



California Public Employees' Retirement System
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (or 888-225-7377)
TTY: (877) 249-7442
www.calpers.ca.gov

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Circular Letter

June 19, 2012

TO: **ALL CONTRACTING PUBLIC AGENCIES AND SCHOOL EMPLOYERS**

SUBJECT: **IMPLEMENTATION OF ASSESSMENTS OF ADMINISTRATIVE FEES
AND INTEREST ON ERRONEOUS PAYROLL AND CONTRIBUTION
INFORMATION**

The purpose of this Circular Letter is to inform your agency of the implementation of administrative fees on incomplete and erroneous payroll as well as interest on underpayments of contributions effective July 1, 2012.

CalPERS implemented the my|CalPERS system on September 19, 2011. To allow employers time to access and become comfortable with the new system, CalPERS did not assess the administrative fee for late or missing payroll information or interest on late contributions this last fiscal year.

It has been nine months since the implementation of my|CalPERS and a new fiscal year will soon begin. Therefore, it is time for CalPERS to assess the administrative fee for late and missing payroll, as well as assess interest on late contributions. The intent of the administrative fee and implementing the interest assessment is to be in compliance with the law and to ultimately make member accounts accurate and whole. Regulations clarifying payroll and contribution information submission requirements through the new my|CalPERS platform were effective May 30, 2012. You may access additional information on the adopted section 565.5 and amended sections 565.1, 565.2, and 565.3 of title 2 of the California Code of Regulations on [CalPERS On-Line](#) under "About CalPERS".

Cost Assessment for Incomplete or Erroneous Payroll

Beginning July 1, 2012, CalPERS will assess \$200.00 on all Earned Period Payroll Reports that are not submitted timely or completely posted. Each Earned Period Report is due within 30 calendar days of the last payroll reporting period end date to which it refers. If an Earned Period Payroll Report is submitted after 30 calendar days, a \$200.00 administrative fee will be charged. A \$200.00 administrative fee will continue to be charged every 30 calendar days until the Earned Period Payroll Report is submitted via my|CalPERS.

Once the Earned Period Payroll Report is submitted, the employer, referred to as “Business Partner” in my|CalPERS, will be notified of any errors. Employers will have 60 calendar days from my|CalPERS notification to correct and post all the record(s). If an employer does not correct and post payroll record(s) within 60 calendar days, a separate \$200.00 administrative fee will be charged. The \$200.00 administrative fee will continue to be charged every 30 calendar days until all payroll errors are corrected and posted.

In summary, the employer will be assessed a \$200 administrative fee on payroll reports that are not submitted timely. The fee for late payroll submission will continue to be assessed monthly until the employer submits the payroll report. The employer then has 60 days to correct and post all records. If the employer fails to correct and post all records within the 60 days, a \$200 administrative fee for incomplete payroll will be assessed monthly until all the records are corrected and posted (i.e., the payroll is complete and accurate).

Interest on Insufficient Contributions Within a Fiscal Year

Employer and member contributions are due on or before 15 calendar days from the last pay period end date to which they refer. If less than 90% of the total contribution amount due is paid, the CalPERS contracting agency for retirement benefits will be billed for the underpaid amount. If the underpayment is not paid within 30 calendar days, interest will be assessed on the outstanding amount until paid. The interest rate will be the Actuarial Interest Rate as defined in the Public Employees’ Retirement Law (PERL).

Interest on Insufficient Contributions for End of Fiscal Year

If the contributions are paid at less than 99% of the total amount due at the end of the fiscal year (the end of the fiscal year is June 30, 100% of contributions are due by July 15) the agency that holds the CalPERS contract for retirement benefits will be billed for the amount of the underpayment. If the underpayment is not paid within 30 calendar days of the date of the bill, interest will be assessed on the outstanding amount until paid. The interest rate will be the Actuarial Interest Rate as defined in the PERL.

Future Administrative Fee Waiver Request

A future fee waiver may be requested on the Payroll Schedule page under the Reporting global navigation tab in my|CalPERS. Future fee waivers must be requested at least 10 business days before the due date of the Earned Period Report. A separate request must be submitted for each Earned Period Report. A waiver request for multiple Earned Period Reports will be rejected. There must be a legitimate reason (i.e. beyond the employer’s control) for a waiver to be approved. Because an employer has control over its internal procedures and payment processes, the internal procedures or payment processes used by an employer are not an acceptable justification for late reporting and contribution underpayments.

Administrative Fee Waiver Request

A waiver request after the administrative fee or interest billing has been applied can be requested through the Billing Payment and Summary page under the Reporting global navigation tab in my|CalPERS in July. There must be a legitimate reason (i.e. beyond the employer's control) for a waiver to be approved by CalPERS. Because the employer has control over its internal procedures and payment processes, the internal procedures or payment processes used by an employer are not an acceptable justification for late reporting and contribution underpayments.

During 2012 and 2013, CalPERS plans to incrementally launch more features for members to access their own records through my|CalPERS. This will allow your employees to see the information submitted on their behalf by you, their employer, including payroll and service credit information. Therefore, your accuracy and promptness in reporting payroll will alleviate future concerns or questions your employees may have with their CalPERS account and the information provided by your agency.

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

KAREN DeFRANK, Chief
Customer Account Services Division