

The Regents of the University of California

FINANCE AND CAPITAL STRATEGIES COMMITTEE

November 19, 2025

The Finance and Capital Strategies Committee met on the above date at the UCLA Luskin Conference Center, Los Angeles campus.

Members present: Regents Cohen, Komoto, Kounalakis, Lee, and Robinson; Ex officio member Milliken; Advisory members Craven and Scott; Chancellors Hawgood, Khosla, Lyons, May, and Muñoz; Staff Advisor Hanson

In attendance: Regents Brooks and Park, Regents-designate Melton and Tokita, Secretary and Chief of Staff Lyall, Deputy General Counsel Drumm, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Executive Vice President Rubin, Senior Vice President Turner, Chancellors Assanis and Hu, and Recording Secretary Johns

The meeting convened at 3:20 p.m. with Committee Chair Cohen presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes the meeting of September 17, 2025 were approved, Regents Cohen, Komoto, Lee, Milliken, and Robinson voting “aye.”¹

2. EAST CAMPUS STUDENT HOUSING, SANTA BARBARA CAMPUS: BUDGET, SCOPE, EXTERNAL FINANCING, LONG RANGE DEVELOPMENT PLAN AMENDMENT #8, AND DESIGN FOLLOWING CONSIDERATION OF ADDENDUM NO. 6 TO THE 2010 LONG RANGE DEVELOPMENT PLAN ENVIRONMENTAL IMPACT REPORT PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

The President of the University recommended that:

A. The 2025-26 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Santa Barbara: East Campus Student Housing – preliminary plans – \$18.8 million from campus funds.

To: Santa Barbara: East Campus Student Housing – preliminary plans, working drawings, construction, and equipment – \$566,058,000 to be funded from Higher Education Student Housing Grant funds (\$2.15 million), external

¹ Roll call vote required by the Bagley-Keene Open Meeting Act [Government Code §11123(b)(1)(D)] for all meetings held by teleconference.

financing supported by State General Funds for the Higher Education Student Housing Grant Program (\$43 million) and external financing (\$520,908,000).

- B. The scope of the East Campus Student Housing project be approved. The project shall provide approximately 329,000 assignable square feet and 474,000 gross square feet of new residential construction in four buildings ranging from six to eight stories and renovation of a 23,000-gross-square-foot dining commons. Program uses include approximately 1,688 undergraduate student beds with supporting amenities, staff offices, and a student dining facility. The project would also provide pedestrian and bicycle improvements, vehicular circulation improvements, parking, and landscape elements.
- C. The President be authorized to obtain external financing supported by State General Funds for the Higher Education Student Housing Grant Program in an amount not to exceed \$43 million plus related interest expense and additional related financing costs to finance East Campus Student Housing and declare that external financing may be used to reimburse prior expenditures. The President shall require that:
 - (1) The primary source of repayment shall be from State General Fund appropriations. 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.
 - (3) Any reimbursements will meet all requirements set forth in Treasury Regulations Section 1.150-2.
- D. The President be authorized to obtain external financing in an amount not to exceed \$520,908,000 plus additional related financing costs to finance the East Campus Student Housing project and declare that external financing may be used to reimburse prior expenditures. The President shall require that:
 - (1) Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
 - (2) As long as the debt is outstanding, the general revenues of the Santa Barbara campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - (3) The general credit of the Regents shall not be pledged.
 - (4) Any reimbursements will meet all requirements set forth in Treasury Regulations Section 1.150-2.

- E. Following review and consideration of the environmental consequences of the East Campus Student Housing 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 48 hours in advance of the beginning of the Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:
- (1) Adopt the CEQA Findings for the East Campus Student Housing project, having considered both the 2010 Long Range Development Plan (LRDP) Environmental Impact Report (EIR) for the Santa Barbara Campus and Addendum No. 6 to the 2010 LRDP EIR for the East Campus Student Housing project.
 - (2) Adopt as conditions of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of the Santa Barbara campus as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2010 LRDP EIR and amended in Addendum No. 6 to the 2010 LRDP EIR for the East Campus Student Housing Project.
 - (3) Approve Amendment #8 to the 2010 Long Range Development Plan.
 - (4) Authorize the UC Santa Barbara Chancellor to amend the LRDP, if required, in response to comments, project modifications, and/or conditions of approval received from the California Coastal Commission, provided that any changes: (1) preserve the fundamental planning principles and objectives of the previously adopted LRDP; (2) do not modify greater than 30,000 gross square feet of allocated building space; and (3) do not modify land use boundaries or designations greater than four acres, except for changes required for additional environmental or coastal protections that may apply campuswide. Any associated changes to the project budget or scope that fall within the parameters in Regents Policy 8103, Policy on Capital Project Matters and/or Delegation of Authority 2629 on Capital Project Matters, including any conforming changes to the project's design, may be approved by the President or designee.
- F. The design of the East Campus Student Housing project, Santa Barbara campus be approved.

