	Full Time	\$7,827
Information Technology Specialist I	A	C	Full Time	\$6,715
Information Technology Specialist I	A	B	Full Time	\$6,561
Investment Officer I	B	C	Full Time	\$4,957
Investment Officer I	C	D	Full Time	\$6,324
Staff Services Analyst (General)	A	C	Full Time	\$4,281
Staff Services Analyst (General)	A	C	Full Time	\$4,281
Staff Services Analyst (General)	A	C	Full Time	\$4,281
Staff Services Analyst (General)	A	C	Full Time	\$4,281
Staff Services Analyst (General)	A	C	Full Time	\$4,281
Staff Services Analyst (General)	B	C	Full Time	\$4,556
Staff Services Analyst (General)	A	C	Full Time	\$4,281
Staff Services Analyst (General)	A	C	Full Time	\$4,281

Classification	Prior Range	Current Range	Time Base	Salary (Monthly Rate)
Staff Services Analyst (General)	A	C	Full Time	\$4,281
Staff Services Analyst (General)	A	C	Full Time	\$4,281
Staff Services Analyst (General)	A	C	Full Time	\$4,281

IN COMPLIANCE	FINDING NO. 10	ALTERNATIVE RANGE MOVEMENTS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRU determined that the alternate range movements the CalSTRS made during the compliance review period, satisfied civil service laws, Board rules and CalHR policies and guidelines.

Hiring Above Minimum Requests

The CalHR may authorize payment at any step above the minimum limit to classes or positions to meet recruiting problems, or to obtain a person who has extraordinary qualifications. (Gov. Code, § 19836.) For all employees new to state service, departments are delegated to approve HAMs for extraordinary qualifications. (Human Resources Manual Section 1707.) Appointing authorities may request HAMs for current state employees with extraordinary qualifications. (*Ibid.*) Delegated HAM authority does not apply to current state employees. (*Ibid.*)

Extraordinary qualifications may provide expertise in a particular area of a department's program. (*Ibid.*) This expertise should be well beyond the minimum qualifications of the class. (*Ibid.*) Unique talent, ability or skill as demonstrated by previous job experience may also constitute extraordinary qualifications. (*Ibid.*) The scope and depth of such experience should be more significant than its length. (*Ibid.*) The degree to which a candidate exceeds minimum qualifications should be a guiding factor, rather than a determining one. (*Ibid.*) The qualifications and hiring rates of state employees already in the same class should be carefully considered, since questions of salary equity may arise if new higher entry rates differ from previous ones. (*Ibid.*) Recruitment difficulty is a factor to the extent that a specific extraordinary skill should be difficult to recruit, even though some applicants are qualified in the general skills of the class. (*Ibid.*)

If the provisions of this section are in conflict with the provisions of a memorandum of understanding reached pursuant to Government Code section 3517.5, the memorandum

of understanding shall be controlling without further legislative action.⁷ (Gov. Code, § 19836, subd. (b).)

Appointing authorities may request and approve HAMs for former legislative employees who are appointed to a civil service class and received eligibility for appointment pursuant to Government Code section 18990. (Human Resources Manual Section 1707.) The salary received upon appointment to civil service shall be in accordance with the salary rules specified in the California Code of Regulations. (*Ibid.*) A salary determination is completed comparing the maximum salary rate of the former legislative class and the maximum salary rate of the civil service class to determine applicable salary and anniversary regulation. (*Ibid.*) Typically, the legislative employees are compensated at a higher rate of pay; therefore, they will be allowed to retain the rate they last received, not to exceed the maximum of the civil service class. (*Ibid.*)

Appointing authorities may request/approve HAMs for former exempt employees appointed to a civil service class. (Human Resources Manual Section 1707.) The salary received upon appointment to civil service shall be competitive with the employee’s salary in the exempt appointment. (*Ibid.*) For example, an employee appointed to a civil service class which is preceded by an exempt appointment may be appointed at a salary rate comparable to the exempt appointment up to the maximum of the salary range for the civil service class. (*Ibid.*)

During the period under review, April 1, 2020, through December 22, 2020, the CalSTRS authorized six HAM requests. The CRU reviewed 6 of those authorized HAM requests to determine if the CalSTRS correctly applied Government Code section 19836 and appropriately verified, approved and documented candidates’ extraordinary qualifications, which are listed below:

Classification	Appointment Type	Status	Salary Range	Salary (Monthly Rate)
Accounting Officer (Specialist)	Certification List	Permanent	\$4,496-\$5,629	\$5,629
Financial Accountant III	Certification List	Permanent	\$8,989-\$10,208	\$10,208
Investment Officer III	Certification List	Permanent	\$9,122-\$10,878	\$10,834
Investment Officer II	Certification List	Permanent	\$6,826-\$8,543	\$8,114

⁷ Except that if the provisions of the memorandum of understanding requires the expenditure of funds, the provisions shall not become effective unless approved by the Legislature in the annual Budget Act.

