

UCRP

July 1, 2009 Valuation

Board of Regents
November 18-19, 2009

Paul Angelo, FSA
The Segal Company
San Francisco

5054076v8

Highlights of 2009 Actuarial Valuation

- **Valuation of UCRP Segments**
- **UCRP Demographics**
- **UCRP Investment Rates of Return**
- **Key UCRP Valuation Results**
 - **Contribution Projections**
 - **Asset and Liability Projections**

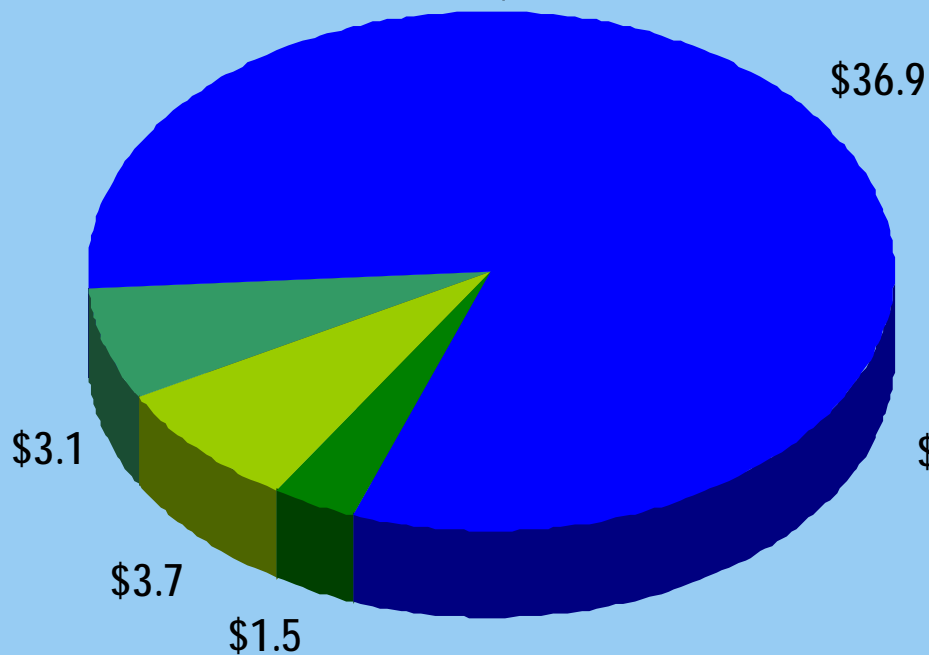
Valuation of UCRP by “Segments”

- **UCRP assets, liabilities and costs determined separately for four “segments” of UCRP**
 - **Campus and Medical Centers – UCRP funding policy**
 - **Three National Laboratories - Separate funding based on contract provisions with the DOE**
- **Segment valuations used only to allocate assets and liabilities for cost calculations**
 - **All assets continue to be maintained in one trust and available to pay benefits of all members**

Actuarial Liability and Assets by UCRP Segment

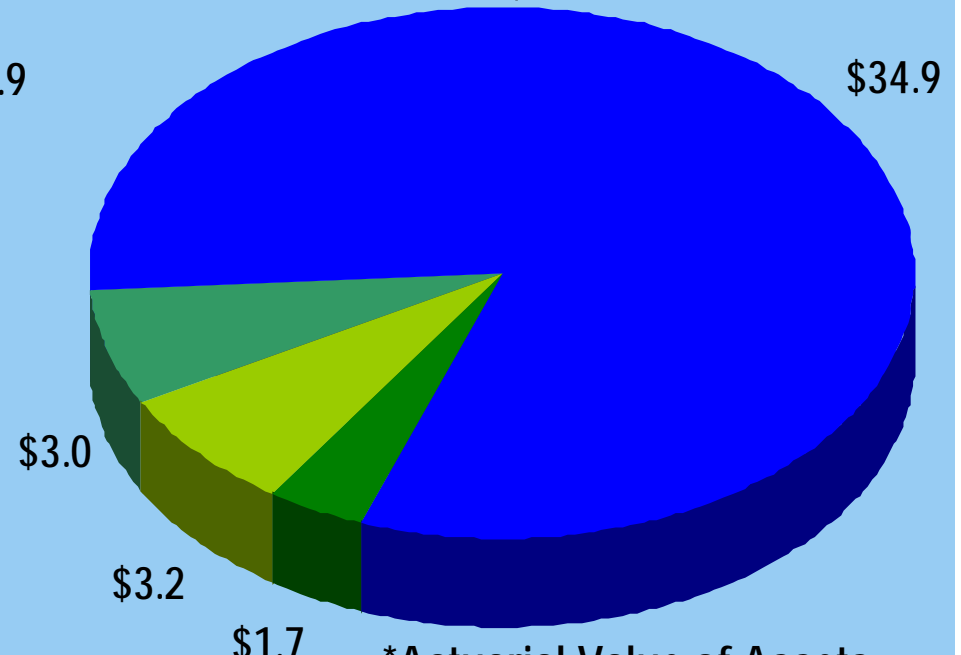
Liability by Segment (\$ in billions)

