

STATE OF CALIFORNIA
BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

RESOLUTION

No. 04-02-AESD

Subject: **Phasing-Out the Difference in Employer's Contribution Rates Upon Joining the Risk Pooling Structure.**

WHEREAS, 1. In accordance with Government Code section 20120, the Board of Administration of the California Public Employees' Retirement System (the "Board") is vested with the management and control of the Public Employees' Retirement System (the "System").

WHEREAS, 2. Under Article XVI, section 17 of the California Constitution (the "Constitution"), the Board has plenary authority and fiduciary responsibility for the investment of monies and administration of the System. The Constitution also vests the Board with the sole and exclusive power to provide for the actuarial services in order to assure the competency of the System.

WHEREAS, 3. In furtherance of its sole and exclusive duty to make actuarial determinations under Section 17, the Board has hired a Chief Actuary to advise the Board and to direct the activities of the Board's professional actuarial staff.

WHEREAS, 4. Also in furtherance of this sole and exclusive duty to make actuarial determinations, the CalPERS Board has retained the services of an outside consulting actuarial firm, to review the work of the Board's actuarial staff and to certify that such work satisfies professional actuarial standards.

WHEREAS, 5. Both the Board's Chief Actuary and its consulting actuary have advised the Board to adopt specific written policies regarding the actuarial practices that are most prudent for the Systems.

NOW, THEREFORE, BE IT RESOLVED:

The Chief Actuary shall establish a phase out of the difference between a plans' pooled total contribution rate calculated in the risk pooling structure and the individual employer's plan's total contribution rate calculated as a stand-alone plan outside of the risk pooling structure. The difference between these two rates shall be phased out over a period of five years upon the time when an existing public agency rate plan joins the risk pool structure for the first time.

The five year phase out of the difference in contribution rates will be established only once (at the time of joining the risk pool structure). The phase-out shall begin with the actuarial valuation at the time of joining the pool. The phase out of the difference shall not be affected by subsequent changes in benefits or changes in demographics.

When setting employer contribution rates for employers participating in a risk pool, the five year phase out shall be accomplished as follows:

- First full year and the initial partial year (if any), 100% of the difference is added (if the employer's contribution rate in the pool is less than the individual employer's total rate outside of pooling) or subtracted (if the employer's contribution rate in the pool is greater than the individual employer's total rate outside of pooling) to the pool's rate to determine the employer's rate.
- Second full year, 80% of the difference is added/subtracted to the pool's rate to determine the employer's rate.
- Third full year, 60% of the difference is added/subtracted to the pool's rate to determine the employer's rate.
- Fourth full year, 40% of the difference is added/subtracted to the pool's rate to determine the employer's rate.
- Fifth full year, 20% of the difference is added/subtracted to the pool's rate to determine the employer's rate.
- Thereafter year, the phase out is over and the rate plan is subject to the pool's rate.

This Resolution applies to all employers joining risk pooling for the first time for a member classification based on an actuarial valuation dated on or after June 13, 2012.

This Resolution shall be effective immediately upon adoption.

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I hereby certify that the foregoing Resolution was originally made and adopted on the 16th day of June, 2004, and was amended on the 13th day of June 2012, by the Board of Administration of the California Public Employees' Retirement System.

ROB FECKNER, PRESIDENT
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM