



Consent

Agenda Item 4d

April 17, 2013

ITEM NAME: Annual Discharge of Accountability for Uncollectible Debt

PROGRAM: Retirement

ITEM TYPE: Consent Information

EXECUTIVE SUMMARY

This report covers the period from February 2012 to January 2013. The total dollar amount of uncollectible debt accumulated during this period is \$144,373. In accordance with the Delegation Resolution on the Discharge of Accountability of Uncollectible Debt (Attachment A), and as none of the uncollectible debts are greater than \$20,000 and are not beyond the statutes of limitation, this item is presented to the Finance & Administration Committee for informational purposes.

STRATEGIC PLAN

This report supports Goal B of the CalPERS 2012-2017 Strategic Plan to actively manage business risks with an enterprise-wide view. The process of gaining approval for the discharge of accountability from an uncollectible debt begins only after all feasible alternatives for collection have been exhausted.

BACKGROUND

In October of 1994 and as amended in October of 2000, the California Public Employees' Retirement System's (CalPERS) Board of Administration (Board) adopted a resolution and policy authorizing the System to discharge uncollectible debts under the provisions of the California Constitution, Article XVI, Section 17 (Attachment A). The policy directs the Fiscal Services Division (FCSD) to submit an annual report to the Finance and Administration Committee detailing the number and dollar amount of all debts discharged during the year.

ANALYSIS

The policy statement requires the Finance and Administration Committee's review and Board approval to discharge from accountability for uncollectible debts greater than \$20,000 that do not involve statutes of limitation. This year, no discharge debts met the criteria for Board approval. After all feasible alternatives for collecting a debt are exhausted, discharge of accountability approval is sought based on the tiered approval process, which is detailed on the following page, as required in the policy statement.

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|---|---|
| 1. Less than \$10,000 and/or beyond the statute of limitation | Approved by the Chief of the originating division |
| 2. Between \$10,000 and \$19,999 (but not beyond statute of limitation) | Approved by the Assistant Executive Officer of the originating branch |
| 3. \$20,000 or more (but not beyond the statute of limitation) | Reviewed by Finance Committee and approved by Board of Administration |

Comparative Summary of Uncollectible Debts

	02/12-02/13		02/11-02/12		02/10 - 01/11	
	No.	Amount (\$)	No.	Amount (\$)	No.	Amount (\$)
<u>Payments Made After Payee Death¹</u>						
Statute of Limitations			11	145,524	4	3,287
Not Cost Effective to Pursue			0	0	11	10,668
Subtotal	0	0	11	145,524	15	13,955
<u>Benefit Decreases Due to Service Credit Adjustments²</u>						
	0	0	0	0	0	-
<u>Calculation Adjustments³</u>						
Statute of Limitations	34	125,242	106	1,507,119	76	779,440
Subtotal	34	125,242	106	1,507,119	76	779,440
<u>Refund Error</u>						
	0	0	0	0	0	-
<u>Miscellaneous</u>						
Statute of Limitations	11	17,845	4	7,017	3	2,190
Subtotal	11	17,845	4	7,017	3	2,190
<u>Negative Carriers</u>						
Statute of Limitations			0	0	20	4,126
Not Cost Effective to Pursue			0	0	4	176
Subtotal	0	0	0	0	24	4,302
<u>Various</u>						
Past Statute of Limitation Less than \$500	9	1,286	46 260	83,133 31,444	360	18,369
Subtotal	9	1,286	306	114,577	360	18,369
Grand Total:	54	\$144,373	427	\$1,774,237	478	\$ 818,257

¹ Due to late death report

² Including agency reporting errors

³ Due to inaccurate historical member data

In the past year, there was no uncollectible debt in Payments Made After Payee Death, Benefit Decreases Due to Service Credit Adjustments, Refund Error, and Negative Carriers.

The \$1.4 million decrease in Calculation Adjustments from Fiscal Year 2011-12 to Fiscal Year 2012-13 is due to a clean-up effort prior to implementation of my|CalPERS. The legacy systems contained inaccurate historical member data and the balances could not be collected because of the statute of limitations.

The increase in Miscellaneous is due to member refund (pension) overpayments because of incorrect employer data, benefit formula changes, and service credits. The resulting overpayments could not be collected because of statute of limitations.

The majority of the items written off relate to overpayments from balance adjustments which are no longer collectible due to the statute of limitations. A continuous effort is being made in the contribution data clean-up workload to ensure that valid data is being used in benefit adjustments. It is anticipated that the continued data cleansing and the following benefit payment adjustments may ultimately result in further discharges from accountability.

In an effort to minimize the future number and amounts discharged from accountability, procedural changes and technological enhancements, where feasible, have been put into place to minimize or eliminate the source of the erroneous payments and debts created.

ATTACHMENTS

Attachment A: Delegation Resolution

CHERYL EASON
Chief Financial Officer