Funding Stability Directive

ACTO Directive

Introduction	Unfunded Liabilities are subject to the CalPERS Board amortization policy currently in place. (ACT-96-05E). Having different amortization schedules for an employer could potentially create problems for the proper funding of the plan or create contribution volatility for employers. It could also result in violation of accounting standards or could result in anomalies like a negative payment with a positive balance.
Directive	At the discretion of the Chief Actuary, when an agency is faced with significant increases or decreases in amortization payments and it is desired to smooth out the funding volatility, the Chief Actuary can direct the rebalancing of amortization payments as long as the overall funding of the plan is not materially affected. The measure of whether a plan is materially affected will be if the interest paid under the rebalanced amortization structure is less than the interest paid under the original structure. This interest savings implies a shorter duration of the unfunded payments. The intent of the rebalancing is to reduce the volatility of employer contributions without impacting the overall funding of the plan or increasing the duration of the unfunded payments.
Reference	Refer to ACTO policy ACT-96-05E for amortization policies.
Effective Date	1/1/2015
Directive Date	12/12/14
Who is affected	All public agencies are affected by this directive.

Directive Writer

Kerry Worgan - (916) 795-0003

File Location:
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Approval

Signature		
Title, Date	Alan Milligan, Chief Actuary	Date