ATTACHMENT A

THE PROPOSED DECISION

BEFORE THE
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATE OF CALIFORNIA

In the Matter of the Appeal of Accepting the Application for Disability Retirement of:

MATTHEW T. WATKINS and CALIFORNIA DEPARTMENT OF TRANSPORTATION – DISTRICT 01, Respondents.

Agency Case No. 2025-1120

OAH No. 2026020071

PROPOSED DECISION

Wim van Rooyen, Administrative Law Judge (ALJ), Office of Administrative Hearings (OAH), State of California, heard this matter on July 30, 2026, by videoconference and telephone from Sacramento, California.

Sean Stowers, Senior Attorney, represented the California Public Employees' Retirement System (CalPERS).

Respondent Matthew T. Watkins (Watkins) represented himself.

There was no appearance by or on behalf of respondent California Department of Transportation – District 01 (Caltrans). Caltrans was duly served with the Notice of

Hearing in this matter. Consequently, the matter proceeded as a default hearing against Caltrans pursuant to Government Code section 11520, subdivision (a).

Evidence was received and the record left open until August 4, 2026, to allow CalPERS to file an optional response to the arguments raised in respondent's Exhibit G. CalPERS did not file any such response by the required deadline. On August 4, 2026, the record was closed and the matter submitted for decision.

ISSUES

1. Is Watkins ineligible to apply for disability retirement under *Haywood* and its progeny?

2. If eligible to apply, is Watkins's application timely under Government Code section 21154?

FACTUAL FINDINGS

1. Watkins was employed by Caltrans as a Transportation Engineering Technician. By virtue of his employment, Watkins is a state miscellaneous member of CalPERS.

2. On June 6, 2018, Watkins signed a Stipulated Settlement Agreement (SSA) with Caltrans. Through the SSA, Watkins and Caltrans agreed that:

- Caltrans would withdraw a March 8, 2018 Notice of Absence Without Leave Separation (AWOL Notice) to Watkins and remove it from Watkins's Official Personnel File

- Watkins would resign effective at the close of business on May 31, 2018, and provide a corresponding letter of resignation for his Official Personnel File

- Watkins would be placed on unpaid status between February 1, 2018, the last day for which he was paid, and May 31, 2018, with Watkins to waive all back pay and benefits for that period

- Caltrans would pay Watkins a $20,000 lump sum

- Watkins would withdraw any appeal, and not file any future appeal, with the California Department of Human Resources (CalHR) concerning the AWOL Notice

- Watkins would withdraw, and not initiate in future, any grievance, discrimination complaint, appeal, legal action, or administrative proceeding, in any forum, against Caltrans involving the AWOL Notice or his employment by Caltrans, excluding a claim for worker's compensation benefits.

- If Watkins obtained employment at Caltrans in the future, Caltrans would be permitted to summarily dismiss Watkins, with Watkins having waived any right to appeal that dismissal in any forum whatsoever. Any future employment of Watkins at Caltrans would be at Caltrans's sole discretion.

3. On July 13, 2018, CalHR issued a Decision Approving Settlement (CalHR Decision). The CalHR Decision approved the SSA and noted that it was "final and binding upon the parties."

4. On September 30, 2024, Watkins signed a Disability Retirement Election Application (application), which CalPERS received on October 3, 2024. Watkins claimed disability on the basis of "Korsakoff psychosis" and liver disease. He described them as

chronic conditions, which occurred "per medical records 2018/2019" and resulted in his approval for Social Security Disability Insurance (SSDI) benefits on February 16, 2019. Watkins reported symptoms and limitations including psychological and cognitive impairment, severe memory difficulties, confusion and inability to focus, physical fatigue, and difficulty following directions, complying with procedures, and completing tasks.

5. On January 28, 2025, Douglas Stone, DPA, FNP,[1] a psychiatric nurse practitioner and Watkins's treating provider, completed and signed a "Physician's Report on Disability" at CalPERS's request. Dr. Stone indicated that he first started treating Watkins on May 17, 2023, and had last examined him on January 22, 2025. Dr. Stone diagnosed Watkins with alcohol use disorder and a history of Korsakoff syndrome (a chronic memory disorder commonly caused by alcohol misuse). He noted that Watkins's "[j]ob duties related to memory, orientation, insight, executive function, social cognition, and attention are severely disabled." Dr. Stone noted that the injury/illness occurred, and Watkins became unable to perform his job duties, on April 25, 2019. Dr. Stone expected the incapacity to be permanent.

