To: All Contracting Public Agencies

Subject: Interest on Delinquent Unfunded Accrued Liability Contributions

Purpose

The purpose of this Circular Letter is to explain how delinquent unfunded accrued liability contributions for all plans will be assessed interest. Employer contributions are split in two separate accounts receivable types: normal cost and unfunded accrued liability (UAL). The normal cost portion is billed as a percentage of payroll. The UAL is billed as a set dollar amount that is found on page 4 (Section 1 for pooled plans) of the June 30, 2015, actuarial valuation report. It also includes details of the required employer contribution calculations.

Annual Lump Sum UAL Payment Option

An annual lump sum UAL prepayment option is available. This lump sum is a discounted amount compared to the sum of the twelve monthly installments. If this option is selected for fiscal year 2017-18, full payment must be received by CalPERS prior to July 31, 2017.

Please note that employers will not be invoiced for the annual lump sum UAL prepayment amount, but will receive instructions for paying the annual lump sum amount on their July 1, 2017 invoice.

Monthly Payment Option

If CalPERS does not receive the lump sum UAL prepayment amount prior to July 31, 2017, the default payment option will be twelve monthly installments. The following procedures will apply to monthly payments:

- On the 1st of each month, the monthly invoice will be uploaded and available in myCalPERS and a copy of the invoice will be automatically distributed through your preferred delivery method.
- As monthly invoices are 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.
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).

**Resources**

Reports are available on the CalPERS website under *Actuarial Reports*. You can also log in to myCalPERS to access your valuation report. To access your agency’s invoice through myCalPERS, follow the instructions in the myCalPERS student guide.

Employer’s use of electronic funds transfer (EFT) is mandatory, effective July 1, 2017. It will significantly reduce the risk of delinquency. The EFT Authorization process guide is available on our website. You may set up your EFT account by logging in to the myCalPERS system.

CalPERS reserves all rights and remedies to collect contributions if not paid in a timely manner. 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 myCalPERS notation, or any discrepancy between a delinquency notice or myCalPERS notation and applicable law, does not affect the rights of CalPERS to collect payment to which it is entitled.

**Questions**

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

Kristin Montgomery  
Controller  
Financial Reporting and Accounting Services