Total = \$45.2

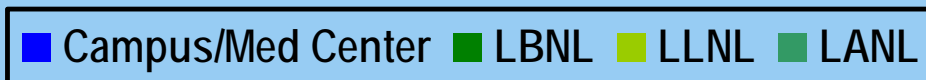


Assets by Segment (\$ in billions)*

Total = \$42.8

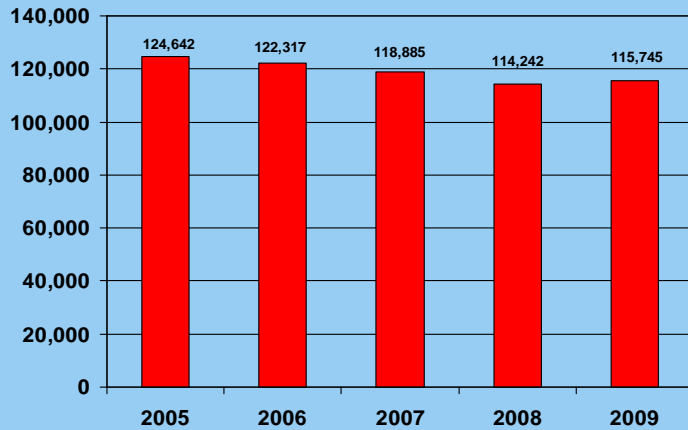


*Actuarial Value of Assets

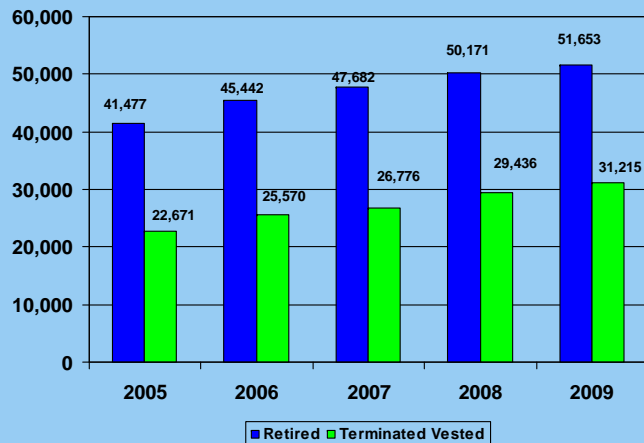


UCRP Demographics

Active Members



Retired and Terminated Vested

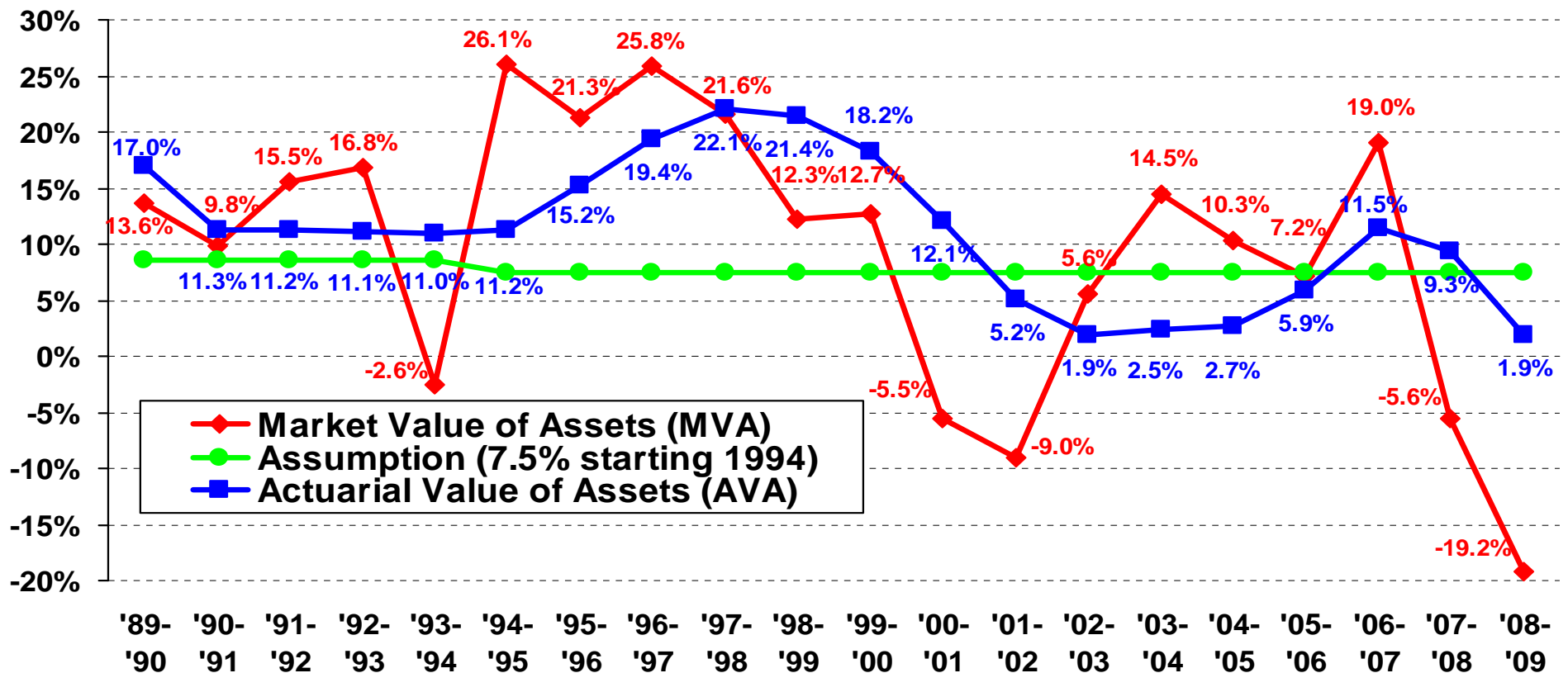


