



Pension & Health Benefits Committee

California Public Employees' Retirement System

Consent

Agenda Item 3c

November 14, 2012

ITEM NAME: CalPERS Appointee to the California Actuarial Advisory Panel

PROGRAM: Pension

ITEM TYPE: Action Consent

RECOMMENDATION

Staff recommends that the Board of Administration reappoint Alan Milligan, Chief Actuary, as the CalPERS representative to the California Actuarial Advisory Panel for another three-year term.

EXECUTIVE SUMMARY

The California Actuarial Advisory Panel was created in 2009 and is composed of eight members; each must be an actuary. One panelist must be appointed by the Board of Administration of the Public Employees' Retirement System. Alan Milligan is the current appointee after joining the panel in April of 2010. His current term expired December 31, 2011. He has continued to serve on the panel in the absence of another appointee. We are recommending that his term be extended for three years.

STRATEGIC PLAN

This agenda item supports CalPERS Strategic plan objective to engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs. By re-appointing him as a panelist, the Chief Actuary remains involved in actuarial policy development and best practices in all areas of public pension topics.

BACKGROUND

Senate Bill 1123 of the 2007-2008 Session added Government Code Section 7507.2 that created the California Actuarial Advisory Panel. The panel provides impartial and independent information on pensions, other postemployment benefits, and best practices to public agencies and meets quarterly. The responsibilities of the California Actuarial Advisory Panel include, but are not limited to:

1. Defining the range of actuarial model policies and best practices for public retirement plan benefits, including pensions and other postemployment benefits.

2. Developing pricing and disclosure standards for California public sector benefit improvements.
3. Developing quality control standards for California public sector actuaries.
4. Gathering model funding policies and practices.
5. Replying to policy questions from public retirement systems in California.
6. Providing comment upon request by public agencies.

The California Actuarial Advisory Panel consists of eight members. Each member must be an actuary. Members are appointed by the entities listed below, and each member serves a three-year term. The Governor appoints two panelists, and one panelist is appointed by each of the following:

1. The Teachers' Retirement Board.
2. The Board of Administration of the Public Employees' Retirement System.
3. The State Association of County Retirement Systems.
4. The Board of Regents of the University of California.
5. The Speaker of the Assembly.
6. The Senate Committee on Rules.

The California Actuarial Advisory Panel is located in the Controller's office, which provides support staff to the panel. The opinions of the California Actuarial Advisory Panel are nonbinding and advisory only. The opinions of the panel are not used as a basis for any litigation. The California Actuarial Advisory Panel reports to the Legislature on or before February 1 of each year.

ANALYSIS

In February 2009, the Board appointed Ron Seeling, the Chief Actuary, as CalPERS representative. On April 2010, the Board appointed Alan Milligan, the interim and subsequent Chief Actuary replacing Ron Seeling, as the CalPERS representative.

During his term, Mr. Milligan has acted as the chair of the California Actuarial Advisory Panel. Over the last two years, the California Actuarial Advisory Panel has been actively involved in reviewing model disclosures and model funding policies in California. The following documents have been released during Mr. Milligan's term:

- Adopted and published *Model Disclosure Elements for Actuarial Valuation Reports on Public Retirement Systems in California*
- Released a draft of the *Model Actuarial Funding Policies and Practices for Public Pension and OPEB Plans*

Mr. Milligan's term expired on December 31, 2011. We are recommending that his term be extended for three years.

BENEFITS/RISKS

The CalPERS Board is required by law to appoint an actuary to the California Actuarial Advisory Panel. Failure to do so would be in contravention to the Government Code.

The benefits of this appointment are that an individual knowledgeable about CalPERS and its members and employers will be placed on the panel with an opportunity to ensure that the unique nature of CalPERS is appropriately addressed in all deliberating of the Panel.

The risks of appointing someone other than a CalPERS actuary is that CalPERS would be represented by someone that may not fully understand the implications that decisions and or opinions made by the Panel could have on CalPERS pension and health programs.

ATTACHMENTS

None

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Actuarial Office

ANN BOYNTON
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Benefit Programs Policy and Planning