



## Regular Meeting

### Item number 16 – Open session

**Subject:** Adoption of Updates to Penalties and Interest regulations

**Presenter(s):** Joycelyn Martinez-Wade

**Item type:** Action

**Date and time:** September 26, 2024 – 5 minutes

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**Attachment(s):** Attachment 1 – Final proposed text of Updates to Penalties and Interest regulations

Attachment 2 – Resolution of the Teachers' Retirement Board

**PowerPoint presentation(s):** None

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#### **Item purpose**

Staff is seeking the board's adoption of regulatory language that makes updates to the existing CalSTRS Penalties and Interest regulations.

#### **Recommendation**

Staff recommends that the board adopt the proposed updates to the existing Penalties and Interest regulations by adopting the attached resolution.

#### **Executive summary**

The proposed updates to the Penalties and Interest regulations:

- Provide 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.
- Clarify that interest will be charged on outstanding balances not paid in full within 30 days of the invoice date by:
  - Codifying 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.
- Specifying that interest on unpaid balances is not applicable when an assessment of penalties, interest or both is reversed.
- Specify 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.
  - The agreement’s provisions are operative.
- Make minor, technical corrections.

The text of the proposed final regulations is attached. The text is identical to what was made available to the public during the 15-day comment period that ended on May 31, 2024.

### **Background**

Existing Penalties and Interest 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, which the board approved.

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. Although CalSTRS did not receive any written comments during the public comment period or any testimony during the public hearing, in May 2024, staff presented an [agenda item](#) proposing modifications based on informal feedback received from stakeholders, which the board approved. In accordance with the Administrative Procedure Act, CalSTRS posted the revised regulations on May 16, 2024, for an additional 15-day public comment period, during which no public comments were received.

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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.

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