



Finance and Administration Committee

Agenda Item 5d

September 14, 2021

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, 2020 through June 30, 2021 and details the number and dollar amount of accounts receivables discharged. The total dollar amount of uncollectible debt accumulated during this period was \$1,384,867. 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, 411 account receivables totaling \$1,384,867 were discharged from accountability. The most common reasons for discharge were as follows:

- 194 account receivables totaling \$3,948 were related to payments made after a member's death, which were deemed as not cost effective to pursue.
- 94 account receivables totaling \$134,527 were related to payments made after a member's death, which were no longer collectible due to the Statute of Limitations (GC 20164).
- 62 account receivables totaling \$768,045 were related to benefit calculation adjustments, 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 2020 - June 2021

Summary of Uncollectible Debt July 2020 - June 2021				
Reason for Overpayment	Reason for Discharge from Accountability	Number	Amount (\$)	Percentage
Calculation Adjustments	Not Cost Effective to Pursue Statute of Limitations (GC 20164)	57	62	
		62	768,045	
Sub-total		119	768,106	55.5%
Payments Issued After Payee's Death	Not Cost Effective to Pursue Statute of Limitations (GC 20164)	194	3,948	
		94	134,527	
Sub-total		288	138,475	10.0%
Miscellaneous	Not Cost Effective to Pursue Statute of Limitations (GC 20164)	1	7,799	
		3	470,486	
Sub-total		4	478,285	34.5%
Grand Total		411	1,384,867	100%

Table Summary: Summary of total uncollectible debt discharged from accountability in the period of July 2020 through June 2021. 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, 11 rows, and zero merged cells.

Budget and Fiscal Impacts

There is no budgetary impact. There is a negative \$1,384,867 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