



## Finance and Administration Committee

# Agenda Item 5d

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**November 19, 2024**

**Item Name:** Annual Discharge of Accounts Receivable

**Program:** Retirement and Health

**Item Type:** Action Consent

### **Recommendation**

This agenda item covers the period from July 1, 2023 through June 30, 2024 and details the number and dollar amount of accounts receivables discharged. The total dollar amount of uncollectible debt accumulated during this period was \$6,356,141. 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 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, 3,750 account receivables totaling \$6,356,141 were discharged from accountability. The most common reasons for discharge were as follows:

- 3,541 account receivables totaling \$5,574,103 were related to benefit payments issued after payee’s death, which were no longer collectible due to the Statute of Limitations (GC 20164).
- 135 account receivables totaling \$90 were related to benefit calculation adjustments, and pursuing their collection was not cost-effective.
- 51 account receivables totaling \$718,581 were related to benefit calculation adjustments, which were no longer collectible due to the Statute of Limitations (GC 20164).
- 15 account receivables totaling \$299,086 were related to the Legal Office Determination.

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 2023 - June 2024**

Reason for Overpayment	Reason for Discharge from Accountability	Number	Amount (\$)	Percentage
<b>Payments Issued After Payee's Death</b>	Statute of Limitations (GC 20164)	3,530	5,414,668	
	Legal Office Determination	12	174,979	
	No Source to Collect From	8	17,898	
	Not Cost Effective to Pursue	12	2,865	
Sub-total		3,562	5,610,410	88.3%
<b>Calculation Adjustments</b>	Statute of Limitations (GC 20164)	48	594,474	
	Legal Office Determination	3	124,107	
	Not Cost Effective to Pursue	135	90	
Sub-total		186	718,671	11.3%
<b>Miscellaneous</b>	Statute of Limitations (GC 20164)	2	27,061	
Sub-total		2	27,061	0.4%
<b>Grand Total</b>		<b>3,750</b>	<b>6,356,141</b>	<b>100%</b>

**Table Summary:** Summary of total uncollectible debt discharged from accountability in the period of July 2023 through June 2024. 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, 13 rows, and zero merged cells.

**Budget and Fiscal Impacts**

There is no budgetary impact. There is a negative \$6,356,141 fiscal impact to the Public Employees' Retirement Fund (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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