



## Finance and Administration Committee Agenda Item 4e

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April 19, 2016

**Item Name:** Annual Discharge of Accountability for Uncollectible Debt

**Program:** Retirement

**Item Type:** Information Consent

### **Executive Summary**

This report covers the period from February 2015 through January 2016. The total dollar amount of uncollectible debt discharged during this period was \$1,175,172. Discharge of accountability improves the accuracy of CalPERS' financial statements by removing uncollectible debts that overstate the assets of the system.

### **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**

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

The majority of these debts were based on audited payroll adjustments for periods beyond the statutes of limitation. With the addition of the audits of employers, issues will be identified earlier which may reduce the adjustment for periods beyond the statutes of limitation.

### **Analysis**

#### ***Payments Made After Payee Death***

Benefit overpayment receivables, due to the delayed reporting of deceased members, accounted for the discharge of 20 receivables, for a total of \$494,851. Thirteen or 65 percent, of the receivables, accounting for \$368,792 or 75 percent of the total dollars in this category, exceeded the statutes of limitation. CalPERS filed a lawsuit for \$115,720 against a non-member who filed for bankruptcy. The courts dismissed CalPERS lawsuit and the accounts receivable was not collectable.

#### ***Calculation Adjustments***

Calculation adjustment receivables accounted for the discharge of 122 receivables, for a total of \$470,454. One hundred twenty-one or 99 percent of the receivables, accounting for \$470,341 or 99 percent of the total dollars in this category, exceeded the statutes of limitations.

**Miscellaneous**

The majority of discharges in this category were cancellation of benefits overpayments. There were 620 miscellaneous receivables discharged, totaling \$209,867. Twenty-one of the receivables, accounting for \$208,943 or 99 percent of the total dollars in this category, exceeded the statutes of limitation. In accordance with Government Code Section 13943.20, which allows discharges of amounts \$500 or less, seventy-eight percent (597) of all miscellaneous receivables under \$4.50.

Summary of Uncollectible Debt			
Reason for Overpayment	Reason for Discharge from Accountability	February 2015 to January 2016	
		Number	Amount
<b>Payments Made After Payee Death</b>	Statutes of Limitation - Largest: \$93,364 - Average: \$28,369	13	368,792
	No Source of Collection	6	10,339
	Legal Settlement	1	115,720
	Subtotal:	20	494,851
<b>Calculation Adjustments</b>	Statutes of Limitation - Largest: \$73,705 - Average: \$3,887	121	470,341
	Less Than \$500 (GC 13943.20)	1	113
	Subtotal:	122	470,454
<b>Miscellaneous</b>	Statutes of Limitation - Largest: \$98,093 - Average: \$9,950	21	208,943
	No Source of Collection	2	869
	Less Than \$500 (GC 13943.20)	597	55
	Subtotal:	620	209,867
	Grand Total:	762	1,175,172

**Budget and Fiscal Impacts**

Not Applicable.

**Benefits and Risks**

Not Applicable.

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**KRISTIN MONTGOMERY**

Controller  
Financial Office

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**CHERYL EASON**

Chief Financial Officer

