



Finance and Administration Committee

Agenda Item 5e

September 15, 2020

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, 2019 through June 30, 2020 and details the number and dollar amount of accounts receivables discharged. The total dollar amount of uncollectible debt accumulated during this period was \$2,081,954. 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, 551 account receivables totaling \$2,081,954 were discharged from accountability. The most common reasons for discharge were as follows:

- 377 account receivables totaling \$547,251 were related to payments made after a member's death which were no longer collectible due to the Statute of Limitations (GC 20164).
- 138 account receivables totaling \$1,371,866 were related to benefit calculation adjustments which were no longer collectible due to the Statute of Limitations (GC 20164).
- 10 account receivables totaling \$35,331 were related to benefit calculation adjustments which did not have a source to collect from.

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 2019 - June 2020

Reason for Overpayment	Reason for Discharge from Accountability	Number	Amount (\$)	Percentage
Calculation Adjustments	Legal Settlement	3	42,203	
	No Source to Collect From	10	35,331	
	Not Cost Effective to Pursue	3	495	
	Statute of Limitations (GC 20164)	138	1,371,866	
	Sub-total	154	1,449,894	69.6%
Payments Made After Payee Death	Legal Settlement	2	5,326	
	No Source to Collect From	9	7,992	
	Statute of Limitations (GC 20164)	377	547,251	
	Sub-total	388	560,569	26.9%
	Refunds and Reinstatements			
	Statute of Limitations (GC 20164)	9	71,491	
	Sub-total	9	71,491	3.4%
Grand Total		551	2,081,954	100%

Table Summary: Summary of total uncollectible debt discharged from accountability in the period of July 2019 through June 2020. Column 1 is a list of the three reasons for overpayment. Column 2 is a list of the reasons for discharge from accountability for each of the three reasons from Column 1. Columns 3 and 4 provide the number and the dollar amount (including sub and grand totals), respectively, of the receivables discharged from accountability for each reason in Column 2. Column 5 is the percentage based of the total dollar amount of the receivables discharged from accountability for each of the reasons in Column 1. The table has 5 columns, 13 rows, and zero merged cells.

Budget and Fiscal Impacts

There is no budgetary impact. There is a negative \$2,081,954 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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Chief Financial Officer