

FINANCE AND CAPITAL STRATEGIES COMMITTEE

July 20, 2023

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

1. **CONSENT AGENDA**

A. ***Fiscal Year 2023-24 General Revenue Bond Issuance***

The Committee recommends that the Regents authorize the President to:

- (1) Issue an aggregate principal amount not to exceed \$2.5 billion plus financing costs under the University's General Revenue Bond Indenture in Fiscal Year 2023-24. As long as the bonds are outstanding, the following requirements shall be satisfied:
 - a. The campuses receiving such proceeds shall maintain revenues in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - b. The general credit of the Regents shall not be pledged.
- (2) Take all appropriate actions related to the action outlined above, including, but not limited to approval, execution, and delivery of all necessary or appropriate financing documents.

B. ***Preliminary Plans Funding and External Financing, UC Merced/Merced Community College District "Promise" Intersegmental Student Affordable Housing Building, Merced Campus***

The Committee recommends that:

- (1) The 2022-23 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Merced: UC Merced/Merced Community College District "Promise" Intersegmental Student Affordable Housing Building – preliminary plans – \$10.05 million to be funded from external financing supported by State General Fund appropriations (\$9.68 million) and 2022-23 General Fund for the Higher Education Student Housing Grant Program appropriated to "Merced College for an intersegmental project with the University of California, Merced" (\$370,000).
- (2) The President of the University be authorized to obtain external financing for the UC Merced/Merced Community College District "Promise"

Intersegmental Student Affordable Housing Building project of \$9.68 million plus related interest expense and additional related financing costs. The President shall require that:

- a. The primary source of repayment shall be from State General Fund appropriations, pursuant to the Education Code Section 92493 et seq. Should State General Fund appropriation funds not be available, the President shall have the authority to use any legally available funds to make debt service payments.
- b. The general credit of the Regents shall not be pledged.

Committee vote: Regents Cohen, Kounalakis, Leib, Makarechian, Matosantos, Pérez, Reilly, Robinson, Sherman, and Sures voting “aye.”

Board vote: Regents Anguiano, Cohen, Drake, Elliott, Ellis, Hernandez, Kounalakis, Lee, Leib, Makarechian, Matosantos, Pérez, Reilly, Sarris, Sherman, Sures, and Tesfai voting “aye.”

2. **PRELIMINARY PLANS FUNDING AND EXTERNAL FINANCING, CLEAN ENERGY CAMPUS — ELECTRIFIED HEATING AND COOLING PLANT, DISTRIBUTION, AND DISTRIBUTED ENERGY RESOURCES, BERKELEY CAMPUS**

The Committee recommends that:

- A. The 2022-23 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Berkeley: Clean Energy Campus – Electrified Heating and Cooling Plant, Distribution, and Distributed Energy Resources – preliminary plans – \$40 million to be funded with external financing supported by State General Fund appropriations.
- B. External financing be approved in an amount not to exceed \$40 million plus related interest expense and additional related financing costs to finance Clean Energy Campus – Electrified Heating and Cooling Plant, Distribution, and Distributed Energy Resources. The following requirements shall be satisfied:
 - (1) The primary source of repayment shall be from State General Fund appropriations, pursuant to the Education Code Section 92493 et seq. Should State General Fund appropriation funds not be available, the President shall have the authority to use any legally available funds to make debt service payments.
 - (2) The general credit of the Regents shall not be pledged.

Committee vote: Regents Cohen, Drake, Kounalakis, Leib, Makarechian, Matosantos, Pérez, Raznick, Reilly, Robinson, Sherman, and Sures voting “aye.”

Board vote: Regents Anguiano, Cohen, Drake, Elliott, Ellis, Hernandez, Kounalakis, Lee, Leib, Makarechian, Matosantos, Pérez, Reilly, Sarris, Sherman, Sures, and Tesfai voting “aye.”

3. **AUTHORIZATION OF TERMS FOR URBAN SERVICES AGREEMENT AND POTENTIAL ANNEXATION, MERCED CAMPUS**

The Committee recommends that the Regents:

- A. Authorize the President, on behalf of the Merced campus, to approve and execute, after consultation with the General Counsel, an agreement with the City of Merced memorializing the terms pursuant to which the University will support the City’s application to annex the entire acreage of the Merced campus (1,026 acres) as follows:
 - (1) Permit the Merced campus to support annexation of the entire acreage of the Merced campus into the City for the purpose of providing City services, provided that any conditions proposed by the Merced Local Agency Formation Commission (Merced LAFCO) in its draft resolution are not inconsistent with the following provisions:
 - a. The entirety of the UC Merced campus as identified in the 2020 Long Range Development Plan (LRDP), a total area of 1,026 acres, will be annexed into the City of Merced.
 - b. The City will provide water and sewer services to the entire 1,026-acre campus. The City’s service obligation will be tied to the campus population and development as described in the UC Merced LRDP, as amended or updated by the Regents over time (i.e., upon annexation, the City’s service obligation shall increase to 15,000 students, the enrollment projection in the 2020 LRDP, and shall further increase if and when this enrollment projection is updated).
 - c. There shall be no cap or limitation on campus enrollment, or the amount and type of campus development and uses (i.e., total building space, student housing, parking, retail/restaurant space, and incubator space).
 - d. The University retains its full powers of organization and government set forth in Article IX, Section 9, of the California Constitution.

