



Agenda Item 7a

October 15, 2012

ITEM NAME: Fiscal Year (FY) 2011-12 Fourth Quarter Delinquency Report

PROGRAM: Financial Office

ITEM TYPE: Information

EXECUTIVE SUMMARY

The purpose of this agenda item is to present the fourth quarter delinquency report to the Board. This report compares FY 2011-12 third and fourth quarter amounts and highlights the dollar and percentage changes between them.

BACKGROUND

The CalPERS Financial Office is actively monitoring both delinquencies and the payment activity of distressed agencies. Delinquencies are defined as those receivables which are past due over 30 days. Staff currently presents monthly delinquency reports to our Executive team to keep them apprised of any issues. A list of distressed agencies has been developed to actively identify and monitor agencies that are facing financial difficulty. Staff uses various sources to compile the list of agencies, including a daily report from a municipal market research firm, analytics from a private rating firm, and various media reports.

CalPERS has established a coordinated effort through the Financial Office and the various program areas to identify delinquent employers. If a payment is late, the Financial Office contacts employers within 30 days to help agencies avoid delinquency actions. Once an employer has been identified as delinquent, staff is in regular communication with the employer to resolve the issue. If the debt remains outstanding, triggers have been established which result in delinquent notices being sent to employers after 31, 61 and 91 days. CalPERS staff is in regular communication with the employer during this process.

The Legal Office is notified of any employer account delinquent over 60 days. The Legal Office will determine if immediate action is necessary. If the account is delinquent more than 90 days, the Legal Office issues a Demand Letter and the account is transferred to the Legal Office to pursue all legal remedies.

While CalPERS actively monitors distressed agencies and employer delinquencies, a myCalPERS enhancement, scheduled for release in November 2012, will greatly improve the process by providing faster enhanced reporting capabilities for quicker identification of delinquent employers and automating the interest penalty. The enhancement will also automate the delinquent notices and administrative fee calculation which is performed on agencies that do not report payroll.

CalPERS is being proactive in our efforts to clear up all delinquencies to the system and to identify potential employers in financial distress.

ANALYSIS

This agenda item represents the FY 2011-12 Fourth Quarter Delinquency Report.

The chart below provides a detailed summary of delinquencies identified by programs and the age of the delinquency for the fourth quarter of FY 2011-12.

Delinquencies are categorized into four main areas: Health, Employer, Member, and Other. The age of delinquency categories are consistent with industry best practices.

FY 2011-12 Fourth Quarter Delinquencies					
Age of Delinquency	Health	Employer	Member	Other	Totals
31-60 Days	\$122,388	\$1,405,221	\$2,220	\$369,330	\$1,899,159
61-90 Days	247,594	193,268	0	0	440,862
91-120 Days	422,104	96,873	0	37,269	556,246
121 Days-1 Year	644,093	337,117	2,905	10,347	994,462
1-3 Years	73,801	179,897	561,977	14,491	830,166
3-5 Years	44,156	837	218,220	0	263,213
> 5 Years	14,098	69	10,405	0	24,572
Totals	\$1,568,234	\$2,213,282	\$795,727	\$431,437	\$5,008,680

Below is a brief summary outlining significant attributes related to the Fourth Quarter Delinquency Report for FY 2011-12.

- All outstanding delinquencies total \$5,008,680, a decrease of \$1,149,569 or 18.67 percent since the third quarter of FY 2011-12.
- Delinquent **Health** receivables total \$1,568,234 or about 31 percent of the total delinquencies being reported, and decreased by \$3,346,765 or 68 percent since the third quarter of FY 2011-12. All delinquent Health receivables are comprised of approximately 1,600 receivables averaging less than \$1,000 per delinquent receivable.
- Delinquent **Employer** receivables total \$2,213,282 or about 44 percent of the total delinquencies being reported, and increased by \$1,789,781 or 423 percent since the third quarter of FY 2011-12. The increase is primarily in the 31-60 days category for State Alternate Retirement Program Contributions which is a result of delayed payments from the State totaling \$1.4 million, or 63% of all Employer delinquencies. The full amount due was paid in July 2012.
- Delinquent **Member** receivables total \$795,727 or about 16 percent of the total delinquencies being reported, and increased by \$862 or 0.11 percent since the third quarter of FY 2011-12. All delinquent Member receivables are comprised of

approximately 300 receivables averaging \$2,700 per delinquent receivable.

- Delinquent **Other** receivables total \$431,437 or about 9 percent of the total delinquencies being reported, and increased by \$406,553 or 1,634 percent since the third quarter of FY 2011-12. The increase is primarily in the 31-60 days category for Administrative Accounting Invoices, which is a result of delayed payments from Blue Shield of \$327,000, representing 76% of all Other delinquencies. The amount due has since been paid.

The chart below has been prepared to provide a comparison between the delinquency totals.

Comparison of Delinquencies by Quarter					
	Health	Employer	Member	Other	Totals
FY 2011-12 Third Quarter	\$4,914,999	\$423,501	\$794,865	\$24,884	\$6,158,249
FY 2011-12 Fourth Quarter	\$1,568,234	\$2,213,282	\$795,727	\$431,437	\$5,008,680
Change (\$)	(\$3,346,765)	\$1,789,781	\$862	\$406,553	(\$1,149,569)
Change (%)	(68.09%)	422.62%	0.11%	1633.79%	(18.67%)

() denotes a negative value

It is important to note that CalPERS collects approximately \$985 million in receivables monthly. The current outstanding delinquencies represent 0.5 percent of the monthly collections.

BENEFITS/RISKS

The enterprise benefit for this quarter is that the overall outstanding delinquencies decreased by \$1,149,569 or 18.67 percent since the third quarter of FY 2011-12.

DAVE G. CORNEJO, Acting Division Chief
 Fiscal Services Division

RUSSELL G. FONG
 Acting Chief Financial Officer