

STATE OF CALIFORNIA
BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

RESOLUTION

No. 95-05B

Subject: **Actuarial Policies - Funding Method**

WHEREAS, 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 System, the Legislators' Retirement System, and the Volunteer Firefighters' Length of Service Award (collectively "the Systems").

WHEREAS, Section 17 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, The provisions of Section 17 expressly supersede any contrary provision of law or the Constitution.

WHEREAS, In furtherance of its sole and exclusive duty to make actuarial determinations under Section 17, the CalPERS Board has hired a Chief Actuary to advise the Board and to direct the activities of the Board's professional actuarial staff.

WHEREAS, 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, Both the CalPERS 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, (A) It is the policy of the CalPERS Board to seek to achieve inter-generational equity in the funding of benefits — that is, to fairly allocate the costs of public employee retirement benefits to the

generation of taxpayers who benefit from the services of those public employees.

- RESOLVED, (B) To accomplish this goal, it is the CalPERS Board's policy to use the ***Entry Age Normal*** funding method.
- RESOLVED, (C) That the Board's Chief Actuary is directed to report to the Board those instances where an exception to the Entry Age Normal funding method is appropriate, and to make a recommendation as to an alternative funding method.
- RESOLVED, (D) That any exception to the Entry Age Normal funding method shall require Board approval.
- RESOLVED, (E) That this Resolution shall be effective immediately upon adoption.

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I hereby certify that on the 17th day of May, 1995 the Board of Administration of the California Public Employees' Retirement System, made and adopted the foregoing Resolution.

WILLIAM DALE CRIST, PRESIDENT
BOARD OF ADMINISTRATION, PUBLIC
EMPLOYEES' RETIREMENT SYSTEM