Board of Administration
Agenda Item 5d

September 21, 2016

Item Name: Rescind Actuarial Delegations and Resolutions

Program: Actuarial Office

Item Type: Action Consent

Recommendation
Rescind the following Delegation Resolutions previously granted from the Board to the Chief Actuary:
- Delegation Resolution for Termination of Public Agency's Contract (EXEC-11-01)
- Load for Mortality Fluctuation (ACT-11-02)
- Delegation Resolution for setting Actuarial Assumptions to be Used in Calculating Actuarial Liabilities at the Time of Contract Termination and for the Annual Valuation on the Terminated Agency Pool (ACT-11-04)

Rescind the following Resolutions and Policies previously approved by the Board:
- Amortization and Smoothing Policy (ACT-96-05E Rev.)
- Smoothing Employer Contribution Rates (05-02-AESD Rev.)
- Funding Method (95-05B)
- Funding Method for Survivor Benefit Program (AESD-97-02)
- 30 Year Amortization Extension Policy Guidelines

Executive Summary
This agenda item clarifies the Board's delegations of authority and retires several Board resolutions that have been superseded by the recently approved Actuarial Cost Method Policy and Amortization Policy.

Strategic Plan
This agenda item supports strategic plan goal B: Cultivate a high-performing, risk-intelligent and innovative organization.

Background
At its September 17, 2014 meeting, the CalPERS Board approved a revision to the executive management reporting structure, establishing the Chief Executive Officer (CEO) as the Board's sole direct report. Conforming changes to the CEO's Delegation Resolution from the Board were adopted at the March 14, 2016 Board Governance Committee meeting, to ensure the CEO has the necessary delegated authority under the new management reporting structure.

At the Finance and Administration Committee's February 17, 2016 meeting, the Actuarial Office, in coordination with the Enterprise Compliance Division, presented a policy consolidation and delegation alignment project. The goals of this project are to update and streamline actuarial policies and ensure that all actuarial delegations are appropriately aligned with the new management reporting structure. As part of this review, staff identified three delegations that the Board had previously granted directly to the Chief Actuary. These delegations are:

- Delegation Resolution for Termination of Public Agency's Contract (EXEC-11-01)
- Load for Mortality Fluctuation (ACT-11-02)
- Delegation Resolution for setting Actuarial Assumptions to be Used in Calculating Actuarial Liabilities at the Time of Contract Termination and for the Annual Valuation on the Terminated Agency Pool (ACT-11-04)

In implementing the policy consolidation recommendations approved by the Board, staff presented the Actuarial Cost Method Policy and Amortization Policy, which were approved at the Finance and Administration Committee's April 19, 2016 meeting. The following Board-approved resolutions and policies are superseded by the new Actuarial Cost Method Policy and Amortization Policy:

- Amortization and Smoothing Policy (ACT-96-05E Rev.)
- Smoothing Employer Contribution Rates (05-02-AESD Rev.)
- Funding Method (95-05B)
- Funding Method for Survivor Benefit Program (AESD-97-02)
- 30 Year Amortization Extension Policy Guidelines

Analysis

Although the retirement of the above delegations, resolutions and policies may seem to be clearly implied by the Board's recent actions, staff considers it advisable and consistent with best practice to create a formal record of rescission, to prevent potential ambiguity as to the Board's intent.

Budget and Fiscal Impacts

Not applicable.

Benefits and Risks

This agenda item mitigates potential litigation and compliance risks, by establishing an unambiguous record of the Board's intent with respect to the above policies and delegations.

Attachments

Attachment 1 – Delegation Resolution for Termination of Public Agency's Contract (EXEC-11-01)
Attachment 2 – Load for Mortality Fluctuation (ACT-11-02)
Attachment 3 – Delegation Resolution for setting Actuarial Assumptions to be Used in Calculating Actuarial Liabilities at the Time of Contract Termination and for the Annual Valuation on the Terminated Agency Pool (ACT-11-04)
Attachment 4 – Amortization and Smoothing Policy (ACT-96-05E Rev.)
Attachment 5 – Smoothing Employer Contribution Rates (05-02-AESD Rev.)
Attachment 6 – Funding Method (95-05B)
Attachment 7 – Funding Method for Survivor Benefit Program (AESD-97-02)
Attachment 8 – 30 Year Amortization Extension Policy Guidelines

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