

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

September 17, 2015

The Regents of the University of California met on the above date at the Student Center, Irvine Campus.

Members present: Regents Atkins, Davis, De La Peña, Gorman, Gould, Island, Kieffer, Lozano, Makarechian, Napolitano, Ortiz Oakley, Oved, Pattiz, Pérez, Reiss, Ruiz, Sherman, Varner, and Zettel

In attendance: Regents-designate Ramirez and Schroeder, Faculty Representatives Chalfant and Hare, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Chief Investment Officer Bachher, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Senior Vice Presidents Henderson and Peacock, Vice Presidents Budil, Duckett, Humiston, and Sakaki, Chancellors Block, Blumenthal, Gillman, Wilcox, and Yang, and Recording Secretary Johns

The meeting convened at 12:00 p.m. with Chairman Lozano presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of July 23 and the meetings of the Committee of the Whole of July 21, 22, and 23, 2015 were approved.

2. REPORT OF THE PRESIDENT

The President presented her report concerning University activities and individuals. She congratulated UC Irvine Professor Vicki Ruiz on receiving the National Humanities Medal. Professor Ruiz has been a pioneering scholar of the history of Hispanic women in the 20th century. She began by collecting the oral histories of Mexican and Mexican-American women who worked in U.S. canning factories. Two UC alumnae were also recipients of the National Humanities Medal for 2015. One was renowned chef Alice Waters, a graduate of UC Berkeley and a participant in the University's Global Food Initiative. Ms. Waters has had a seminal influence on attitudes to food, eating, cooking, gardening, and health. The second medalist, Fedwa Malti-Douglas, a graduate of UCLA, was honored for her studies of Arabic letters. In her work she has mapped the discourse of gender and letters in the Arab Middle East and applied her insights to American culture.

President Napolitano drew attention to a September 16, 2015 *New York Times* article by David Leonhardt, titled "California's Upward-Mobility Machine." The article included a ranking of U.S. colleges and universities by economic diversity. Six UC campuses were in the top ten, and UC Irvine was ranked number one on the list. The article noted that

despite budget woes, UC's undergraduate campuses "still lead the nation in providing top-flight college education to the masses." This was encouraging recognition of the fact that the University enrolls large numbers of high-performing students of all economic backgrounds, and in this respect outperforms many of its peer institutions both public and private.

President Napolitano concluded by reflecting on the lives and work of two UC administrators who had died over the summer: Julius Krevans, former Chancellor of UC San Francisco, and Karen Sinsheimer, first lady of the Santa Cruz campus from 1981 to 1987. Karen Sinsheimer worked hard with her husband, Chancellor Robert Sinsheimer, to make the campus a welcoming place for students, faculty, and staff. Mrs. Sinsheimer is remembered for her support of the theater and theater arts on campus and in the Santa Cruz community. After leaving Santa Cruz, she served as curator of photography at the Santa Barbara Museum of Art. Dr. Krevans served as the fifth Chancellor of UCSF from 1982 to 1993. He oversaw significant growth in education, research, patient care, community service, and campus building projects. Dr. Krevans was an outstanding mentor to young faculty and researchers. He established the UCSF Foundation and participated in the establishment of the UCSF-affiliated J. David Gladstone Institutes. The San Francisco campus today reflects Dr. Krevans' dedicated service.

3. **REPORT OF THE COMMITTEE ON COMPENSATION**

The Committee presented the following from its meeting of September 17, 2015:

A. ***Incentive Compensation Using Non-State Funds for Fiscal Year 2014-15 for Arthur Guimaraes as Associate Chief Investment Officer, Office of the President***

The Committee recommended approval of an incentive award of \$170,625 for Arthur Guimaraes as Associate Chief Investment Officer under the Office of the Chief Investment Officer Annual Incentive Plan for the 2014-15 Plan Year. The recommended incentive award is 52.5 percent of his annualized base salary of \$325,000.

