

Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

A. GENERAL INFORMATION

1. Date

6/9/2017

2. Department

California Public Employees Retirement System

3. Organizational Placement (Division/Branch/Office Name)

Actuarial Office

4. CEA Position Title

Deputy Chief Actuary, Special Programs

5. Summary of proposed position description and how it relates to the program's mission or purpose. (2-3 sentences)

CalPERS requests approval to add a newly established CEA position within the Actuarial Office. The position, titled "Deputy Chief Actuary, Special Programs (DCASP)" is being proposed to be added concurrently with a change of "Deputy Chief Actuary" to (Deputy Chief Actuary, Valuation Services (DCAVS)." This organizational change is critically necessary following the growth in responsibilities of the CalPERS Actuarial Office related to increased volume of mandated reporting and underlying workload. Currently the office is structured in a way that utilizes one CEA and one SSM III level staff to run operations within the office. Unfortunately, that structure is no longer working for the needs of the office due to the level of work taking place within the Actuarial classifications which are being overseen by a generalist manager. In addition, due to CalHR's efforts surrounding class consolidation, we need to restructure our office in anticipation of the new Actuarial Classifications, while maintaining appropriate reporting levels and reducing compaction issues. The CEA is a senior-level position within ACTO that reports directly to the Chief Actuary and has full management responsibility and oversight over the CalPERS Actuarial Office Special Projects, Health, Long Term Care (LTC) and Technology Unit functions.

6. Reports to: (Class Title/Level)

Chief Actuary

7. Relationship with Department Director (Select one)

- Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

(Explain): The CEA works in coordination with the Chief Actuary of the Actuarial Office, who is a member of the CalPERS Executive Management Team.

8. Organizational Level (Select one)

- 1st 2nd 3rd 4th 5th (mega departments only - 17,001+ allocated positions)

B. SUMMARY OF REQUEST

9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

This CEA position is responsible for directing, managing, and overseeing the CalPERS Actuarial Office Special Projects teams which work together on various projects throughout the year including, asset liability management, experience studies, legislative costings and other various requested assignments or reports. The CEA will also oversee the LTC and Health team which provides actuarial support to the health programs as well as calculating and setting LTC and self-funded health insurance premiums. The CEA will in addition oversee the Technology team which is responsible for the actuarial programming, data extract, and maintenance of the Actuarial Valuation System (AVS). The Actuarial Office and Information Technology Services Branch staff are currently involved in a major undertaking to update and revise AVS into a modern actuarial system.

The Actuarial Office provides California State and public agencies with an annual valuation which sets the required annual contributions for all employers and employees to prefund the member's retirement pensions. The program currently has over 1,500 participating employers with over \$300 billion assets under management in the trust fund.

The CEA will be responsible for making recommendations to the Chief Actuary regarding the interpretation of existing actuarial policies and the development and implementation of new actuarial policies with emphasis on the newly mandated prefunding of post-retirement health benefits and the developing costing challenges of the Long Term Care program. Provides oral and written advice on complex and sensitive issues related to actuarial or funding matters to the CalPERS Board of Administration and Executive and Senior Management Staff. Develops, recommends, and implements actuarial policies related to pension, health and OPEB funding.

The CEA will be responsible for designing and implementing Actuarial Office guidelines for the Special Projects, Health, LTC and Technology Units regarding CalPERS mission and goals, Society of Actuaries (SOA) policies and guidelines, and the California Actuarial Advisory Panel (CAAP). The CEA will have to be fluent in the unique requirements of appropriately determining the on-going costs associated with the health benefit program as well as beginning the process of determining the long-term costs and proper asset mix to ensure adequate funding of the OPEB Trust now that most new State of California Employee Contracts mandate employee contributions towards this fund. The CEA will also participate in the development of the CalPERS Strategic and Business Plan, including business process reengineering, corporate modeling, and change management. The CEA ensures the long range plans for ACTO are aligned with the CalPERS Strategic Plan as well as remaining in compliance with professional standards. Failure to adhere to professional standards could lead to calculations errors that could lead to significant underfunding or over-funding.

The CEA will represent the Special Projects, Health, LTC, and Technology Unit or the whole Actuarial Office at meetings, conferences or in contacts with employers or officials outside the department. The CEA will act as a liaison between Actuarial Office and other divisions within the department and will be responsible for managing all ACTO/Information Technology Services Branch (ITSB) joint developments to ensure all software developed complies with Society of Actuaries (SOA), Governmental Accounting Standards Board (GASB), and California Actuarial Advisory Panel (CAAP) guidelines.