	<u>2009</u>	<u>2008</u>
Active Members	115,745	114,242
• Average Age	44.5	44.2
• Average Service	9.2	8.9

	<u>2009</u>	<u>2008</u>
Retired Members (in Pay Status)	51,653	50,171
• Average Age	69.7	69.4
• Average Annual Benefit	\$32,391	\$31,354

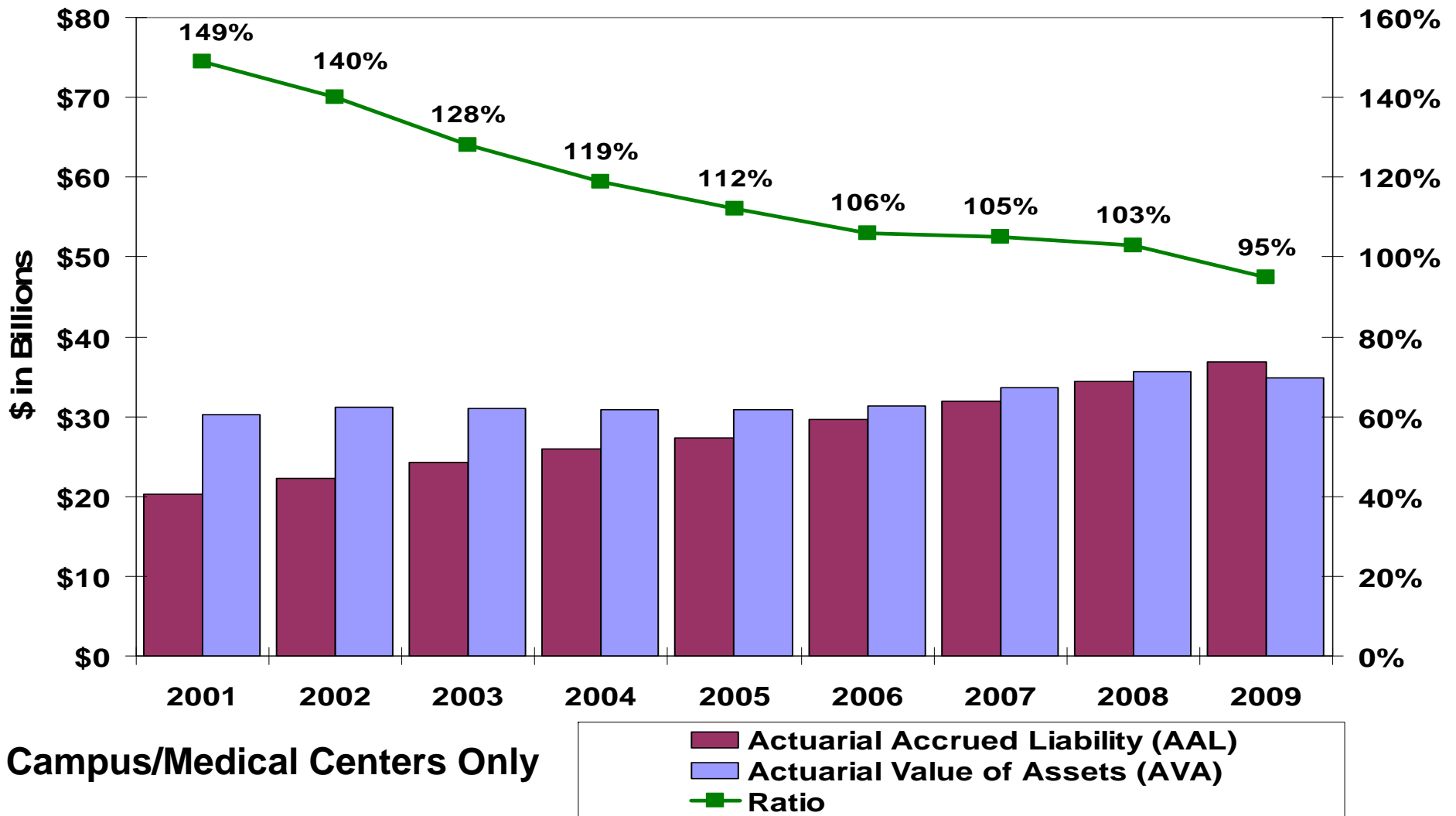
	<u>2009</u>	<u>2008</u>
Terminated Vested Members	31,215	29,436

