



## Risk and Audit Committee

# Agenda Item 6a

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**September 14, 2021**

**Item Name:** Review of CalPERS Internal Audit 19-001, Review of Death Benefit Overpayment Receivables

**Program:** Office of Audit Services

**Item Type:** Information

### **Executive Summary**

The purpose of this item is to discuss the Office of Audit Services' internal Review of Death Benefit Overpayment Receivables.

### **Strategic Plan**

This item supports the CalPERS 2017-22 Strategic Plan Goal: *Cultivate a risk-intelligent organization* and the strategic objective of providing enhanced compliance and risk functions throughout the enterprise.

### **Background**

The Office of Audit Services completed an internal Review of Death Benefit Receivables and issued a report dated June 3, 2021. The objective of the review was to evaluate the effectiveness of controls over the death benefit overpayment receivables. The review was conducted in accordance with the International Standards for the Professional Practice of Auditing.

### **Analysis**

The Disability and Survivor Benefits Division (DSBD) determines eligibility for death benefits and processes payments to beneficiaries and survivors of deceased CalPERS active members and retirees. DSBD relies on personal notifications to CalPERS of member deaths, e.g. spouses, relatives, friends, employer, etc., and on death match vendors that collect vital statistics from various sources to identify additional member deaths across the country and world. Benefits issued to an annuitant after their date of death are deemed no longer payable and a receivable is recorded on the decedent's account in the amount of the overpaid benefits. According to Government Code sections 21267 and 21510, payments issued by direct deposit or warrant after the date of death of the benefit recipient shall be refunded to the retirement system. DSBD attempts to recoup overpayments from financial institutions at the time the death is reported to

CalPERS and if unsuccessful, DSBD collects the receivable amount from beneficiaries and survivors when processing death benefit claims. DSBD submits recommendations to the Financial Office to discharge accountability for uncollectible receivables typically due to no source from which to collect the overpayment, or expiration of the statute of limitations.

### **Budget and Fiscal Impacts**

Not Applicable

### **Benefits and Risks**

DSBD implementing the corrective actions resulting from the review findings will mitigate the risk of undetected deaths, compliance risks with SAM section 8776 related to accurately and timely recording of a receivable, overpayment collections and discharge from accountability. Additionally, the corrective actions will improve the reliability of CalPERS financial reporting according to Generally Accepted Accounting Principles.

### **Attachments**

Attachment 1 – Review of Death Benefit Overpayment Receivables

Attachment 2 – Review of Death Benefit Overpayment Receivables Memo

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