



Regular Meeting

Item Number 14 – Open Session

Subject: Updates to Penalties and Interest Regulations

Presenter(s): Joycelyn Martinez-Wade

Item Type: Action

Date & Time: May 2, 2024 – 5 minutes

Attachment(s): Revised proposed text of Updates to Penalties and Interest regulations

PowerPoint(s): None

Item Purpose

Staff is seeking approval to move forward with modifications to the previously approved regulatory language that made updates to the existing Penalties and Interest regulations. Although CalSTRS did not receive any written comments during the public comment period or any testimony during the public hearing held by the board at its January 2024 meeting, staff proposes these modifications based on informal feedback received from stakeholders.

Recommendation

Staff recommends that the board give approval to post the modified regulatory language for a 15-day public comment period and to include an item on a future meeting agenda during which the board could adopt the proposed regulations if no additional comments are received.

Executive Summary

The originally proposed regulatory text clarifies that interest will be charged on outstanding balances not paid in full within 30 days of the invoice date and provides that, along with existing exemptions, assessment of penalties and interest would be exempted when:

- An employer's operations are impaired because of a natural or human-made emergency.
- An employer reported information or remitted contributions under direction given by CalSTRS through a resource or advisory letter under the provisions of AB 1667.
- The assessed penalties and interest are a result of an outage of the CalSTRS secure employer website or a constraint of the pension administration system.

The modified language (Attachment 1) makes minor, technical corrections and the following

clarifications:

- Specifies that the effective date of a written employment agreement or a provision in the agreement is no earlier than the date on which all of the following are true: the exclusive representative has ratified the agreement, the county superintendent of schools has adopted or the district’s governing board has voted to approve the agreement, and the agreement’s provisions are operative.
- Codifies existing practice of deeming invoices to be paid in full when both the moneys have been remitted to CalSTRS and the employer has identified how the moneys are to be applied by assigning them to a specific invoice.
- Specifies that interest on unpaid balances is not applicable when an assessment of penalties, interest or both is reversed.

Background

Existing regulations, first enacted in 2012, are intended to ensure CalSTRS receives payroll files and contributions in a timely manner. At the November 2022 meeting, staff presented an [agenda item](#) and received board approval to begin preliminary rulemaking activities to adopt amendments to the existing Penalties and Interest regulations that add clarifying language and address some common scenarios that have arisen over the past decade. At the September 2023 meeting, staff returned to the board with an [agenda item](#) to begin the formal rulemaking process. In January 2024, the board held a public hearing, which followed a public comment period during which the public could submit written comments regarding the proposed regulations. CalSTRS did not receive any written comments nor any public testimony at the public hearing.

Strategic Plan Linkage: Goal 1: Trusted Stewards—Ensure a well-governed, financially sound trust fund.

Board Policy Linkage: Board Governance Manual: Section 5A – Legislation - Provide more effective and efficient administration of the retirement plan.