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Cohen underscored the Santa Barbara campus' need for student housing and the high cost of the proposed project.

Chancellor Assanis recalled that the UC Santa Barbara 2010 Long Range Development Plan (LRDP) established the goal of developing new housing for undergraduates. The undergraduate population has grown to about 25,000 students, but the campus has not yet built enough new beds to accommodate this enrollment growth. Many students faced challenges in trying to find appropriate housing in the local market, where the vacancy rate was just above two percent and rental rates for new apartments exceeded \$1,400 per month per bed.

To address this problem, UCSB was developing two new housing projects that would provide a total of 3,500 new beds for undergraduate students in a variety of new unit types at below-market rates. These projects would enhance the campus community and provide students with new options for high-quality housing integrated into academic activities and campus life. Completion of these projects would also satisfy settlement agreements with local jurisdictions and allow the campus to begin to plan for future growth as UCSB undertakes its LRDP for the next 25 years.

The first of the two projects was the San Benito Student Housing project, for which the Regents approved the budget and external financing in January 2025. This project was under construction and scheduled for completion in fall 2027. It would deliver 2,225 new beds on the main campus and was the first such residential expansion at UCSB in over 20 years.

The second project, the East Campus Student Housing project, would redevelop and expand an existing residential community on the main campus. This project would provide 1,276 new undergraduate student beds in apartment-style units and 412 replacement residence hall beds. The project would demolish the existing Santa Rosa Residence Hall. Rental rates would be at least 20 percent below market rate. The project would include two-bedroom, four-student apartment suites and larger residence hall rooms designed for triple occupancy. Residents would have access to common areas such as study rooms, lounges, recreation, and laundry as well as on-site services.

The infill location on the main campus would provide easy pedestrian and bicycle access to nearby academic facilities and amenities. The buildings' form and massing would create inviting courtyards and large outdoor spaces. The design drew inspiration from and complemented existing campus architecture. The project would target Leadership in Energy and Environmental Design (LEED) Platinum certification, would be guided by UC's Sustainable Practices policy and the campus' decarbonization policy, and the all-electric project would employ natural ventilation, a central utility plant for space heating, solar thermal water heating, and native landscaping to minimize energy use. The design met the University's standards of quality, sustainability, and cost-effective longevity. The project would also renovate and modernize the existing Ortega Dining Commons.

UCSB estimated that the approximate total project cost would not exceed \$566 million. In the last few months, the campus had rescoped and value-engineered the project to trim \$150 million from the project cost. Funding from the State's Higher Education Student Housing Grant program would provide \$45 million, while the balance of project funding

would come from external financing. East Campus Student Housing was scheduled to open in fall 2028, bringing the campus' total inventory of student housing to approximately 13,600 beds, and providing housing for over 54 percent of the LRDP enrollment.

Student observer Isha Khirwadkar asked if the market study for this project included informal but heavily used parts of the student housing ecosystem such as shared rooms in rental houses and subdivided units which exceeded intended occupancy caps. UCSB Director of Capital and Physical Planning Josh Rohmer responded that UCSB's market studies reviewed comparable projects in the marketplace. There were a number of comparable projects in Isla Vista, the adjacent community, which were student-oriented, with double occupancy, and charged per bed.

Ms. Khirwadkar asked if UCSB took into account off-campus units intended for double occupancy but used for triple occupancy. Mr. Rohmer responded that the study focused on housing costs for students off campus.

Ms. Khirwadkar referred to information in the background material, which stated that the proposed average monthly rate per bed of \$883 was 33 percent below the current market rate of comparable properties in the Isla Vista market area. However, annual rate increases of 5.5 percent above inflation to support financing for the San Benito and East Campus Student Housing projects were projected to bring campus rates to 21 percent below market rates in 2029. Ms. Khirwadkar recalled that the project was not slated for completion until 2028, at which point the rental rate would barely exceed the University's 20 percent goal. She requested clarification on long-term rates. Mr. Rohmer responded that UCSB assumed that it would have to increase rental rates across its housing inventory to pay for projects currently under construction. He confirmed that when this project opens, the rental rate would be around 21 percent below market. Chancellor Assanis added that the project would provide product options that the campus did not currently have. He believed that the projected rental rates would be appropriate.

