

COMPLIANCE REVIEW REPORT

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Compliance Review Division
State Personnel Board
June 20, 2025

TABLE OF CONTENTS

INTRODUCTION	1
EXECUTIVE SUMMARY	2
BACKGROUND	3
SCOPE AND METHODOLOGY	4
FINDINGS AND RECOMMENDATIONS	6
EXAMINATIONS.....	6
APPOINTMENTS.....	7
EQUAL EMPLOYMENT OPPORTUNITY	10
PERSONAL SERVICES CONTRACTS	11
MANDATED TRAINING	14
COMPENSATION AND PAY	14
LEAVE.....	23
POLICY AND PROCESSES.....	28
DEPARTMENTAL RESPONSE.....	30
SPB REPLY	30

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 (CRD) 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 CRD 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 CRD 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
Appointments	In Compliance	Appointments Complied with Civil Service Laws and Board Rules
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	Substantial Compliance	Ethics Training Was Not Provided for All Filers
Mandated Training	Substantial Compliance	Supervisory Training Was Not Provided for All Supervisors, Managers, and CEAs
Mandated Training	Substantial Compliance	Sexual Harassment Prevention Training Was Not Provided for All Employees
Compensation and Pay	In Compliance	Salary Determinations Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines
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	Pay Differential Authorizations Complied with Civil Service Laws, Board Rules, and CalHR Policies and Guidelines

Area	Severity	Finding
Compensation and Pay	In Compliance	Out of Class Pay Authorizations Complied with Civil Service Laws, Board Rules, and 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	In Compliance	Administrative Time Off Authorizations Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
Leave	In Compliance	Leave Auditing and Timekeeping Complied with Civil Service Laws, Board Rules, and/or CalHR Policies and Guidelines
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 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. The CalSTRS is the largest educator-only pension fund in the world, and the second largest pension fund in the United States.

The CalSTRS provides retirement, disability, and survivor benefits for full-time and part-time California public school educators through a hybrid retirement system consisting of its Defined Benefit, Defined Benefit Supplement, 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, policy and processes¹. 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 was selected for review to ensure that samples of various examination types, classifications, and levels were reviewed. The CRD examined the documentation that the CalSTRS provided, which included examination plans, examination bulletins, job analyses, and scoring results.

The CalSTRS did not conduct any permanent withhold actions during the compliance review period.

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

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

¹ Timeframes of the compliance review varied depending on the area of review. Please refer to each section for specific compliance review timeframes.

and pay. The CRD 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 CRD reviewed specific documentation for the following personnel functions related to compensation and pay: monthly pay differentials, alternate range movements, and out-of-class assignments.

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' PSCs were also reviewed.² 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, managers, and those serving in Career Executive Assignments (CEA) were provided leadership and development training, and that all employees were provided sexual harassment prevention training within statutory timelines.

The CRD 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 CRD 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 CRD reviewed a selection of the CalSTRS employees who used Administrative Time Off (ATO) in order to ensure that ATO was appropriately administered. Further, the CRD reviewed a selection of CalSTRS positive paid employees

²If 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.

whose hours are tracked during the compliance review period in order to ensure that they adhered to procedural requirements.

Moreover, the CRD 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.

The CalSTRS did not request an exit conference to explain and discuss the CRD's initial findings and recommendations. The CRD received and carefully reviewed the CalSTRS' written response on June 4, 2025, 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, August 1, 2023, through April 30, 2024, the CalSTRS conducted two examinations. The CRD reviewed both examinations, which are listed below:

Classification	Exam Type	Exam Components	Final File Date	No. of Apps
CEA B, Assistant Director of Retirement Readiness	CEA	Statement of Qualifications ³	12/1/2023	19
Chief Investment Officer	Open	Training and Experience ⁴	3/10/2024	41

IN COMPLIANCE	FINDING NO. 1 EXAMINATIONS COMPLIED WITH CIVIL SERVICE LAWS AND BOARD RULES
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The CRD reviewed one CEA and one open examination 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 CRD found no deficiencies in the examinations that the CalSTRS conducted 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

³ 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.

⁴ 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.

