STATE OF CALIFORNIA
BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

RESOLUTION

No. 05-01-AESD

Subject: **Actuarial Policies - Employer Rate Stabilization Policy**

WHEREAS, 1. On November 3, 1992, the people of the state of California passed Proposition 162, which amended Article XVI, section 17 of the California Constitution ("Section 17"), granting the CalPERS Board of Administration plenary authority and fiduciary responsibility for investment of moneys, providing for actuarial services, and administration of the Public Employees' Retirement System, the Judges' Retirement Systems, the Legislators' Retirement System, and the Volunteer Firefighters' Length of Service Award System (collectively "the Systems").

WHEREAS, 2. Section 17 requires the CalPERS Board to exercise its responsibility with respect to the Systems, subject to continuing fiduciary duties and specifies that the duty to participants and their beneficiaries takes precedence over any other duty.

WHEREAS, 3. The provisions of Section 17 expressly supersede any contrary provision of law or the Constitution.

WHEREAS, 4. Section 17 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, 5. 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, 6. 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, 7. 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.

WHEREAS, 8. The Board’s Chief Actuary has advised the Board that volatility in employer contribution rates may harm the financial strength of employers and hence jeopardize the rights of members and their beneficiaries to receive all of their scheduled benefits.

WHEREAS, 9. The Board’s Chief Actuary has advised the Board that changing the Board’s policy of actuarial asset valuation method in its policy No. 95-05C (as provided in Exhibit A), would not have a materially adverse impact on the actuarial soundness of the System and would not harm the security of the benefits of members and their beneficiaries.

WHEREAS, 10. The Board’s Chief Actuary has advised the Board that changing the Board’s policy of amortization methods in its policy No. ACT-96-05E (as provided in Exhibit B), would not have a materially adverse impact on the actuarial soundness of the System and would not harm the security of the benefits of members and their beneficiaries.

WHEREAS, 11. The Board’s Chief Actuary has advised the Board that adopting a new Board policy to smooth employer contribution rates, as provided in the proposed policy No. 05-02-AESD (as provided in Exhibit C), would further reduce the volatility in employer contribution rates and improve the preservation and advancement of the funded status.

NOW, THEREFORE, BE IT RESOLVED:

(A) It is the policy of the CalPERS Board to utilize professionally accepted actuarial methods to help reduce volatility and help stabilize employer contribution rates.

(B) To adopt the revised Board policy of actuarial asset valuation method No. 95-05C (Rev.), (Exhibit A) to calculate the actuarial value of assets to spread the market value asset gains and losses over 15 years as opposed to the current 3 years and to change the corridor limits for the actuarial value of assets from 90%-110% of market value to 80%-120% of market value.

(C) To adopt the revised Board policy of amortization methods No. ACT-96-05E (Rev.) (Exhibit B) to calculate the annual contribution amount with regard to gains and losses as a rolling 30 year amortization of al remaining unamortized gains or losses as oposed to the current 10% of such gains and losses and to eliminate (B)(6) from the policy which is obolete language regarding the amortization of the State plans' unfunded liability.

(D) To adopt new Board policy No. 05-02-AESD (Exhibit C) to impose a minimum employer contribution rate equal to the employer normal cost minus a 30 year amortization of surplus, if any.

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I hereby certify that on the 20th day of April, 2005 the Board of Administration of the California Public Employees' Retirement System, made and adopted the foregoing Resolution.

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