Recommended Compensation

Effective Date: upon Regents' approval

Base Salary: \$325,000 (annualized)

AIP Award: \$170,625 (52.5 percent of annualized base salary)

Annual Base Salary Plus Recommended AIP Award: \$495,625

Funding: non-State-funded

Prior Year Data (2013-14 Plan Year)

Base Salary: not applicable

AIP Award: not applicable

Annual Base Salary Plus Recommended AIP Award: not applicable

Funding: not applicable

The incentive compensation described above shall constitute the University's total commitment regarding incentive compensation until modified by the Regents or the President, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

B. ***Incentive Compensation Using Non-State Funds for Fiscal Year 2014-15 for Melvin Stanton as Former Associate Chief Investment Officer, Office of the President***

The Committee recommended approval of an incentive award of \$95,716 for Melvin Stanton as former Associate Chief Investment Officer under the Office of the Chief Investment Officer Annual Incentive Plan for the 2014-15 Plan Year. The recommended incentive award is 29.4 percent of his annualized base salary of \$325,484.

Recommended Compensation

Effective Date: upon Regents' approval

Base Salary: \$325,484 (annualized)

AIP Award: \$95,716 (29.4 percent of annualized base salary)

Annualized Base Salary Plus Recommended AIP Award: \$421,200

Funding: non-State-funded

Prior Year Data (2013-14 Plan Year)

Base Salary: \$316,004

AIP Award: \$438,792 (139 percent of base salary)

Base Salary Plus AIP Award: \$754,796

Funding Source: non-State-funded

The incentive compensation described above shall constitute the University's total commitment regarding incentive compensation until modified by the Regents or the President, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

C. ***Incentive Compensation Using Non-State Funds for Fiscal Year 2014-15 for Jagdeep Singh Bachher as Chief Investment Officer and Vice President – Investments, Office of the President***

The Committee recommended approval of an incentive award of \$874,838 for fiscal year 2014-15 under the Office of the Chief Investment Officer Annual Incentive Plan for Jagdeep Singh Bachher as Chief Investment Officer and Vice President – Investments. The recommended incentive award of \$874,838 represents 142.3 percent of Mr. Bachher's annual base salary of \$615,000.

Recommended Compensation**Effective Date:** upon Regents' approval**Base Salary:** \$615,000**AIP Award:** \$874,838**Base Salary Plus Recommended AIP Award:** \$1,489,838**Funding:** non-State-funded**Prior Year Data (2013-14 Plan Year)****Base Salary:** \$615,000 (annualized)**AIP Award:** \$153,750 (prorated amount based on partial-year employment)**Base Salary Plus Recommended AIP Award:** \$768,750**Funding:** non-State-funded

The incentive compensation described above shall constitute the University's total commitment regarding incentive compensation until modified by the Regents or the President, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

D. ***Incentive Compensation Using Non-State Funds for Fiscal Year 2014-15 for John Stobo as Executive Vice President – UC Health, Office of the President***

The Committee recommended approval of the Clinical Enterprise Management Recognition Plan 2014-15 Plan Year award of \$174,000 for John Stobo as Executive Vice President – UC Health, Office of the President. The recommended incentive award is 30 percent of his base salary.

Recommended Compensation**Effective Date:** upon approval**Base Salary:** \$580,000 (2014-15 salary)**Recommended CEMRP Award:** \$174,000 (30 percent of base salary)**Base Salary Plus Recommended CEMRP Award:** \$754,000**Funding Source:** non-State funded**Prior Year Data (2013-14 plan year)****Base Salary:** \$580,000**CEMRP Award:** \$116,000 (20 percent of base salary)**Base Salary Plus CEMRP Award:** \$696,000**Funding Source:** non-State funded

The incentive compensation described shall constitute the University's total commitment regarding incentive compensation until modified by the Regents or the President, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions

will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Upon motion of Regent Reiss, duly seconded, the recommendations of the Committee on Compensation were approved, Regent Atkins abstaining.

4. **REPORT OF THE COMMITTEE ON EDUCATIONAL POLICY**

The Committee presented the following from its meeting of September 17, 2015:

A. ***Appointment of Norman Abrams and Edward A. Landry as Members, Board of Trustees, Jules Stein Eye Institute, Los Angeles Campus***

The Committee recommended that the appointments of Norman Abrams and Edward A. Landry to the Board of Trustees of the Jules Stein Eye Institute, Los Angeles campus, be approved.

B. ***Endorsement of Centennial Campaign, Los Angeles Campus***

The Committee recommended the endorsement of the public phase of the Los Angeles campus fundraising campaign, *The Centennial Campaign for UCLA*, with a goal of \$4.2 billion.

