



## Consent

### Agenda Item 4g

September 16, 2014

**ITEM NAME:** Year-End Accounts Receivable Analysis Report

**PROGRAM:** Financial Office

**ITEM TYPE:** Consent Information

#### **EXECUTIVE SUMMARY**

As of June 30, 2014, CalPERS receivables totaled \$2.2 billion. The increase of \$1.4 billion since December 31, 2013, is primarily attributed to the timing of the State of California's quarterly payment of \$1.3 billion. Receivables of \$2.2 billion compared to June 2013 of \$1.7 billion represent an increase of \$4.7 million.

#### **STRATEGIC PLAN**

This report supports Goal B of the CalPERS 2012-2017 Strategic Plan to actively manage business risks with an enterprise-wide view.

#### **BACKGROUND**

Receivables are categorized and analyzed into three main areas: Employer Pension, Employer Health and Member receivables for the period of January 1 to June 30, 2014.

Receivables are considered to be delinquent when payments have not been received within 30 days from the due date. When a payment is late, the Financial Office initiates contact with the responsible party. If the payment remains outstanding, delinquent notices are sent after 31, 61 and 91 days. If the payment is delinquent more than 91 days, the Legal Office is consulted for assistance.

Per the California Public Employees' Retirement Law, Section 565.2 (a), CalPERS may charge interest to employers if an employer fails to pay at least 90 percent of its contribution payments within 30 days of the due date.

**ANALYSIS**

This chart below is a summary of receivable activity for the period of January 1, 2014 through June 30, 2014.

	Health	Pension	Member	Total
<b>Beginning balance</b>	\$ 215,683	\$ 577,266	\$ 45,579	\$ 838,528
<b>Opened</b>	\$ 1,467,752	\$ 7,476,519	\$ 54,187	\$ 8,998,458
<b>Closed/Adjusted</b>	\$ (1,443,813)	\$ (6,146,554)	\$ (51,867)	\$ (7,642,234)
<b>Ending Balance</b>	\$ 239,622	\$ 1,907,231	\$ 47,899	\$ 2,194,752

Amount (in thousands)

**Employer Health**

CalPERS' employer health receivables increased by \$24 million since December 31, 2013. The majority of this increase is attributed to the Public Agency Billing receivables, which increased by \$24.9 million. These receivables are issued monthly to public agencies for health premiums. The two main factors for the increase was the addition of thirteen new contracting agencies and a 3 percent increase in premium costs for the 2014 calendar year.

CalPERS' employer health receivables decreased \$4.6 million since June 30, 2013. The majority of this decrease is attributed to the Health Care Fund incurred loan receivables, which decreased \$9.8 million. The terms require monthly principal-only payments.

**Employer Pension**

CalPERS' employer pension receivables increased by \$1.3 billion since December 31, 2013. The increase is due to CalPERS' monthly reporting of State employee contributions, and the quarterly payment of \$1.3 billion made by the State of California. Payment timing resulted in employers remitting payment for June contributions in July 2014.

CalPERS' employer pension receivables increased \$4.3 million. This represents an immaterial increase (0.23%) since June 30, 2013.

## **Member**

CalPERS' member receivables increased by \$2.3 million since December 31, 2013. The two main reasons for the change was improved retiree benefit payment analysis and adjustments to benefit compensation, which resulted in a \$2.2 million increase since December 31, 2013. The my|CalPERS system is more stable to evaluate and analyze data and find anomalies with the information.

CalPERS' member receivables increased \$5 million since June 30, 2013. The majority of the increase is attributed to member-health receivables. This is a result of improved receivable data from my|CalPERS.