Ms. Khirwadkar noted that about 400 units would be taken out of use. She asked where displaced students would be accommodated and what specific measures are being taken to prevent increased overcrowding and further strain on the rental market. Mr. Rohmer responded that there had been much discussion of this at UCSB. The San Benito project would not open for another year, and the campus had to account for the 600 beds in the Santa Rosa Residence Hall. Over the last six to seven years, UCSB has been accommodating additional enrollment by increasing the occupancy of existing double occupancy rooms. UCSB would accommodate these students through triple occupancy rooms elsewhere, and there were a sufficient number of such rooms available.

Ms. Khirwadkar emphasized that the cost of living and attending the University should never be a reason for a student to decline an offer of admission. As UC considered the cohort tuition model and shifted more financial responsibility to students, it would become even more critical that UC housing rates and affordability reflected UC students' experience, including the full range of living situations students relied on to make a UC education possible. As the University continued to expand housing, she urged transparency

in affordability statistics, full consideration of how students actually navigated housing markets, and a commitment to ensure that financial barriers did not limit access to opportunity.

Committee Chair Cohen asked about steps the campus would take to control the cost of this project and future housing projects. Chancellor Assanis enumerated factors contributing to the complexity of construction projects at UCSB. The campus preferred the Construction Manager at Risk delivery model. The campus wished to deliver more housing and must be cost-conscious. UCSB would make every effort to receive the most competitive bids for its contracts and subcontracts and would seek contractors nationwide. The Santa Barbara area was a challenging region for housing construction.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Komoto, Lee, Milliken, and Robinson voting "aye."

3. **UNIVERSITY OF CALIFORNIA CONSOLIDATED CAPITAL REPORT AND APPROVAL OF THE 2025-31 CAPITAL FINANCIAL PLAN**

The President of the University recommended that the University of California 2025-31 Capital Financial Plan be approved.

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President and Chief Financial Officer Brostrom enumerated capital projects that were completed this year. The UC Riverside North District Phase 2 Housing project would house both UCR and Riverside Community College District students and promote a seamless transfer process for community college students to UC. Other completed projects were the Grimes Engineering Center at UC Berkeley, the Viterbi Family Vision Research Center at UC San Diego, and the UC Irvine Health – Irvine medical complex, an all-electric hospital.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Komoto, Kounalakis, Lee, Milliken, and Robinson voting "aye."

4. **UNIVERSITY OF CALIFORNIA FINANCIAL REPORTS, 2025**

The President of the University recommended that the Regents adopt the Fiscal Year 2025 Annual Financial Reports for the University of California, the University of California Retirement System, and the five University of California Medical Centers.

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Associate Vice President and Systemwide Controller Barbara Cevallos expressed thanks to the hundreds of people whose work contributed to the University's financial reports. The University ended 2024-25 with revenue supporting primary activities modestly exceeding expenses, showing continued financial strength despite economic and policy headwinds. Strong investment results had a definitive influence on the financial statements this year, providing net appreciation of \$3.9 billion. Tuition revenue remained stable. Despite uncertainty in the research arena, the University's grants and contracts revenue remained stable this year. This might not be the case in the coming year. Short-term and long-term financing activity amounted to \$8.4 billion, supporting strategic acquisitions, medical center expansions, and increased systemwide liquidity. The net pension liability decreased by \$5.6 billion due to investment returns. The medical centers increased their net patient services revenue due to higher patient volumes, supplemental third-party payments, and growth in pharmacy revenues. Due to these and other factors, the University ended the year with a positive net position. The impacts of grant terminations and other actions by the federal government would be felt more significantly in 2026 and beyond.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Komoto, Kounalakis, Lee, Milliken, and Robinson voting "aye."

5. **UNIVERSITY OF CALIFORNIA 2026-27 BUDGET FOR CURRENT OPERATIONS AND STATE REQUEST FOR CAPITAL PROJECTS**

The President of the University recommended that the Regents approve the following items:

- A. The proposed budget plan shown in Attachment 1, *University of California 2026-27 Budget Plan for Current Operations*.
- B. A request for one-time State funding of \$1.43 billion in 2026-27 for capital projects to support facilities renewal, enrollment growth, and clean energy.

