



## Finance and Administration Committee

# Agenda Item 3c

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**September 19, 2023**

**Title:** Annual Discharge of Accountability for Uncollectible Debt

**Program:** Retirement and Health

**Item Type:** Action Consent

### **Recommendation**

This agenda item covers the period from July 1, 2022 through June 30, 2023 and details the number and dollar amount of accounts receivables discharged. The total dollar amount of uncollectible debt accumulated during this period was \$683,832. 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, 293 account receivables totaling \$683,832 were discharged from accountability. The most common reasons for discharge were as follows:

- 148 account receivables totaling \$94 were related to benefit calculation adjustments, which were deemed as not cost effective to pursue.
- 67 account receivables totaling \$285,594 were related to benefit calculation adjustments, which were no longer collectible due to the Statute of Limitations(GC 20164).
- 51 account receivables totaling \$199,725 were related to benefit calculation adjustments, which were no longer collectible due to 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 by the reason why the overpayment was created and the reasons the accounts were discharged from accountability:

**Summary of Uncollectible Debt July 2022 - June 2023**

Reason for Overpayment	Reason for Discharge from Accountability	Number	Amount (\$)	Percentage
<b>Calculation Adjustments</b>	Legal Office Determination	51	199,725	
	No Source to Collect From	1	3,165	
	Not Cost Effective to Pursue	148	94	
	Statute of Limitations (GC 20164)	67	285,594	
Sub-total		267	488,578	71.4%
<b>Payments Issued After Payee's Death</b>	Legal Office Determination	2	147,770	
	No Source to Collect From	1	63	
	Not Cost Effective to Pursue	4	12,108	
	Statute of Limitations (GC20164)	17	34,083	
Sub-total		24	194,024	28.4%
<b>Miscellaneous</b>	Legal Office Determination	1	1,225	
	Not Cost Effective to Pursue	1	5	
Sub-total		2	1,230	0.2%
<b>Grand Total</b>		<b>293</b>	<b>683,832</b>	<b>100%</b>

**Table Summary:** Summary of total uncollectible debt discharged from accountability in the period of July 2022 through June 2023. 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, 15 rows, and zero merged cells.

**Budget and Fiscal Impacts**

There is no budgetary impact. There is a negative \$683,832 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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