

STATE OF CALIFORNIA  
BOARD OF ADMINISTRATION  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

RESOLUTION

No. 03-04-AESD

Subject: **Criteria To Establish The Classification Of Optional Benefits Available In Risk Pools**

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:

Upon implementation of the risk pool structure at CalPERS, the Chief actuary shall assign each existing optional benefit to one of the classifications in accordance with the following criteria:

- (a) Class 1 benefits shall be the optional benefits meeting the following criteria:
- Impact the ongoing cost (either total or employer normal cost) of the risk pool by more than 0.25% of payroll; or
  - The benefit is not available to all plans participating in the risk pool.

(b) Class 2 benefits shall be the optional benefits, other than Class 1 benefits, meeting the following criteria:

- No impact on the ongoing cost (normal cost) of the risk pool; and
- Provide a one time increase in benefit with an identifiable increase in accrued liabilities.

(c) Class 3 benefits shall be the optional benefits meeting the following criteria:

- Impact the ongoing cost (normal cost) of the risk pool by no more than 0.25% of payroll

When new benefits become available as a result of legislation, the Chief actuary will determine their classification in accordance with the criteria established in this Board policy.

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I hereby certify that on the 18th day of June, 2003 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  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM