

University of California Retirement Plan

Highlights of Actuarial Experience Study for the period July 1, 2006 through June 30, 2010

**Completed by
The Segal Company
San Francisco**

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Purpose of the Study

- **Required under actuarial best practices and Plan terms and is done every 3-5 years**

- **Covers economic and demographic assumptions for**
 - **UCRP and Retiree Health Plan valuations**
 - **Asset / liability forecasts**

- **Categories of assumptions:**
 - **Demographic**
 - **Major: mortality, retirement, termination, disability**
 - **Economic**
 - **Inflation, investment rate of return, salary increases**

Major Recommendations

➤ Demographic

➤ Decrease mortality rates

- Increases life expectancy for a 60-year-old by about 2 years for males and 1 year for females

➤ Economic

➤ Maintain 7.5% earnings assumption

- Relative “confidence level” reduced to 60%

➤ Maintain inflation assumption at 3.50%

➤ Increase real “across-the-board” salary increase assumption from 0.25% to 0.50%

- Total wage inflation increases from 3.75% to 4.00%

➤ Reduce promotional and merit salary increase assumption

Anticipated Impact on Valuation Results

- Modeled as of July 1, 2010 for illustration
- Increase in Actuarial Accrued Liability (\$1.77 billion)
 - Primarily due to updating the mortality table
- Slight increase in Normal Cost (0.2% of payroll)
- Increase in total funding policy rate (2.25% of payroll)
 - From 23.25% to 25.50% of payroll