

## FINAL STATEMENT OF REASONS

### Update of Initial Statement of Reasons

The originally proposed regulations were made available to the public from November 17, 2023, through January 10, 2024. A public hearing was held on January 10, 2024. CalSTRS did not receive any written comments during the public comment period or any testimony during the public hearing. However, CalSTRS proposed modifications to the regulatory language based on informal feedback received from stakeholders. CalSTRS modified the language to make minor, technical corrections and several clarifications.

#### Adjustments Due to an Employment Agreement

The proposed regulations, as originally noticed, included a provision that currently exists in regulation exempting employers from the assessment of penalties and interest for adjustments to the reporting and the contributions they submit when those adjustments are made pursuant to a written employment agreement. To be exempt, the adjustment would have to:

- Be made for all members of a class of employees,
- Be made pursuant to a written employment agreement with an employer or with an exclusive representative entered into by an employer,
- Become effective on the same date as the written agreement or on the effective date of the provision in the agreement providing for future increases in compensation, and
- Be reported to CalSTRS within 90 days of the effective date of the written employment agreement or the effective date of the provision in the agreement providing for future increases in compensation.

Determining whether this provision is applicable in some situations has been difficult because of uncertainty as to when an employment agreement is effective.

The proposed regulations were amended to specify the criteria for determining the effective date of an employment agreement. Specifically, subdivision (f) of Sections 27003 and 27004, subdivision (d) of Section 27007 and subdivision (c) of Section 27008 were amended to provide that the start of the 90-calendar day period that begins with the effective date of a written employment agreement or a specified provision in the agreement is no earlier than the first date on which all the following are true:

- The exclusive representative has completed its ratification process for the written employment agreement.
- The county superintendent of schools has adopted the agreement or the school or community college district's governing board has voted to approve the written agreement or otherwise adopted that agreement.
- The employment agreement's provisions are operative.

### Interest Accrues on the Unpaid Amount Due

The proposed regulations, as originally noticed, clarified that interest is charged on outstanding invoices for balances not paid in full within 30 days of the invoice date. However, there are instances when an employer may incorrectly presume that moneys being held on deposit by CalSTRS will be applied to an outstanding invoice. Section 27010 of the proposed regulations was amended consistent with the 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.

In addition, the proposed regulations were amended to specify that interest on unpaid balances is not applicable when an assessment of penalties, interest or both is reversed. This amendment was added to assure employers that interest will not be assessed on an unpaid balance in the event that the assessment of penalties, interest, or both that initially created the balance is reversed.

### **Second Comment Period**

No comments were received during the second comment period, held from May 15 through May 31, 2024.

### **Alternatives Determination**

CalSTRS has determined that no reasonable alternative considered by the agency or that has otherwise been identified and brought to the attention of the agency would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law. No alternatives were raised during the regulatory process beyond the one discussed in the Initial Statement of Reasons.

### **Local Mandate Determination**

CalSTRS has determined that the regulations proposed do not constitute a mandate on school districts or other local agencies. The regulations do not mandate a new program or require a higher level of service in an existing program. The regulations provide clarifications consistent with the intent of the original statute.