UCRP Investment Rates of Return



AVA recognizes each MVA return above or below the assumed rate (7.5%) over five years

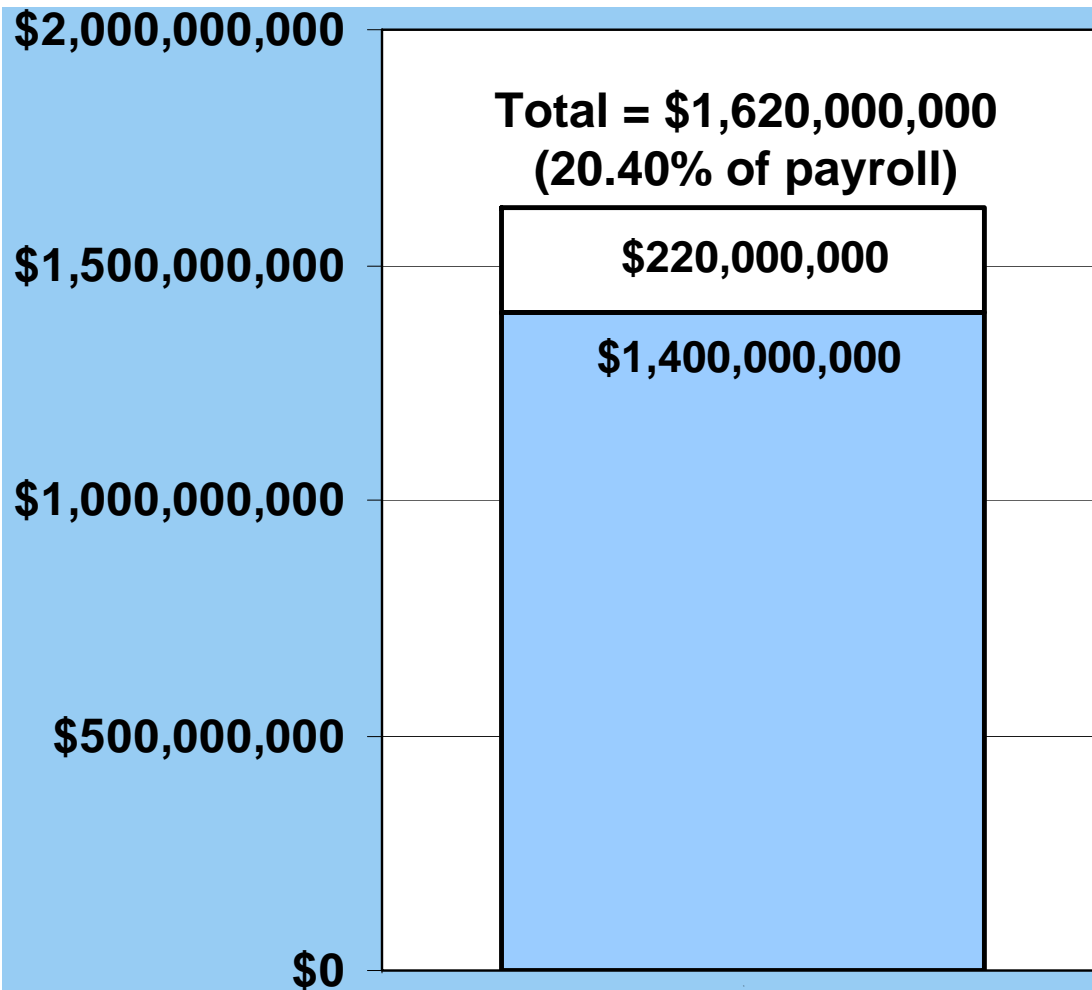
UCRP Historical Funded Status and Funded Ratio (5 year smoothing) as of July 1



UCRP Valuation Results (\$ in billions)

	<u>AII UCRP</u> <u>07/01/2009</u>	<u>AII UCRP</u> <u>07/01/2008</u>
Market Value of Assets (MVA)	\$32.3	\$42.0
Actuarial Value of Assets (AVA)	\$42.8	\$43.8
Actuarial Accrued Liability (AAL)	\$45.2	\$42.6
Surplus (AVA less AAL)	-\$2.4	\$1.3
Funded Percentage		
-- AVA divided by AAL	95%	103%
Normal Cost (beginning of year)	\$1.3	\$1.3
Normal Cost (percent of pay)	17.00%	16.90%
Funding Policy Contribs (% of pay)	20.40%	11.61%

