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Special:

TO: CONTRACTING PUBLIC AGENCIES AND LABOR REPRESENTATIVES

SUBJECT: AMENDMENT TO CalPERS BOARD RESOLUTION AFFECTING WHICH CONTRACT AMENDMENTS QUALIFY FOR AN INCREASE IN THE ACTUARIAL VALUE OF ASSETS TO 95% OF MARKET VALUE

At its February meeting the CalPERS Board of Administration amended its resolution, originally adopted in November 1999, to place additional requirements on contract amendments in order to qualify for an increase in the actuarial value of assets to 95% of market value.

The original resolution required only that the contract amendment produce an "increase in the present value of benefits" in order to qualify for an increase in the actuarial value of assets to 95% of market value. This applied to contract amendments "between July 1, 1999 and June 30, 2001", which had been interpreted to mean that the resolution of intent to amend had to be filed with CalPERS by June 30, 2001 and the contract actually amended by June 30, 2002.

The amendment adopted by the Board at its meeting on February 21, 2001, changed the requirement as follows. In order to qualify for the increase in the actuarial value of assets to 95% of market value, the contract amendment must "increase the present value of benefits to **active members by at least 50% of the increase in the actuarial value of assets**". This amendment to the Board resolution applies only to contract amendments for which cost estimates produced by CalPERS actuarial staff was provided after the date of the Board meeting, i.e. after February 21, 2001. All amendment estimates provided by CalPERS prior to February 21, 2001 will be honored and will receive the increase to 95% of market value if the estimate so indicated. Therefore the amendment to the Board's resolution is of limited scope applying only to cost estimates provided between February 21, 2001 and June 30, 2001 and for which the employer submits a resolution of intent to amend by June 30, 2001.

In addition, the Board directed staff to work with public agency employers and labor representatives to derive a new resolution to extend the "95% resolution" process for amendments based on estimates provided by CalPERS actuarial staff on and after July 1, 2001. If you are interested in participating in the development of the new resolution,

please contact Ken Marzion at (916) 795-3500 as soon as possible.

It should be noted that for the June 30, 2000 actuarial valuation, scheduled for production between July 2001 and October 31, 2001, the regular asset smoothing methods will result in an actuarial value of assets for those plans that have not amended of approximately 93% of market value. In addition, it is very likely that the regular asset smoothing method will result in an actuarial value of assets at or above 95% of market value for the June 30, 2001 actuarial valuation, which sets the July 1, 2003 through June 30, 2004 employer rates.

Questions on this subject should be addressed to the CalPERS actuary assigned to your plan.

Ron Seeling, Chief Actuary
Actuarial & Employer Services Division