Upon motion of Regent Island, duly seconded, the recommendations of the Committee on Educational Policy were approved.

5. **REPORT OF THE COMMITTEE ON FINANCE**

The Committee presented the following from its meeting of September 17, 2015:

A. ***Amendment of Regents Policy 5601: Policy on University of California Retirement Plan Funding***

The Committee recommended that Regents Policy 5601: Policy on University of California Retirement Plan Funding be amended as shown in Attachment 1.

B. ***University of California Retirement Plan – Experience Study: Proposal to Adopt Changes in Actuarial Assumptions***

The Committee recommended that:

- (1) The Regents' Consulting Actuary's recommendations regarding economic actuarial assumptions for the UC Retirement Plan (UCRP) summarized in Attachment 2 be adopted.

- (2) The Consulting Actuary’s recommendations regarding non-economic actuarial assumptions for the UCRP summarized in Attachment 2 be adopted.
- (3) New annuity option factors and lump sum factors for the UCRP, based on the recommended changes in the mortality and investment return assumptions summarized in Attachment 2, be effective for retirements on July 1, 2016 and later.
- (4) With respect to the UC-PERS Plus 5 Plan and the UC Retiree Health Benefit Program, the actuarial assumptions summarized in Attachment 3 be adopted.
- (5) The Plan Administrator be authorized to implement the actuarial assumption changes summarized in Attachments 2 and 3.

C. *University of California Retirement Plan – Proposal to Modify the Employer Contribution Rate for the Lawrence Berkeley National Laboratory Segment*

The Committee recommended that:

- (1) During a five-year transition period beginning October 1, 2015, the employer contribution rate to the University of California Retirement Plan for the Lawrence Berkeley National Laboratory (LBNL) Segment be set at a rate proportionate to the funded ratios of the LBNL Segment and the Campus and Medical Centers (C/MC) Segment, determined on an actuarial value of assets basis as of the previous valuation date (July 1, 2014 for the proposed October 1, 2015 rate) as shown in the table below.
- (2) The proposed employer LBNL contribution rate be made effective as of October 1, 2015, subject to mutually agreed-upon appropriate modification of the Management and Operating Contract to implement the new rate that will be negotiated under existing authority of the UC Office of the National Laboratories.

LBNL Funded Ratio > C/MC Funded Ratio	LBNL Funded Ratio ≤ C/MC Funded Ratio
$\text{LBNL Indexed Rate} = \text{C/MC Rate} * \frac{\text{C/MC Funded Ratio}}{\text{LBNL Funded Ratio}}$	C/MC Rate
Under current conditions, LBNL rate would equal 11.5%	Current C/MC rate = 14%

D. *Authority to Indemnify the State of California, Department of Transportation for Encroachment Permit Related to Research Conducted Near the Caldecott Tunnel, Davis Campus*

The Committee recommended that the President of the University be authorized to approve and execute the Standard Encroachment Permit with the State of California, Department of Transportation for UC Davis research conducted near the Caldecott Tunnel. The Permit contains an indemnification provision by which the University would assume third-party liability.

Upon motion of Regent Ruiz, duly seconded, the recommendations of the Committee on Finance were approved.

6. **REPORT OF THE COMMITTEE ON GROUNDS AND BUILDINGS**

The Committee presented the following from its meeting of September 15, 2015:

A. ***Approval of Preliminary Plans Funding, Precision Cancer Medicine Building at Mission Bay, San Francisco Campus***

The Committee recommended that the 2015-16 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Francisco: UCSF Precision Cancer Medicine Building at Mission Bay – preliminary plans – \$16.6 million to be funded from campus funds.

B. ***Approval of Preliminary Plans Funding, Mission Bay East Campus Phase 1 (Block 33) Building, San Francisco Campus***

The Committee recommended that the 2015-16 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Francisco: UCSF Mission Bay East Campus Phase 1 Building (Block 33) – preliminary plans – \$11 million to be funded from campus funds.

C. ***Approval of Preliminary Plans Funding, Multidisciplinary Research Building 1, Riverside Campus***

The Committee recommended that the 2015-16 Budget for Capital Improvements be amended to include the following project:

Riverside: Multidisciplinary Research Building 1 – preliminary plans – \$6.89 million to be funded from campus funds.