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, September 1, 2023, through February 29, 2024, the CalSTRS made 235 appointments. The CRD reviewed 47 of those appointments, which are listed below:

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Accountant Trainee	Certification List	Permanent	Full Time	2
Associate Governmental Program Analyst	Certification List	Limited Term	Full Time	1
Associate Governmental Program Analyst	Certification List	Permanent	Full Time	8
Associate Portfolio Manager	Certification List	Permanent	Full Time	3
Attorney V	Certification List	Permanent	Full Time	1
Information Technology Associate	Certification List	Permanent	Full Time	1
Information Technology Manager I	Certification List	Permanent	Full Time	1
Information Technology Specialist I	Certification List	Permanent	Full Time	3
Information Technology Specialist II	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	2
Investment Officer II, California State Teacher's Retirement	Certification List	Permanent	Full Time	4
Investment Officer III, California State Teacher's Retirement	Certification List	Permanent	Full Time	1
Pension Program Manager I	Certification List	Permanent	Full Time	2
Pension Program Manager II	Certification List	Permanent	Full Time	1
Staff Services Analyst	Certification List	Limited Term	Full Time	3
Staff Services Analyst	Certification List	Permanent	Full Time	5

Classification	Appointment Type	Tenure	Time Base	No. of Appts.
Staff Services Manager II (Supervisory)	Certification List	Permanent	Full Time	1
Pension Program Manager I	Training and Development	Limited Term	Full Time	1
Associate Governmental Program Analyst	Transfer	Permanent	Full Time	1
Information Technology Specialist I	Transfer	Permanent	Full Time	1
Investment Officer II, California State Teacher's Retirement System	Transfer	Permanent	Full Time	1
Pension Program Manager I	Transfer	Permanent	Full Time	1
Staff Services Analyst	Transfer	Permanent	Full Time	1

IN COMPLIANCE	FINDING NO. 2 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 41 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 CRD reviewed five 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 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 CRD reviewed one training and development assignment and determined it to be in compliance with applicable civil service laws and Board rules.

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

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. 3	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 CRD 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, August 1, 2023, through April 30, 2024, the CalSTRS had 80 PSC's that were in effect. The CRD reviewed 30 of those, which are listed below:

Vendor	Services	Contract Amount	Justification Identified?	Union Notification?
Aptakrit Technology Solutions	Project Management Services	\$999,476	Yes	Yes
Speridian Technologies	Customer Relationship Management (CRM) Services	\$476,824	Yes	Yes
Albert Risk Management Consultants	Real Estate Insurance Consulting	\$715,050	Yes	Yes
Deloitte Consulting	Business Direct SAP Management	\$18,213,373	Yes	Yes

Vendor	Services	Contract Amount	Justification Identified?	Union Notification?
Winston & Strawn, LLP	Legal Services and Advice related to the business area of Private Equity	\$1,000,000	Yes	Yes
Opé Technology	Project Management Support	\$1,207,500	Yes	Yes
R Systems, Inc.	Amazon Web Services, Cloud Platform Set-up and Configuration Services	\$161,280	Yes	Yes
Mentis Solutions, LLC	Senior Test Analysts	\$425,600	Yes	Yes
Milliman, Inc.	Actuarial Consulting Services	\$4,781,000	Yes	Yes
Williams & Jensen, PLLC	Legal Advice and Representation related to Federal Executive or Congressional Proposals	\$645,000	Yes	Yes
Access Ingenuity	Document Remediation Services	\$129,938	Yes	Yes
Ridge Capital, Inc.	Construction Management and Owner Representation Services	\$301,752,643	Yes	Yes
Cox, Castle & Nicholson, LLP	Legal Services regarding Real Estate Properties	\$40,993,000	Yes	Yes
Garvey School District	Board Member Services	\$238,853	Yes	Yes
Estrada Consulting, Inc.	Senior Reports Developer	\$729,600	Yes	Yes