B. SUMMARY OF REQUEST (continued)

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- Program is directly related to department's primary mission and is critical to achieving the department's goals.
- Program is indirectly related to department's primary mission.
- Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description: The program is directly related to CalPERS primary mission and is critical to achieving the organizational goals. CalPERS' mission is to provide responsible and efficient stewardship to the System to deliver promised retirement benefits. In the Actuarial Office, we strive to be trusted business advisors and partners providing sound actuarial services with well-defined, sustainable operational capabilities. Our vision is to safeguard members' and employers' financial security through reasonable and professional setting of annual contribution rates.

The CEA is instrumental in achieving the mission of CalPERS. Pension funding and participating employer financial hardship and insolvency are among the top 5 risks to CalPERS sustainability. The CEA will work directly in mitigating some of these risks by working to ensure that the Actuarial Office is equipped with the best software available when preparing its calculations setting pension contribution rates. Additionally, the CEA will be responsible for working with the CalPERS Financial Office and the Investment Office in researching and making recommendations to the CalPERS Asset Liability Model. With the rise in public agencies facing or filing for bankruptcy, the Actuarial Office is essential to mitigating risk and ensuring the long-term sustainability of the system. The CEA will oversee the setting of annual valuation contribution rates for a number of programs while ensuring compliance with Governmental Accounting Standards Board (GASB) standards and conformity with all professional guidelines. If a proper asset mix is not maintained and managed, CalPERS runs the severe risk of not having sufficient cash flow to pay for its outstanding obligations, putting our retirees, members, employees and the Board at risk.

The CEA will play a critical role with the full leadership of the LTC and Health team which provides actuarial support to the health programs as well as calculating and setting LTC and self-funded health insurance premiums. This program is critical in that they work closely with other divisions within the organization in providing information that aids in ensuring that participants have affordable and quality coverage to help pay for the high cost of care when assistance is needed as well as analyze and propagates new LTC insurance industry regulations. Policies that relate to this function will be under the oversight of this CEA. The Health and LTC program actuaries are also responsible for determining the cost of their respective plans in support of both non-pension benefits administered by other CalPERS divisions as well as contracted private entities. The cost to provide the benefits as well as ensuring the sustainability of the different plans for our contracting partners is an important undertaking.

Additionally, the CEA will work closely with the integrated assurance risk team within Enterprise Risk Management Division (ERMD), the Investment Office (INVO) and the Financial Office (FINO) ensuring that all information necessary to ensure the sustainability of the fund is shared and disseminated throughout the Actuarial Office and CalPERS as a whole. Without sufficient information, the CalPERS Actuarial Office could overcharge the employers leading to unnecessary financial difficulties for our contracted agencies or undercharge the employers, placing the financial future of our retirees at risk or not accurately project cash flow patterns and leave CalPERS with assets but not money with which to pay benefits.

B. SUMMARY OF REQUEST (continued)

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

CalPERS is the largest public pension fund in the United States, with over \$300 billion in assets. CalPERS administers health and retirement benefits on behalf of over 1,500 public school, local agency and state employers. There are over 1.8 million members in the CalPERS retirement system.

CalPERS programs are extremely visible, sensitive and complex. In recent years, growing concerns about the management and oversight of public retirement systems such as CalPERS has been the subject of increasing media coverage. These concerns, in addition to the views and interests of CalPERS major stakeholders (i.e., the public, legislature, administration, covered members and employers), are of paramount interest to and have been a top priority of the CalPERS Board of Administration.

The current AVS system that our Actuarial Office is utilizing at this time is in the process of being enhanced and modernized. This CEA will have direct oversight and responsibility for this development and implementation. The modernization of the AVS system is critical and operationally needed as our office will be able to reduce complexities, redundancies and ultimately be in a position where we are less reliant on consultants and third party vendors. The impact of the success of these system enhancements will not only be on CalPERS staff, but on members, the public and the Board.

The CalPERS Actuarial Office is solely responsible for setting the annual contribution rates and calculating the outstanding liabilities for calculating the Plan's funded status, high level leadership is required to ensure proper oversight and administration. Any errors generated by the incorrect setting of rates leads to too little money being collected, placing our retirees at risk of having their retirement benefits reduced or collecting too much money which puts our contracting employers at risk of having too large amount of their assets dedicated to prefunding benefits instead of paying for services that their communities need. Including this CEA to the organizational structure will aid in providing a wider, more streamlined chain of control which will strengthen the goals of the Actuarial Office.

C. ROLE IN POLICY INFLUENCE

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

The CEA will be directly responsible for the development and implementation of the actuarial mathematics logic of the new Actuarial Valuation System. The decisions made will impact how employer contribution rates and funded status will be calculated for at least a decade into the future with the likelihood of the application's lifecycle running even longer than that being high.