6. By letter dated February 28, 2025, CalPERS advised Watkins that he was ineligible to apply for disability retirement. CalPERS noted that a prerequisite to receiving disability retirement is the existence of an employment relationship. Watkins's employment relationship with Caltrans was severed on May 31, 2018. Relying on the *Haywood* case and its progeny, CalPERS explained that when an

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[1] DPA is an abbreviation for Doctor of Public Administration. FNP is an abbreviation for Family Nurse Practitioner.

employment relationship is severed and the severance is not the result of a medical condition or preemptive of an otherwise valid claim for disability retirement, the severance renders the employee ineligible for disability retirement benefits.

7. On March 13, 2025, Watkins appealed CalPERS's determination. Subsequently, by letter dated January 6, 2026, CalPERS notified Watkins of an additional basis for denying his application. Specifically, CalPERS believed that, even if Watkins were eligible to apply for disability retirement, his application was also untimely under Government Code section 21154. CalPERS instructed Watkins that CalPERS would accept his prior appeal as applying to both alleged bases for denial of the application.

8. On January 28, 2026, Sharon Hobbs, in her official capacity as Chief of CalPERS's Disability and Survivor Benefits Division, signed and later filed the Statement of Issues for purposes of the appeal. The matter was set for an evidentiary hearing before an ALJ of the OAH, an independent adjudicative agency of the State of California, pursuant to Government Code section 11500 et seq.

9. Watkins testified at hearing. According to Watkins, Caltrans initially accommodated his medical conditions while he was stationed in San Diego. However, Caltrans subsequently transferred Watkins to Eureka, where it failed to reasonably accommodate and ultimately terminated him for being absent without leave. Watkins appealed that termination and later signed the SSA to resolve his dispute with Caltrans. Caltrans then breached the SSA when it never removed the AWOL Notice from Watkins's Official Personnel File.

10. Watkins contends he was already disabled at the time of his May 31, 2018 resignation. He believes that the severance from Caltrans was the result of his

medical condition and/or that the severance preempted his otherwise valid claim for disability retirement.

Watkins acknowledged that the "Physician's Report on Disability" completed by Dr. Stone indicated that Watkins's injury/illness occurred, and that Watkins became unable to perform his job duties, on April 25, 2019—long after his May 31, 2018 resignation. However, he posited that Dr. Stone may have been relying on the date when Watkins was granted SSDI benefits. Watkins also offered into evidence a subsequent, undated letter by Dr. Stone, which states that Watkins's symptoms may have occurred as early as 2016; may have been either misdiagnosed or undiagnosed; and may have worsened in 2018.

LEGAL CONCLUSIONS

1. As the applicant, Watkins generally bears the burden of proving by a preponderance of the evidence that he is eligible to apply for disability retirement and that his application is timely. (Evid. Code, § 500 ["Except as otherwise provided by law, a party has the burden of proof as to each fact the existence or nonexistence of which is essential to the claim for relief or defense that he is asserting"]; *McCoy v. Bd. of Retirement* (1986) 183 Cal.App.3d 1044, 1051, fn. 5.) However, CalPERS has the burden of proving by a preponderance of the evidence that Watkins's application is barred by *Haywood* and its progeny because CalPERS is the party invoking the *Haywood* bar. A preponderance of the evidence means "evidence that has more convincing force than that opposed to it." (*People ex rel. Brown v. Tri-Union Seafoods, LLC* (2009) 171 Cal.App.4th 1549, 1567.)

2. Government Code section 21154 provides the following with respect to disability retirement applications:

> The application shall be made only (a) while the member is in state service, or (b) while the member for whom contributions will be made under Section 20997, is absent on military service, or (c) within four months after the discontinuance of the state service of the member, or while on an approved leave of absence, or (d) while the member is physically or mentally incapacitated to perform duties from the date of discontinuance of state service to the time of application or motion. On receipt of an application for disability retirement of a member, other than a local safety member with the exception of a school safety member, the board shall, or of its own motion it may, order a medical examination of a member who is otherwise eligible to retire for disability to determine whether the member is incapacitated for the performance of duty. . . .

3. If an employee is "fired for cause and the discharge is neither the ultimate result of a disabling medical condition nor preemptive of an otherwise valid claim for disability retirement, the termination of the employment relationship renders the employee ineligible for disability retirement regardless of whether a timely application is filed." (*Haywood v. American River Fire Protection Dist.* (1998) 67 Cal.App.4th 1292, 1307.) As the *Haywood* court explained:

> Haywood's firing for cause constituted a complete severance of the employer-employee relationship, thus

> eliminating a necessary requisite for disability retirement—the potential reinstatement of his employment relationship with the District if it ultimately is determined that he no longer is disabled.

(*Id.* at 1297.)

