

STATE OF CALIFORNIA
BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

RESOLUTION

No. 05-02-AESD (Rev)

Subject: **Actuarial Policies - Smoothing Employer Contribution Rates**

- WHEREAS, 1. In accordance with Government Code section 20120, the Board of Administration of the California Public Employees' Retirement System (the "Board") is vested with the management and control of the Public Employees' Retirement System (the "System").
- WHEREAS, 2. Under Article XVI, section 17 of the California Constitution (the "Constitution"), the Board has plenary authority and fiduciary responsibility for the investment of monies and administration of the System. The Constitution also vests the Board with the sole and exclusive power to provide for actuarial services in order to assure the competency of the System.
- WHEREAS, 3. In furtherance of its sole and exclusive duty to make actuarial determination, the Board has hired a Chief Actuary to advise the Board and to direct the activities of the System's professional actuarial staff.
- WHEREAS, 4. Also in furtherance of its sole and exclusive duty to make actuarial determinations, the Board has retained the services of an outside consulting actuarial firm to review the work of the System's actuarial staff and to certify that such work satisfies actuarial standards of practice.
- WHEREAS, 5. The Board's Chief Actuary has advised the Board to adopt specific written policies regarding the actuarial practices that are most prudent for the System.

NOW, THEREFORE, BE IT RESOLVED:

It is the policy of the Board to use professionally accepted actuarial methods to help reduce volatility and help stabilize employer contribution rates.

That when the Board modifies amortization and smoothing methods, it shall consider all of the following:

- The impact on the preservation/advancement of funded status
- The impact on the estimated volatility of the annual change in employer contribution rates
- The impact on the estimated average employer contribution rate
- The likelihood of high levels of employer contribution rates in any given year
- The likelihood of large changes in employer contribution rates in any given year

Beginning with the June 30, 2013 actuarial valuations the employer contribution rates will not be less than a rate equal to the employer normal cost minus the payment for a 30 year amortization of any surplus.

* * * * *

I hereby certify that the foregoing Resolution was originally made and adopted on the 20th day of April 2005, was amended on the 17th day of April 2013, and was further amended on the 21st day of May 2014 by the Board of Administration of the California Public Employees' Retirement System.

ROB FECKNER, PRESIDENT
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES'
RETIREMENT SYSTEM