Total Funding Policy Contribution for 2009-2010



**Normal Cost plus 15
year amortization of
Unfunded Liability**

- Amortization of Unfunded Liability
- Normal cost

**Campus and Medical
Centers Only**

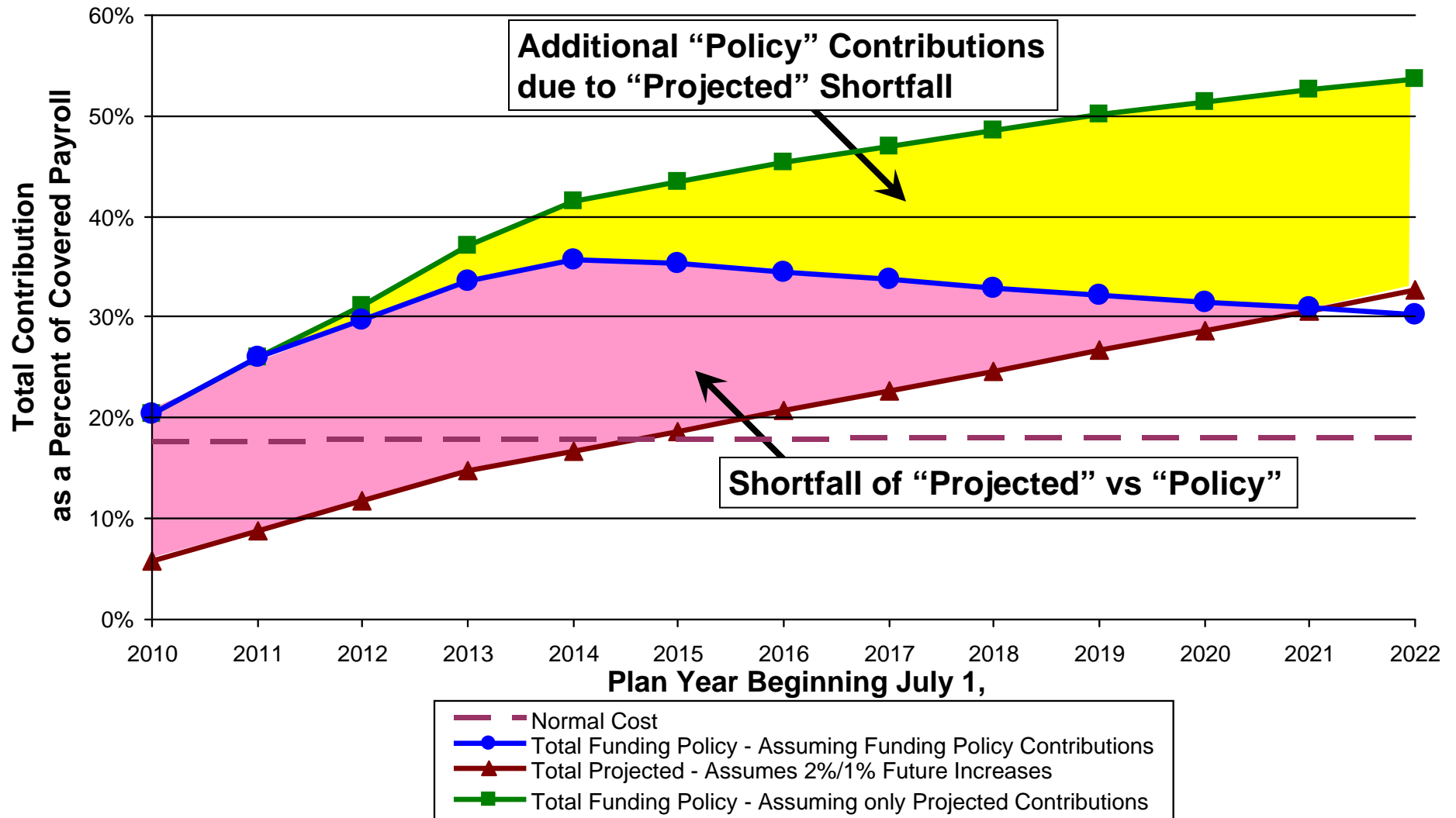
Regents Approved Contributions

- **Employer – Beginning April 15, 2010**
 - FY 09/10 – 4% for all employer payroll funding sources
 - FY 10/11 - At least 4%, higher if funding available
- **Member – Beginning April 15, 2010**
 - Amounts currently redirected to the DC Plan (about 2%)
 - Same amounts for FY 10/11
 - Subject to collective bargaining, as applicable
- **Contributions assumed for projections, starting July 1, 2011:**
 - Employer contributions increase 2% per year
 - Member contributions increase 1% per year
 - Maximum of 5% (current CalPERS rate)

