FINANCE AND CAPITAL STRATEGIES COMMITTEE  
May 21, 2020

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

1. CONSENT AGENDA

A. Adoption of Endowment Administration Cost Recovery Rate

The Committee recommends that the endowment administration cost recovery rate remain at 55 basis points (0.55 percent)\(^1\) and apply to distributions from the General Endowment Pool (GEP) to be made after July 1, 2020, from the eligible assets invested in the GEP. The funds recovered shall be used to defray, in part, the cost of administering and carrying out the terms of endowments on the campuses and at the Office of the President.

B. Adoption of Expenditure Rate for the General Endowment Pool

The Committee recommends that the expenditure rate per unit of the General Endowment Pool (GEP) for expenditure in the 2020-21 fiscal year remain at 4.75 percent of a 60-month moving average of the market value of a unit invested in the GEP.

C. Amendments to the 2019-20 and 2020-21 Budgets for State Capital Improvements

The Committee recommends that:

(1) The amended 2019-20 Budget for State Capital Improvements be approved as shown below:

\(^1\) One basis point is 0.01 percent of yield (i.e., one hundred basis points equals one percent); 55 basis points are the equivalent of $55 on endowment assets with a 60-month average market value of $10,000.
State General Funds Financed ($000s)

<table>
<thead>
<tr>
<th>Location</th>
<th>Project Description</th>
<th>Approved Budget Jan 2020</th>
<th>Proposed Change</th>
<th>Proposed Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berkeley</td>
<td>University Hall Seismic Safety Improvements</td>
<td>$6,050</td>
<td>($6,050)</td>
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<tr>
<td>Irvine</td>
<td>Student Wellness &amp; Success Center</td>
<td>$13,000</td>
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<tr>
<td>Riverside</td>
<td>Pierce Hall Interiors</td>
<td>$13,000</td>
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<tr>
<td>Riverside</td>
<td>School of Medicine Education Building II</td>
<td>$6,400</td>
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<tr>
<td>Santa Barbara</td>
<td>Classroom Building</td>
<td>$79,787</td>
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<td>Santa Cruz</td>
<td>Kresge College Academic</td>
<td>$47,200</td>
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<tr>
<td>Division of Agriculture and Natural Resources</td>
<td>Facilities Renewal and Improvements</td>
<td>$19,237</td>
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<td>Capital Projects Total</td>
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<td>$184,674 ($6,050)</td>
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<td>$178,624</td>
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<td>2019-20 Systemwide State Deferred Maintenance Program</td>
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<td>$35,000</td>
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<td>$35,000</td>
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<td>TOTAL STATE FUNDS FINANCED</td>
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<td>$219,674 ($6,050)</td>
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<td>$213,624</td>
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</tbody>
</table>

Committee vote on items 1A, B, and C: Regents Blum, Cohen, Estolano, Kounalakis, Leib, Makarechian, Napolitano, Park, Sherman, Simmons, and Um voting “aye.”
D. **Approval of Design Following Action Pursuant to the California Environmental Quality Act, Inpatient Rehabilitation Hospital Project, Davis Health Campus**

The Committee recommends that, following review and consideration of the environmental consequences of the Inpatient Rehabilitation Hospital project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff to the Regents 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 Finance and Capital Strategies Committee recommend that the Regents:

1. Determine that the Inpatient Rehabilitation Hospital project is exempt from CEQA.

2. Approve the design of the Inpatient Rehabilitation Hospital, Davis Health campus.

Committee vote on item 1D: Regents Blum, Leib, Makarechian, Napolitano, Park, Sherman, Simmons, and Um voting “aye,” Regents Cohen and Estolano voting “no,” and Regent Kounalakis abstaining.

Board vote on all Consent Agenda items: Regents Butler, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Simmons, Sures, Um, Weddle, and Zettel voting “aye,” and Regent Cohen abstaining.

2. **PARTIAL PRELIMINARY PLANS FUNDING, IRVINE CAMPUS MEDICAL COMPLEX, IRVINE CAMPUS**

The Committee recommends that the 2019-20 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

From: Irvine: Irvine Campus Medical Complex – partial preliminary plans – $15 million to be funded from hospital reserves.

To: Irvine: Irvine Campus Medical Complex – partial preliminary plans – $35,210,000 to be funded from hospital reserves.

