



## Finance and Administration Committee

# Agenda Item 5e

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**September 17, 2019**

**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, 2018 through June 30, 2019 and details the number and dollar amount of accounts receivables discharged. The total dollar amount of uncollectible debt accumulated during this period was \$1,705,223. 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 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, 443 account receivables totaling \$1,705,223 were discharged from accountability. The most common reasons for discharge were as follows:

- 258 account receivables totaling \$551,783 were related to payment made after a member's death which were no longer collectible due to the Statute of Limitations(GC 20164).
- 155 account receivables totaling \$1,077,765 were related to benefit calculation adjustments which were no longer collectible due to the Statute of Limitations(GC 20164).
- 6 account receivables totaling \$30,202 were uncollectible due to fraud.

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 July 2018 - June 2019**

Reason for Overpayment	Reason for Discharge from Accountability	Number	Amount (\$)	Percentage
<b>Calculation Adjustments</b>	Legal Settlement	2	19,400	
	No Source to Collect From	1	3,428	
	Not Cost Effective to Pursue	2	581	
	Statute of Limitations (GC 20164)	155	1,077,765	
<b>Sub-total</b>		160	1,101,174	64.6%
<b>Payments Made After Payee Death</b>	No Source to Collect From	1	2,486	
	Not Cost Effective to Pursue	2	511	
	Statute of Limitations (GC 20164)	258	551,783	
<b>Sub-total</b>		261	554,780	32.5%
<b>Miscellaneous</b>	Fraud	6	30,202	
	No Source to Collect From	2	18,733	
	Not Cost Effective to Pursue	13	6	
	Statute of Limitations (GC 20164)	1	328	
<b>Sub-total</b>		22	49,269	2.9%
<b>Grand Total</b>		<b>443</b>	<b>1,705,223</b>	<b>100%</b>

**Budget and Fiscal Impacts**

There is no budgetary impact. There is a negative \$106,738 fiscal impact to the JRF I fund and a negative \$1,598,485 fiscal impact to the PERF.

**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

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Financial Office

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Michael Cohen  
Chief Financial Officer