D. ***Approval of the Budget and Approval of External Financing, North Addition Office Building, UC Davis Health System, Sacramento, Davis Campus***

The Committee recommended that:

- (1) The 2015-16 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: UC Davis Health System (Sacramento): North Addition Office Building – preliminary plans – \$3.71 million – to be funded from Hospital Reserves.

To: UC Davis Health System (Sacramento): North Addition Office Building – preliminary plans, working drawings, construction, and equipment – \$87.5 million – to be funded from external financing.

- (2) The President of the University be authorized to obtain external financing not to exceed \$87.5 million to finance the North Addition Office Building project. The President shall require that:

a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.

b. As long as debt is outstanding, the gross revenues of the UC Davis Health System shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.

c. The general credit of the Regents shall not be pledged.

- (3) The scope of the North Addition Office Building project shall include the construction of approximately 130,000 gross square feet of office and conference space, and site utilities.

- (4) The President, in consultation with the General Counsel, be authorized to execute all documents necessary in connection with the above and to make changes in the terms that do not materially increase the cost of the project or the obligations of the Regents.

E. ***Approval of Design following Action Pursuant to California Environmental Quality Act, Graduate and Professional Student Housing – East Campus, San Diego Campus***

Following review and consideration of the environmental consequences of the proposed Graduate and Professional Student Housing – East Campus project, as required by the California Environmental Quality Act, including any written

information addressing this item received by the Office of the Secretary and Chief of Staff no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Committee reported its:

- (1) Adoption of the Mitigated Negative Declaration.
- (2) Adoption of the Mitigation Monitoring and Reporting Program and Findings.
- (3) Approval of the design for the Graduate and Professional Student Housing – East Campus project, San Diego.

[The Mitigated Negative Declaration and California Environmental Quality Act Findings were provided to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Upon motion of Regent Makarechian, duly seconded, the recommendations of the Committee on Grounds and Buildings were approved.

7. **REPORT OF THE COMMITTEE ON OVERSIGHT OF THE DEPARTMENT OF ENERGY LABORATORIES**

The Committee presented the following from its meeting of September 16, 2015:

Approval of a Substantive Modification to the Los Alamos National Security, LLC Operating Agreement and a Performance Guarantee to Enable the Transition of Certain Legacy Environmental Work at the Los Alamos National Laboratory from the Current Prime Contract to a New Prime Contract with the Department of Energy

The Committee recommended that the President of the University be authorized to enter into such written agreements as are necessary to accomplish:

- A. A substantive modification to the Los Alamos National Security, LLC (LANS) Operating Agreement that will allow LANS to transition ongoing legacy environmental remediation work at the Los Alamos National Laboratory from the current prime contract to a new prime contract with the Department of Energy (DOE).
- B. The transfer of the University's existing performance guarantee for the legacy environmental remediation scope of work to the new DOE prime contract and any other actions as may be necessary to authorize LANS to execute the new DOE prime contract.

Upon motion of Regent De La Peña, duly seconded, the recommendation of the Committee on Oversight of the Department of Energy Laboratories was approved.

8. **REPORT OF INTERIM AND CONCURRENCE ACTIONS**

Secretary and Chief of Staff Shaw reported that, in accordance with authority previously delegated by the Regents, interim or concurrence action was taken on routine or emergency matters as follows:

- A. The Chairman of the Board, the Chair of the Committee on Finance, and the President of the University approved the following recommendation:

Authority to Indemnify the Packard Humanities Institute in Agreements Related to Owned and Leased property, Los Angeles Campus