Classification	Appointment Type	Status	Salary Range	Salary (Monthly Rate)
Investment Officer II	Certification List	Permanent	\$6,826-\$8,543	\$8,543
Pension Program Manager III	Reinstatement	Permanent	\$8,229-\$9,345	\$9,345

IN COMPLIANCE	FINDING NO. 11 HIRE ABOVE MINIMUM REQUESTS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRU found that the HAM requests the CalSTRS made during the compliance review period, satisfied civil service laws, Board rules and CalHR policies and guidelines.

Arduous Pay

Effective July 1, 1994, appointing authorities were provided the discretion to provide additional compensation for employees exempt from the Fair Labor Standards Act (FLSA) who perform arduous work that exceeds the normal demands of state service employment. (Human Resources Manual Section 1702.) The work must be extraordinarily demanding, time consuming, and significantly exceed employees' normal workweek. The employee cannot be entitled to receive any other sort of compensation such as overtime. Eligible employees are FLSA-exempt employees who do not receive compensation in recognition of hours worked in excess of 40 hours per week. The duration of the arduous period must be at least two weeks or more. (*Ibid.*)

Excluded and represented employees who are FLSA-exempt and assigned to Work Week Group E are eligible to receive up to four (4) months of pay per fiscal year, or per event for emergencies, if the following conditions are met:⁸

- There is a nonnegotiable deadline or extreme urgency;
- Work exceeds normal work hours and normal productivity;
- Work is unavoidable;
- Work involves extremely heavy workload;
- Employee is eligible for no other compensation, and
- The circumstances that support this pay differential are documented.

⁸ Applicable Memorandum of Understandings or Bargaining Unit Agreements detail other specific criteria.

Departments have delegated authority to approve arduous pay for excluded employees who are FLSA-exempt, but CalHR approval is required for any arduous pay issued to represented employees.

Although departments have delegated authority to approve arduous pay,⁹ they are required to fill out CalHR Form 777, documenting the circumstances, assessment and rationale behind all arduous pay approvals. A new Form 777 should be filled out for every employee receiving the pay differential, every time an employee is approved to receive a new pay differential, and every time an employee wants to extend their arduous pay. Extensions are only granted in rare circumstances. Departments must keep the Form 777 on file and retain the form for five years after the approval date. (*Ibid.*)

During the period under review, April 1, 2020, through December 22, 2020, the CalSTRS issued Arduous Pay to one employee. The CRU reviewed the arduous pay authorization, listed below, to ensure compliance with applicable CalHR policies and guidelines:

Classification	Collective Bargaining Identifier	Work Week Group	Time Base	Total Compensation	Number of Months Received
Staff Services Manager III	M01	E	Full Time	\$900.00	5

IN COMPLIANCE	FINDING NO. 12 ARDUOUS PAY AUTHORIZATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRU found that the arduous pay authorization that the CalSTRS made during the compliance review period, satisfied civil service laws, Board rules and CalHR policies and guidelines.

Pay Differentials

A pay differential is special additional pay recognizing unusual competencies, circumstances, or working conditions applying to some or all incumbents in select classes. A pay differential may be appropriate in those instances when a subgroup of positions within the overall job class might have unusual circumstances, competencies, or working conditions that distinguish these positions from other positions in the same

⁹ Pay Letter 94-32 established Pay Differential 62 regarding arduous pay for Bargaining Units 1, 7, 9, 17, 19, and 21, and Excluded employees.

class. Typically, pay differentials are based on qualifying pay criteria such as: work locations or shift assignments; professional or educational certification; temporary responsibilities; special licenses, skills or training; performance-based pay; incentive-based pay; or, recruitment and retention. (Classification and Pay Manual Section 230.)

California State Civil Service Pay Scales Section 14 describes the qualifying pay criteria for the majority of pay differentials. However, some of the alternate range criteria in the pay scales function as pay differentials. Generally, departments issuing pay differentials should, in order to justify the additional pay, document the following: the effective date of the pay differential, the collective bargaining unit identifier, the classification applicable to the salary rate and conditions along with the specific criteria, and any relevant documentation to verify the employee meets the criteria.