Vendor	Services	Contract Amount	Justification Identified?	Union Notification?
DLA Piper, LLP	Legal Advice and Representation related to Investments - Global Equity.	\$13,593,325	Yes	Yes
The Segal Company	Actuarial Valuation and Experience Analysis, Replication and Review	\$830,000	Yes	Yes
International Network Consulting	Senior Natural Software Developer	\$813,936	Yes	Yes
Mercer Investments, LLC dba Mercer Investment Advisers, LLC	Institutional Investment Project Consultant	\$2,048,750	Yes	Yes
Callan, LLC to Callan Holdings, Inc. d/b/a Callan, LLC	Real Estate Independent Fiduciary	\$300,000	Yes	Yes
Accenture, LLP	Customer Experience (CX) Framework	\$800,000	Yes	Yes
West Advanced Technologies, Inc.	Sr. Automation Test Analysts	\$748,800	Yes	Yes
Clifton Larson Allen, LLP	Information Technology Audits	\$751,950	Yes	Yes
Invaris Consulting, Inc.	Institutional Investment Consulting	\$100,000	Yes	Yes
International Projects Consultancy Services, Inc.	Senior Automation Test Analysts	\$638,264	Yes	Yes
Colmore, Inc.	General Private Assets Fee Consulting Services	\$3,018,750	Yes	Yes

Vendor	Services	Contract Amount	Justification Identified?	Union Notification?
The Centre for Organization Effectiveness	Executive Coaching and Consulting Services to the Board Members	\$98,700	Yes	Yes
Guidehouse Consulting	Independent Project Oversight Consultation Services	\$3,892,081	Yes	Yes
Stanton Chase	Executive Search Services	\$500,000	Yes	Yes
EFL Associates	Executive Search Services	\$500,000	Yes	Yes

IN COMPLIANCE	FINDING NO. 4 PERSONAL SERVICES CONTRACTS COMPLIED WITH PROCEDURAL REQUIREMENTS
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The total dollar amount of all the PSC's reviewed was \$401,103,693. 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 or could perform the type or work contracted as required by California Code of Regulations section 547.60.2. 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).)

Within 12 months of the initial appointment of an employee to a management or Career Executive Assignment (CEA) position, the employee shall be provided leadership training and development, as prescribed by CalHR. (Gov. Code, § 19995.4, subds. (d) & (e).) For management employees the training must be a minimum of 40 hours and for CEAs the training must be a minimum of 20 hours. (*Ibid.*)

New employees 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 and non-supervisors one hour 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 CRD reviews documents and records related to training that appointing powers are required by the afore-cited laws to provide its employees.

The CRD reviewed the CalSTRS' mandated training program that was in effect during the compliance review period, May 1, 2022, through April 30, 2024.

SUBSTANTIAL COMPLIANCE	FINDING NO. 5 ETHICS TRAINING WAS NOT PROVIDED FOR ALL FILERS
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Summary: The CalSTRS provided ethics training to its 131 new filers within 6 months of appointment. However, the CalSTRS did not provide ethics training to 3 of 97 existing filers.

Criteria: New filers must be provided ethics training within six months of appointment. Existing filers must be trained at least once during each consecutive period of two calendar years commencing on the first odd-numbered year thereafter. (Gov. Code, § 11146.3, subd. (b).)

Severity: Substantial Compliance. The department has achieved 90% or more compliance in this area and has provided a response sufficient to address full compliance in the future; therefore, no corrective action is required.

SUBSTANTIAL COMPLIANCE	FINDING NO. 6 SUPERVISORY TRAINING WAS NOT PROVIDED FOR ALL SUPERVISORS, MANAGERS, AND CEAS
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Summary: The CalSTRS provided basic supervisory training to 26 of 26 new supervisors within 12 months of appointment; did not provide manager training to 1 of 23 new managers within 12 months of appointment; and provided CEA training to 4 of 4 new CEAs within 12 months of appointment.

Criteria: Each department must provide its new supervisors a minimum of 80 hours of supervisory training within the probationary period.(Gov. Code, § 19995.4, subd. (b).)

Upon initial appointment of an employee to a managerial position, each employee must receive 40 hours of leadership training within 12 months of appointment. (Gov. Code, § 19995.4, subd. (d).)

Upon initial appointment of an employee to a Career Executive Assignment position, each employee must receive 20 hours of leadership training within 12 months of appointment. (Gov. Code, § 19995.4, subd. (e).)

Severity: Substantial Compliance. The department has achieved 90% or more compliance in this area and has provided a response sufficient to address full compliance in the future; therefore, no corrective action is required.