## **Delinquency**

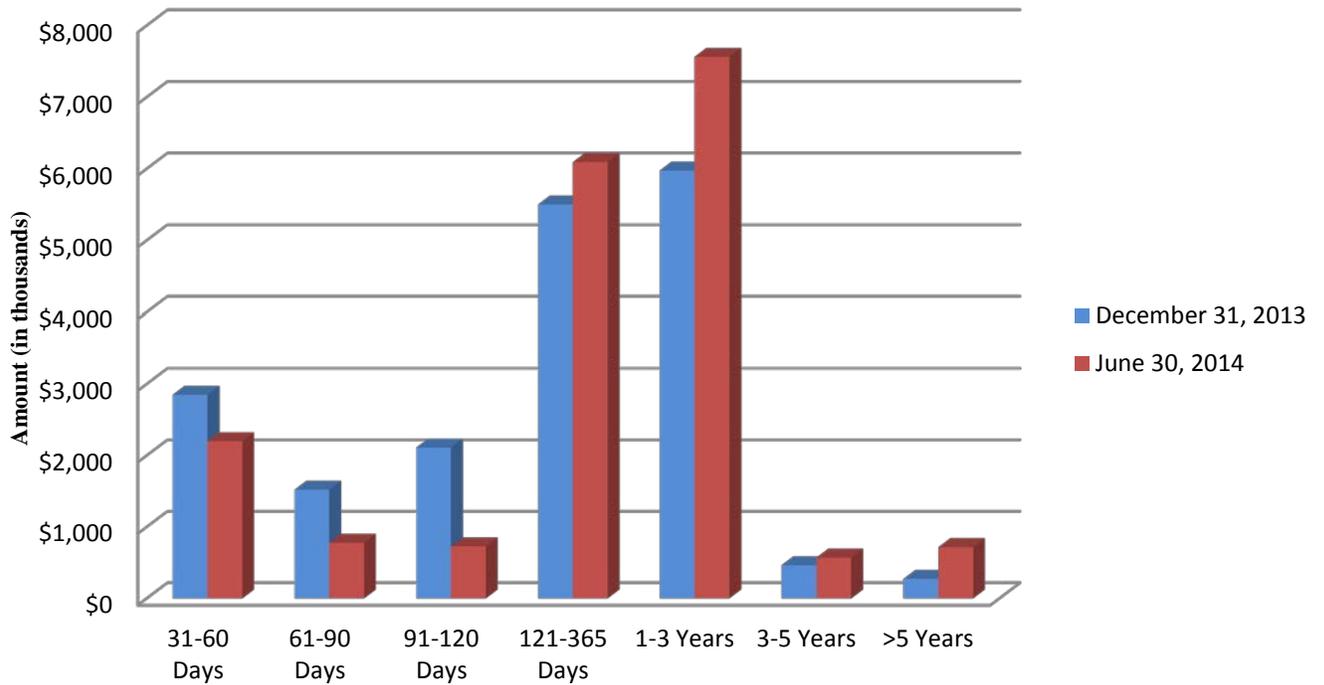
Delinquent receivables totaled \$18.7 million. Enhanced analysis of receivable data from my|CalPERS prompted a change in the categories for reporting receivable delinquency. These three new categories are Employer Pension, Employer Health, and Member Receivables. Prior to January 1, 2014, receivables were reported in four program types: Health, Employer, Member, and Other. The December 31, 2013, values have been adjusted to reflect these changes.

As of June 30, 2014, delinquent employer health receivables decreased \$219,000 since December 31, 2013, totaling \$730,000. The Public Agency Billing receivable decreased \$367,000, during this period. The decrease to Public Agency Billing receivables is based on the development of a collections management report. The collections management report assists in identifying late payment trends. This report enables CalPERS Centralized Collections Unit to proactively prioritize collection efforts prior to receivables becoming delinquent.

While employer pension receivables increased since December 31, 2013, delinquent employer pension receivables decreased \$685,000 to \$8.6 million. The Underpayment Employer Contribution receivable, which invoices employers for non-payment of payroll contributions, decreased \$2.1 million to \$616,000. Employers improved their familiarity with CalPERS system changes as well as procedures regarding the assessment of interest on delinquent retirement contributions. In addition, the development of effective management reports contributed to the decrease in the number of delinquent employer pension receivables.

As of June 30, 2014, delinquent member receivables totaled \$9.4 million, which is an increase of \$800,000 since December 31, 2013. Benefit receivables increased \$900,000. This increase is a result of improved retiree benefit payment analysis and adjustments to benefit compensation.

### FY 2013-14 Delinquencies by Age



The majority of the increase in delinquency in the greater than five years category is related to nine Benefit receivables totaling \$286,000 and forty-six Medicare Overpayment receivables totaling \$97,000. Due to the age of these receivables, they will be evaluated for write-off recommendations, based on policy guidelines.

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KRISTIN MONTGOMERY  
 Controller

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CHERYL EASON  
 Chief Financial Officer