



## Agenda Item 9a

February 17, 2016

**ITEM NAME:** Actuarial Policies Framework Review

**PROGRAM:** Actuarial Office

**ITEM TYPE:** Information

### **EXECUTIVE SUMMARY**

This agenda item provides an overview of staff's recommended plan and approach to review and consolidate all actuarial policies. The purpose of this project is to ensure consistency with actuarial and policy management best practices.

### **STRATEGIC PLAN**

This agenda item supports the following strategic plan goals:

- Goal A – Actively manage and assess funding risk through an asset liability management framework to guide investment strategy and actuarial policy.
- Goal B – Cultivate a high-performing, risk-intelligent and innovative organization.

### **BACKGROUND**

The Actuarial Office reviews all CalPERS policies on a four year cycle, in coordination with the review of the Asset Liability Management assumptions. The last comprehensive review of actuarial policies was brought before the Pension and Health Benefits Committee at its December 13, 2011 meeting. Since that time, new policies and suggested revisions have been brought to the Board on a flow basis, as CalPERS' business needs have continued to evolve.

The current review cycle will follow a collaborative review process, involving subject matter experts from across CalPERS, including actuarial, compliance, investment, strategy and performance, financial, and legal staff. Employer and employee organizations will also be consulted regarding the changes and approach.

Recommendations were developed based on the following criteria:

- Clearly align policies with delegations of authority.
- Maintain consistency with actuarial and policy management best practices.
- Effectively meet the business needs of key internal business partners.
- Implement a standardized policy template, for completeness and ease of reference.

## **ANALYSIS**

Based on a review of the existing actuarial policies and delegations, staff will implement the following approach over the next several months:

### **Policy Consolidation**

In conducting the review of Actuarial Policies, staff identified the opportunity to consolidate the existing actuarial resolutions and methodologies approved by the Board from 16 current policies down to five. The consolidation of these documents into a standardized policy format will streamline actuarial administration and oversight, improve consistency and is in-line with governance best practices. Staff's proposal for consolidation among other policies is outlined in the following attachments:

- Attachment 1 – Actuarial Delegations, Resolutions & Policies: Current State
- Attachment 2 – Actuarial Delegations & Policies: Path Forward
- Attachment 3 – Actuarial Delegations & Policies: Future State

Over the next several months, these five “unified” policies will be presented to the Finance and Administration Committee for information and approval, consistent with the Board's delegation to the Finance and Administration Committee. Upon approval of each new actuarial policy, the prior versions of the policies that were combined into the new policy will be retired by staff. Over the course of the policy review project, staff will ensure consistency with the delegations of authority.

### **Delegations**

If delegations of authority changes are required for the Finance and Administration Committee or the Chief Executive Officer, they will be brought forward during the annual delegation review process.

## **BUDGET AND FISCAL IMPACTS**

Not applicable.

## **BENEFITS/RISKS**

The proposed approach has the following benefits:

- Consolidating related requirements into a single document will streamline the administration and oversight of these requirements, while minimizing risk of error.
- Converting the out-of-date “resolution” format into a standardized policy template will streamline the policy revision process and improve readability, without affecting the Board's oversight and approval of these policies.
- Aligning CalPERS policies and delegations will strengthen CalPERS governance framework, avoid potential confusion and ensure that authority and responsibilities are clearly defined.

**ATTACHMENTS**

- Attachment 1 – Actuarial Delegations, Resolutions & Policies: Current State
- Attachment 2 – Actuarial Delegations & Policies: Path Forward
- Attachment 3 – Actuarial Delegations & Policies: Future State

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