Committee vote: Regents Blum, Cohen, Estolano, Kounalakis, Leib, Makarechian, Napolitano, Park, Sherman, Simmons, and Um voting “aye.”

Board vote: Regents Butler, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Simmons, Sures, Um, Weddle, and Zettel voting “aye,” and Regent Cohen abstaining.
3. PRELIMINARY PLANS AND WORKING DRAWINGS FUNDING AND SCOPE, MISSION BAY EAST CAMPUS PHASE 2 (BLOCK 34) PARKING GARAGE, SAN FRANCISCO CAMPUS

The Committee recommends that:

A. The 2019-20 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

   San Francisco: Mission Bay East Campus Phase 2 Parking Garage – preliminary plans and working drawings – $4.5 million funded from auxiliary reserves.

B. The scope of the Mission Bay East Campus Phase 2 Parking Garage project shall provide a new parking garage of up to 500 structured spaces and approximately 2,500 gross square feet of office and administrative space for UCSF Transportation staff.

Committee vote: Regents Cohen, Estolano, Kounalakis, Leib, Makarechian, Napolitano, Sherman, Simmons, and Um voting “aye.”

Board vote: Regents Butler, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Simmons, Sures, Um, Weddle, and Zettel voting “aye,” and Regent Cohen abstaining.

4. PRELIMINARY PLANS FUNDING, MISSION BAY EAST CAMPUS PHASE 2 (BLOCK 34) CLINICAL BUILDING, SAN FRANCISCO CAMPUS

The Committee recommends that the 2019-20 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

From: San Francisco: Mission Bay East Campus Phase 2 Clinical Building – partial preliminary plans – $2 million to be funded from hospital reserves.

To: San Francisco: Mission Bay East Campus Phase 2 Clinical Building – preliminary plans – $23 million to be funded from hospital reserves.

Committee vote: Regents Cohen, Estolano, Kounalakis, Leib, Makarechian, Napolitano, Sherman, Simmons, and Um voting “aye.”

Board vote: Regents Butler, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Simmons, Sures, Um, Weddle, and Zettel voting “aye,” and Regent Cohen abstaining.
5. **PRELIMINARY PLANS FUNDING, INTEGRATED CENTER FOR DESIGN AND CONSTRUCTION AT PARNASSUS HEIGHTS, SAN FRANCISCO CAMPUS**

The Committee recommends that the 2019-20 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:


Committee vote: Regents Blum, Cohen, Estolano, Kounalakis, Leib, Makarechian, Napolitano, Sherman, Simmons, and Um voting “aye.”

Board vote: Regents Butler, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Simmons, Sures, Um, Weddle, and Zettel voting “aye,” and Regent Cohen abstaining.

6. **PARTIAL PRELIMINARY PLANS FUNDING, THE NEW HOSPITAL AT UCSF HELEN DILLER MEDICAL CENTER AT PARNASSUS HEIGHTS, SAN FRANCISCO CAMPUS**

The Committee recommends that the 2019-20 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

From: San Francisco: New Hospital at UCSF Helen Diller Medical Center at Parnassus Heights – partial preliminary plans – $5 million to be funded from hospital reserves.

To: San Francisco: New Hospital at UCSF Helen Diller Medical Center at Parnassus Heights – partial preliminary plans – $135 million to be funded from hospital reserves.

Committee vote: Regents Cohen, Estolano, Kounalakis, Leib, Makarechian, Napolitano, Park, Sherman, Simmons, and Um voting “aye.”

Board vote: Regents Butler, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Simmons, Sures, Um, Weddle, and Zettel voting “aye,” and Regent Cohen abstaining.
7. **FISCAL YEAR 2020-21 BUDGET FOR THE UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT**

The Committee recommends that the Regents approve the following:

Resolved, the Regents authorize the Office the President to accept and expend funds for fiscal year 2020–2021 per *Regents Policy 5101: Policy Regarding Approval of Annual Budget for the Office of the President* with the understanding that the Office of the President will submit, at the July 2020 Board of Regents meeting, a balanced budget that incorporates the appropriate level of reductions.

The Regents shall consider and recommend a revised fiscal year 2020–21 budget at the July 2020 Board meeting. This resolution shall remain in effect through August 31, 2020.

Committee vote: Regents Blum, Cohen, Estolano, Kounalakis, Leib, Makarechian, Napolitano, Park, Pérez, Sherman, Simmons, and Um voting “aye.”

