



Finance and Administration Committee

Agenda Item 5e

September 25, 2018

Item Name: Annual Discharge of Accountability for Uncollectible Debt

Program: Retirement and Health

Item Type: Information Consent

Recommendation

This agenda item covers the period from July 1, 2017 through June 30, 2018 and details the number and dollar amount of accounts receivables discharged. The total dollar amount of uncollectible debt accumulated during this period was \$2,078,634. 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 to 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. Collection efforts include written correspondences to debtors, phone calls, and validation of members' deaths through third party reporting agencies.

During this reporting period, 1,637 account receivables totaling \$2,078,634 were discharged from accountability. The most common reasons for discharge were as follows:

- 1,416 account receivables totaling were discharged due to being under \$5 and deemed not cost effective to pursue.
- 124 account receivables totaling \$1,448,624 were related to benefit calculation adjustments which were no longer collectable due to the Statute of Limitations (GC 20164).
- 48 account receivables totaling \$356,893 were related to payment made after a member's death which were no longer collectable due to the Statute of Limitations (GC 20164).

In all cases, the required collection efforts were performed and related collection letters were issued.

The table below provides a summary of the number of receivables and dollar amounts discharged. The receivables are categorized by the reason why the overpayment was created and the reasons the accounts were discharged from accountability:

Summary of Uncollectible Debt				
Reason for Overpayment	Reason for Discharge from Accountability	July 2017 - June 2018		
		Number	Amount	Percentage
Calculation Adjustments	No Source for Collection	7	\$14,771	
	Statute of Limitations (GC 20164)	124	\$1,448,624	
Sub-total		131	\$1,463,395	70.4%
Payments Made After Payee Death	Legal Settlement	2	\$12,677	
	No Source for Collection	20	\$38,099	
	Not Cost Effective to Pursue	3	\$16,729	
	Statute of Limitations (GC 20164)	48	\$356,893	
Sub-total		73	\$424,398	20.4%
Miscellaneous	Fraud	1	\$682	
	No Source for Collection	9	\$27,401	
	Not Cost Effective to Pursue	1,416	\$120	
	Statute of Limitations (GC 20164)	7	\$162,638	
Sub-total		1,433	\$190,841	9.2%
Grand Total		1,637	\$2,078,634	100%

Budget and Fiscal Impacts

None

Benefits and Risks

Discharge of accountability improves the accuracy of CalPERS' financial statements by removing uncollectible debts that overstate the assets of the system.

Attachments

Attachment 1 – Statement of Policy - Discharge from Accountability

MICHELE NIX

Controller

MARLENE TIMBERLAKE D'ADAMO

Interim Chief Financial Officer