- (1) The President of the University, or her designee, be authorized to approve and execute an Operating and Occupancy Agreement, Amended and Restated Declaration of Restrictive Covenants, Easements, and Right of Reacquisition, and any related agreements between the University and the Packard Humanities Institute (PHI) related to Phases I and II of the property utilized by the UCLA Film and Television Archive in Santa Clarita, California (Property) (collectively PHI Agreements), that include provisions pursuant to which the University agrees to defend, protect, indemnify, and hold harmless PHI (and its officers, agents, partners, employees, contractors, consultants, guests, tenants, subtenants, invitees, and licensees – collectively, PHI Permittees) from and against all claims or demands, including any action or proceedings brought thereon, and all costs, losses, expenses, and liability of any kind relating thereto, including reasonable attorney's fees and cost of suit, arising out of or resulting from the injury to or death of any person, or damage to the property of any person, which result from the University's (or its officers', agents', partners', employees', contractors', consultants', guests', tenants', subtenants', invitees', or licensees' – collectively, University Permittees') use of the Property. Provided, however, the foregoing University obligations shall not apply to the extent that any claims or demands are based on the negligent act or omission or willful misconduct of PHI or PHI Permittees.
- (2) The President, or her designee, after consultation with the General Counsel, be authorized to approve and execute any additional documents necessary in connection with the above.
- B. The Chairman of the Board and the Chair of the Committee on Governance approved the following recommendation:

Appointment of Regents to Standing Committees

- (1) Regent Blum be appointed to the Committees on Health Services and Oversight of the Department of Energy Laboratories, effective immediately and through June 30, 2016, and that he be removed from the Committees on Compensation, Compliance and Audit, and Long Range Planning for the remainder of the 2015-16 year.
- (2) Regent Gorman be appointed to the Committees on Investments and Long Range Planning and that she be removed from the Committee on Health Services for the remainder of the 2015-16 year.

9. REPORT OF COMMUNICATIONS RECEIVED

Secretary and Chief of Staff Shaw reported that, in accordance with Bylaw 16.9, Regents received a summary of communications for the months of July and August in a report dated September 4, 2015.

10. REPORT OF MATERIALS MAILED BETWEEN MEETINGS

Secretary and Chief of Staff Shaw reported that, on the dates indicated, the following were sent to the Regents or to Committees:

To the Members of the Committee on Health Services

- A. From the President, the Medical Center Activity and Financial Status Report. (July 30, 2015)

To the Members of the Committee on Finance

- B. From the Office of the General Counsel, the Bi-monthly Report of New Litigation. (August 13, 2015)

To the Regents of the University of California

- C. From the Secretary and Chief of Staff, Summary of Communications for May-June 2015. (July 10, 2015)
- D. From the President, the Health Sciences Compliance Annual Reports for fiscal year 2013-14. (July 31, 2015)
- E. From the President, an essay by the President published in the *Yale Law and Policy Review* on university policies regarding sexual violence and sexual assault. (August 11, 2015)
- F. From the President, UC's Annual Report on Student Financial Support for 2013-14. (August 21, 2015)

- G. From the Secretary and Chief of Staff, Summary of Communications for July-August 2015. (September 4, 2015)
- H. From the Secretary and Chief of Staff, a letter providing an updated membership list for the Committee on Governance for 2015-16. (September 4, 2015)
- I. From the Secretary and Chief of Staff, an email informing Regents of the State Senate confirmation of Regents Gareth Elliott, John Pérez and Eloy Ortiz Oakley. (September 4, 2015)

The meeting adjourned at 12:10 p.m.

Attest:

Secretary and Chief of Staff

Additions shown by underscoring; deletions shown by strikethroughRegents Policy 5601: Policy on University of California Retirement Plan Funding

Approved September 18, 2008

Amended September 16, 2010

1. The funding policy is effective with the July 1, 2008 actuarial valuation and determines total funding policy contributions starting with the Plan Year beginning July 1, 2009.
2. Each year the funding policy contributions will be calculated for the Plan Year starting one year after the date of the actuarial valuation.
3. Each year the Regents will determine both the actual total contributions and the split between Member Contributions and University Contributions based on the total funding policy contributions and various other factors, including the availability of funds, the impact of employee contributions on the competitiveness of UC's total remuneration package, and collective bargaining. In no event shall the University Contributions be lower than the Member Contributions.
4. The funding policy will determine total funding policy contribution rates based on an actuarial valuation of the non-laboratory segment of the University of California Retirement Plan (UCRP) (e.g., campuses, medical centers and Hastings College of the Law). The Lawrence Berkeley National Laboratory will contribute according to the funding policy outlined in ~~on the same basis as determined for the non-laboratory segment of UCRP, subject to the terms of the University's contract with the Department of Energy.~~ The Lawrence Livermore National Laboratory and Los Alamos National Laboratory Retained Segments in UCRP will be subject to the funding policies outlined in the University's contracts with the Department of Energy. Throughout this policy the term "UCRP" shall refer to the non-laboratory segment of UCRP.
5. The total funding policy contributions to UCRP will consist of the Normal Cost plus an amortization charge for any Unfunded Actuarial Accrued Liability (UAAL) or minus an amortization credit for any surplus.
6. The Regents' Consulting Actuary will conduct an annual actuarial valuation of UCRP. The Normal Cost and the Actuarial Accrued Liability (AAL) in each actuarial valuation will be determined under the Entry Age ~~Normal~~-Actuarial Cost Method, using actuarial assumptions adopted by the Regents.
7. The asset smoothing method used to determine the Actuarial Value of Assets will be based on the Market Value of Assets adjusted for "unrecognized returns" in each of the then last five years. Unrecognized return is the difference between actual and expected returns on a market value basis and is recognized over a five-year period.