SUBSTANTIAL COMPLIANCE	FINDING NO. 7 SEXUAL HARASSMENT PREVENTION TRAINING WAS NOT PROVIDED FOR ALL EMPLOYEES
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Summary: The CalSTRS did not provide sexual harassment prevention training to 1 of 45 new supervisors within 6 months of their appointment. In addition, the CalSTRS did not provide sexual harassment prevention training to 7 of 295 existing supervisors every 2 years.

Criteria: Each department must provide its supervisors two hours of sexual harassment prevention training every two years and non-supervisory employees one hour of sexual harassment prevention training every two years. New employees must be provided sexual harassment prevention training within six months of appointment. (Gov. Code, § 12950.1, subds. (a) and (b); Gov. Code § 19995.4.)

Severity: Substantial Compliance. The department has achieved 90% or more compliance in this area and has provided a response sufficient to address full compliance in the future; therefore, no corrective action is required.

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 rate⁵ 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, September 1, 2023, through February 29, 2024, the CalSTRS made 235 appointments. The CRD reviewed 21 of those appointments to

⁵ "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).

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)
Accountant Trainee	Certification List	Permanent	Full Time	\$4,187
Associate Governmental Program Analyst	Certification List	Permanent	Full Time	\$5,518
Associate Governmental Program Analyst	Certification List	Permanent	Full Time	\$5,684
Associate Governmental Program Analyst	Certification List	Permanent	Full Time	\$5,684
Associate Governmental Program Analyst	Certification List	Permanent	Full Time	\$5,684
Associate Governmental Program Analyst	Certification List	Permanent	Full Time	\$5,684
Associate Governmental Program Analyst	Certification List	Permanent	Full Time	\$6,684
Associate Governmental Program Analyst	Certification List	Limited Term	Full Time	\$5,684
Information Technology Manager I	Certification List	Permanent	Full Time	\$8,591
Information Technology Specialist I	Certification List	Permanent	Full Time	\$7,866
Information Technology Specialist I	Certification List	Permanent	Full Time	\$6,751
Information Technology Specialist II	Certification List	Permanent	Full Time	\$10,125
Information Technology Supervisor II	Certification List	Permanent	Full Time	\$8,016
Investment Officer I, California State Teacher's Retirement System	Certification List	Permanent	Full Time	\$5,794
Investment Officer I, California State Teacher's Retirement System	Certification List	Permanent	Full Time	\$4,115
Investment Officer II, California State Teacher's Retirement	Certification List	Permanent	Full Time	\$7,534
Pension Program Manager I	Certification List	Permanent	Full Time	\$6,604
Pension Program Manager I	Certification List	Permanent	Full Time	\$8,236
Staff Services Analyst	Certification List	Permanent	Full Time	\$4,726
Staff Services Analyst	Certification List	Permanent	Full Time	\$4,726

Classification	Appointment Type	Tenure	Time Base	Salary (Monthly Rate)
Staff Services Manager II (Supervisory)	Certification List	Permanent	Full Time	\$9,022

IN COMPLIANCE	FINDING NO. 8	SALARY DETERMINATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRD 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.

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, September 1, 2023, through February 29, 2024, the CalSTRS employees made eight alternate range movements within a classification. The CRD reviewed seven 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)
Investment Officer I, California State Teacher's Retirement System	C	D	Full Time	\$7,190
Investment Officer I, California State Teacher's Retirement System	C	D	Full Time	\$6,243
Personnel Specialist	B	C	Full Time	\$4,744
Personnel Specialist	C	D	Full Time	\$5,453

Classification	Prior Range	Current Range	Time Base	Salary (Monthly Rate)
Staff Services Analyst	B	C	Full Time	\$5,031
Staff Services Analyst	B	C	Full Time	\$4,726
Staff Services Analyst	B	C	Full Time	\$5,030

IN COMPLIANCE	FINDING NO. 9	ALTERNATIVE RANGE MOVEMENTS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRD 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.

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 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, reCRDitment 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, September 1, 2023, through February 29, 2024, the CalSTRS authorized 18 pay differentials.⁶ The CRD reviewed 16 of these pay differentials to ensure compliance with applicable CalHR policies and guidelines. These are listed below:

⁶ For the purposes of CRD's review, only monthly pay differentials were selected for review at this time.

