

California Actuarial Advisory Panel



Alan Milligan
Chief Actuary
California Public Employees'
Retirement System
Chairperson

January 25, 2013

Paul Angelo
Senior Vice President
and Actuary
The Segal Company
Vice Chairperson

Mr. E. Dotson Wilson
Chief Clerk of the Assembly
State Capitol
Sacramento, CA 95814

John Bartel
President
Bartel Associates

RE: The California Actuarial Advisory Panel's 2012 Annual Report to
The California Legislature

Leslie Finertie
Senior Actuary
MyVal Center

Dear Mr. Wilson:

Harold A. Loeb
Principal and Consulting
Actuary
Buck Consultants

Pursuant to Government Code § 7507.2, the California Actuarial Advisory Panel (the Panel) is pleased to submit its third annual report. During 2012, Rick Reed stepped down as the appointee of CalSTRS and Nick Collier was appointed to succeed him.

Lynn Clyde Miller
Retired Actuary

The Panel met eleven times and made significant progress towards fulfilling its statutory responsibilities. Specifically the Panel:

Nick Collier
Principal and Consulting
Actuary
Milliman

- Appointed members to provide assistance to the Executive Branch with regards to the substantial pension reform, which was subsequently enacted;
- Recommended, in a letter dated November 5, 2012, substantive amendments to improve the functioning of the pension reforms enacted in AB 340;
- Released a discussion draft of *Actuarial Funding Policies and Practices for Public Pension and OPEB Plans* and received comments from the actuarial and public plan communities; and
- Made significant progress in defining model policies for pricing benefit changes.

Graham Schmidt
Consulting Actuary
Cheiron EFI

Chief Clerk of the Assembly

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The main focus of the Panel in 2012 was pension reform and continued advancement of the *Actuarial Funding Policies and Practices for Public Pension and OPEB Plans*.

Significant pension reform was enacted in Assembly Bill 340 affecting both state and local retirement systems and the benefits provided to public employees. Panel members responded to a request to meet with and provide input to members of the Executive Branch regarding pension reform. After enactment, the Panel recommended specific changes to the legislation.

The Panel has made continued progress on developing guidelines for actuarial funding policies and practices. These guidelines will help actuaries and retirement system boards in discussing and evaluating actuarial policies and practices. The Panel released an exposure draft of the guidelines, made changes based on comments received, and expects to adopt the guidelines in early 2013.

The Panel remains ready to assist the Governor and Legislature with analysis of any public pension or OPEB issues. The Panel has unique insight into pension plans and pension issues, not only from a technical view, but as retirement experts with many years of pension and retiree medical experience. The members of the Panel appreciate serving the citizens of California and would welcome any opportunity to discuss the matters raised in this report.

Sincerely,

Original Signed by:

Alan Milligan, FSA, FCA, MAAA
Chair, California Actuarial Advisory Panel

cc: Panel members:

Paul Angelo, Vice Chair

John E. Bartel

Leslie Finertie

Harold A. Loeb

Lynn C. Miller

Nick Collier

Graham Schmidt

Jerry Brown, California Governor

John Chiang, California State Controller

Bill Lockyer, California State Treasurer

Ana Matosantos, Director, Department of Finance

Julie Chapman, Director, Department of Human Resources

Rob Bonta, Chair, Assembly Committee on Public Employees, Retirement and Social Security

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Jim Beall, Chair, Senate Public Employment and Retirement Committee

Mac Taylor, Legislative Analyst, Legislative Analyst's Office

John Perez, Speaker of the Assembly

Darrell Steinberg, Chair, Senate Rules Committee

Anne Stausboll, Chief Executive Officer, CalPERS

Jack Ehnes, Chief Executive Officer, CalSTRS

Mark Yudof, President, University of California

Douglas Rose, President, State Association of County Retirement Systems

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