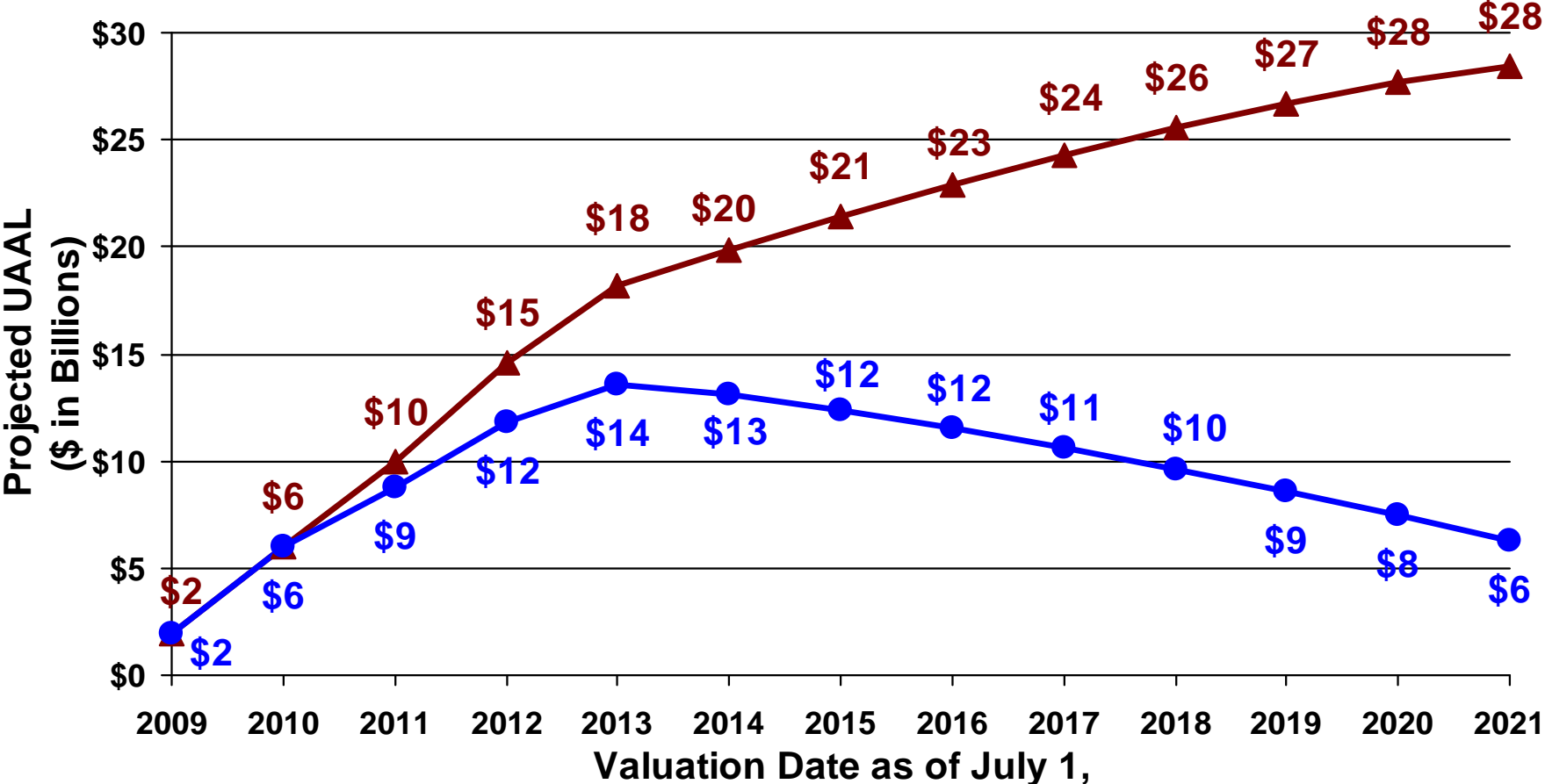
Policy and Projected Contributions

- **Each year, total funding policy contributions are determined as though actual contributions will be at policy level**
 - **Policy contribution % decreases as UAAL is paid off**
- **Projected contributions less than funding policy level creates an additional UAAL**
 - **This increases future funding policy contributions**
- **Increase in future funding policy contributions shows the cost of not making funding policy contributions**