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President and Chief Financial Officer Brostrom began the discussion by noting that UC submitted a letter to the State Department of Finance requesting a \$130 million no-interest loan, and UC had just received approval for this from the Joint Legislative Budget Committee.

State revenues were currently about \$8.7 billion above prior projections. Most of this additional funding would be directed toward Proposition 98 loans or Proposition 2, the rainy day fund. There was some possibility that UC would receive Compact agreement installments as well as the deferred payments from previous budget years.

The University has increased its resident California undergraduate enrollment by nearly 15,000 students over the term of the Compact, including by almost 7,000 in the last academic year, 2024-25. UC anticipated growth of nearly 3,000 students in this academic year, which would enable UC to exceed the goals of the Compact one year early.

For the first two years of the Compact the State met its obligation, but in the last two years UC has experienced a \$125 million reduction and fund deferrals. The State has indicated that it would provide the \$400 million of deferred funds over the next three years.

Associate Vice President Caín Diaz outlined the 2026-27 budget plan, which was divided into three main elements. The first element, the expenditure components of the budget, reflected ongoing investments in five broad categories: (1) existing enrollment growth and support costs, which included growth in workloads; (2) procurement savings and operational efficiencies, under which UC continued to expand efforts to leverage its purchasing power in order to negotiate discounts and rebates from vendors and service providers; (3) sustaining core operations, a category which captured expected cost increases in the upcoming year, most of which were associated with compensation and benefits for faculty and staff; (4) student financial aid; and (5) a request for State support for four new graduate health sciences programs. The second element of the plan, the revenue components, reflected an expectation of ongoing support. The third element was requests for one-time State funding including \$1.43 billion to address campuses' highest-priority projects related to facilities renewal, enrollment growth, and clean energy.

New core expenditures included roughly \$400 million in existing costs related to the enrollment growth that campuses have already achieved but for which funding has not yet been received. This category also included \$15 million in expected savings. An increase of almost \$440 million in expenditures would be necessary to sustain core operations. Most of this was funding for compensation and benefits, and some of these cost increases were effectively mandatory, such as the faculty merit program and existing collective bargaining agreements. There was also a planned increase in the employer contribution to the UC Retirement Plan from 14.5 percent to 15 percent. The plan also included over \$100 million in additional student financial aid, most of which was attributable to the annual adjustment to tuition and fees under the Tuition Stability Plan.

Mr. Diaz then discussed revenue sources. The University was requesting that the State restore the \$130 million of funding deferred in the current year as intended in the 2025 Budget Act. UC also requested the full restoration of the 2025-26 Compact installment. The State has proposed to restore only about \$96 million of this in 2026-27 with the remaining amount to be restored in 2028-29. The plan also included \$20 million in new resources from the University's own efforts to improve the return on a portion of its working capital. The plan included \$300 million in new State support consistent with the multi-year Compact, with the Compact's 2026-27 installment of a five percent base budget adjustment as well as new funding to continue the exchange of California resident undergraduates for non-resident students at three campuses. The plan included \$273 million of new tuition and fee revenue under the Tuition Stability Plan, and this would

provide about \$170 million for campus operations and \$102 million in new student financial aid.

Mr. Diaz presented a chart showing the impact of these budget elements on the existing structural deficit. UC anticipated about \$937 million in new expenditures and expected to generate almost \$300 million from the Tuition Stability Plan and from its own asset management strategies. The University's own actions would allow UC to cover about \$645 million of these new costs. The 2025 State Budget Act included intent language to restore \$130 million in base budget funding for UC that was deferred to 2026-27 and to restore \$96 million of the 2025-26 Compact installment. Under the Compact, UC expected to receive the 2026-27 installment with a five percent increase and support for the non-resident student exchange. If this funding were received, it would still leave \$123 million of expected costs. Therefore, the University's budget proposal would request two other elements: full restoration of the 2025-26 Compact installment—in addition to two of the five percentage points, requesting the three percent that was deferred to 2028-29—and \$5 million for high-priority investments. If this request was funded, the University would be able to apply almost \$60 million toward the existing structural deficit. Mr. Brostrom added that UC would be requesting one-time State support for high-priority capital projects.

Committee Chair Cohen described this as an aggressive budget request that accurately reflected UC needs for current operations. He cautioned that despite revenue growth expectations in California, the projected budget shortfall was increasing as well.