During the period under review, April 1, 2020, through December 22, 2020, the CalSTRS issued pay differentials¹⁰ to 50 employees. (For the purposes of CRU’s review, only monthly pay differentials were selected for review at this time.) The CRU reviewed 10 of these pay differentials to ensure compliance with applicable CalHR policies and guidelines. These are listed below:

Classification	Pay Differential	Monthly Amount
Associate Portfolio Manager, CalSTRS	388	5%
Deputy Chief Investment Officer, CalSTRS	388	5%
Investment Officer I, CalSTRS	360	5%
Investment Officer II, CalSTRS	360	5%
Investment Officer III, CalSTRS	360	5%
Pension Program Manager I	440	\$260
Pension Program Representative	105	\$150
Portfolio Manager, CalSTRS	388	5%
Senior Pension Program Representative	105	\$150
Staff Services Analyst (General)	440	\$260

IN COMPLIANCE	FINDING NO. 13	PAY DIFFERENTIAL AUTHORIZATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRU found no deficiencies in the pay differentials that the CalSTRS authorized during the compliance review period. Pay differentials were issued correctly in recognition of unusual competencies, circumstances, or working conditions in accordance with applicable rules and guidelines.

¹⁰ For the purposes of CRU’s review, only monthly pay differentials were selected for review at this time.

Out-of-Class Assignments and Pay

For excluded¹¹ and most rank and file employees, out-of-class (OOC) work is defined as performing, more than 50 percent of the time, the full range of duties and responsibilities allocated to an existing class and not allocated to the class in which the person has a current, legal appointment. (Cal. Code Regs., tit. 2, § 599.810, subd. (a)(2).) A higher classification is one with a salary range maximum that is any amount higher than the salary range maximum of the classification to which the employee is appointed. (Cal. Code Regs., tit. 2, § 599.810, subd. (a)(3).)

According to the Classification and Pay Guide, OOC assignments should only be used as a last resort to accommodate temporary staffing needs. All civil service alternatives should be explored first before using OOC assignments. However, certain MOU provisions and the California Code of Regulations, title 2, section 599.810 allow for short-term OOC assignments to meet temporary staffing needs. Should OOC work become necessary, the assignment would be made pursuant to the applicable MOU provisions or salary regulations. Before assigning the OOC work, the department should have a plan to correct the situation before the time period outlined in applicable law, policy or MOU expires. (Classification and Pay Guide Section 375.)

During the period under review, April 1, 2020, through December 22, 2020, the CalSTRS issued OOC pay to 5 employees. The CRU reviewed 5 of these OOC assignments to ensure compliance with applicable MOU provisions, salary regulations, and CalHR policies and guidelines. These are listed below:

Classification	Collective Bargaining Identifier	Out-of-Class Classification	Time Frame
Associate Accounting Analyst	R01	Accounting Administrator I (Specialist)	08/25/2020-11/06/2020
Associate Governmental Program Analyst	R01	Staff Services Manager I	06/01/2020-09/29/2020
Information Technology Specialist I	R01	Information Technology Supervisor II	03/17/2020-07/15/2020
Pension Program Manager I	E48	Pension Program Manager II	04/15/2020-04/14/2021

¹¹ “Excluded employee” means an employee as defined in Government Code section 3527, subdivision (b) (Ralph C. Dills Act) except those excluded employees who are designated managerial pursuant to Government Code section 18801.1.

Classification	Collective Bargaining Identifier	Out-of-Class Classification	Time Frame
Research Data Supervisor II	E48	Research Data Manager	03/05/2020-03/04/2021

IN COMPLIANCE	FINDING NO. 14 OUT OF CLASS PAY AUTHORIZATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRU found no deficiencies in the OOC pay assignments that the CalSTRS authorized during the compliance review period. OOC pay was issued appropriately to employees performing, more than 50 percent of the time, the full range of duties and responsibilities allocated to an existing class and not allocated to the class in which the person has a current, legal appointment.

Leave

Positive Paid Employees

Actual Time Worked (ATW) is a method that can be used to keep track of a Temporary Authorization Utilization (TAU) employee's time to ensure that the Constitutional limit of 9 months in any 12 consecutive months is not exceeded. The ATW method of counting time is used in order to continue the employment status for an employee until the completion of an examination, for seasonal type work, while attending school, or for consulting services.

An employee is appointed TAU-ATW when he/she is not expected to work all of the working days of a month. When counting 189 days, every day worked, including partial days¹² worked and paid absences¹³, are counted. (Cal. Code Regs., tit. 2, § 265.1, subd. (b).) The hours worked in one day is not limited by this rule. (*Ibid.*) The 12-consecutive month timeframe begins by counting the first pay period worked as the first month of the 12-consecutive month timeframe. (*Ibid.*) The employee shall serve no longer than 189 days in a 12 consecutive month period. (*Ibid.*) A new 189-days working limit in a 12-consecutive month timeframe may begin in the month immediately following the month that marks the end of the previous 12-consecutive month timeframe. (*Ibid.*)

¹² For example, two hours or ten hours count as one day.