Classification	Pay Differential	Monthly Amount
Associate Governmental Program Analyst	441	\$250
Associate Portfolio Manager	388	5%
Associate Portfolio Manager	388	5%
Associate Portfolio Manager	388	5%
Associate Portfolio Manager	388	5%
Investment Officer I, California State Teacher's Retirement System	360	5%
Investment Officer III, California State Teacher's Retirement System	360	5%
Investment Officer III, California State Teacher's Retirement System	360	5%
Investment Officer III, California State Teacher's Retirement System	360	5%
Investment Officer III, California State Teacher's Retirement System	360	5%
Investment Officer III, California State Teacher's Retirement System	360	5%
Pension Program Representative	105	\$150
Portfolio Manager	388	5%
Portfolio Manager	388	5%
Portfolio Manager	388	5%
Portfolio Manager	388	5%

IN COMPLIANCE	FINDING NO. 10 PAY DIFFERENTIAL AUTHORIZATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRD 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.

Out-of-Class Assignments and Pay

For excluded⁷ 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, September 1, 2023, through February 29, 2024, the CalSTRS issued OOC pay to 14 employees. The CRD reviewed 11 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 Governmental Program Analyst	R01	Staff Services Manager I	07/30/23 - 11/26/23
Associate Governmental Program Analyst	R01	Staff Services Manager I	01/24/23 - 05/23/23
Associate Governmental Program Analyst	R01	Staff Services Manager I	10/05/23 - 02/02/24
Associate Governmental Program Analyst	R01	Staff Services Manager II (Supervisory)	06/01/23 - 09/28/23
Associate Governmental Program Analyst	R01	Staff Services Manager I	01/01/24 - 04/29/24

⁷ “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
Associate Governmental Program Analyst	R01	Pension Program Manager I	06/01/23 - 09/30/23
Associate Pension Program Analyst	R01	Accounting Administrator I (Supervisor)	07/03/23 - 10/30/23
Associate Pension Program Analyst	R01	Pension Program Manager I (Specialist)	12/08/23 - 04/05/24
Information Officer II	E48	Staff Services Manager II (Supervisory)	10/02/23 - 01/19/24
Pension Program Manager I	E48	Pension Program Manager II (Supervisory)	04/14/23 - 04/13/24
Staff Services Manager I	S01	Staff Services Manager II (Supervisory)	10/02/23 - 03/31/24

IN COMPLIANCE	FINDING NO. 11 OUT OF CLASS PAY AUTHORIZATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRD 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 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 the working days of a month. When counting 189 days, every day worked, including partial days⁸ worked and paid absences⁹, are counted. (Cal. Code Regs., tit. 2, § 265.1, subd. (b).) The hours worked in one day are 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.*)

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).)

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 two positive paid employees whose hours were tracked. The CRD reviewed all 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
Student Assistant	Temporary	1/01/2023 – 12/31/2023	1192.5 Hours
Student Assistant	Temporary	1/01/2023 -12/31/2023	1011.5 Hours

⁸ For example, two hours or ten hours count as one day.

⁹ For example, vacation, sick leave, compensating time off, etc.

IN COMPLIANCE	FINDING NO. 12 POSITIVE PAID EMPLOYEES' TRACKED HOURS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRD 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, February 1, 2023, through January 31, 2024, the CalSTRS authorized eight ATO transactions. The CRD reviewed seven of these ATO transactions to ensure compliance with applicable laws, regulations, and CalHR policy and guidelines, which are listed below:

Classification	Time Frame	Amount of Time on ATO
Accounting Administrator II	2/10/2023 - 2/16/2023	5 days
Associate Governmental Program Analyst	3/1/2023	1 hour
Associate Governmental Program Analyst	7/27/2023 - 8/4/2023	7 days
Associate Personnel Analyst	12/22/2023 - 12/28/2023	5 days
Attorney	1/11/2024 - 1/18/2024	5 days
Information Technology Associate	11/14/2023	2.5 hours
Staff Services Analyst	2/1/2023	2 hours

IN COMPLIANCE	FINDING NO. 13 ADMINISTRATIVE TIME OFF AUTHORIZATIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRD found no deficiencies in the ATO transactions reviewed during the compliance review period. The CalSTRS provided the proper documentation justifying the use of ATO and adhered to applicable laws, regulations and CalHR policy and guidelines.