Projected and Funding Policy Total Contributions

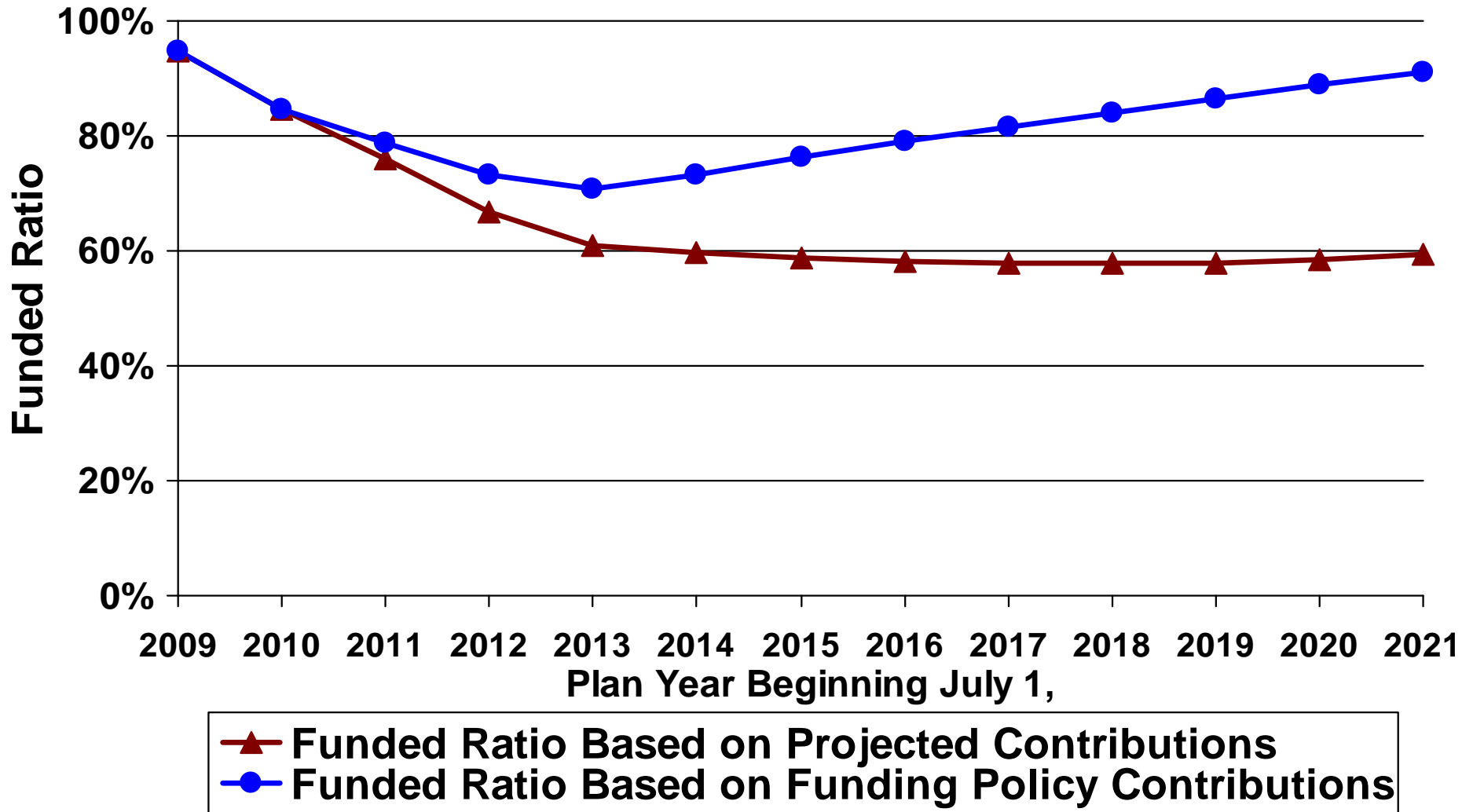


Unfunded Actuarial Accrued Liability (UAAL)