¹³ For example, vacation, sick leave, compensating time off, etc.

It is an ATW appointment because the employee does not work each workday of the month, and it might become desirable or necessary for the employee to work beyond nine calendar months. The appointing power shall monitor and control the days worked to ensure the limitations set forth are not exceeded. (Cal. Code Regs., tit. 2, § 265.1, subd. (f).)

For student assistants, graduate student assistants, youth aides, and seasonal classifications a maximum work-time limit of 1500 hours within 12 consecutive months may be used rather than the 189-day calculation. (Cal. Code Regs., tit. 2, § 265.1, subd. (d).)

Generally, permanent intermittent employees may work up to 1500 hours in any calendar year. (Applicable Bargaining Unit Agreements.) However, Bargaining Unit 6 employees may work up to 2000 hours in any calendar year.

Additionally, according to Government Code section 21224, retired annuitant appointments shall not exceed a maximum of 960 hours in any fiscal year (July-June), regardless of the number of state employers, without reinstatement, loss or interruption of benefits.

At the time of the review, the CalSTRS had eight positive paid employees whose hours were tracked. The CRU reviewed five of those positive paid appointments to ensure compliance with applicable laws, regulations, policies and guidelines, which are listed below:

Classification	Tenure	Time Frame	Time Worked
Associate Pension Program Analyst	Permanent	1/1/2020-12/31/2020	800 hours
Associate Portfolio Manager, CalSTRS	Retired	7/1/2019-6/30/2020	792.75 hours
Staff Services Manager I	Retired	7/1/2019-6/30/2020	365.25 hours
Student Assistant	Temporary	12/31/2019-12/31/2020	1,085 hours
Student Assistant	Permanent	1/1/2020-12/31/2020	1,188.25 hours

IN COMPLIANCE	FINDING NO. 15 POSITIVE PAID EMPLOYEES' TRACKED HOURS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRU found no deficiencies in the positive paid employees reviewed during the compliance review period. The CalSTRS provided sufficient justification and adhered to applicable laws, regulations and CalHR policy and guidelines for positive paid employees.

Administrative Time Off

ATO is a form of paid administrative leave status initiated by appointing authorities for a variety of reasons. (Human Resources Manual Section 2121.) Most often, ATO is used when an employee cannot come to work because of a pending investigation, fitness for duty evaluation, or when work facilities are unavailable. (*Ibid.*) ATO can also be granted when employees need time off for reasons such as blood or organ donation, extreme weather preventing safe travel to work, states of emergency, voting, and when employees need time off to attend special events. (*Ibid.*)

During the period under review, December 1, 2019, through November 30, 2020, the CalSTRS placed 280 employees on ATO. The CRU reviewed 20 of these ATO appointments to ensure compliance with applicable laws, regulations, and CalHR policy and guidelines, which are listed below:

Classification	Time Frame	Amount of Time on ATO
Accountant Trainee	8/19/2020-8/20/2020	1 day
Accounting Officer (Specialist)	3/6/2020-3/12/2020	6 days
Accounting Officer (Specialist)	11/23/2020-11/25/2020	2 days
Associate Governmental Program Analyst	8/19/2020-8/20/2020	1 day
Associate Governmental Program Analyst	3/6/2020-3/12/2020	6 days
Associate Governmental Program Analyst	1/27/2020-3/25/2020	58 days
Associate Governmental Program Analyst	5/1/2020-5/22/2020	10 days
Associate Governmental Program Analyst	6/3/2020-6/24/2020	10 days
Associate Management Auditor	5/5/2020-5/18/2020	13 days
Business Services Analyst (Specialist)	3/16/2020-3/30/2020	14 days
C.E.A.	4/20/2020-11/3/2020	10 days
Information Technician Specialist I	6/2/2020-6/4/2020	4 days
Information Technician Specialist I	10/7/2020-10/20/2020	13 days
Office Technician (General)	4/7/2020-4/15/2020	8 days
Pension Program Manager I	5/8/2020-5/21/2020	13 days
Pension Program Manager I	10/19/2020-10/30/2020	11 days
Pension Program Manager I	11/12/2019-1/7/2020	56 days