8. As of the effective date of this policy, any initial surplus as of that date will be amortized as a level dollar amount over a period of three years, as was specified by the Regents in the adoption of this policy.
 - a. Any changes in surplus after the effective date due to actuarial gains and losses (including contribution gains and losses) will be amortized as a level dollar amount over 15 years.
 - b. Any change in surplus due to a change in actuarial assumptions, cost method or asset smoothing method will be amortized as a level dollar amount over 15 years.
 - c. Any change in surplus due to a Plan amendment will be amortized as a level dollar amount over 15 years.
 - d. In the first year after the effective date when UCRP has a UAAL₂ ~~(as opposed to a continuation of the current surplus condition)~~ all amortization bases will be considered fully amortized and contributions will be determined under the remaining provisions of this policy.
9. For any future year when UCRP has a UAAL ~~(as opposed to a continuation of the current surplus condition)~~, the calculation of the UAAL will be maintained by source (as listed below) and each new portion of or change in UAAL will be amortized as a level dollar amount over a fixed amortization period. For any UAAL identified prior to the July 1, 2015 actuarial valuation, the following applies:
 - a. Any initial UAAL (after a period of surplus) or change in UAAL due to actuarial gains and losses (including contribution gains and losses) will be amortized over 30 years.
 - b. Any change in UAAL due to a change in actuarial assumptions, cost method or asset smoothing method will be amortized over 15 years.
 - c. Any change in UAAL due to a Plan amendment will be amortized over 15 years, unless the nature of the Plan amendment suggests a shorter period.
10. For any UAAL identified beginning with the July 1, 2015 actuarial valuation (including the 2014-15 actuarial gain or loss), the following applies:
 - a. Any initial UAAL (after a period of surplus) or change in UAAL due to actuarial gains and losses (including contribution gains and losses) will be amortized over 20 years.
 - b. Any change in UAAL due to a change in actuarial assumptions, cost method or asset smoothing method will be amortized over 20 years.

c. Any change in UAAL due to a Plan amendment affecting non-active members will be amortized over 10 years.

11. For any future year in which UCRP has a surplus (other than a continuation of the current surplus condition), such surplus will be amortized as a level dollar amount over 30 years, and all prior UAAL amortization bases will be considered fully amortized.

142. Effective July 1, 2010, all UAAL amortization bases as of July 1, 2010 will be combined and the combined base will be amortized as a level dollar amount over 30 years.

123. This funding policy supersedes any previous funding policies.

**JULY 1, 2010 – JUNE 30, 2014 UCRP ACTUARIAL EXPERIENCE STUDY
SUMMARY OF CONSULTING ACTUARY'S RECOMMENDATIONS
REGARDING ACTUARIAL ASSUMPTIONS FOR UCRP**

Economic Assumptions

Inflation—Affects projections of investment returns, active member salary increases, cost-of-living adjustments for retirees.

Recommendation: Decrease rate from 3.50 percent per annum to 3.0 percent per annum.

Investment Return—Estimates average future net rate of return on assets over projected lifetime of the Plan as of the valuation date.

Recommendation: Decrease rate from 7.50 percent per annum to 7.25 percent per annum.

Individual Salary Increases—Includes salary increases due to inflation, real “across the board” salary increases and promotional and merit increases in salary.

