STATE OF CALIFORNIA
BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES’ RETIREMENT SYSTEM

RESOLUTION

No. ACT-14-01

Subject: Actuarial Policies – Allocation of Pool’s Unfunded Accrued Liability

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 determinations under Section 17, 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:

(A) It is the policy of the Board to ensure equity within the risk pools by allocating the pools unfunded accrued liability in a manner that treats each employer fairly and that maintains benefit security for the members of the
System while minimizing substantial variations in employer contribution rates.

(B) To accomplish this goal, the Board hereby adopts an Unfunded Accrued Liability allocation method specifically as follows:

(1) For the June 30, 2013 actuarial valuation only, individual plans within a risk pool will be allocated their share of the pool’s unfunded accrued liability established on or before June 30, 2012 based on their share of the pool’s liability, net of side fund.

(2) Commencing with the June 30, 2013 actuarial valuations, allocate the change in unfunded accrued liability for the pool due to benefit changes to individual plans within the pool based on the actual increase in liability for that plan that resulted from the benefit change. This section applies to benefit changes provided either on a voluntary basis by the employer or mandated by the California Legislature. The change in unfunded accrued liability from benefit changes assigned to each plan will be amortized as specified in the Board’s Amortization and Smoothing Policy (ACT-96-05E). This provision does not apply to Class 3 benefits.

(3) Commencing with the June 30, 2013 actuarial valuation, allocate the change in unfunded accrued liability for the pool due to investment gains/losses to individual plans within the pool based on the plan’s share of the pool’s assets. The change in unfunded accrued liability due to investment gains/losses assigned to each plan will be amortized as specified in the Board’s Amortization and Smoothing Policy (ACT-96-05E).

(4) Commencing with the June 30, 2013 actuarial valuation, allocate the change in unfunded accrued liability for the pool due to non-investment related gains/losses to individual plans within the pool based on the plan’s share of the pool’s liability. The change in unfunded accrued liability assigned to each plan due to non-investment gains/losses will be amortized as specified in the Board’s Amortization and Smoothing Policy (ACT-96-05E).

(5) Commencing with the June 30, 2013 actuarial valuation, allocate the change in unfunded accrued liability for the pool due to changes in actuarial assumptions/methods to individual plans within the pool based on the plan’s share of the pool’s liability. The change in unfunded accrued liability assigned to each plan due to changes in actuarial assumptions/methods will be amortized as specified in the Board’s Amortization and Smoothing Policy (ACT-96-05E).
(C) This Resolution shall be effective immediately upon adoption.

* * * * * * * *

I hereby certify that on the 21st day of May 2014 the Board of Administration of the California Public Employees' Retirement System, made and adopted the foregoing Resolution.

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