



Finance and Administration Committee Agenda Item 4f

September 19, 2017

Item Name: Annual Discharge of Accountability for Uncollectible Debt

Program: Retirement and Health

Item Type: Information Consent

Executive Summary

This information covers the period from July 1, 2016 through June 30, 2017 and details the number and amount of accounts receivables discharged. The total dollar amount of uncollectible debt accumulated during this period was \$608,223. Discharge of accountability improves the accuracy of CalPERS' financial statements by removing uncollectible debts that overstate the assets of the system.

Strategic Plan

This is the annual report in compliance with the Board of Administration Discharge from Accountability Policy that involves member's debts related to the administration of pension and health benefits.

Background

CalPERS applies the statutes of limitation to discharge uncollectible debts under the provisions of the Public Employees' Retirement Law, Article IV, Section 20164. Member account receivables are discharged after three years for the adjustment of errors and omissions, and after 10 years in cases where payment is erroneous after a death. Other reasons for the discharge of accountability include no source of collection due the death of the member or the cost versus benefit of continued collection efforts.

Analysis

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.

During this reporting period, three hundred and ninety-three account receivables totaling \$608,223 were discharged from accountability. The largest receivable discharged due to the statute of limitations was \$52,013, and the average receivable was \$1,548.

The discharge of accountability for fifty-seven account receivables totaling \$384,090 were a result of benefit calculation adjustments. Of those receivables, fifty-one account receivables in the amount of \$356,376 exceeded the statutes of limitation and six had no other source to collect due to the member's death. For benefit calculation errors, members are responsible to repay the portion of the overpayment within the statutes of limitation.

The discharge of accountability for forty-four account receivables totaling \$154,230 were related to payments made after the member's death. Thirty-one were exceeded the statutes of limitation and thirteen had no other source to collect.

In the Miscellaneous category, one receivable in the amount of \$6,309 was written-off due to the statute of limitation. This account receivable involved the theft and forgery of a benefit warrant and CalPERS partnered with the State Controller's Office in attempt to recover and collect the monies. Two-hundred and nineteen health program account receivables less than \$500 were discharged due to the death of the member. The remaining seventy-two account receivables less than \$500 were deemed not cost effective to pursue. In all cases, the required collection efforts were performed and related collection letters were issued.

| Summary of Uncollectible Debt | | | |
|----------------------------------|--|-----------------------|-----------|
| Reason for Overpayment | Reason for Discharge from Accountability | July 2016 - June 2017 | |
| | | Number | Amount |
| Calculation Adjustments | Statutes of Limitation | 51 | \$356,376 |
| | No Source of Collection | 6 | \$27,714 |
| Payments Made After Payee Death: | Statutes of Limitation | 31 | \$125,638 |
| | No Source of Collection | 13 | \$28,592 |
| Miscellaneous | Statute of Limitation | 1 | \$6,309 |
| | Less Than \$500 (GC 13943.2) | 291 | \$63,594 |
| Total | | 393 | \$608,223 |

Budget and Fiscal Impacts

Funding availability is verified prior to the discharge of accountability.

Benefits and Risks

Not Applicable.

ATTACHMENTS

Attachment 1 – Statement of Policy - Discharge From Accountability

Kristin Montgomery

Controller
Financial Office

Marlene Timberlake D'Adamo

Interim Chief Financial Officer

