



Agenda Item 4d

April 14, 2015

ITEM NAME: Annual Report of Discharge of Accountability for Uncollectible Debt

PROGRAM: Retirement

ITEM TYPE: Information

EXECUTIVE SUMMARY

This report covers the period from February 2014 to January 2015. The total dollar amount of uncollectible debt accumulated during this period is \$728,935. In accordance with the Delegation Resolution on the Discharge of Accountability of Uncollectible Debt (Attachment 1), 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 further amended in October 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 1). The policy directs Financial Reporting and Accounting Services Division (FRAS) 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 statutes of limitation.	Delegated to appropriate CalPERS Division Chief for recommendation with approval from FRAS.
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 FRAS and approval by appropriate Deputy Executive Officer.
3. \$20,000 or more that does not involve the statutes of limitation.	Delegated to Finance and Administration Committee for approval by the Board of Administration.

CalPERS applies the statutes of limitation to discharge uncollectible debts under the provisions of the Public Employees' Retirement Law, Article IV, Section 20164. The current practice is to discharge receivables after three years for the adjustment of errors and omissions, and 10 years in cases where payment is erroneous because of a death of a member or beneficiary.

ANALYSIS

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

Summary of Uncollectable Debts			
Reason for Overpayment	Reason For Discharge From Accountability	February 2014 to January 2015	
		Number	Amount
Payments Made After Payee Death:	Statutes of Limitation:	10	225,125
	Not Cost Effective to Pursue:	1	502
	Subtotal:	11	225,627
Calculation Adjustments:	Statutes of Limitation:	34	232,533
Miscellaneous:	Statutes of Limitation:	27	229,681
	No Source of Collection:	7	30,779
	Settlement Agreement:	1	9,751
	Less Than \$500 (GC §13943.20)	469	563
	Subtotal:	504	270,774
	Grand Total:	549	728,934

Accounts receivables were created as a result of benefit overpayments due to the delayed reporting of deceased members. Of those receivables, 10 payments in the amount of \$225,125 exceeded the statutes of limitation and were discharged. The largest receivable discharged was \$54,732, and the average receivable was \$20,512.

Thirty-four (34) accounts receivables totaling \$232,533 were a result of calculation adjustments and discharged due to the statutes of limitations. The largest receivable discharged was \$53,902, and the average receivable was \$6,839.

There were 504 miscellaneous receivables discharged totaling \$270,774. The largest dollar amounts of those receivables were discharged due to statutes of limitation. Of those receivables discharged due to statutes of limitation, the largest receivable discharged was \$92,447, and the average receivable was \$8,507. The majority of the receivables were discharged in accordance with Government Code Section 13943.20, which allows discharges of amounts \$500 or less. Due to no collection sources, 7 receivables totaling \$30,779 were discharged.

BUDGET AND FISCAL IMPACTS

Not Applicable

BENEFITS/RISKS

In an ongoing effort to mitigate future discharges from accountability, continued improvements to the my|CalPERS system have assisted in identifying and analyzing data anomalies with accounts receivables. This has reduced the number of delinquencies, therefore diminishing the number of accounts receivables subject to a discharge of accountability and improving the accuracy of CalPERS financial statements.

ATTACHMENTS

Attachment 1 – Delegation Resolution and Statement of Policy

KRISTIN MONTGOMERY
Controller

CHERYL EASON
Chief Financial Officer