Classification	Time Frame	Amount of Time on ATO
Staff Management Auditor (Specialist)	4/13/2020-4/24/2020	11 days
Staff Services Analyst (General)	1/3/2020-1/9/2020	6 days
Staff Services Analyst (General)	5/7/2020-5/29/2020	22 days

SEVERITY: SERIOUS	FINDING NO. 16 ADMINISTRATIVE TIME OFF WAS NOT PROPERLY DOCUMENTED¹⁴
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Summary: The CalSTRS did not grant ATO in conformity with the established policies and procedures. Of the 20 ATO authorizations reviewed by the CRU, 1 was found to be out of compliance for failing to document justification for ATO. Specifically, the CalSTRS did not enter the November 2019, timesheet into the Leave Accounting System (LAS) timely; and did not submit the extension request to CalHR at least 5 working days prior to the expiration date of the approved leave.

Criteria: Appointing authorities are authorized to approve ATO for up to five (5) working days. (Gov. Code, § 19991.10.) Furthermore, they “have delegated authority to approve up to 30 calendar days.” (Human Resources Manual Section 2121.) Any ATO in excess of 30 calendar days must be approved in advance by the CalHR. (*Ibid.*) In most cases, if approved, the extension will be for an additional 30 calendar days. (*Ibid.*) The appointing authority is responsible for submitting ATO extension requests to CalHR at least 5 working days prior to the expiration date of the approved leave. (*Ibid.*)

When requesting an ATO extension, the appointing authority must provide a justification establishing good cause for maintaining the employee on ATO for the additional period of time. (*Ibid.*) ATO may not be used and will not be granted for an indefinite period. (*Ibid.*) If CalHR denies a request to extend ATO, or the appointing authority fails to request approval from CalHR to extend the ATO, the employee must be returned to work in some capacity. (*Ibid.*)

Regardless of the length of ATO, appointing authorities must maintain thorough documentation demonstrating the justification for the ATO, the length of the ATO, and the approval of the ATO. (*Ibid.*)

¹⁴ In the initial draft report to CalSTRS, the CRU had inaccurately calculated ATO hours for several employees. This has been corrected.

Severity: Serious. Because an employee on ATO is being paid while not working, a failure to closely monitor ATO usage could result in costly abuse. The use of ATO is subject to audit and review by CalHR and other control agencies to ensure policy compliance. Findings of non-compliance may result in the revocation of delegated privileges.

Cause: The CalSTRS states that the ATO finding identified in the compliance review was submitted to CalHR and was approved prior to the ATO exceeding the delegated 30 calendar days. However, the CalSTRS did not submit the ATO extension request to CalHR at least 5 working days prior to the expiration date of the approved leave as required. The request was submitted one day prior to expiration.

Corrective Action: The CalSTRS provides that it has since established a process for ATO that includes requesting approval for extension from CalHR at least 5 working days prior to exceeding authority delegated to departments. Within 90 days of the date of this report, the CalSTRS must submit to the SPB a written corrective action response which documents the corrections the department has implemented to ensure conformity with Government Code section 19991.10 and Human Resources Manual Section 2121.

Leave Auditing and Timekeeping

Departments must keep complete and keep accurate time and attendance records for each employee and officer employed within the agency over which it has jurisdiction. (Cal. Code Regs., tit. 2, § 599.665.)

Departments are directed to create a monthly internal audit process to verify all leave input into any leave accounting system is keyed accurately and timely. (Human Resources Manual Section 2101.) Departments shall create an audit process to review and correct leave input errors on a monthly basis. The review of leave accounting records shall be completed by the pay period following the pay period in which the leave was keyed into the leave accounting system. (*Ibid.*) If an employee's attendance record is determined to have errors or it is determined that the employee has insufficient balances for a leave type used, the attendance record must be amended. (*Ibid.*) Attendance records shall be corrected by the pay period following the pay period in which the error occurred. (*Ibid.*) Accurate and timely attendance reporting is required of all departments and is subject to audit. (*Ibid.*)

During the period under review, September, 1, 2020, through November 30, 2020, the CalSTRS reported 30 units comprised of 1232 active employees. The pay periods and timesheets reviewed by the CRU are summarized below:

Timesheet Leave Period	Unit Reviewed	Number of Employees	Number of Timesheets Reviewed	Number of Missing Timesheets
September 2020	101	10	10	0
September 2020	102	39	39	0
September 2020	103	30	29	1
September 2020	223	44	43	1
September 2020	233	42	42	0
September 2020	867	9	8	1
October 2020	101	10	10	0
October 2020	102	38	38	0
October 2020	103	30	26	4
October 2020	223	44	43	1
October 2020	867	9	9	0

SEVERITY: VERY SERIOUS	FINDING NO. 17 INCORRECTLY POSTED LEAVE USAGE AND/OR LEAVE CREDIT
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Summary: The CalSTRS did not correctly enter 8 of 297 timesheets into the LAS during the September, October, 2020 pay periods.

