

California Code of Regulations
Title 5. Education. Division 3. Teachers' Retirement System
Chapter 1. Teachers' Retirement System.
Article 15.5. Penalties and Interest for Late Remittances and Late and Unacceptable Reporting by Employers.

Amendments to § § 27000 and 27004.

Notice published December 11, 2015

NOTICE OF PROPOSED RULEMAKING

The California State Teachers' Retirement System ("CalSTRS") and the Teachers' Retirement Board ("board") propose to adopt the amended regulations described below after considering all comments, objections and recommendations regarding the proposed action.

PUBLIC HEARING

The Teachers' Retirement Board will hold a hearing:

Date and Time 1:00 p.m.
February 4, 2016

The hearing may be scheduled or rescheduled to occur as early as 8 a.m. or as late as 4 p.m. as it is incorporated into the board's agenda. Please consult the agenda for the meeting, which will be available at www.CalSTRS.com/teachers-retirement-board by January 28, 2016, to confirm the exact time at which the hearing will be held.

Please arrive promptly for check in before the scheduled start time. The hearing will be closed once each speaker has provided his or her testimony.

Location California State Teachers' Retirement System
Boardroom
100 Waterfront Place
West Sacramento, CA 95605

Purpose To receive written or oral comments about this action. Comments are limited to five minutes each and must not repeat comments already received in written or verbal form.

Accessibility The hearing room is accessible to persons with mobility impairments, and it can be made accessible to persons with hearing or visual impairments upon advance request to the Regulations Specialist.

WRITTEN COMMENT PERIOD

Any interested person, or his or her authorized representative, may submit written comments relevant to the proposed regulatory actions to CalSTRS. The written comment period closes at **5:00 p.m.** on January 25, 2016. CalSTRS will only consider written comments received at CalSTRS' address as reflected below by that time. Submit comments to:

Ellen Maurizio
Regulations Specialist, Governmental Relations
California State Teachers' Retirement System
P.O. Box 15275, MS-14
Sacramento, CA 95851-0275
Fax: (916) 414-1993
E-Mail: Regulations@CalSTRS.com

AUTHORITY AND REFERENCE

The Teachers' Retirement Board has exclusive authority to administer CalSTRS under Article XVI, section 17 of the California Constitution.

Section 22207 of the Education Code authorizes the board to perform any acts necessary for the administration of CalSTRS and the plan in carrying into effect the provisions of the Teachers' Retirement Law, California Education Code Sections 22000 through 28101.

Section 22213 of the Education Code provides that the board shall regulate the duties of employers, employing agencies and other public authorities.

Section 22214 of the Education Code provides that the board may take any action it deems necessary to ensure the continued right of members or beneficiaries to receive monthly payments.

Section 22250 of the Education Code provides that the board and its officers and employees shall discharge their duties with respect to the system and the plan solely in the interest of its members, participants and beneficiaries, and for the exclusive purpose of providing benefits and defraying reasonable costs of administering the plan.

Section 22305 of the Education Code provides that any rules and regulations adopted by the board have the force and effect of law.

These regulations implement, interpret and make specific Education Code Sections 23004, 23006, 23008 and 26301.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Chapter 17 of the Teachers' Retirement Law requires that penalties and interest be assessed on employers for late or inaccurate reports of retirement data and payments of contributions. Effective July 1, 2012, the Penalties and Interest Regulations (Article 15.5 of Chapter 1 of Division 3 of Title 5, California Code of Regulations) implemented consistent and transparent assessment of penalties and interest and provided specific details defining acceptable and unacceptable data.

Sections 23004 and 26301 of the Education Code require employers to submit a report monthly to the system containing information as the board may require in the administration of the plan. That monthly report must be submitted electronically in an encrypted format provided by CalSTRS that ensures the security of the transmitted member and participant data.

