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Special:

## Circular Letter

June 30, 2015

TO: **ALL CONTRACTING PUBLIC AGENCIES**

SUBJECT: **INTEREST ON DELINQUENT UNFUNDED LIABILITY CONTRIBUTIONS FOR ALL POOLED PLANS**

New procedures for Unfunded Liability contributions are described in Circular Letters No: 200-016-15 (Pooled Plan) and 200-017-15 (Inactive Plan). The purpose of this Circular Letter is to explain how delinquent unfunded liability contributions will be assessed interest for pooled and inactive plans.

### **Background**

Prior to Fiscal Year 2015-16, employers were allowed to prepay the total annual amount of employer contributions. Beginning with Fiscal year 2015-16, changes in the valuation process will allow only the unfunded liability and side fund portion to be prepaid. Employers will have two payment options: annual lump-sum or monthly, explained below.

Note: The plan's unfunded liability includes the plan's side fund contributions and is reflected as a single amount on the monthly invoice.

### **Annual Lump-Sum Payment Option**

An annual lump-sum prepayment option is available. This lump-sum is a discounted amount compared to the sum of the 12 monthly installments and can be found in Section 1, page 7, of the June 30, 2013, valuation report. If this option is selected for Fiscal Year 2015-16, payment of the amount is due prior to August 1, 2015. Please note that employers will not be invoiced for the annual lump-sum prepayment amount. Rather, employers will receive instructions for paying the annual lump-sum amount on their July 1, 2015, invoice.

### **Monthly Payment Option**

If the lump-sum prepayment amount is not received by CalPERS prior to August 1, 2015, the default payment option will be 12 monthly installments.

The following procedures will apply to monthly payments:

- On the 1<sup>st</sup> of each month, the monthly invoice will be uploaded and available in my|CalPERS and a copy of the invoice will be automatically distributed through your preferred delivery method
- As monthly invoices are now available online, employers are responsible for accessing the invoice and submitting payment in full by the payment due date
- All invoices must be paid as billed
- Any full or partial payment received after the payment due date will be considered delinquent and subject to interest charges

Note: Employers may make additional payments at any time but must continue making every monthly payment until the balance due is zero. If more than the monthly invoiced amount is paid, the employer is not relieved of the next month's payment. Payments can only be stopped when the entire annual amount has been paid.

### **Interest on Delinquent Monthly Payments**

If the employer does not pay the entire amount invoiced on or before the due date, interest will be assessed on 100 percent of the outstanding invoice amount past due until the full amount is paid. Interest will be charged at an annual rate of 10 percent per Government Code Section 20572(b) of the Public Employees' Retirement Law. The interest assessment will terminate on the date CalPERS receives payment in full for the balance due (initial invoice amount and any assessed interest).

In addition to the interest assessed, a delinquent penalty of 10 percent may be imposed on all delinquent balances. The 10 percent delinquency penalty may be assessed until all outstanding balances are paid in full (initial invoice amounts and any assessed interest).

CalPERS reserves all rights and remedies to collect contributions if not timely paid. This includes, without limitation, the right to recover costs and attorneys' fees associated with the collection of past due payments. In addition, any failure to provide a delinquency notice or my|CalPERS notation, or any discrepancy between a delinquency notice or my|CalPERS notation and applicable law, does not affect the rights of CalPERS to collect payment to which it is entitled.

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Employer's use of electronic funds transfer (EFT) will significantly reduce the risk of delinquency. The Electronic Funds Transfer Authorization process guide is available on our website. You may set up your EFT account by logging into the my|CalPERS system.

If you have any questions, please call our CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

CHERYL EASON  
Chief Financial Officer