



## **Consent**

### **Agenda Item 4d**

October 20, 2015

**ITEM NAME:** Semi-Annual Accounts Receivable Analysis Report

**PROGRAM:** Financial Office

**ITEM TYPE:** Information

#### **EXECUTIVE SUMMARY**

As of June 30, 2015, CalPERS' receivables totaled \$1.8 billion. This is an increase of \$1 billion since January 1, 2015. The majority of the increase is attributed to timing of State of California payment.

#### **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 in three main areas: employer-health, employer-pension, and member receivables for the period of January 1, 2015, to June 30, 2015.

Receivables are considered delinquent when payments have not been received within 30 days from the due date. When a payment is late, the Financial Office (FINO) initiates the dunning process. Delinquent notices are sent after 31, 61, and 91 days.

**ANALYSIS**

The chart below is a summary of receivable activity for the period of January 1, 2015, through June 30, 2015.

	EMPLOYER HEALTH	EMPLOYER PENSION	MEMBER	TOTAL
Beginning Balance	221,236	547,647	47,192	816,075
Opened	1,482,224	7,458,622	55,891	8,996,738
Closed/Adjusted	(1,483,952)	(6,443,859)	(55,423)	(7,983,234)
Ending	219,508	1,562,411	47,661	1,829,579

\*Amounts in Thousands

***Employer-Health***

CalPERS' employer-health receivables decreased by \$1.7 million since December 31, 2014. The majority of the decrease in this category is attributed to an improved interest penalty process for unpaid health premiums, which has resulted in more timely payments by employers.

***Employer-Pension***

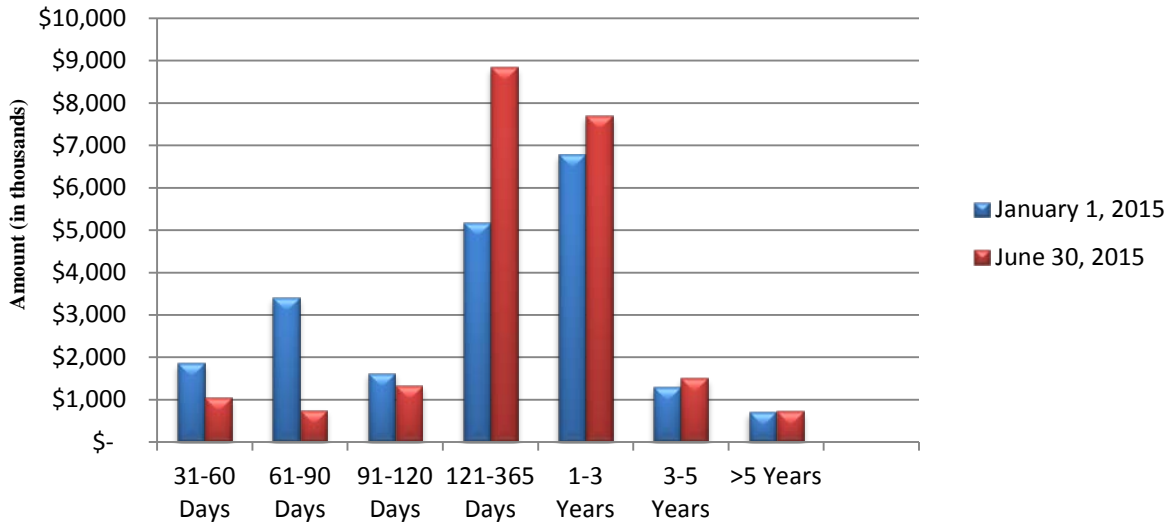
Employer-pension receivables have increased \$1 billion since December 31, 2014. This is primarily a result of the timing of State of California contribution payments. The State represents the largest percentage of total contributions and commonly remits payments on a quarterly basis with a lag. CalPERS received \$1.2 billion in State contribution payments shortly after this reporting period.

***Member***

CalPERS' member receivables totaled \$47.7 million at the end of the period. This represents a net increase of \$468,000 or less than one percent, since December 31, 2014. This is attributed to an increase in reinstatement and health benefit receivables for public agency employees. Process improvement initiatives are being developed to improve turnover for member receivables.

**Delinquency**

**FY 2014-15 Delinquencies by Age**



In the 31-60 through 91-120 day categories, delinquent employer-health receivables declined 51 percent, primarily by proactive collection efforts to contact employers prior to delinquency and the assessment of interest for late payments.

In the 121-365 day and 1-3 year categories, delinquent employer-pension receivables increased \$2.8 million. The majority of the increase is attributed to three agencies that are under review.

During the same time period, delinquent member receivables increased \$2.0 million, primarily as a result of data clean-up efforts that have temporarily increased the number of receivables. FINO streamlined the collections process by instituting automatic warrant deductions that should significantly reduce the temporary increase.

In the 3-5 years and greater than 5-years categories, actions have been taken to reduce the number of receivables and include increased emphasis on the establishment of payment plans, dedicated staff to pursue older debts, and identification of uncollectible accounts to be written-off.

**BUDGET AND FISCAL IMPACTS**

Not Applicable

**BENEFITS/RISKS**

Not Applicable

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KRISTIN MONTGOMERY  
Controller

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CHERYL EASON  
Chief Financial Officer