



Finance and Administration Committee Agenda Item 9a

April 19, 2016

Item Name: Review of Actuarial Assumptions Policy (First Reading)

Program: Actuarial Reporting

Item Type: Information

Executive Summary

This agenda item is the first reading of staff's consolidation of two Board Resolutions, Actuarial Assumptions ACT-95-05D and the Adjustment of Actuarial Factors Used in the Administration of Benefits ACT-98-001. In addition to consolidating the policies, staff performed a comprehensive review of the policies and made no material changes. The new Assumptions Policy includes the same general content as the past policies.

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. 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 have emerged, most notable the Funding Risk Mitigation Policy and other suggested revisions and directives have been brought to the Board as necessary as CalPERS' business needs have continued to evolve. The purpose of this review is to consolidate similar policies and ensure consistency with actuarial and policy management best practices.

This review has followed a collaborative process, involving subject matter experts from across CalPERS, including actuarial, compliance, investment, strategy and performance, financial, and legal staff.

Analysis

The changes recommended are simply a consolidation of two current policies. The Actuarial Assumptions (95-05D) policy and the Adjustment of Actuarial Factors Used in the Administration of Benefits (98-001) policy have been consolidated into the proposed Actuarial Assumptions Policy. There are no material changes from the previous policies. Copies of the two current and proposed policies are included as Attachments 1, 2 and 3 respectively. There will be no change to the current requirement that an experience study be performed every four years for the purpose of determining assumptions.

Budget and Fiscal Impacts

Not applicable

Benefits and Risks

There are no risks as there are no material changes.

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 to the delegations will strengthen CalPERS governance framework, avoid potential confusion and ensure that authority and responsibilities are clearly defined.

Attachments

Attachment 1 – Actuarial Assumptions (95-05D): Current State

Attachment 2 – Adjustment of Actuarial Factors Used in the Administration of Benefits (98-001):
Current State

Attachment 3 – Actuarial Assumption Policy - New Policy

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