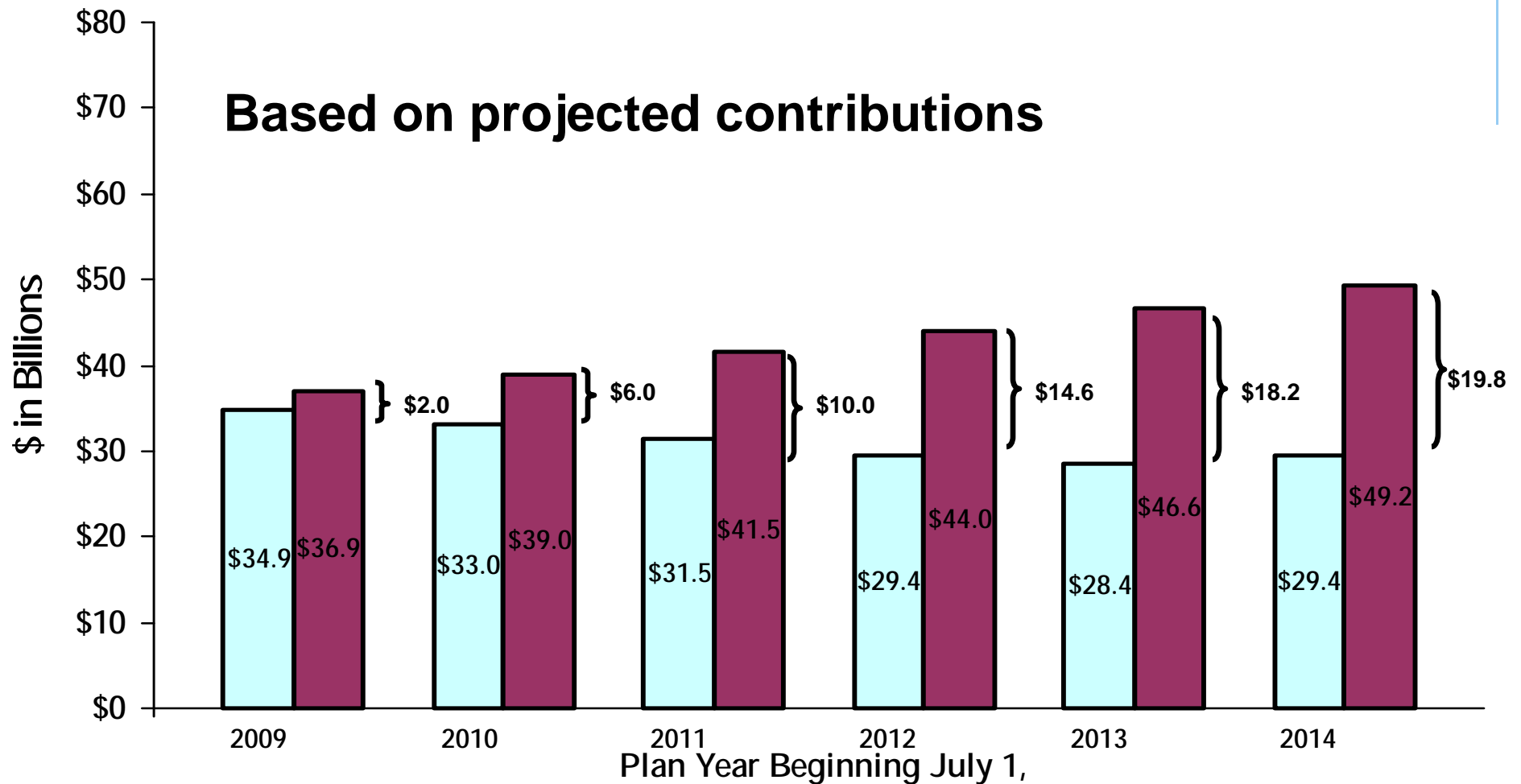


▲ UAAL Based On Projected Contributions
● UAAL Based On Funding Policy Contributions

Funded Ratio (Actuarial Value Basis)



Overview of UCRP Assets / Liabilities / Shortfall



■ UCRP Actuarial Value of Assets
 ■ UCRP Actuarial Accrued Liability

Academic Council Recommendation

- **Increase contributions to funding policy level no later than July 1, 2011**
- **Current plan to increase contributions gradually is inadequate**
 - **current loss of non-state funded contributions**
 - **further decline in funded status**
 - **increased future contributions**
 - **reduced budgets for operations**
- **Regents commit to allocate sufficient funds to make the funding policy contributions and restore funded status to an acceptable level as soon as possible**

Post Employment Benefits Task Force

- **The President has formed a task force to recommend funding, policy and benefits design alternatives that reflect the University's commitment to provide competitive pay and benefits programs to attract and retain excellent faculty and staff, while ensuring that post-employment benefits for current and future retirees are sustainable.**
- **Steering Committee and three work teams – Finance, Pension Benefits and Retiree Health**

Task Force Charge

- **Consider the impact of:**
 - **Market competitiveness,**
 - **Talent management, work force development and renewal, work force behavior,**
 - **Affordability and sustainability**
- **Analyze:**
 - **Cost and cash flow**
 - **Long-term funding options & impact on UC financial integrity**
- **Complete work within a reasonable timeframe**
- **Make recommendations which allow the Regents to meet:**
 - **Fiduciary obligations**
 - **Educational responsibilities**

Task Force Currently Performing

- **Due Diligence**
- **Discussion of potential UCRP funding approaches**
- **Discussion of potential approaches for alternative designs for new hires**
- **Team members participating in local forums across system**

Consultation and Communication Process

President's charge: engage in a robust consultation and communication process.

- Local Forums with stakeholders and advisory groups
- Meeting all HEERA obligations with unions
- State of California
- Website : <http://www.universityofcalifornia.edu/news/ucrpfuture/>

Post Employment Benefit Task Force Process Timeline

2009
March

2009
April – Dec

2010
Jan - Jun

2010
July – Aug

Task Force
Created

Steering Committee and
Work Group Organized

Defining options, analysis,
frame recommendations

Steering
Committee
Approval

Retiree Health
Work Team

Finance
Work Team

Pension
Work Team

Finalize
Recommendations

Final Report to
President

Local Forums
Oct - Nov

Local Forums Feb-
March