Finance and Administration Committee

Agenda Item 5c

November 17, 2026

Item Name: Annual Discharge of Accounts Receivable

Program: Retirement and Health

Item Type: Action

Recommendation

This agenda item covers the period from July 1, 2025, through June 30, 2026, and details the number and dollar amount of accounts receivable discharged. The total dollar amount of uncollectible debt accumulated during this period was $2,633,732. Discharge of accountability improves the accuracy of CalPERS' financial statements by removing uncollectible debts that overstate the assets of the system.

Executive Summary

Generally Accepted Accounting Principles (GAAP) require the reporting of account receivables at their net realized value, which is the amount of cash CalPERS expects to collect. The discharge of accounts receivable is reporting and accounting for uncollectable account receivables. The annual discharge of accounts receivable ensures accounts receivable will be reported and valued as required by GAAP.

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 members' 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 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, 603 account receivables totaling $2,633,732 were discharged from accountability. The most common reasons for discharge were as follows:

- 148 account receivables totaling $2,393,712 were related to benefit calculation adjustments, which were no longer collectible due to the Statute of Limitations (GC 20164).
- 69 account receivables totaling $239,821 were related to benefit payments issued after payee's death, which were no longer collectible due to the Statute of Limitations (GC 20164).
- 386 account receivables totaling $199 were related to benefit calculation adjustments, and pursuing their collection was not cost-effective.

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 based on the reasons for the overpayments and the reasons for the account discharges.

Summary of Uncollectible Debt July 2025 - June 2026

Reason for Overpayment	Reason for Discharge from Accountability	Number	Amount ($)	Percentage
Payments Issued After Payee's Death	Statute of Limitations (GC 20164)	39	184,440	
	Not Cost Effective to Pursue	18	504	
	No Source to Collect From	12	54,877	
Sub-total		69	239,821	9.11%
Calculation Adjustments	Statute of Limitations (GC 20164)	148	2,393,712	
	Not Cost Effective to Pursue	386	199	
Sub-total		534	2,393,911	90.89%
Grand Total		**603**	**2,633,732**	**100.00%**

Table Summary: Summary of total uncollectible debt discharged from accountability in the period of July 2025 through June 2026. Column 1 is a list of the two reasons for overpayment. Column 2 is a list of the reasons for discharge from accountability for each of the two 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, 9 rows, and zero merged cells.

Budget and Fiscal Impacts

There is no budgetary impact. There is a negative $2,633,732 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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