STATE OF CALIFORNIA
BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

DELEGATION RESOLUTION
Delegation No: 04-01-AESD

Subject: Temporary Delegation Resolution for Rate Restructuring for fiscal year 2004-2005 for Public Agency Employers.

WHEREAS, The California Constitution provides that the Board of Administration (Board) of the California Public Employees' Retirement System (CalPERS) has the sole and exclusive authority for the administration of CalPERS, including the provision of all actuarial services.

WHEREAS, The California Constitution provides that the Board must discharge its duties with respect to CalPERS solely in the interest of, and for the exclusive purposes of providing benefits to participants and their beneficiaries; minimizing employer contributions to CalPERS; and defraying reasonable administrative expenses.

WHEREAS, The California Constitution provides that the Board's duty to CalPERS participants and beneficiaries shall take precedence over all other duties.

WHEREAS, In furtherance of its sole and exclusive duty to make actuarial determinations under the California Constitution, the Board has hired a Chief Actuary to advise the Board and to direct the activities of the Board's professional actuarial staff.

WHEREAS, There are approximately 2,000 retirement plans currently being administered by CalPERS on behalf of the public agencies that have elected to contract with CalPERS for retirement system coverage for their employees.

WHEREAS, The Board's Chief Actuary has advised the Board that some public agency employers have severe budget crises for fiscal year 2004-2005.

WHEREAS, These budget crises may threaten the ability of public agencies to pay employer contributions and thus jeopardize the rights of CalPERS members to receive their full schedule of benefits.

WHEREAS, The Board's Chief Actuary has recommended criteria to the Board to evaluate granting public agency employers' applications for a restructure of their employer contributions for fiscal year 2004-2005.

WHEREAS, The rate restructure would allow those public agency employers whose applications were approved to pay a lower employer contribution to CalPERS in fiscal year 2004-2005 but would require a greater employer contribution in fiscal year 2007-2008 and thereafter.

WHEREAS, The recommended criteria include a requirement that the rate restructure would not be used to help fund an increase in pension benefits effective between May 1, 2004 and June 30, 2005, with the sole exception of a golden handshake early retirement incentive, unless the increase was the result of a final written agreement that existed prior to April 30, 2004 with a recognized employee organization.

WHEREAS, The Board's Chief Actuary has advised the Board that public agency employers should not be granted a restructure of their employer contributions for fiscal year 2004-2005 if they do not satisfy all the criteria.

WHEREAS, The Board's Chief Actuary has advised the Board that the public agency employers who satisfy all the criteria should not be granted a rate restructure unless, in his opinion, it will not jeopardize the actuarial soundness of the plan whose employer's rate is being restructured.

THEREFORE, BE IT RESOLVED THAT,

The Board of Administration (Board) of the California Public Employees' Retirement System (CalPERS) has determined that some Public Agency Employers have severe budget crises for fiscal year 2004-2005 and has further determined that a Public Agency Employer may apply for rate restructuring for fiscal year 2004-2005 but that the application will not be granted unless all of the following criteria are satisfied and unless the Board's Chief Actuary has opined that the requested rate restructuring will not jeopardize the actuarial soundness of the plan whose employer's rate is being restructured:

A. Certification:
The employer must certify in writing, and provide documentation and such other evidence as the Chief Actuary may require, that they and a majority of the employees (or recognized employee organizations

which represent a majority of the employees) have satisfied all of the following criteria necessary to obtain rate restructuring:

(1) They are acting jointly to request rate restructuring and they agree to the amount of relief being requested.

(2) That, without the requested employer contribution rate restructuring, the employer will experience a severe budget crisis during fiscal 2004-2005.

(3) The employer has already requested and obtained all rate restructuring currently available to them under Board policy, including the extension to 30 year amortization of the plan's unfunded liability.

(4) The employer has completely explored and analyzed the use of pension obligation bonds or other means of obtaining the funds necessary to make the actuarially required contribution.

(5) They understand the financial consequences of the employer contributing less than the contribution for fiscal 2004-2005 as set forth in the June 30, 2002 actuarial valuation report.

(6) They are not requesting rate restructuring to help fund an increase in pension benefits effective between May 1, 2004 and June 30, 2005, with the sole exception of a golden handshake early retirement incentive, unless such increase was the result of a final written agreement that existed prior to April 30, 2004 with a recognized employee organization.

(7) The employer reasonably expects to be able to make the restructured payments for fiscal 2004-2005 and the increased employer contributions for fiscal 2007-2008 and thereafter.

B. Application:

(1) The employer's application and all required certifications for rate restructuring for fiscal 2004-2005 must be received by the CalPERS actuarial staff no later than close of business on June 15, 2004.

C. Period and amount:

(1) The rate restructuring will apply only to the fiscal 2004-2005 required contribution without further action by the CalPERS Board.

(2) The employer contribution (in dollars) required to be paid during fiscal 2004-2005 will in no case be less than the employer contribution (in dollars) required to be paid during fiscal 2003-2004 plus 20% of the increase in required contributions for fiscal 2004-2005. This will in no way prevent employers from contributing more than this required minimum.

D. Required Criteria and Chief Actuary's Opinion:
   (1) The employer's application for rate restructuring will not be granted unless all the above criteria are satisfied and unless, in the opinion of the Chief Actuary, the rate restructuring will not jeopardize the actuarial soundness of the plan whose employer's rate is being restructured.

E. Chief Actuary's Regular Reports to the Board:
   (1) The Chief Actuary will regularly report to the Board on the status of the delegation, including reports of applications received and granted.

The Board delegates to its Chief Actuary the authority to implement this Resolution.

This Resolution shall be effective immediately upon adoption and shall, without further action by the Board, expire at midnight on June 30, 2005.

I hereby certify that on the ____ day of _______ 2004, the Board of Administration of the California Public Employees' Retirement System, made and adopted the foregoing Resolution.

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SEAN HARRIGAN, PRESIDENT
BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES RETIREMENT SYSTEM

I understand and accept this delegation.

Dated:

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RON SEELING, CHIEF ACTUARY
BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES RETIREMENT SYSTEM