The CEA will be responsible for developing and recommending actuarial policies related to pension, health and long-term care benefits funding to the Chief Actuary. The actuarial policies related to the funding of pension and health benefits are critical to CalPERS core mission of providing security in the financial benefits provided to the members. Without sound pension funding actuarial policies, there would be no assurance that sufficient funds would be available to pay retirement pension and health benefits for over 1.8 million CalPERS members and the financial security of their retirements would be in question. In addition, actuarial pension funding policies have a significant impact on CalPERS employer budgets, including the employer and employee contribution rates. Pension fund issues and related actuarial funding policy have been central to resolving State budget impasses in prior years and will continue to play a significant role in future State budgets. Given the compressed timeframes and highly confidential nature of State budget negotiations, it is critical that the Chief Actuary have instant access to applicable and current policy advice from the CEA. While the resolution of the State budget is not critical to CalPERS core mission, it does have significant state-wide impact, in that inaccurate information regarding the required funding for State health benefits could affect the allocations for other required State of California projects.

The CEA will also have an active role and be a member of the CalPERS Senior Management Team, which is responsible for all CalPERS program and policy direction and developing and implementing CalPERS Business and Strategic Plan. The CEA will also be working directly with the CalPERS Information Technology Services Branch in maintaining the Actuarial Office software applications and working to plan and direct future developments and enhancements as actuarial standards evolve or business needs change.

As stated previously, the CEA will develop Asset Liability Management (ALM), Health, LTC and GASB compliant actuarial funding policies and advise the CalPERS Chief Actuary and Executive Staff on such policies and implementation efforts. The CEA will also appear regularly before the Pension and Health Committee as well as the Finance and Administration Committee to present changes in, or implementation of policy and various critical issues affecting the Special Programs area. In addition, the CEA will participate in the development of the CalPERS Board of Administration's asset/liability workshops, whereby the CalPERS Board of Administration determines the high-level investment policy that will best serve the interests of the members and employers.

Without appropriate funding actuarial policies, there would be no assurance that sufficient funds would be available to pay the pension and health benefits for CalPERS' 1.8 million members. In addition, actuarial funding policies have a significant impact on CalPERS employer budgets, including any employer and employee contribution rates for pension benefits. Pension fund issues and related actuarial funding policy have also been central to resolving State budget issues in prior years and will continue to play a significant role in future State Budgets.

C. ROLE IN POLICY INFLUENCE (continued)

13. What is the CEA position's scope and nature of decision-making authority?

The CEA will have a direct role in the development and implementation of the policies that govern the funding of CalPERS retirement, health and long-term care benefits. These policies are essential to CalPERS primary mission; to advance the financial security of all CalPERS members throughout the State. The CEA will have primary responsibility and oversight for implementing the funding policies for the Health and Long Term Care programs through the actuarial rate setting process as well as being directly responsible for ensuring actuarial guidance during the development and review of the CalPERS Asset Liability Model. Failure to establish and implement successful actuarial and funding policies will directly impact the financial security of our members and the budgets of the State and other employers.

The CEA will make day-to-day policy decisions for the Health, LTC, OPEB and ALM programs within the division. The CEA must ensure contracting agencies qualify under the applicable rules and laws to contract for benefits. This position will be responsible for implementing the necessary policy changes related to the above mentioned programs resulting in legislative changes. When legislation is enacted, the CEA will need to make several programmatic policy decisions to ensure compliance and conformity with the law changes as well as conformity and compliance with all applicable professional standards.

The CEA is a member of the CalPERS senior management team which is responsible for providing program and policy direction, carrying out the Strategic Plan and formulating and implementing department-wide policies related to CalPERS programs. The CEA is responsible for working with external employer and employee groups in the establishment of department policies, and for maintaining a high level of communication with employers regarding policy and program implementation, as well as issues affecting the funding of employer retirement plans.

14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?

The CEA will research, develop and make recommendations regarding current statutes and regulations required to administer pension retirement. The CEA will be significantly involved and engaged in pension reform issues as it relates to policy impacts and recommendations for change, serving on high level work groups such as the Public Employee Compensation and Benefits Task Force, representing CalPERS in high level discussion with public officials, and making policy decisions based on analysis and recommendations by staff.

The CEA will oversee policy that is considered controversial, such as:

- What steps will be recommended to the CalPERS Board regarding these smaller, closed-group employers and how to best safe-guard the promised benefits
- Engages in ongoing interaction with other state agencies, the legislature and the Administrative Office of the Courts (AOC)