

Resolution 05-02-AESD (Rev.)  
Smoothing Employer Contribution Rates

STATE OF CALIFORNIA  
BOARD OF ADMINISTRATION  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

RESOLUTION

No. 05-02-AESD (Rev)

Subject: **Actuarial Policies - Smoothing Employer Contribution Rates**

- 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").~~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 actuarial services in order to assure the competency of the System~~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~~In furtherance of its sole and exclusive duty to make actuarial determination, the Board has hired a Chief Actuary to advise the Board and to direct the activities of the System's professional actuarial staff.

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WHEREAS, 4. ~~Also in furtherance of its sole and exclusive duty to make actuarial determinations, the Board has retained the services of an outside consulting actuarial firm to review the work of the System's actuarial staff and to certify that such work satisfies professional actuarial standards~~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, 75. 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:

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

That when the Board modifies the actuarial Actuarial valuation Valuation of asset Asset method Method Policy or modifies the Amortization and smoothing methods & Smoothing Policy to smooth out the impact of gains and losses on employer contribution rates, it shall consider all of the following:

- The impact on the preservation/advancement of funded status
- The impact on the estimated volatility of the annual change in employer contribution rates
- The impact on the estimated average employer contribution rate
- The likelihood of high level of employer contribution rates in any given year
- The likelihood of large changes in employer contribution rate in any given year
- ~~Compliance with Generally Accepted Accounting Principles~~

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To impose a minimum employer contribution rate equal to the employer normal cost minus a 30 year amortization of surplus. ~~In order to further reduce the volatility in employer contribution rates and to improve the preservation/advancement of funded status,~~ Beginning with the June 30, 2004 actuarial valuations, the employer contribution rates for non-pooled plans and for risk pools, will not be less than a rate equal to the employer normal cost minus the payment for a 30 year amortization of any surplus.

\* \* \* \* \*

I hereby certify that the foregoing Resolution was originally made and adopted on the 20<sup>th</sup> day of April, 2005, and was amended on the 15th day of April, 2013, by 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