



Finance and Administration Committee

Agenda Item 4d

September 20, 2022

Title: 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, 2021 through June 30, 2022 and details the number and dollar amount of accounts receivables discharged. The total dollar amount of uncollectible debt accumulated during this period was \$334,368. Discharge of accountability improves the accuracy of CalPERS' financial statements by removing uncollectible debts that overstate the assets of the system.

Strategic Plan

This item supports CalPERS organizational excellence goal by cultivating compliance. This annual report provides 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, 327 account receivables totaling \$334,368 were discharged from accountability. The most common reasons for discharge were as follows:

- 116 account receivables totaling \$48 were related to benefit calculation adjustments, which were deemed as not cost effective to pursue.
- 97 account receivables totaling \$107 were related to payments made after a member's death, which were deemed as not cost effective to pursue.
- 42 account receivables totaling \$62,701 were related to payments made after a member's death, which were no longer collectible 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 July 2021 - June 2022

Summary of Uncollectible Debt July 2021 - June 2022				
Reason for Overpayment	Reason for Discharge from Accountability	Number	Amount (\$)	Percentage
Calculation Adjustments	Not Cost Effective to Pursue	116	48	
	Statute of Limitations (GC 20164)	34	250,347	
Sub-total		150	250,395	74.9%
Payments Issued After Payee's Death	No Source to Collect From	1	13,626	
	Not Cost Effective to Pursue	97	107	
	Statute of Limitations (GC 20164)	42	62,701	
Sub-total		140	76,434	22.9%
Miscellaneous	Not Cost Effective to Pursue	31	70	
	Statute of Limitations (GC 20164)	1	6,964	
	Statute of Limitations (GC 19838 (d))	5	505	
Sub-total		37	7,539	2.2%
Grand Total		327	334,368	100%

Table Summary: Summary of total uncollectible debt discharged from accountability in the period of July 2021 through June 2022. 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 on the total dollar amount of the receivables discharged from accountability for each of the reasons in Column 1. The table has 5 columns, 11 rows, and zero merged cells.

Budget and Fiscal Impacts

There is no budgetary impact. There is a negative \$334,368 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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