Criteria: Departments shall create a monthly internal audit process to verify that all leave input into any leave accounting system is keyed accurately and timely. (Human Resources Manual Section 2101.) If an employee's attendance record is determined to have errors or it is determined that the employee has insufficient balances for a leave type used, the attendance record must be amended. (*Ibid.*) Attendance records shall be corrected by the pay period following the pay period in which the error occurred. (*Ibid.*)

Severity: Very serious. Errors in posting leave usage and/or leave credits puts the department at risk of incurring additional costs from the initiation of collection efforts from overpayments, and the risk of liability related to recovering inappropriately credited leave hours and funds.

Cause: The CalSTRS states that the transition to emergency telework due to the pandemic presented unique challenges for managing manual work processes, including the collection and processing of timesheets.

Corrective Action: The CalSTRS provides that it has since established an electronic process to support timekeeping and will subsequently correct the LAS for the employees identified. Within 90 days of the date of this report, the CalSTRS must submit to the SPB a written corrective action response which documents the corrections the department has implemented to ensure conformity with Human Resources Manual Section 2101.

State Service

The state recognizes two different types of absences while an employee is on pay status; paid or unpaid. The unpaid absences can affect whether a pay period is considered to be a qualifying or non-qualifying pay period for state service and leave accruals.

Generally, an employee who has 11 or more working days of service in a monthly pay period shall be considered to have a complete month, a month of service, or continuous service.¹⁵ (Cal. Code Regs., tit. 2, § 599.608.) Full time and fractional employees who work less than 11 working days in a pay period will have a non-qualifying month and will not receive state service or leave accruals for that month.

Hourly or daily rate employees working at a department in which the full-time workweek is 40 hours who earn the equivalent of 160 hours of service in a monthly pay period or accumulated pay periods shall be considered to have a complete month, a month of service, or continuous service. (Cal. Code Regs., tit. 2, § 599.609.)

For each qualifying monthly pay period, the employee shall be allowed credit for vacation with pay on the first day of the following monthly pay period. (Cal. Code Regs., tit. 2, § 599.608.) When computing months of total state service to determine a change in the monthly credit for vacation with pay, only qualifying monthly pay periods of service before

¹⁵ Government Code sections 19143, 19849.9, 19856.1, 19858.1, 19859, 19861, 19863.1, and 19997.4 and California Code of Regulations, title 2, sections 599.609, 599.682, 599.683, 599.685, 599.687, 599.737, 599.738, 599.739, 599.740, 599.746, 599.747, 599.776.1, 599.787, 599.791, 599.840 and 599.843 provide further clarification for calculating state time.

and after breaks in service shall be counted. (Cal. Code Regs., tit. 2, § 599.739.) Portions of non-qualifying monthly pay periods of service shall not be counted nor accumulated. (*Ibid.*) On the first day following a qualifying monthly pay period, excluded employees¹⁶ shall be allowed credit for annual leave with pay. (Cal. Code Regs., tit. 2, § 599.752.)

Permanent intermittent employees also earn leave credits on the pay period following the accumulated accrual of 160 hours worked. Hours worked in excess of 160 hours in a monthly pay period, are not counted or accumulated towards leave credits.

During the period under review, April 1, 2020, through December 22, 2020, the CalSTRS had 3 employees with non-qualifying pay period transactions. The CRU reviewed 18 transactions to ensure compliance with applicable laws, regulations and CalHR policy and guidelines, which are listed below:

Type of Transaction	Time base	Number Reviewed
Non-Qualifying Pay Period	Full Time	5
Qualifying Pay Periods	Full Time	13

IN COMPLIANCE	FINDING NO. 18	SERVICE AND LEAVE TRANSACTIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRU determined that the CalSTRS ensured employees with non-qualifying pay periods did not receive vacation/sick leave, annual leave, and/or state service accruals. The CRU found no deficiencies in this area.

Policy and Processes

It is the policy of the State of California to recruit, hire and assign all employees on the basis of merit and fitness in accordance with civil service statutes, rules and regulations. (Human Resources Manual Section 1204.) Nepotism is expressly prohibited in the state workplace because it is antithetical to California’s merit based civil service. (*Ibid.*) Nepotism is defined as the practice of an employee using his or her influence or power to aid or hinder another in the employment setting because of a personal relationship. (*Ibid.*)

¹⁶ As identified in Government Code sections 19858.3, subdivisions (a), (b), or (c), or as it applies to employees excluded from the definition of state employee under Government Code section 3513, subdivision (c), or California Code of Regulations, title 2, section 599.752, subdivision (a), and appointees of the Governor as designated by the Department and not subject to section 599.752.1.

