



Finance and Administration Committee Agenda Item 4b

February 14, 2017

Item Name: California Actuarial Advisory Committee Appointment

Program: Actuarial

Item Type: Action Consent

Recommendation

Appoint Scott Terando, Chief Actuary as the CalPERS representative to the California Actuarial Advisory Panel (CAAP) for the remainder of the three-year term ending December 31, 2017.

Executive Summary

The California Actuarial Advisory Panel (CAAP) was created in 2009 and is comprised of eight actuaries. One panelist must be appointed by the Board of Administration of the Public Employees' Retirement System (the Board). In 2014, the Board appointed David Lamoureux, then the CalPERS Deputy Chief Actuary, to serve a three-year term on the CAAP beginning January 1, 2015. Mr. Lamoureux has since left CalPERS, vacated his CAAP appointment, and now serves on the CAAP as the appointee of the Teachers' Retirement Board. We are recommending that the Board appoint Scott Terando, CalPERS Chief Actuary, to fill the vacancy for the remainder of the term.

Strategic Plan

This agenda item supports CalPERS Strategic plan for engaging in state and national policy development to enhance long-term sustainability and effectiveness of our programs. By appointing Scott Terando as a panelist, CalPERS remains involved in actuarial policy development and best practices in public pension topics.

Background

Senate Bill 1123 of the 2007-08 Session added Government Code Section 7507.2, which created the California Actuarial Advisory Panel (CAAP). The CAAP provides impartial and independent information on pensions, other post-employment benefits, and best practices to public agencies and other interested parties. The opinions of the CAAP are nonbinding and advisory only.

The CAAP is located in, and is supported by the State Controller's office. The CAAP consists of eight members. Each member must be an experienced public sector actuary who has attained the designation of Associate or Fellow of the Society of Actuaries. Members generally serve a three-year term. The Governor appoints two panelists, and one panelist is appointed by each of the following:

1. The Teachers' Retirement Board
2. The Board of Administration of the Public Employees' Retirement System
3. The State Association of County Retirement Systems
4. The Board of Regents of the University of California
5. The Speaker of the Assembly
6. The Senate Committee on Rules

Analysis

The ongoing work of the CAAP includes assisting the Governor and legislature regarding pension and other post-employment benefits (OPEB) issues. The CAAP also replies to questions from public retirement systems and public agencies.

Given that there is a vacancy on the CAAP created when the Deputy Chief Actuary resigned from CalPERS and vacated his seat on the CAAP, the Board needs to either appoint the Chief Actuary or appoint another actuary. Staff is recommending Scott Terando be nominated by the Board to fill the vacancy for the remainder of the term, which ends December 31, 2017.

Benefits and Risks

The benefit of this appointment is that Scott Terando is knowledgeable about CalPERS programs, its members and employers. He will be placed on the CAAP with an opportunity to ensure that the unique nature of CalPERS is appropriately addressed in all deliberations of the CAAP.

The risks of appointing someone other than a CalPERS actuary is that CalPERS would be represented by someone that may not fully understand the implications that decisions and or opinions made by the CAAP could have on CalPERS pension and health benefit programs. Failure to appoint someone would be in contravention to Government Code Section 7507.2.

Marcie Frost

Chief Executive Officer