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Circular Letter

July 1, 2016

TO: **ALL CONTRACTING PUBLIC AGENCIES**

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

The purpose of this Circular Letter is to explain how delinquent unfunded liability contributions will be assessed interest for pooled and inactive plans. The procedures for Unfunded Liability contributions are described in Circular Letters 200-016-15 (Pooled Plan) and 200-017-15 (Inactive Plan).

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 twelve monthly installments and can be found in Section 1, page 4, of the June 30, 2014, valuation report. If this option is selected for Fiscal Year 2016-17, payment of the amount must be paid and processed by CalPERS prior to August 1, 2016. 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, 2016, invoice.

Monthly Payment Option

If the lump-sum prepayment amount is not received by CalPERS prior to August 1, 2016, 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 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 paid timely. 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.

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 contact the CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

Cheryl Eason
Chief Financial Officer