4. For a dismissal for cause to be preemptive of an otherwise valid claim for disability retirement, the right to a disability retirement must have matured prior to the dismissal. (*Smith v. City of Napa* (2004) 120 Cal.App.4th 194, 206.) A right to disability retirement matures "when there is an unconditional right to immediate payment." (*Ibid.*) Additionally, based on principles of equity, an employee's right to a disability retirement may be deemed matured under appropriate circumstances, such as if resolution of the claim was delayed through no fault of the dismissed employee or a favorable decision "would have been a foregone conclusion." (*Id.* at pp. 206-207.)

5. A resignation as part of settling a pending termination for cause is tantamount to a dismissal for purposes of applying the *Haywood* criteria when it results in a complete severance of the employment relationship. (See *Martinez v. Public Employees' Retirement System* (2019) 33 Cal.App.5th 1156; *In the Matter of the Application for Industrial Disability Retirement of Robert Vandergoot* (2013) CalPERS Prec. Dec. No. 13-01.)

6. Here, CalPERS established by a preponderance of the evidence that Watkins's May 31, 2018 resignation by virtue of the SSA was tantamount to a dismissal for cause under *Martinez* and *Vandergoot*. It followed the AWOL Notice, which initially terminated Watkins for being absent from work without leave. Moreover, the SSA effectuated a complete severance of Watkins's employment relationship with Caltrans.

Although Caltrans could theoretically reemploy Watkins in the future, Watkins retained no right to return to working at Caltrans if his medical conditions improved because any future employment of Watkins at Caltrans would be at Caltrans's sole discretion. The SSA also made clear that if Watkins somehow obtained employment at Caltrans in the future, Caltrans would be permitted to summarily dismiss Watkins without any appeal rights.

7. Because Watkins was effectively dismissed for cause, he is ineligible to apply for disability retirement unless his dismissal: (1) was the ultimate result of a disabling medical condition; or (2) preempted an otherwise valid claim for disability retirement.

8. CalPERS demonstrated by a preponderance of the evidence that Watkins's dismissal was not the ultimate result of a disabling medical condition.

The "Physician's Report on Disability" completed by Dr. Stone indicated that Watkins's injury/illness occurred, and that Watkins became unable to perform his job duties, on April 25, 2019—long after his May 31, 2018 resignation. Although Watkins posited at hearing that Dr. Stone may have been relying on the date when Watkins was granted SSDI benefits, that is pure speculation. Moreover, that is inaccurate because, based on respondent's own application, he was approved for SSDI benefits on February 16, 2019, not April 25, 2019.

Additionally, Dr. Stone's subsequent, undated letter is vague, conclusory, and does not constitute persuasive evidence that Watkins became disabled before his May 31, 2018 resignation date. The letter merely states that Watkins's symptoms may have occurred as early as 2016, may have been either misdiagnosed or undiagnosed, and may have worsened in 2018. The question is not whether Watkins experienced some

symptoms related to his conditions by May 31, 2018; the question is whether they rendered Watkins disabled. In any event, because Dr. Stone did not start treating Watkins until May 17, 2023, Dr. Stone's statements in the letter are speculative and not based on personal knowledge.

9. CalPERS also demonstrated by a preponderance of the evidence that Watkins's dismissal did not preempt an otherwise valid claim for disability retirement. More specifically, there is no evidence Watkins had a matured right to disability retirement, i.e., an unconditional right to immediate payment, before his May 31, 2018 resignation. No application for disability retirement was filed, let alone granted by CalPERS, before Watkins's May 31, 2018 resignation. Additionally, the only definitive medical opinion in the record, the "Physician's Report on Disability" completed by Dr. Stone, shows that Watkins became disabled on April 25, 2019—long after his May 31, 2018 resignation. Thus, on this record, it is not a foregone conclusion that Watkins had a matured right to a disability retirement before his May 31, 2018 resignation.

10. Based on the foregoing, Watkins is ineligible to apply for disability retirement under *Haywood* and its progeny. Given that conclusion, it is unnecessary to reach the issue of whether Watkins's application was timely under Government Code section 21154.

11. As noted above, Watkins also argued that Caltrans engaged in various forms of unlawful conduct with respect to his employment and subsequently breached the SSA when it failed to remove the AWOL Notice from his Official Personnel File. The court expresses no opinion regarding the merits of such claims. To the extent they are not waived by the SSA, Watkins must pursue them in an appropriate legal forum. Because they do not pertain to CalPERS's adjudication of Watkins's application for disability retirement, this court lacks jurisdiction to entertain them.

ORDER

1. The appeal of respondent Matthew T. Watkins is DENIED.

2. CalPERS's determination that respondent Matthew T. Watkins is ineligible to apply for disability retirement under *Haywood* and its progeny is AFFIRMED.

DATE: August 27, 2026

Wim vanRooyen

WIM VAN ROOYEN

Administrative Law Judge

Office of Administrative Hearings