Personal relationships for this purpose include association by blood, adoption, marriage and/or cohabitation. (*Ibid.*) All department nepotism policies should emphasize that nepotism is antithetical to a merit-based personnel system and that the department is committed to the state policy of recruiting, hiring and assigning employees on the basis of merit. (*Ibid.*)

IN COMPLIANCE	FINDING NO. 19 NEPOTISM POLICY COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRU verified that the policy was disseminated to all staff and emphasized the CalSTRS’ commitment to the state policy of recruiting, hiring and assigning employees on the basis of merit. Additionally, the CalSTRS’ nepotism policy was comprised of specific and sufficient components intended to prevent favoritism, or bias, based on a personal relationship from unduly influencing employment decisions.

Workers’ Compensation

Employers shall provide to every new employee, either at the time of hire or by the end of the first pay period, written notice concerning the rights, benefits, and obligations under workers’ compensation law. (Cal. Code Regs., tit. 8, § 9880, subd. (a).) This notice shall include the right to predesignate their personal physician or medical group; a form that the employee may use as an optional method for notifying the employer of the name of employee’s “personal physician,” as defined by Labor Code section 4600. (Cal. Code Regs., tit. 8, § 9880, subd. (c)(7) & (8).) Additionally, within one working day of receiving notice or knowledge that the employee has suffered a work-related injury or illness, employers shall provide a claim form and notice of potential eligibility for benefits to the injured employee. (Labor Code, § 5401, subd. (a).)

Public employers may choose to extend workers’ compensation coverage to volunteers that perform services for the organization. (Human Resources Manual Section 1415.) Workers’ compensation coverage is not mandatory for volunteers as it is for employees. (*Ibid.*) This is specific to the legally uninsured state departments participating in the Master Agreement. (*Ibid.*) Departments with an insurance policy for workers’ compensation coverage should contact their State Compensation Insurance Fund (State Fund) office to discuss the status of volunteers. (*Ibid.*)

IN COMPLIANCE	FINDING No. 20 WORKERS' COMPENSATION PROCESS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRU verified that the CalSTRS provides notice to their employees to inform them of their rights and responsibilities under California's Workers' Compensation Law. Furthermore, the CRU verified that when the CalSTRS received workers' compensation claims, they properly provided claim forms within one working day of notice or knowledge of injury.

Performance Appraisals

According to Government Code section 19992.2, subdivision (a), appointing powers must "prepare performance reports." Furthermore, California Code of Regulations, title 2, section 599.798, directs supervisors to conduct written performance appraisals and discuss overall work performance with permanent employees at least once in each twelve calendar months after the completion of the employee's probationary period.

The CRU selected 40 permanent CalSTRS employees to ensure that the department was conducting performance appraisals on an annual basis in accordance with applicable laws, regulations, policies and guidelines. These are listed below:

Classification	Date Performance Appraisals Due
Accounting Officer (Specialist)	10/08/2020
Assistant Chief Counsel	11/15/2020
Associate Governmental Program Analyst	01/01/2020
Associate Governmental Program Analyst	01/01/2020
Associate Governmental Program Analyst	10/12/2020
Associate Governmental Program Analyst	07/02/2020
Associate Governmental Program Analyst	01/02/2020
Associate Governmental Program Analyst	12/15/2020
Associate Governmental Program Analyst	04/01/2020
Associate Pension Program Analyst	12/01/2020
Attorney IV	09/06/2020
C.E.A.	05/31/2020
Executive Assistant	01/01/2020
Financial Accountant III	08/02/2020
Information Technician Associate	01/31/2020
Information Technician Associate	01/31/2020
Information Technician Specialist I	01/31/2020
Information Technician Specialist I	01/31/2020
Information Technician Specialist I	01/31/2020

Classification	Date Performance Appraisals Due
Information Technician Specialist I	06/01/2020
Information Technician Specialist II	01/31/2020
Investment Officer I	12/10/2020
Investment Officer III	12/10/2020
Office Technician (General)	10/30/2020
Office Technician (General)	08/04/2020
Pension Program Manager I	12/20/2020
Pension Program Manager I	10/11/2020
Pension Program Manager II	11/26/2020
Pension Program Manager II	12/21/2020
Pension Program Manager III	07/01/2020
Pension Program Representative	07/14/2020
Pension Program Representative	05/18/2020
Research Data Specialist I	03/01/2020
Staff Services Analyst (General)	05/25/2020
Staff Services Analyst (General)	05/05/2020
Staff Management Auditor (Specialist)	11/01/2020
Staff Management Auditor (Specialist)	12/01/2020
Staff Services Manager I	04/24/2020
Staff Services Manager I	06/27/2020
Staff Services Manager III	01/12/2020

