

June 28, 2012

TO: All County Superintendents of Schools
District Superintendents of Schools
Community College Districts and
Charter School Administrators

FROM: Jack Ehnes
Chief Executive Officer

SUBJECT: Employer Directive 2012-03
Penalties and Interest Regulations

PURPOSE

This directive is to notify employers that the penalties and interest regulations will be effective and CalSTRS will begin penalty assessments July 1, 2012.

SCOPE

Employers reporting to the Defined Benefit (DB) and Cash Balance (CB) Benefit programs will be subject to penalties and interest for late reports and late or insufficient contributions after July 1, 2012.

DISCUSSION

Per Education Code Sections 23000 et seq. and 26300 et seq., and Title 5, Article 15.5, sections 27000-2709 of the California Code of Regulations, CalSTRS shall assess penalties and interest from employers for late reports and late or insufficient contributions to both the DB and CB Benefit programs.

These provisions were enacted to create incentives for employers to report timely and accurately, and to mitigate any losses suffered by the system resulting from an employer's failure to properly report and remit contributions. CalSTRS has created an automated system to assess the penalty and interest charges uniformly based on the applicable Education Code sections and supporting regulations. The regulations define the types of reporting subject to penalty and interest charges. The final version of the regulations was approved by CalSTRS Board in February 2012 and approved by the California Office of Administrative Law in April 2012. The regulations are effective July 1, 2012.

ACTION

Employers reporting information to the DB and CB Benefit programs shall be fully enforced for the Secure Employer Website business edits and all other requirements as described in CalSTRS' F496 and Voluntary Deduction File Specifications, as well as submit their reports and contributions before they are considered late.

In order to process contributions for any given day, the contributions must be received on or before 3:00 p.m. Pacific Time. Deadlines are determined as follows:

- The portion of contributions due to the DB Program on the fifth working day that are not received by 3:00 p.m. Pacific Time on that fifth working day shall be considered to have been received on the sixth working day, and therefore are late.
- The remaining portion of contributions due on the 15th working day that are not received on that 15th working day shall be considered to have been received on the 16th working day, and therefore are late.
- Contributions due to the CB Benefit Program on the 10th working day that are not received by 3:00 p.m. Pacific Time on the 10th working day shall be considered to have been received on the 11th working day, and therefore are late.

A monthly report to the DB Program must be received *prior* to the 45th calendar day following the month in which the creditable compensation reported was earned. A monthly report that is received after 5:00 p.m. Pacific Time on the 44th calendar day shall be considered to have been received on the 45th calendar day, and therefore is late and shall be subject to penalties based on the number of calendar days it is late.

A report to the CB Benefit Program must be received *prior* to the 11th working day following the pay period in which the salary being reported was earned. A report that is received after 5:00 p.m. Pacific Time on the 10th working day shall be considered to have been received on the 11th working day, and therefore is late and shall be subject to penalties based on the number of calendar days it is late.

In the event an employer disagrees with the assessment of penalties or interest, employers have the option of disputing the assessment. Disputes submitted by Districts must go through the County Office of Education if the district does not directly report to CalSTRS. CalSTRS may require substantiating documentation to consider dispute approval.

To view the full final version of the Penalties and Interest for Late Remittances and Late and Unacceptable Reporting by Employers regulations, go to the CalSTRS.com/Legislation, and click on the Penalties and Interest link under "Approved Regulations."

For more information you may view the Frequently Asked Questions on the Secure Employer website or contact your CalSTRS Member Account Services Representative.

If you have any questions, please contact your CalSTRS Member Account Services Representative.