



## Consent

### Agenda Item 5d

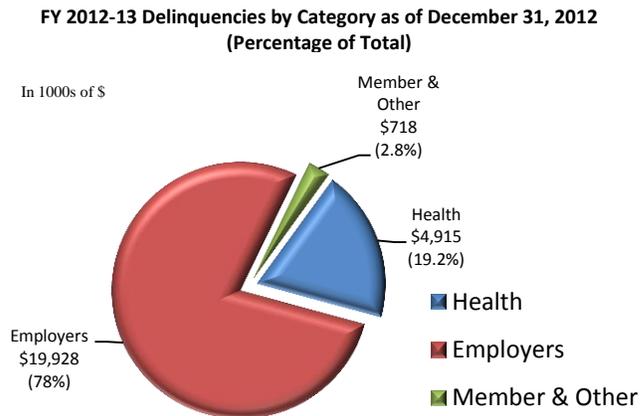
February 20, 2013

**ITEM NAME:** 2012-13 Delinquency Report

**PROGRAM:** Financial Office (FINO)

**ITEM TYPE:** Consent Information

#### EXECUTIVE SUMMARY



Delinquent receivables for the second quarter of Fiscal Year (FY) 2012-13 totaled \$25.6 million. This represents an increase of \$4.9 million (24.2%) over the first quarter of FY 2012-13.

CalPERS collects approximately \$985 million in receivables monthly. Outstanding delinquencies for the FY 2012-13 second quarter represent 2.6% of the monthly collections.

#### BACKGROUND

Prior to the FY 2011-12 year-end close process and the release of my|CalPERS, the recovery of employer contributions for the pension plan was done through the actuarial valuation process of future employer contribution rate increases, unless the program area notified the Collections Unit of the delinquency for collection action. The lack of system functionality prior to my|CalPERS did not provide for the traditional monthly collection information until the end of the fiscal year.

Receivables are categorized into four main areas: Health, Employer, Member, and Other Receivables. They are delinquent when they are 30 days past due for the Health, Member and Other category and 60 days past due from the end of the payroll period for the Employer category.

The Customer Account Services Division (CASD) is the Employer's primary point of contact. CASD is responsible for ensuring that the Payroll Reports are submitted accurately and timely. They resolve any reporting issues with the Employer. Once the payroll report is accurately submitted in my|CalPERS, FINO is responsible for the monitoring the accounts receivable.

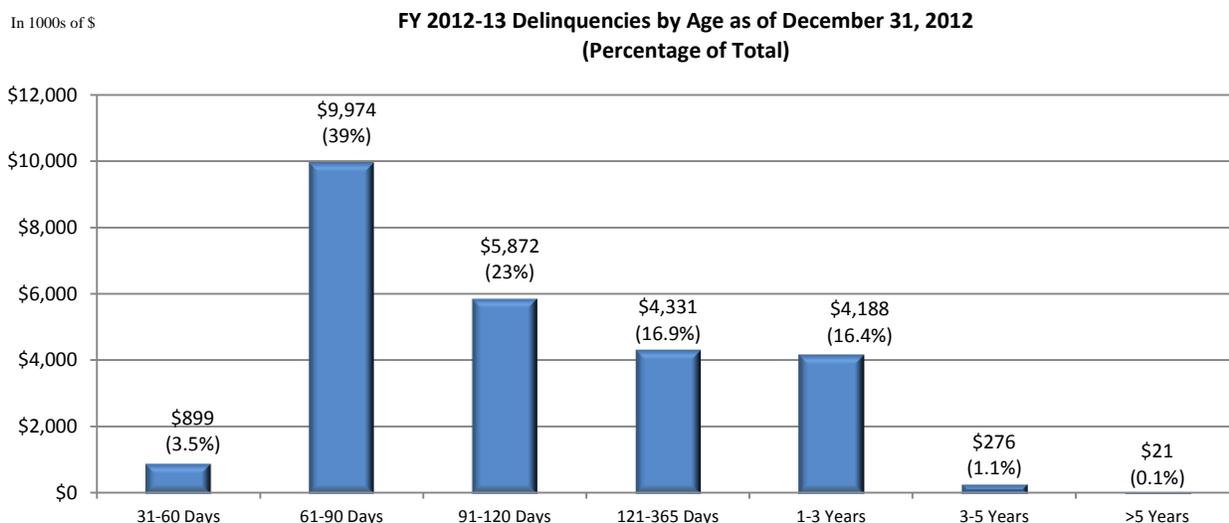
Once a payment is deemed late, FINO contacts the individual or entity responsible for the payment. Once a payment has been identified as delinquent, staff contacts the employer to notify them of the delinquency. If the debt remains outstanding, delinquent notices are sent after 31, 61, and 91 days. CalPERS Legal Office is systematically notified of any employer account delinquent over 60 days to determine the appropriate action. Accounts delinquent more than 90 days are transferred to the Legal Office to pursue all legal remedies.

New Year End Close Process

As part of the FY 2011-12 year-end close process, CalPERS implemented a new regulation requiring the Employer to pay at least 99% of the employer contribution amount for the pension plan by the end of the fiscal year. The my|CalPERS system is now designed to take this regulation into account. If an employer pays less than 99% of their total contribution at the end of each fiscal year, an accounts receivable is established for the amount of the remaining employer contribution for the pension plan. If the remaining contribution is 1% or less, then the amount due is included in the actuarial valuation.

This process helps to retain the integrity of the employer’s plan and minimizes the impact on the following year’s annual required contribution. This also ensures the funding for the employer’s plan is not delayed. CalPERS can invest the monies on a timelier basis which will assist in maintaining lower employer contributions for the pension plan and mitigating any risks of the employer contributions becoming unaffordable and potentially uncollectible.

**ANALYSIS**



Approximately 83% of the delinquent receivables are between 31 days and one year past due, and approximately 16% are between one and three years past due. Receivables over three years of age constitute roughly 1% of the total receivable amount. Compared to the second quarter of the previous fiscal year, approximately 71% of the delinquent receivables were between 31 days and one year past due, and the remaining approximately 29% were over one year past due.

**Delinquency Values by Type  
 First and Second Quarter of FY 2012-13**



- Delinquent Health receivables total \$4.9 million, representing an increase of \$2.5 million from the first quarter of FY 2012-13. This increase is a result of delays due to manual invoicing Retroactive Health Premiums and the Complementary Annuitant Premiums Program, which will be automated going forward. In comparison to the second quarter of the previous fiscal year, this represents an increase of \$3 million or 155%.
- Delinquent Employer receivables total \$19.9 million, representing an increase of \$2.7 million from the first quarter of FY 2012-13. In December 2011, the Employer receivables were tracked on an annual basis; therefore, comparison data is not available. Going forward, my|CalPERS captures year-to-year comparisons.
- Delinquent Member receivables total \$0.6 million, representing a decrease of \$148,000 from the first quarter of FY 2012-13. In comparison to the second quarter of the previous fiscal year, this represents a decrease of \$151,442 or negative 19%.
- Delinquent Other receivables total \$73,000, representing a decrease of \$22,000 from the first quarter of FY 2012-13. In comparison to the second quarter of the previous fiscal year, this represents an increase of \$45,186 or 163%.

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RUSSELL G. FONG, Chief  
 Fiscal Services Division

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CHERYL EASON  
 Chief Financial Officer