Recommendation: Decrease the current inflationary salary increase assumption from 3.50 percent to 3.00 percent; maintain the “across the board” salary increase assumption at 0.50 percent; adjust the promotional and merit increase assumptions consistent with the tables established for staff and faculty in the Report.

Non-Economic Assumptions

Retirement Rates—Predicts the probability of retirement at each age at which members are eligible to retire.

Recommendation: Maintain retirement rates structure as a function of both age and years of service for staff members; for faculty and safety members, continue to structure retirement rates as a function of age only; maintain the current retirement rates for 1976 Tier Faculty and all 2013 Tier and Modified 2013 Tier members; a decrease to the retirement rates for 1976 Tier Staff; an increase to the retirement rates for members with Safety benefits; and for deferred vested members, increase the assumed retirement age from 59 to 60.

Mortality Rates—Estimates the probability of dying at each age.

Recommendation: For non-disabled members, decrease the mortality rates consistent with the RP-2014 White Collar Mortality Table (separate tables for males and females) projected with the two-dimensional MP2014 projection scale to 2029, and with ages then set forward one year (no set forward for pre-retirement mortality); for disabled members, decrease the mortality rates consistent with the RP-2014 Disabled Retiree Mortality Table projected with the two-dimensional MP2014 projection scale to 2029, and with ages then set back one year for males and set forward five years for females. It is also recommended that the mortality rates for disabled members only apply while the member is receiving UCRP Disability Income, after which time they will be treated as non-disabled members. The assumed age when disabled members “cross-over” to retirement is recommended to be maintained at age 65.

Termination Rates—Estimates the probability of leaving active UCRP membership at each age and receiving either a refund of member contributions or a deferred vested retirement benefit.

Recommendation: Maintain service-based termination rates and the assumption that a member

will choose between a refund of contributions and a deferred vested benefit based on which option has the greater present value at termination and increase to the current termination rates for Faculty overall and decreases to the current termination rates for Staff/Safety overall.

Disability Incidence Rates—Estimates the probability of becoming disabled at each age.
Recommendation: Decreases to the current disability rates overall as described in the Report.

Eligible Survivor Assumptions—Projects the probability of having a survivor at death.
Recommendation: Decrease the current percentages of members who will have an eligible survivor at time of death as follows: 85 percent to 80 percent of male members and 65 percent to 60 percent of female members. In addition, maintain the current age difference/gender for Eligible Survivors and the number of Eligible Survivors for Safety Members and other members whose benefits are not coordinated with Social Security.

Conversion of Unused Sick Leave—Projects amount by which UCRP service credit may be increased due to conversion of unused sick leave.
Recommendation: Slightly increase the current assumption for faculty and staff members retiring from active membership and slightly decrease the current assumption for safety members retiring from active membership.

Lump Sum Cashout Take-Rate—Estimates the probability of electing the Lump Sum Cashout in lieu of retirement income.
Recommendation: Maintain the current assumption structure for employees terminating while active members as a function of years of service; for all others, modify the current flat percentage regardless of years of service to also base this assumption on years of service. In addition, recommend adjustments to the rates for all members.

Future Benefit Accruals—Projects amount of service credit to be earned by active members in years after valuation date.
Recommendation: No change to current assumption that all active members earn one year of service credit each year in the future.

UCRP Administrative Expenses—Projects fees for administrative, legal, accounting, and actuarial services carried out by the Plan.
Recommendation: No change to the percentage loading to the normal cost at 0.50 percent of payroll.

**JULY 1, 2010 – JUNE 30, 2014 UCRP ACTUARIAL EXPERIENCE STUDY
SUMMARY OF CONSULTING ACTUARY'S RECOMMENDATIONS
THAT ALSO APPLY TO OTHER UC BENEFIT PLANS**

Recommended actuarial assumption changes to also be applied to the actuarial valuations of other UC benefit plans—

UC-PERS Plus 5 Plan:

- Investment Return;
- Inflation; and
- Mortality Rates.

Retiree Health Benefit Program:

- Retirement Rates;
- Mortality Rates;
- Termination Rates;
- Disability Incidence Rates;
- Conversion of Unused Sick Leave; and
- Lump Sum Cashout Take-Rate.