- (2) Monthly water and sewer service use charges shall accurately reflect the City's cost to provide service to the UC Merced campus, through rates based on the applicable user category as defined in the City of Merced Municipal Code (MMC), consistent with rates paid by other users of the same category.
 - (3) The new agreement will maintain the current "per student" charge structure for water and sewer facilities charges set forth in the Services Agreement, both up to and beyond enrollment of 10,000 students. Any future capacity/connection charges for additional campus development will be negotiated by the parties, subject to the limitations on charges for capital improvements set forth in Government Code Section 54999.3.
 - (4) The City will extend by ten years, through 2043, the reimbursement period for campus-provided water and sewer infrastructure (from developers who connect to the campus-funded water and sewer lines in the future) in the 2003 Permanent Financing Capital Facilities Fee Agreement.
 - (5) The City will modify the 2016 Transportation Agreement to clarify that the campus shall only contribute its proportionate share of the cost to widen Bellevue Road.
- B. Authorize the President, after consultation with the General Counsel, to approve and execute any additional documents necessary to implement the terms of the new agreement.

Committee vote: Regents Cohen, Drake, Kounalakis, Leib, Makarechian, Matosantos, Pérez, Raznick, Reilly, Robinson, Sherman, and Sures voting "aye."

Board vote: Regents Anguiano, Cohen, Drake, Elliott, Ellis, Hernandez, Kounalakis, Lee, Leib, Makarechian, Matosantos, Pérez, Reilly, Sarris, Sherman, Sures, and Tesfai voting "aye."

4. **UNIVERSITY OF CALIFORNIA RETIREMENT PLAN – PROPOSAL TO ADOPT CHANGES IN ACTUARIAL ASSUMPTIONS**

The Committee recommends that:

- A. The Regents' consulting pension actuary's recommendations regarding economic and non-economic actuarial valuation assumptions for the UC Retirement Plan (UCRP) summarized in Attachment 1 be adopted. As applicable, these actuarial assumptions will also be used for the actuarial valuations of the University of California-Public Employees' Voluntary Early Retirement Incentive Program (UC-VERIP) and the UC Retiree Health Benefit Program.

- B. The Plan Administrator be authorized to implement the changes summarized in Attachment 1 and in the actuarial experience study for the UCRP for the period July 1, 2018 to June 30, 2022.

Committee vote: Regents Cohen, Drake, Elliott, Leib, Makarechian, Matosantos, Pérez, Raznick, Reilly, Robinson, Sherman, and Sures voting “aye.”

Board vote: Regents Anguiano, Cohen, Drake, Elliott, Ellis, Hernandez, Kounalakis, Lee, Leib, Makarechian, Matosantos, Pérez, Reilly, Sarris, Sherman, Sures, and Tesfai voting “aye.”

**SUMMARY OF CONSULTING PENSION ACTUARY'S RECOMMENDATIONS REGARDING
ACTUARIAL VALUATION ASSUMPTIONS FOR UCRP**

Economic Assumptions

Assumption	Description	Recommendation
Inflation	Future increases in the Consumer Price Index (CPI), which drives investment returns and active member salary increases as well as cost-of-living adjustments (COLA).	Maintain rate at 2.50 percent per annum
Investment Return	Estimated average future net rate of return on current and future assets of UCRP as of the valuation date. This rate is used to discount liabilities.	Maintain rate at 6.75 percent per annum
Administrative Expenses	Fees for administrative, legal, accounting and actuarial services, as well as routine costs for printing, mailings, computer-related activities and other functions carried out for Plan operation are paid from Plan assets.	Increase from 0.40 percent of covered payroll to 0.45 percent of covered payroll
Salary Increases	Increases in the salary of a member between the date of the valuation to the date of separation from active service. It includes components of inflation, real "across the board" (real ATB) salary increases and merit and promotion (M-P) increases in salary.	<ul style="list-style-type: none"> • Inflation: see above • Real ATB: Maintain at 0.75 percent • M-P: Increases for both Faculty and Staff/Safety members

