

# Joint Informational Hearing

## Senate LPE&R and Assembly PE&R Committees

February 13, 2019

### **What is the California Actuarial Advisory Panel (CAAP)?**

The California Actuarial Advisory Panel (CAAP) was created with the passage of California Senate Bill 1123 in 2008 and consists of eight public sector actuaries appointed by public officeholders and agencies. The appointees generally serve terms of three years. The Governor appoints two of the panelists. In addition, one panelist is appointed by each of following:

- The Teachers' Retirement Board;
- The Board of Administration of the Public Employees' Retirement System;
- The State Association of County Retirement Systems;
- The Board of Regents of the University of California;
- The Speaker of the Assembly; and
- The Senate Committee on Rules.

Pursuant to California Government Code section 7507.2(2):

“... the panel shall provide impartial and independent information on pensions, other post-employment benefits, and best practices to public agencies....”

Since 2008, the CAAP has issued guidance on model disclosure elements for actuarial valuation reports, guidance on funding policies for public pension and OPEB plans and commented on several proposals for changes to Actuarial Standards or Practice. When requested, the CAAP has provided guidance and comments to the state and other public agencies in California. Annually, the CAAP also assists California retirement systems by providing the PEPRA compensation limit.

The CAAP is located in the State Controller's office, which also provides support staff to the panel.

### **CalPERS Disclosure Requirements as per Government Code Section 20229**

Government Code Section 20229 requires that the CalPERS Board provide annually to the Legislature, the Governor and the Chair of the CAAP a report that includes specific calculations related to funding levels and contribution rates for the state employee pension plans. Specifically, Section 20229 requires CalPERS to provide information on the impact on funding levels and contribution rates if the investment return assumption was either increased or decreased by 2 percent. Section 20229 also requires that CalPERS provide the impact on contribution rates of amortizing any unfunded liability over a period based on the estimated years of service remaining for current state employees.

CalPERS fulfilled its requirement through the publication of the June 30, 2017 actuarial valuation of the state plans. The information requested by Section 20229 can be found starting on page 40 of the report. A copy of the valuation report can be found on the CalPERS website at:

<https://www.calpers.ca.gov/docs/forms-publications/2017-state-valuation.pdf>

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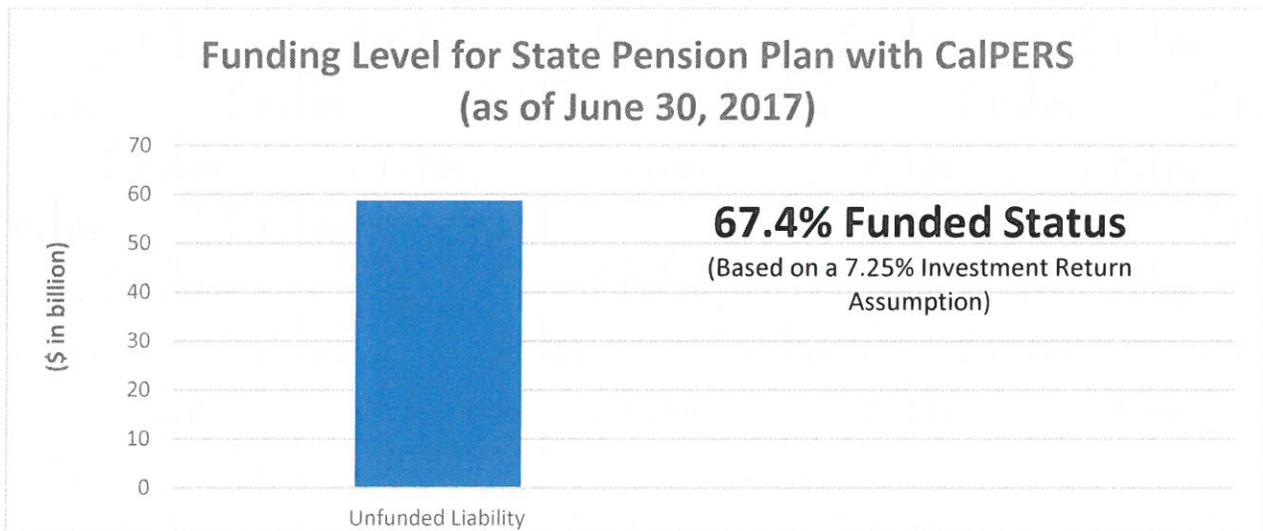
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### CAAP Requirements as per Government Code Section 20229

Government Code Section 20229 requires the chair of the CAAP or his or her designee to present at a joint hearing of the Senate Committee on Public Employment and Retirement and the Assembly Committee on Public Employees, Retirement and Social Security and do the following:

1. Explain the role played by the investment return assumption and amortization period in the calculation of contribution rates.
2. Describe the consequences to future State budgets if the investment return assumptions are not realized.
3. Report whether the Board's amortization period exceeds the estimated average remaining service periods of employees covered by the contributions.

### Average Funding Level for State Pension Plans



CalPERS estimate the average funding level of state plans to be 70.7 percent as of June 30, 2018. CalPERS will be using a 7 percent investment return assumption starting with the 2018 valuation.

### 2018-19 Contribution Rate and Amortization Period for State Pension Plans

Plan Name	2018-19 Contribution Rate	Average Amortization Period	Estimated Average Remaining Service Period
State Miscellaneous	29.3%	18 years	11 years
State Industrial	19.6%	20 years	11 years
State Safety	20.4%	21 years	11 years
State Peace Officers & Firefighters	43.7%	22 years	11 years
California Highway Patrol	53.8%	21 years	13 years