Regent Robinson raised the question of whether the University should continue to meet its Compact goals when the State was not honoring its Compact commitments and not covering costs, now for the third year. Mr. Brostrom responded that many of the Compact goals were goals that the University would pursue in any case, such as reducing equity gaps. The most significant element of leverage that the University had was undergraduate enrollment. The University would not increase the numbers of resident undergraduates or decrease non-resident enrollment at the Berkeley, San Diego, and Los Angeles campuses until the State paid for this. Nevertheless, the University was overenrolled and would achieve all Compact goals this year. The Office of the President would work with the campuses on their enrollment goals for 2026-27 since UC was already admitting over 4,000 students for whom it had not received any State funding, and this number would increase by another 3,000 this year.

Regent Robinson stressed that the University had been upholding its side of the bargain, and that it was time to remind State government officials of this. Mr. Brostrom observed that the deferral of one of the Compact payments extended beyond the term of the current Governor.

Regent Park asked if the University planned to keep enrollment flat or reduce enrollment, given that UC exceeded the Compact goals. Mr. Brostrom responded that UC has not yet discussed this. He doubted that the University would reduce enrollment. UC might keep enrollment flat and reconsider other elements of enrollment, such as non-resident enrollment.

Regent Park referred to the pool of UC-eligible high school graduates and asked if there were any demographic trends that would increase or reduce the number of eligible students and applicants. Mr. Brostrom responded that demographic trends indicated that the number of these students had levelled off and was beginning to decline. Although the overall population was decreasing, there were more UC-eligible students who had completed the A-G requirements. There was now a slight increase in transfer students; this number had declined significantly during the COVID-19 pandemic.

Regent Park asked if UC felt confident about the next Legislature and Governor honoring the terms of the Compact and providing the deferred funding. Mr. Brostrom believed that the University would receive the deferred \$130 million. He was less optimistic about full restoration of the 2025-26 Compact installment of five percent but noted that in that last year's budget process, the ultimate budget outcome was more favorable for the University than the May Revision, and the Legislature restored some elements during the budget process. He acknowledged that there would be many demands on the State budget in the coming year.

Regent Park commented that it would be a good idea to plan three, four, and five years into the future before agreeing to the terms of a future Compact. Mr. Brostrom expressed agreement.

Regent Lee asked if the University anticipated that based on this budget, its deficit would be in the range of \$400 million to \$500 million. Mr. Brostrom responded in the affirmative but noted that every campus was implementing budget reduction strategies. There was a systemwide hiring freeze and other means of reducing expenses. The budget presentation did not reflect all the actions being taken on the campuses. The presentation reflected UC core funds and not only the State portion. UC was using aggressive tactics to generate discretionary revenue elsewhere, such as by asset management. The University was moving assets from the Short Term Investment Pool into the Blue and Gold Pool and the Total Return Investment Pool, where these assets would earn higher returns which might amount to hundreds of millions of dollars.

Chancellor Muñoz affirmed that every campus was reviewing staffing. At UC Merced, every single position was being reviewed, including vacant faculty and staff positions. The campus was also considering how endowments and other funding might be used in ways they previously had not been used. All colleges and universities in California were preparing for a difficult State budget environment. UC Merced was contemplating multi-year reductions in order to calibrate its budget to match its resources.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Komoto, Kounalakis, Lee, Milliken, and Robinson voting "aye."

6. **UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM – PLAN PROVISION AND OPERATIONAL AMENDMENTS**

The President of the University recommended that:

A. The Tax-Deferred 403(b) Plan (“403(b) Plan”) and the 457(b) Deferred Compensation Plan (“457(b) Plan”) be amended, as applicable, to implement the following provisions as soon as administratively feasible following Regental approval:

- (1) Support implementation of provisions required by the federal SECURE 2.0 Act of 2022 (“SECURE 2.0”) for high earner catch-up contributions:
 - a. Allow deemed elections in the 403(b) and 457(b) Plans to permit UC to automatically designate catch-up contributions for high earners as Roth contributions, as required under SECURE 2.0.
 - b. Permit in-plan Roth conversions in the 403(b) and 457(b) Plans to provide employees the opportunity to convert pre-tax balances to Roth and to provide a mechanism to correct contribution errors related to the SECURE 2.0 Roth catch-up requirement.
- (2) Simplify catch-up opportunities by adding SECURE 2.0 “super catch-up” and replacing existing special catch-ups:
 - a. As permitted under SECURE 2.0, add the “super catch-up” provision allowing participants aged 60 to 63 to contribute up to 150 percent of the standard catch-up limit in the 403(b) and 457(b) Plans.
 - b. Remove the 403(b) special catch-up (15-Year Rule) provision.
 - c. Remove the 457(b) special catch-up (Final Three-Year Rule) provision.
- (3) Add forfeiture account provisions for clarification and consistency:

