



Agenda Item 3b

October 14, 2014

ITEM NAME: California Actuarial Advisory Committee Appointment

PROGRAM: Actuarial Office

ITEM TYPE: Action Consent

RECOMMENDATION

Staff recommends that the Board of Administration appoint its Deputy Chief Actuary, David Lamoureux, as the next CalPERS representative to the California Actuarial Advisory (Committee) Panel for a three-year term beginning January 1, 2015.

EXECUTIVE SUMMARY

The California Actuarial Advisory Panel (CAAP) was created in 2009 and is comprised of eight actuaries. 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 second term expires on December 31, 2014. We are recommending that the Board appoint David Lamoureux, CalPERS Deputy Chief Actuary as the new CalPERS representative.

STRATEGIC PLAN

This agenda item supports CalPERS Strategic plan for engaging in state and national policy development to enhance long-term sustainability and effectiveness of our programs. By appointing David Lamoureux as a panelist, CalPERS remains involved in actuarial policy development and best practices in public pension topics.

BACKGROUND

Senate Bill 1123 of the 2007-08 Session added Government Code Section 7507.2 that created the California Actuarial Advisory Panel (CAAP). The panel provides impartial and independent information on pensions, other post employment benefits, and best practices to public agencies and other interested parties. The opinions of the CAAP are nonbinding and advisory only.

The CAAP is located in, and has been supported by the State Controller's office. The panel consists of eight members. Each member must be an actuary. Members generally serve a three-year term. The Governor appoints two panelists, and one panelist is appointed by each of the following six agencies:

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

ANALYSIS

The CAAP's ongoing work includes assisting the Governor and legislature regarding pension and other post employment benefits (OPEB) issues. The CAPP replies to questions from public retirement systems and public agencies in California. The panel is currently working on developing quality control standards for California public sector actuarial work. The following influential documents are some that have been released during Mr. Milligan's term:

- Adopted and published; "*Model Disclosure Elements for Actuarial Valuation Reports on Public Retirement Systems in California*"
- Adopted and published; "*Model Actuarial Funding Policies and Practices for Public Pension and OPEB Plans*"
- Adopted and published; "*Actuarial Funding Policies and Practices for benefit Changes in Public Pension and OPEB Plans*"

Given that Mr. Milligan's term will expire on December 31, this year, the Board needs to either appoint Mr. Milligan for another term, or appoint someone new. Staff is recommending David Lamoureux be nominated as the next appointee by the CalPERS Board.

BENEFITS/RISKS

The benefits of this appointment are threefold. First, David Lamoureux is knowledgeable about CalPERS programs, its members and employers. Second, he will be placed on the panel with an opportunity to ensure that the unique nature of CalPERS is appropriately addressed in all deliberations of the Panel. Third, the appointment would also enhance workforce infrastructure, including knowledge transfer and management succession planning.

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 benefit programs. Failure to appoint someone would be in contravention to Government Code Section 7507.2.

ALAN MILLIGAN
Chief Actuary