Leave Accounting

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, November 1, 2023, through January 31, 2024, the CalSTRS reported three units. The CRD reviewed three units within three pay periods to ensure compliance with applicable laws, regulations and CalHR policy and guidelines.

IN COMPLIANCE	FINDING NO. 14	LEAVE ACCOUNTING COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRD reviewed leave records from three different leave periods to ensure compliance with applicable laws, regulations and CalHR policy and guidelines. Based on our review, the CRD found no deficiencies. The CalSTRS utilized a monthly internal audit process to verify all leave input into any leave accounting system was keyed accurately and timely.

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 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.¹⁰ (Cal. Code Regs., tit. 2, § 599.608.) Full time and fractional employees who

¹⁰ 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.

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 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 employees¹¹ 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, September 1, 2023, through May 7, 2024, the CalSTRS had eight employees with qualifying and non-qualifying pay period transactions. The CRD reviewed seven of those transactions to ensure compliance with applicable laws, regulations and CalHR policy and guidelines, which are listed below:

Type of Transaction	Time base	No. Reviewed
Non-Qualifying Pay Periods	Full Time	1
Qualifying Pay Periods	Full Time	6

IN COMPLIANCE	FINDING NO. 15	SERVICE AND LEAVE TRANSACTIONS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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¹¹ 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.

The CRD 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 CRD found no deficiencies in this area.

Policy and Processes

Nepotism

It is the policy of the State of California to hire, transfer, and promote all employees on the basis of merit and fitness in accordance with civil service statutes, rules and regulations. Nepotism is expressly prohibited in the state workplace because it is antithetical to California's merit based civil service. (Cal. Code Regs., tit. 2, § 87.) (*Ibid.*) All appointing powers shall adopt an anti-nepotism policy that includes the following components: (1) a statement that the appointing power is committed to merit-based hiring and that nepotism is antithetical to a merit-based civil service system; (2) a definition of "nepotism" as an employee's use of influence or power to hire, transfer, or promote an applicant or employee because of a personal relationship; (3) a definition of "personal relationship" as persons related by blood, adoption, current or former marriage, domestic partnership or cohabitation; (4) a statement that prohibits participation in the selection of an applicant for employment by anyone who has a personal relationship with the applicant, as defined in section 83.6; (5) a statement that prohibits the direct or first-line supervision of an employee with whom the supervisor has a personal relationship, as defined in section 83.6; (6) a process for addressing issues of direct supervision when personal relationships between employees exist. (*Ibid.*)

IN COMPLIANCE	FINDING NO. 16	NEPOTISM POLICY COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRD verified that the policy was disseminated to all staff and emphasized the CalSTRS' commitment to the state policy of hiring, transferring, and promoting 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 this case, the CalSTRS did not employ volunteers during the compliance review period.

IN COMPLIANCE	FINDING NO. 17	WORKERS' COMPENSATION PROCESS COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND/OR CALHR POLICIES AND GUIDELINES
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The CRD 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 CRD 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 CRD selected 84 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.

IN COMPLIANCE	FINDING NO. 18 PERFORMANCE APPRAISAL POLICY AND PROCESSES COMPLIED WITH CIVIL SERVICE LAWS, BOARD RULES, AND CALHR POLICIES AND GUIDELINES
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The CRD 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' departmental response is attached as Attachment 1.

SPB REPLY

The CalSTRS was found to be in compliance or substantial compliance in all areas reviewed during the compliance review period. Therefore, no additional follow-up activities are warranted.



California State Teachers'
Retirement System
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June 4, 2025

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

Dear Ms. Ambrose:

The California State Teachers Retirement System (CalSTRS) would like to thank the State Personnel Board Compliance Review Unit for their comprehensive review of CalSTRS' personnel practices in the areas of examinations, appointments, equal employment opportunity, personal services contracts, and mandated training.

We have reviewed the Compliance Review Report and consider these reviews as opportunities to test our internal policies, processes, and systems and seek out areas for strengthening. CalSTRS recently implemented technology systems to assist with managing our mandated training requirements and although we obtained substantial compliance in these components, through this review we have identified areas of future focus that will ensure full compliance moving forward.

If you have any questions or would like to discuss further, please contact me at (916) 414 – 4956 or CDeLeon@calstrs.com.

Sincerely,

Christine De Leon

Christine De Leon
Assistant Director of Human Resources