



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

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### Agenda Item 14

**MEETING DATE:** January 15, 2025

**SUBJECT:** Annual Discharge of Uncollectible Receivables

**SUBMITTED FOR:**  X  Action      Information

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#### **RECOMMENDATION**

Approve the discharge of \$98,334.25 of uncollectible receivables.

#### **PURPOSE**

This item supports the Strategic Management Plan by demonstrating fiscal responsibility and stewardship and complies with Error Correction Policy reporting requirements.

#### **DISCUSSION**

Staff has prepared an initial discharge request for what will be an annual request to discharge uncollectible receivables accounts from SCERS' general ledger. Benefit overpayments due to death are the most common cause for overpayments and collection action and can be easily managed with prudent business procedure. Consequently, staff is actively working a backlog of accrued receivables as part of a multi-phase, multi-year accounts clearing project started in 2022. The total of uncollected receivables on SCERS' general ledger as of December 31, 2024, totaled \$475,305. After the initial discharge, there remains \$376,971 of accrued, uncollected benefit overpayment accounts, many of which are more than five years old.

In the past year, both the accounting and benefits departments have completed a comprehensive review of outstanding benefit overpayment accounts to decide whether to move forward with further collection efforts and/or possible discharge action when accounts are deemed uncollectible. As previously stated, most uncollectible receivables are the direct result of benefit overpayments due to death. Most commonly, it is the result of a delay in reporting the death of a retired member or a surviving spouse who was receiving a continuance; however, even a prompt notification can be cause for an overpayment because SCERS pro-rates the member's pension payment back to the date

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of death. In either case, the benefits department has an existing process to collect all overpayments, and in most cases this process is timely and successful because SCERS will reduce a future benefit stream or lump-sum death benefit due to a beneficiary by the overpayment amount. If the overpayment exceeds the amount payable to the beneficiary, SCERS will pursue recovery of the outstanding balance. SCERS processed an average of 380 death benefits annually over the last five years.

The accounts-clearing effort also created an opportunity to examine existing procedures to improve other aspects of death benefit processing. In the past year, management led a broader effort to expand business processes and enhance member services by streamlining death notification processes, increasing effective communication and death benefit payment timeliness, and adhering to compliance for resolving unclaimed benefits. The fundamental member-facing change to the death reporting process lies with a new online death reporting tool, which will be added to the scers.gov website this month. Families and significant others of the deceased will be able to access a web tool to promptly report a death and securely upload documents. Additional business process enhancements include adding supplemental third-party death notification services, documenting and updating internal procedures, focused staff training, better tracking and monitoring of uncollected accounts, reviewing and managing older cases, and greater collaboration with tax counsel on IRS guidance.

In summary, standardization of internal collection resolution has enabled staff in both the benefits and accounting departments to collate, review, and start resolving stagnant, uncollected benefit overpayments with efficiency and better understanding of process and need for timely resolution. SCERS has also partnered with the County's Division of Revenue Recovery to refer uncollected accounts for professional collection services. SCERS will also pursue uncollected accounts through small claims court or litigation as appropriate. Together, the new procedures provide the necessary means to assist management and counsel with a prudent process to collect or discharge benefit overpayments.

## **DISCHARGE REQUEST**

In accordance with the SCERS Error Correction Policy, the Chief Executive Officer and Chief Operations Officer are responsible for annual reporting and discharge of uncollectible benefit overpayments. Using the new protocols and with the assistance of SCERS' General Counsel, management has deemed 35 accounts uncollectable due to a variety of often overlapping factors, such as the passage of time, the cost of recovery, the amount of the debt, and the ability to identify, locate and pursue a culpable debtor. The days outstanding for the recommended accounts range from 1,127 to 6,789 days with an average of 2,809 days. Therefore, staff is requesting the discharge of the following uncollectible receivables from the general ledger:

Summary of Dischargeable Accrued Account Receivables				
Range	\$0 - \$1,000	\$1,001 - \$5,000	\$5,001 and over	Total
# Accounts	18	11	6	35
Total	\$7,977	\$19,322	\$71,024	\$98,334

**ATTACHMENT**

- Board Order

Prepared by:

/S/

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Margo Allen  
Chief Operations Officer

Reviewed by:

/S/

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Eric Stern  
Chief Executive Officer



# Retirement Board Order

## Sacramento County Employees' Retirement System

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Before the Board of Retirement  
January 15, 2025

AGENDA ITEM:

### Annual Discharge of Uncollectible Receivables

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to approve the discharge of \$98,334.25 of uncollectible receivables.

I HEREBY CERTIFY that the above order was passed and adopted on January 15, 2025, by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:

(Present but not voting)

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James Diepenbrock  
Board President

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Eric Stern  
Chief Executive Officer and  
Board Secretary