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Non-Economic Assumptions

Assumption	Description	Recommendation
Mortality Rates	Estimates the probability of dying at each age. Mortality rates are used to project life expectancies.	<p>Pre-Retirement – Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table, table rates decreased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021</p> <p>Healthy Retirees – Pub-2010 Teacher Healthy Retiree Amount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021. For Faculty, table rates are decreased by 15% for males and decreased by 5% for females. For Staff & Safety, table rates are not adjusted for males and increased by 5% for females.</p> <p>Beneficiaries in Pay Status as of Valuation – Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table, table rates are not adjusted for males and decreased by 10% for females, projected generationally with two-dimensional mortality improvement scale MP-2021.</p> <p>Beneficiaries not in Pay Status as of Valuation – When calculating the liability for the continuance to a beneficiary of a surviving member, the Staff & Safety Healthy Retiree mortality tables will be used for beneficiary mortality both before and after the expected death of the Faculty, Staff, or Safety member. Upon the actual death of the member (i.e. for all beneficiaries in pay status as of the valuation date), the</p>

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		<p>Contingent Survivor mortality tables as stated above will be used.</p> <p>Disabled Retirees – Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table, table rates are not adjusted for males and decreased by 5% for females, projected generationally with two-dimensional mortality improvement scale MP-2021</p> <p>Members who have “crossed over” will continue to be valued using disabled mortality tables</p> <p>Separate tables for males and females</p>
Mortality for Actuarial Equivalence Basis	Mortality table used for converting Plan benefits under one form of payment to an actuarially-equivalent amount under a different form of payment.	Use “static” version of mortality table that approximates the generational mortality table recommended for healthy retirees and beneficiaries shown above
Disability Incidence Rates	Estimates the probability of becoming disabled at each age.	Overall decreases in the rates and change to unisex based disability rates
Termination Rates	Estimates the probability of leaving active UCRP membership after attaining each level of service credit.	Overall decreases in the rates
Retirement Rates for Members Retiring from Active Membership	Estimates the probability of retirement at each age at which members are eligible to retire, given attainment of that age.	<p>1976 Tier Faculty:</p> <ul style="list-style-type: none"> • < 20 years of service: Increases • 20+ years of service: Increases <p>1976 Tier Staff:</p> <ul style="list-style-type: none"> • < 20 years of service: Decreases • 20+ years of service: Increases • Extend the retirement rates from age 75 to age 80 <p>Safety Members – Decreases and extend the retirement rates from age 65 to 67.</p>

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		<p>2013 & 2016 Tier Faculty: Increases</p> <p>2013 & 2016 Tier Staff: Increases and extend the retirement rates from age 75 to 80.</p> <p>Modified 2013 Tier Staff:</p> <ul style="list-style-type: none"> • < 20 years of service: Increases • 20+ years of service: Decreases • Extend the retirement rates from age 75 to age 80 <p>Adjust retirement timing to assume members will retire at the middle of the year on average.</p> <p>Reduce the assumed Inactive COLA applied to new retirements from active status from 2 percent to 1 percent to reflect the assumption above regarding retirement timing.</p>
<p>Retirements for Members Retiring from Inactive Membership</p>	<p>Inactive vested members assumed to retire at a fixed age.</p>	<p>2013 & 2016 Tier Members – Maintain at age 63</p> <p>Maintain at age 60 for all other inactive vested members</p>

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ACTUARIAL VALUATION ASSUMPTIONS FOR UCRP**

Assumption	Description	Recommendation
Eligible Survivor Assumptions	Assumptions regarding how many non-retired members will have eligible survivors at retirement, the age and gender of the eligible survivor(s) and the number of eligible survivors.	For actives and deferred vested members, maintain the percent married at retirement assumption at 80 percent for males and 60 for females. Maintain the spouse age difference and gender assumption as follows: <ul style="list-style-type: none"> • Male Members – Three years older than their female spouses • Female Members – Two years younger than their male spouses
Assumption for Unused Sick Leave Converted to Service Credit	Estimated proportion of unused sick leave at separation converted to service credit.	Maintain the current sick leave conversion rates
Lump Sum Cashout (LSC) Take-Rate	Rate at which retirement-eligible members opt to receive a LSC in lieu of monthly retirement income.	Overall decreases in the rates
Unknown Data for Members	Assumed demographic data for members with unknown information.	For unknown gender assume all members with unknown gender at the Lawrence Berkeley National Laboratory are male, and all others are female
Future Benefit Accruals	Amount of Service Credit projected to be earned by active members in years after the valuation date.	Maintain the current assumption that all active members earn one year of Service Credit each year in the future

The recommendation for any current assumption not listed here is to maintain the current assumption for the July 1, 2023 valuation.