IN COMPLIANCE	FINDING No. 21	PERFORMANCE APPRAISAL POLICY AND PROCESSES COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRU found no deficiencies in the performance appraisals selected for review. Accordingly, the CalSTRS performance appraisal policy and processes satisfied civil service laws, Board rules, policies and guidelines.

DEPARTMENTAL RESPONSE

The CalSTRS response is attached as Attachment 1.

SPB REPLY

Based upon the CalSTRS' written response, the CalSTRS will comply with the corrective actions specified in these report findings. Within 90 days of the date of this report, a written corrective action response including documentation demonstrating implementation of the corrective actions specified, must be submitted to the CRU.



ATTACHMENT 1

California State Teachers'
Retirement System
Kristel Turko
100 Waterfront Place, MS #31
West Sacramento, CA 95605-2807
(916) 414-4954
KTurko@calstrs.com

February 22, 2022

Suzanne M. Ambrose
Executive Officer
State Personnel Board
801 Capitol Mall
Sacramento, CA 95819

Dear Ms. Ambrose:

The California State Teachers Retirement System (CalSTRS) reviewed the draft Compliance Review Report prepared by the State Personnel Board's (SPB) Compliance Review Team.

Enclosed are CalSTRS responses to the findings. If you have any questions or would like to discuss further, please contact me at (916) 414 – 4954 or KTurko@calstrs.com.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Kristel Turko', is written over a light blue horizontal line.

Kristel Turko
Director of Human Resources

Finding 4 – Appointment Documentation Was Not Kept for The Appropriate Amount of Time

Response:

The two Notice of Personnel Actions (NOPAs) that were identified in the compliance review as missing were dated the month after the declared state of emergency and CalSTRS emergency transition to working remotely. The documents may not have been received from the SCO or submitted by the employee to the Human Resources Office once signed. Again, the emergency transition to remote work provided unique challenges for this workload.

Further, although this finding is not serious/technical, CalSTRS has established an electronic process to manage NOPAs more closely, including monthly tracking and obtaining an electronic signature from the employee before filing within the Official Personnel File.

Finding 16 – Administrative Time Off Was Not Properly Documented

Response: CalSTRS would like to clarify that the Administrative Time Off (ATO) time identified in the compliance review is not representative of the time in which the employee(s) was authorized for ATO. The numbers identified in the compliance review are inconsistent as some represent calendar days in which the employee was authorized for a limited amount of ATO. For example, the two Associate Governmental Program Analysts identified as having 21 days of ATO, were not authorized for 21 days of ATO. These employees were approved for Emergency Paid Sick Leave Act (EPSLA) which was used intermittently during the timeframe identified and were authorized for and only used 10 working days of ATO as provided by EPSLA.

The one finding identified in the compliance review was submitted to California Department of Human Resources (CalHR) and was approved prior to the ATO exceeding the delegated 30 calendar days. CalSTRS has since established a process for ATO that includes requesting approval for extensions from CalHR at least 5 working days prior to exceeding authority delegated to departments.

Finding 17 – Incorrectly Posted Leave Usage and/or Leave Credit

Response: The transition to emergency telework due to the pandemic presented unique challenges for managing manual work processes, including the collection and processing of timesheets. Departments were also tasked with implementing new leave types, EPSLA and Emergency Family and Medical Leave Expansion Act (E-FMLA).

To ensure the health and safety of our employees, CalSTRS staff decreased access to the work facility. In addition, due to initial limitations of accessing vital systems, CalSTRS staff were required to complete these work activities in a short duration of

time, which made it challenging to complete many workloads, including timekeeping. As telework became more long term, a significant amount of our work processes was successfully shifted to being done remotely. CalSTRS has since established an electronic process to support timekeeping and will subsequently correct the LAS for the employees identified.

Lastly, CalSTRS strongly suggests the Compliance Review team work collaboratively with the State Controller's Office to develop a library of Management Information Retrieval System (MIRS) queries for use by all state departments. Pulling the information for purposes of a response to a compliance review is a manual process. Developing a library of queries would support a more uniform and efficient process and decrease the substantial amount of time and effort departments spend providing information as well as lessen the risk of documents going missing.