



Consent

Agenda Item 4g

March 17, 2015

ITEM NAME: Semi-Annual Accounts Receivable Analysis Report

PROGRAM: Financial Office

ITEM TYPE: Information Consent

RECOMMENDATION

Staff recommends the approval of the consent item.

EXECUTIVE SUMMARY

As of December 31, 2014, CalPERS receivables totaled \$816 million. This is a decrease of \$1.38 billion since July 1, 2014. The majority of the decrease is attributed to cash received for prior year receivables.

STRATEGIC PLAN

This report supports Goal B of the CalPERS 2012-2017 Strategic Plan – to cultivate a high-performing, risk-intelligent and innovative organization. It specifically addresses two of the objectives under that goal – to actively manage business risks with an enterprise-wide view and to deliver superior, end-to-end customer service that is adaptive to customer needs.

BACKGROUND

Receivables are categorized and analyzed into three main areas: employer-pension, employer-health, and member receivables for the period of July 1, 2014, to December 31, 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 may be consulted for assistance.

ANALYSIS

This chart below is a summary of receivable activity for the period of July 1, 2014, through December 31, 2014.

	Employer Health	Employer Pension	Member	Total
Beginning Balance	239,622	1,907,231	47,899	2,194,752
Opened	1,446,417	6,565,422	50,147	8,061,986
Closed/Adjusted	(1,464,803)	(7,925,006)	(50,855)	(9,440,664)
Ending Balance	221,236	547,647	47,191	816,074

*Amount in thousands

Employer-Health

CalPERS' employer-health receivables decreased by \$18.4 million since July 1, 2014. The majority of the decrease in the employer-health category is attributed to receivables established for monthly health premiums. These receivables decreased from \$211 million to \$197.6 million. Historical trends indicate December Medicare and property tax disbursements to local governments result in early payments by employers.

Employer-Pension

Although contribution levels have continued to increase over the last year, employer-pension receivables have decreased \$1.4 billion since July 1, 2014. The majority of the decrease is attributed to cash received for prior year receivables. The State of California represents the largest percent of total contributions and commonly remits payments on a quarterly basis with a one month lag.

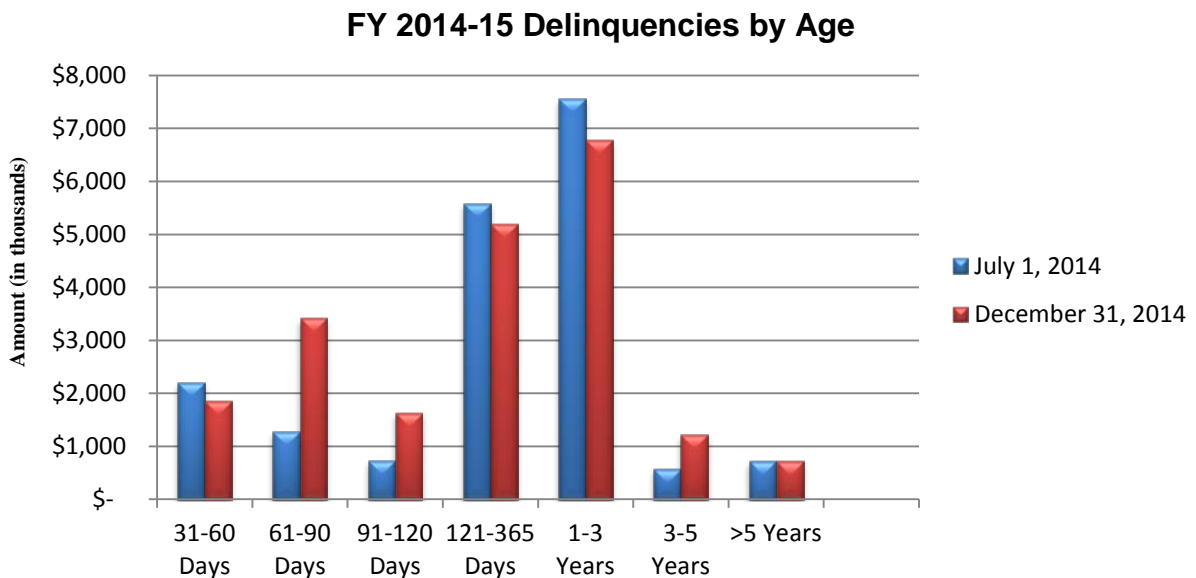
The Actuarial Office performed valuations to determine the unfunded liability over Public Agency assets in various inactive CalPERS plans. In December 2014, invoices were mailed to employers. This has resulted in an increase of \$5.1 million since July 1, 2014.

In addition, an increasing number of employers are extending the payment period for repayment of contributions for early retirement incentive programs. This has resulted in an increase of \$2.4 million since July 1, 2014.

Member

CalPERS' member receivables totaled \$47.2 million. This represents a net decrease of \$708,000 since July 1, 2014. The decrease is attributed to continued improvements to benefit payment analysis and adjustments to benefit compensation. In addition, continued improvements to the my|CalPERS system have assisted in identifying and analyzing data anomalies with member receivables and reducing the number of receivables becoming delinquent.

Delinquency



CalPERS implemented interest charges on delinquent contribution payments. This initiative improved the timeliness of contributions to the System. Since July 1, 2014, delinquent contributions have decreased by 89.7 percent from \$4.6 million to \$475,000.

In addition, FINO revised invoices to provide additional details that assist employers with their ability to reconcile member data for underreported payroll period. These changes have improved the account receivable turnover, and reduced the average collection period for the payment of contributions.

Delinquent member-health receivables increased \$1.2 million in the 61-90 and 91-120 day categories as a result of process improvements that increased the number of collectable receivables. Streamlined collections processes will reduce the temporary increase.

BUDGET AND FISCAL IMPACTS

Not Applicable

BENEFITS/RISKS

Not Applicable

KRISTIN MONTGOMERY
Controller

CHERYL EASON
Chief Financial Officer