



Consent

Agenda Item 4e

April 14, 2014

ITEM NAME: Annual Discharge of Accountability for Uncollectible Debt

PROGRAM: Retirement

ITEM TYPE: Consent Information

EXECUTIVE SUMMARY

This report covers the period from February 2013 to January 2014. The total dollar amount of uncollectible debt accumulated during this period is \$1,246,003. In accordance with the Delegation Resolution on the Discharge of Accountability of Uncollectible Debt (Attachment A), the uncollectible debts involve statutes of limitation and are not \$20,000 or greater, therefore this item is being presented 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 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. Discharge of accountability approval as outlined in the policy is sought based on the following:

1. Less than \$10,000 and all those beyond the statute of limitation.	Delegated to appropriate CalPERS Division Chief for recommendation with approval from Fiscal Services Division.
2. Between \$10,000 and \$19,999 that do not involve the statutes of limitation.	Delegated to appropriate Division Chief for recommendation with review by Fiscal Services Division and approval by appropriate Assistant Executive Officer.
3. \$20,000 or more that do not involve the statutes of limitation.	Delegated to Finance and Administration Committee for approval by the Board of Administration.

ANALYSIS

The policy statement requires the Finance and Administration Committee's review and Board approval to discharge from accountability for requests of uncollectible debts of \$20,000 or more and that do not involve the statutes of limitation. This year, no discharge debts met the criteria for Board approval, therefore the following data is presented for informational purposes.

Comparative Summary of Uncollectible Debts						
	Feb 2013 - Jan 2014		Feb 2012 - Jan 2013		Feb 2011 - Jan 2012	
	No.	Amt.	No.	Amt.	No.	Amt.
Payments Made After Payee Death:						
Statutes of Limitation	-	-	-	-	11	145,524
Not Cost Effective to Pursue	1	12,291	-	-	-	-
Subtotal	1	12,291	-	-	11	145,524
Calculation Adjustments:						
Statutes of Limitation	91	1,176,561	34	125,242	106	1,507,119
Subtotal	91	1,176,561	34	125,242	106	1,507,119
Various:						
Statutes of Limitation	37	54,911	11	17,845	50	90,150
Less than \$500	1,726	2,240	9	1,286	260	31,444
Subtotal	1,763	57,151	20	19,131	310	121,594
Grand Total	1,855	1,246,003	54	144,373	427	1,774,237

In 2013-14, one payment for \$12,291 was made after the Payee's death, however it was deemed to not be cost effective to pursue.

There were 91 calculation adjustments totaling \$1,176,561 which was higher than the previous reporting period due to the overall increase in the number of discharges involving the statutes of limitations.

There were 37 various receivables discharged totaling \$54,911 that involved the statutes of limitations and 1,726 receivables discharged that were less than \$500. This was due to data cleanup of receivables that averaged less than \$1 and not cost effective to pursue collection efforts. Based on an internal audit finding, 37 of these discharges were inadvertently excluded in the previous report and therefore have been included in this report.

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

Attachment I: Delegation Resolution and Statement of Policy

KRISTIN MONTGOMERY
Controller

CHERYL EASON
Chief Financial Officer