Board vote: Regents Butler, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Simmons, Sures, Um, Weddle, and Zettel voting “aye,” and Regent Cohen abstaining.

8. **AMENDMENT OF THE UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM PLANS TO PROVIDE FOR RELIEF DISTRIBUTIONS AND LOAN PROVISIONS AS PERMITTED UNDER THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT**

The Committee recommends that:

A. The UC Retirement Savings Program (RSP) plans be amended, as applicable, to implement the following provisions as soon as administratively feasible after Regental approval:

   (1) The UC Defined Contribution Plan, Tax-Deferred 403(b) Plan, and 457(b) Deferred Compensation Plan be amended to permit qualified participants, as defined under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), to request coronavirus-related distributions, including in-service distributions, regardless of age, provided that:

   a. The distributed amounts are limited to the participants’ vested accumulations;²

² Vested accumulations as defined in each plan document. Generally, all member accumulations in the RSP plans are 100 percent vested immediately, with the exception of certain employer contributions and earnings in the Defined Contribution Plan.
b. The coronavirus-related distributions among all three RSP plans do not exceed $100,000 per qualified participant;

c. The coronavirus-related distributions are requested and issued by December 31, 2020; and

d. The coronavirus-related distributions may be repaid within three years and such repayments will be deemed an eligible plan rollover.

Note: In accordance with the CARES Act, coronavirus-related distributions will not be subject to early distribution penalties or the mandatory minimum 20 percent federal tax withholding applicable to eligible rollover distributions.

(2) The Tax-Deferred 403(b) Plan be amended to permit qualified participants, as defined under the CARES Act, to request coronavirus-related loans from the plan, provided that:

a. The participant is an active UC employee with a balance of at least $1,000 in the plan;

b. The participant does not already have an outstanding general-purpose loan from the plan;

c. The coronavirus-related loan amount does not exceed the lesser of $100,000 or 100 percent of the participant’s vested contributions in the Tax-Deferred 403(b) plan, plus interest or earnings;

d. The coronavirus-related loan is requested no later than 180 days following the enactment of the CARES Act; and

e. To facilitate these CARES Act loan provisions, temporarily suspend the current plan provision which limits a participant to receiving only one general-purpose loan in every 12-month period. A participant could not take more than one general purpose loan at the same time. Rather, it would allow a participant to initiate and pay off a general purpose loan and take another within a 12-month period.

(3) The Tax-Deferred 403(b) Plan be amended, in accordance with the CARES Act provisions, to allow active participants with an outstanding plan loan, as soon as administratively feasible following Regental approval, to suspend any loan repayments that otherwise would have been owed through December 31, 2020. Although loan interest will continue to
accrue during the grace period, this amendment provides a deferral of one year\(^3\) on the participant’s repayment schedule.

(4) In addition to the optional provisions allowed under the CARES Act, the UC Defined Contribution Plan and 457(b) Deferred Compensation Plan be amended to permit plan participants who have attained age 59½ to request a full or partial in-service distribution of their vested contributions, plus interest or earnings, as already permitted under the Internal Revenue Code. (Since these in-service distributions are not related to the coronavirus pandemic, they would be subject to mandatory federal tax withholding. This aligns with current in-service distributions allowed under the UC Tax-Deferred 403(b) Plan.)

B. The President of the University be authorized to implement these approved provisions and supporting technical details, and the Plan Administrator be delegated authority to subsequently amend the RSP plan documents as necessary to implement the approved changes.\(^4\)

Committee vote: Regents Blum, Estolano, Kounalakis, Leib, Makarechian, Napolitano, Park, Pérez, Sherman, Simmons, and Um voting “aye,” and Regent Cohen abstaining.

Board vote: Regents Butler, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Simmons, Sures, Um, Weddle, and Zettel voting “aye,” and Regent Cohen abstaining.

\(^3\) The CARES Act allows for the suspension of retirement plan loans for “one year.” Fidelity Workplace Services LLC (Fidelity), UC’s retirement savings plan record-keeper, is implementing this provision with its employer plan sponsor clients through December 31, 2020, pending further IRS guidance and clarification.

\(^4\) The CARES Act allows employer plan sponsors to immediately adopt and implement the eligible defined contribution plan distribution and loan provisions contained within the Act. Employer sponsors of eligible governmental defined contribution plans have until the end of their 2024 plan year to formally, and retroactively, amend their plans accordingly.