Add explicit plan language to the 403(b) and 457(b) Plans specifying the permissible use of forfeiture funds, aligning these provisions with the Defined Contribution Plan (DCP).
- (4) Change 403(b) loan repayments method from UCPath to Fidelity:

Change 403(b) Plan loan repayments from UCPath payroll deduction to Automated Clearing House transfers (ACH) directly through Fidelity, the plan recordkeeper, to improve administrative efficiency and accuracy.

- (5) Permit trustee-to-trustee transfers from the Benioff Children's Hospital of Oakland (BCH) 403(b) Plan:

Allow participants who transitioned to UC employment following the July 1, 2025, integration to transfer their BCH 403(b) balances directly into the UC 403(b) Plan to consolidate savings and access UC's investment options.

- B. The President be authorized to implement these approved provisions and supporting technical details, and the Plan Administrator be delegated authority to subsequently amend the 403(b) Plan and 457(b) Plan documents as necessary to implement the approved changes.

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Cohen briefly introduced the item.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Komoto, Kounalakis, Lee, Milliken, and Robinson voting "aye."

7. **ANNUAL ACTUARIAL VALUATION OF THE UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT PROGRAM**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President and Chief Operating Officer Nava presented highlights of the annual actuarial valuation of the UC Retiree Health Benefit Program. The program covered 53,500 retired members and survivors. The annual cash costs for the program, which was a pay-as-you-go program, were \$422 million in 2024-25, \$6 million lower than anticipated. The projected cash costs for 2025-26 were \$482 million. The costs were funded through a campus assessment. The costs for the next year were anticipated to increase by about 14 percent primarily due to increases in healthcare premiums as well as an increase in the number of covered retirees. The University was continuing to manage its health benefit programs and had made some significant changes to the 2026 benefits. Ms. Nava recalled that this benefit was not an accrued or vested benefit entitlement and could be changed by the University at any time. The program's current liability was \$19.5 billion compared to \$20.4 billion in the prior year. This was primarily due to an increase in the discount rate, based on the index rate for 20-year tax-exempt general obligation municipal bonds.

Committee Chair Cohen asked about the changes in 2026 and what reduction in liability there might be. Executive Vice President and Chief Financial Officer Brostrom responded that the discount rate was the main factor. If the discount rate rises, the liability decreases, even when the pay-as-you-go costs would increase by 14 percent. Actuarial Services Manager John Monroe added that there would be a variety of changes in 2026, including

changes in plan provisions and premiums, but he anticipated that the impact of these changes would be minimal overall, with a slight increase in the total Other Postemployment Benefits liability.

8. **ANNUAL ACTUARIAL VALUATIONS FOR THE UNIVERSITY OF CALIFORNIA RETIREMENT PLAN AND ITS SEGMENTS AND FOR THE 1991 UNIVERSITY OF CALIFORNIA – PUBLIC EMPLOYEES’ RETIREMENT SYSTEM VOLUNTARY EARLY RETIREMENT INCENTIVE PROGRAM**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President and Chief Operating Officer Nava presented salient facts from the annual actuarial valuation of the UC Retirement Plan (UCRP). The UCRP supported 91,000 retirees and survivors and paid out a total of \$5.5 billion in benefits last year. The valuation found the UCRP rate of return to be 12.7 percent on a market value of assets basis. She recalled that the calculation uses actuarial smoothing of gains and losses over five years. The rate of return was 9.9 percent on an actuarial value of assets basis. The UCRP’s funded status as of July 1, 2025 was 90 percent on a market basis, compared to 85 percent the prior year. On an actuarial basis, the funded ratio was about 85 percent, an increase from 82 percent the prior year. The increase in the funded ratio was primarily due to investment gains offset by some losses including salary increases which were slightly greater than assumed. The value of UCRP assets was \$111 billion on a market basis and \$105 billion on an actuarial basis. Ms. Nava recalled that the University had transferred \$800 million to the UCRP from the Short Term Investment Pool (STIP) last year.

