



Consent

Agenda Item 4c

June 18, 2013

ITEM NAME: Proposed Changes to the Actuarial Classification Series

PROGRAM: Pension

ITEM TYPE: Information Consent

EXECUTIVE SUMMARY

CalPERS and four other State departments employing actuaries are concerned with the classification and compensation plan currently in place for State actuaries. The outdated classifications and compensation hinder the departments' ability to recruit skilled candidates. Compensation for CalPERS actuarial classifications is currently below the fifth percentile in the market. The Department of Insurance will be presenting the Professional Actuarial Classifications and Actuarial Salary Analysis Proposal to CalHR. If approved, the proposal is expected to improve the recruitment and retention of talented actuaries in state service including CalPERS by modifying the actuarial classification structure and compensation.

STRATEGIC PLAN

The Professional Actuarial Classifications and Actuarial Salary Analysis Proposal support Goal B of the 2012-17 Strategic Plan in cultivating a high-performing, risk-intelligent and innovative organization. The proposal provides a means to recruit and retain highly skilled actuaries that will benefit CalPERS and its stakeholders.

BACKGROUND

Due to concern about the classification and compensation for state actuaries, CalPERS and four other State departments hired an outside consultant and conducted a classification study of California State actuarial classifications. The departments participating were:

- The California Public Employees' Retirement System (CalPERS),
- The California Department of Insurance (CDI),
- The California State Teachers' Retirement System (CalSTRS),
- The California Department of Managed Health Care (DMHC), and
- The California State Compensation Insurance Fund (SCIF).

The following issues were identified with the current system:

- Outdated classifications and associated minimum qualifications hinder the agencies' ability to recruit skilled candidates in today's market.
- The salary structure fails to adequately compensate individuals as they progress through the rigorous exam process leading to status as a fully-qualified, recognized professional in the field of Actuarial Science.
- The salary structure fails to adequately compensate the more experienced individuals who are often lured away by other employers. Years of practice and knowledge of departmental programs make experienced actuaries vital in providing quality service because they are unique assets to their employing agencies.
- No entry-level actuarial classification is readily available to all State agencies.
- No uniform actuarial series is available for use by all State agencies.

ANALYSIS

Traditionally, State departments using the Actuarial series of classifications experienced difficulty recruiting professionally qualified candidates with a highly advanced mathematical background and the desired experience. There is a high degree of competition with private firms offering higher salaries for similar work. In addition, normal civil service recruitment efforts do not compete with the aggressive recruitment efforts made in the private industry.

CalPERS Actuarial Office (ACTO) has continually experienced difficulty recruiting for Senior and Associate Pension Actuary positions. Over the last four years, it has taken, on average, more than 10 months to fill job postings. These recruitment times would have been even longer if CalPERS had not contracted with a recruiting firm. One of the recent successful recruitments was from outside the country. Job postings generated only an average of four applications per position. Two positions were filled within three months because the candidates were current CalPERS ACTO employees.

CalPERS has had some success in developing its own actuaries through the Actuarial Study Program and the Society of Actuaries exam process which, on average takes several years to complete. However, CalPERS cannot rely solely upon this process to produce actuaries in the short-term or guarantee the process will provide new actuaries when needed. CalPERS needs to hire additional actuaries as a result of the Public Employees' Pension Reform Act and changes to reporting standards set by the Government Accounting Standards Board. Without adjustments to the actuarial classification series and compensation, it is likely that CalPERS will not be able to hire staff with adequate skills to do this additional work in a timely fashion.

Because of recruitment difficulties, most State departments who have ongoing needs for expert actuarial services contract with consulting actuaries in order to meet demands. This results in the State incurring high costs for actuarial services. Private firms draw qualified actuarial professionals because of their attractive salaries. In order for civil service classifications to be competitive with private industry, and to retain current experienced actuaries, the State must offer competitive salaries.

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