Finance and Administration Committee
Agenda Item 8a

December 20, 2016

Item Name: Actuarial Contribution Allocation Policy (First Reading)

Program: Actuarial

Item Type: Information

Executive Summary
This agenda item is the first reading of staff's consolidation of existing Board Resolutions, actuarial policies and actuarial practices relating to contribution allocation. In addition to consolidating into a single policy, staff performed a comprehensive review of the policies and made no material changes. The new policy includes the same general content as the past policies and practices.

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
In February of 2016, the Actuarial Office submitted a recommended plan to consolidate all actuarial policies. Recommendations were developed based on the following criteria:

- Clearly align policies with delegations of authority
- Maintain consistency with actuarial and policy management best practices
- Effectively meet the business needs of key internal business partners
- Implement a standardized policy template, for completeness and ease of reference

The purpose of this review is to consolidate related similar policies and ensure consistency with actuarial policies and the new policy management framework. This review followed a collaborative process, involving subject matter experts from across CalPERS, including actuarial, compliance, investment, strategy and performance, financial, and legal staff. This is the fourth consolidation of policies presented by the actuarial office.

Analysis
The changes recommended are a consolidation of five current policies/resolutions and two Board approved practices of the Actuarial Office. There are no material changes from the previous policies. Copies of the references and the proposed policy are included as Attachments 1 through 8 respectively.

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- Converting the out-of-date "resolution" format into a standardized policy template will streamline the policy revision process and improve readability, without affecting the Board's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
The table below lists the policies, references, and to which plans the policies apply.

Attachment 1 –	Actuarial Asset Valuation Method (95-05C Rev 4/17/13.): Applies to all plans
Attachment 2 –	List of Available Risk Pools (03-03-AESD 5/21/14): Applies to pooled public agencies
Attachment 3 –	Allocation of Pool's Unfunded Accrued Liability (ACT-14-01 5/21/2014): Applies to pooled public agencies
Attachment 4 –	Phasing-Out the Difference in Employer's Contribution Rates Upon Joining the Risk Pooling Structure (04-02-AESD Rev.5/21/2014): Applies to pooled public agencies
Attachment 5 –	Changes to Pension Risk Pools due to PEPRA (Dollar billing) (FAC Item 5a, 5/21/14): Applies to all public agencies
Attachment 6 –	Employer Contributions in Excess of Actuarially Determined Rate (ACT-99-03-5/21/14.): Applies to all public agencies
Attachment 7 –	Actuarial Valuation Policy on Recognition of Plan Design Changes for the State Plans (Item 3b, August 17, 2010): Applies to State plans
Attachment 8 –	Contribution Allocation Policy: New Policy

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