The total unfunded liability of the UCRP on an actuarial basis was \$18 billion, \$2 billion lower than the prior year. On a market basis, the unfunded liability was \$12 billion, a decrease from \$18 billion in the prior year. The total funding policy contribution for 2026-27 was about 30 percent of covered payroll, a decrease in the prior year contribution which was 32 percent. UC anticipated that it would be meeting the full funding contribution in the next six years per policy and that, based on current projections, the UCRP would be 100 percent funded in 12 years.

The University was continuing to implement the employer contribution rate increase approved by the Regents of 0.5 percent each year. The Regents had paused this increase this year, but UC intended to reach an 18 percent rate by 2030. The University was planning another transfer from the STIP to the UCRP of \$555 million in 2026-27. The Regents have authorized additional transfers through 2029.

Consulting actuary and Segal representative Todd Tauzer described this valuation as positive news. The UCRP funded status was improving based on investment returns and other factors. Nevertheless, it was important to keep in mind that the funded status statistic was an estimate at a single point in time, as of June 30, 2025, and that this status depended on the University continuing to fund the UCRP as intended. Continuing with the funding

plan helped the UCRP move toward full funding and helped to avoid compounding costs in the unfunded liability.

Mr. Tauzer noted that Segal was scheduled to conduct another actuarial experience study in the near future. Segal would examine all the assumptions in the valuation, including the 6.75 percent investment return assumption. This study would be performed after the next valuation and likely be presented to the Regents in early 2027.

The meeting adjourned at 4:20 p.m.

Attest:

Secretary and Chief of Staff

University of California
2026-27 Budget Plan for Current Operations
(dollars in millions)

Attachment 1

2025-26 CORE FUNDS FOR CURRENT OPERATIONS

2025-26 Total Core Fund Expenditures (State General Funds, Student Tuition and Fees, and UC General Funds)	\$	10,758.3
Existing Structural Deficit (est.)	\$	(300.1)

PROPOSED CHANGES IN EXPENDITURES

Existing Enrollment Growth and Support Costs	\$	401.5
Procurement Savings and Operational Efficiencies	\$	(15.0)
Sustaining Core Operations		
Faculty merit program	\$	37.3
Faculty compensation: policy-covered	\$	81.3
Staff compensation: policy-covered	\$	62.1
Contractually committed compensation	\$	63.9
Represented academic employees	\$	41.9
Represented staff employees	\$	19.2
Retirement contributions	\$	48.6
Employee health benefits	\$	69.8
Retiree health benefits	\$	15.8
Non-salary price increases	\$	59.9
Subtotal	\$	438.6
Student Financial Aid		
New aid from Tuition Stability Plan	\$	102.4
Add'l 902 aid-eligible undergrads (NR swap)	\$	4.0
Subtotal	\$	106.4
Additional High-Priority Investments		
DDS-ASPIRE, PRIME-Rx, Vet SERVE, ACCESS	\$	5.5

EXPENDITURES TOTAL \$ **937.0**

PROPOSED CHANGES IN REVENUE / RESOURCES

Restoration of Deferred State General Funds		
Restore \$129.7M deferral from 2025-26	\$	129.7
Restore 2025-26 Compact installment and NR swap	\$	271.8
Subtotal	\$	401.5
Asset Management Strategies	\$	20.0
New State General Funds		
2026-27 Compact installment (5% adjustment)	\$	262.8
Convert 902 nonresident to resident slots	\$	32.9
Offset lost nonresident tuition revenue	\$	28.9
Aid for add'l 902 eligible undergrads	\$	4.0
DDS-ASPIRE, PRIME-Rx, Vet SERVE, ACCESS	\$	5.5
Subtotal	\$	301.2
Tuition Stability Plan		
Support for campus operations	\$	160.8
New student financial aid	\$	102.4
Dedicated support for capital needs	\$	9.6
Subtotal	\$	272.8

REVENUE / RESOURCES TOTAL \$ **995.5**

Existing Structural Deficit	\$	(300.1)
Amount to be Applied to Existing Deficit	\$	58.5

ADDITIONAL REQUESTS FOR ONE-TIME STATE FUNDS

One-time funding to backfill for 2025-26 deferral of ongoing State General Funding	\$	401.5
Capital Support for Facilities Renewal, Enrollment Growth, and Clean Energy Projects	\$	1,360.0

Figures may not sum to totals due to rounding.