The Secure Employer Website (SEW) provides the channel for transmittal of data from employers to CalSTRS. Two documents incorporated by reference in the California Code of Regulations (CalSTRS' F496 File Specification, as revised on March 1, 2011, and CalSTRS' Voluntary Deduction File [VDF] Specification, as revised on March 1, 2011) specify the format for employer reports for the Defined Benefit (DB) and Cash Balance (CB) Benefit programs. Each document describes file specifications, layouts, integrity checks and business rules for submitting data under its respective program. Both also include troubleshooting considerations and recommended steps to resolve errors. The F496 File Specification includes variance rules and warning messages that will flag inconsistent information or data that exceeds certain parameters in an employer's report, and it describes whether or not each business rule may be overridden at an employer's discretion.

Both file specifications periodically require updates when rules and parameters must be added, adjusted or clarified in response to legislation or changing business practices. Both documents currently incorporated by reference are proposed to be updated to accommodate revisions as of July 1, 2015. With the implementation of the Public Employees' Pension Reform Act of 2013 (PEPRA), a new benefit structure (CalSTRS 2% at 62) was established. CalSTRS 2% at 62 members are subject to separate reporting rules that required the addition and adjustment of business rules. With the enactment of the CalSTRS 2014 Full Funding Plan (AB 1469–Bonta), contribution rate changes were introduced. In addition, Chapter 703, Statutes of 2011 (SB 349–Negrete McLeod), prompted changes to the VDF Specification. In response to these legislative changes, or to provide clarification to employers, business rules were added or changed.

Included as part of this regulatory package are nonsubstantive corrections to typographical or grammatical errors in the two file specification documents. In addition, CalSTRS proposes to correct an error in section 27004 of the California Code of Regulations. Section 27004 specifies information CalSTRS will provide when notifying employers of late reporting of adjustments of incorrect contributions. Due to a clerical error following the board's adoption of the regulations, that section of the law names form fields that are specific to DB Program members rather than CB participants. These regulations would change "member" to "participant" and remove the references to fields not relevant to CB reporting (specifically, member code, assignment code,

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pay rate, pay code, contribution rate, contribution code and beginning and ending dates of the service period). Instead, the regulations would refer to the pay schedule date and pay period end date. This change restores the text that was originally adopted by the board.

Through these regulations, it is CalSTRS' objective to provide for improved readability of the regulations for county offices of education and school and community college district employers that report directly to CalSTRS by incorporating of the most up-to-date file specifications reflecting current law, as well as fixing grammatical and typographical errors. The amendments provide employers with the tools to properly submit and modify reports for members and participants, helping to ensure that retirement and other benefits payable to educators are based on properly reported data.

No other nonmonetary benefits, such as the protection of public health and safety, worker safety or the environment; the prevention of discrimination; the promotion of fairness or social equity; or an increase in transparency in business and government are anticipated.

The regulations proposed in this rulemaking action make specific the Education Code as it relates to the submission of data from employers to the system. CalSTRS evaluated whether the proposed regulations were inconsistent or incompatible with existing state regulations and found that there are no overlapping provisions with other state regulations. Thus, the proposed regulations are neither inconsistent nor incompatible with existing state regulations.

DISCLOSURES REGARDING THE PROPOSED ACTION

CalSTRS has made the following initial determinations, as required by the California Administrative Procedure Act and Office of Administrative Law regulations:

1. Mandate on local agencies and school districts:

None. These regulations provide updates to coding and parameters for data already required to be submitted by employers consistent with current law and best practices identified by CalSTRS.

2. Cost or savings to any state agency:

None.

3. Cost to any local agency or school district which must be reimbursed in accordance with California Government Code Sections 17500 through 17630:

None.

4. Other nondiscretionary cost or savings imposed on local agencies:

The permissive changes in these regulations are likely to result in negligible time savings to employers. The time savings are not expected to be significant enough to result in any measurable monetary savings.

5. Cost or savings in federal funding to the state:

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None.

6. Significant, statewide adverse economic impact directly affecting business including the ability of California businesses to compete with businesses in other states:

None.

7. Cost impacts on a representative private person or business:

The board is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action. The proposed regulations only directly affect local government (school employers).

8. Results of the economic impact assessment/analysis:

These regulations are not anticipated to have any effect on California businesses. Specifically, the proposed action will not:

- Create or eliminate jobs within California;
- Create new businesses or eliminate existing businesses within California;
- Affect the expansion of businesses currently doing business within California.

