10) Request up to a 30-year Extension due to Severe Financial Hardship

The following guidelines are for evaluating requests by employers for a reamortization of its unfunded liability. If granted, the unfunded liability shall be amortized as a level dollar amount over a period not to exceed 30 years. These guidelines are not meant to be exclusive and additional facts or criteria may be examined where deemed necessary by the Chief Actuary prior to approval or denial of extension requests:

a) Evidence of a need for rate relief consisting of:
   1) A statement of hardship from the employer;
   2) A statement that the employer has notified employees or employee groups of the request for an extension of the employer's amortization period; and
   3) A statement that the employer is aware of the potential for a reduction in benefits in the event that the employer terminates the plan without providing continuation of funding that would be adequate to fully fund the liabilities upon termination.

b) Evidence that the extension will, in fact provide rate relief – that is if the current net amortization period is already nearly 30 years, then extending to 30 years will not produce measurable rate relief and is unwarranted.

c) Evidence that the reductions in the employer rate will produce no long-term harm to the employer's plan, including:
   1) A review of the plan's future cash flows to ensure that benefit payments and refunds are not jeopardized in any way;
   2) A review of future funded status of the plan;
   3) A review of the plan's funded status on a termination basis i.e. in the event that the employer terminates the plan (as current State law allows) to determine if the plan's assets will be sufficient in the future to cover all plan termination liabilities without any reduction in benefits. If the plan's assets will not be sufficient, other factors will be considered on a case by case basis based on the specific facts and circumstances of each request, including without limitation, the likelihood of the employer terminating its contract, the employer's ability to provide continuation of funding at termination, whether annual contributions continue to and are projected to continue to exceed benefits paid to retirees and beneficiaries, and/or whether the rate relief would have a material impact on the plan's funded status.

d) A request for extension will be approved only if the Chief Actuary determines that approval would not constitute a breach of the Board's fiduciary duties or violate applicable tax laws.

e) If it is known that employer contributions are expected to increase in the next few years, the Chief Actuary will ascertain how the agency plans to provide for such anticipated future rate increases.

f) Any request for an extension shall be submitted to CalPERS on or before May 31st prior to the beginning of the fiscal year for which the employer contribution rate would be recalculated, and CalPERS shall grant or deny the request no later than June 30 prior to the beginning of the fiscal year for which the employer contribution rate would be recalculated.

g) Additional facts or criteria may be examined where deemed necessary by the Chief Actuary.

h) Annually, the Chief Actuary will report to the Board actions taken pursuant to these guidelines.