The action will have no direct effect on worker safety and the state's environment or on the health and welfare of California residents. As stated in the Informative Digest/Policy Statement Overview, the proposed regulations would benefit county offices of education and school and community college district employers in filing correct reports with CalSTRS and help ensure that retirement and other benefits payable to educators are based on properly reported data.

9. Significant effect on housing costs:

None.

10. Small business determination:

The board has determined that the proposed regulations do not affect small business as small businesses are not governed or affected by the statute that these regulations are clarifying.

CONSIDERATION OF ALTERNATIVES

In accordance with paragraph (13) of subdivision (a) of section 11346.5 of the Government Code, CalSTRS and the board must determine that no reasonable alternative considered or otherwise identified and brought to its attention would be:

- More effective in carrying out the purpose for which the action is proposed,
- As effective and less burdensome to affected private persons than the proposed action, or
- More cost effective to affected private persons and equally effective in implementing the statutory policy.

CalSTRS and the board invite interested persons to present any statements or arguments that would support an alternative to the proposed regulations in the form of written comments or by providing testimony at the public hearing.

CONTACT PERSON

Inquiries concerning the proposed administrative action may be directed to:

Ellen Maurizio
Regulations Specialist, Governmental Relations
California State Teachers' Retirement System
P.O. Box 15275, MS-14
Sacramento, CA 95851-0275
Telephone: (916) 414-1994
Fax: (916) 414-1993
E-Mail: Regulations@CalSTRS.com

The backup contact person for these inquiries is:

Joycelyn Martinez-Wade
Manager, Governmental Relations
California State Teachers' Retirement System
P.O. Box 15275, MS-14
Sacramento, CA 95851-0275
Telephone: (916) 414-1994
Fax: (916) 414-1993
E-Mail: Regulations@CalSTRS.com

Please direct requests for copies of the proposed text of the regulations, the initial statement of reasons, the modified text of the regulations, if any, or other information upon which the rulemaking is based to the Regulations Specialist using the contact information listed above.

AVAILABILITY OF STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATIONS, INCLUDING DOCUMENTS INCORPORATED BY REFERENCE

CalSTRS will have the entire rulemaking file available for public inspection and copying throughout the rulemaking process at its offices at 100 Waterfront Place, West Sacramento, CA 95605. As of the date this notice is published in the California Notice Register, the rulemaking file consists of this notice, the proposed text of the regulations, the CalSTRS F496 File Specifications, the CalSTRS Voluntary Deduction File Specifications, the Initial Statement of Reasons and the Economic and Fiscal Impact Statement (STD 399).

Copies of this notice, the proposed text of the regulations, the Initial Statement of Reasons and the Economic and Fiscal Impact Statement are available at no charge by contacting the Regulations Specialist using the contact information listed above.

In addition, both of the documents incorporated by reference, as well as each of the above documents, are available for viewing on the CalSTRS website at www.CalSTRS.com/regulations.

AVAILABILITY OF CHANGED OR MODIFIED TEXT

After considering all timely and relevant comments received, the board may adopt the proposed regulations substantially as described in this Notice or may, on its own motion or at the recommendation of any interested person, modify the proposed regulations.

If the board makes modifications that are sufficiently related to the original proposed text, it will make the modified text (with the changes clearly indicated) available to the public for at least 15 days before adopting the regulations as revised. The board will accept written comments on the modified regulations for 15 days after the date on which they are made available. Please refer to www.CalSTRS.com/regulations or contact Ellen Maurizio using the contact information listed above for copies of modifications, if any.

AVAILABILITY OF FINAL STATEMENT OF REASONS

Following its preparation, the Final Statement of Reasons will be available temporarily on the CalSTRS website at www.CalSTRS.com. CalSTRS will have the Final Statement of Reasons available for public inspection and copying at its offices at 100 Waterfront Place, West Sacramento, CA 95605.

AVAILABILITY OF DOCUMENTS ON THE INTERNET

The Notice of Proposed Rulemaking, the Initial Statement of Reasons, both of the documents incorporated by reference and the text of the regulations in underline and strikeout are posted on the CalSTRS website at www.CalSTRS.com/regulations.