

Office of the Chief Investment Officer of the Regents (UC Investments)

TO MEMBERS OF THE INVESTMENTS COMMITTEE:

DISCUSSION ITEM

For Meeting of March 18, 2025

REVIEW OF SECOND QUARTER 2024–25 FISCAL YEAR PERFORMANCE FOR UC RETIREMENT, ENDOWMENT, AND WORKING CAPITAL ASSETS

EXECUTIVE SUMMARY

The University of California’s investment portfolios ended the second quarter of the 2024–25 fiscal year at \$186.7 billion, a \$6.9 billion increase over the previous fiscal year. The UC endowment was up 5.1 percent, while the pension returned 4.9 percent and working capital, 3.8 percent. Since 2014, the University’s total investment assets have doubled.

UC Investments manages the University’s retirement, endowment, and working capital assets. Its six financial products support UC’s 299,407 students, 73,000 faculty members and other academics, 173,300 staff, more than 77,000 retirees, and the ten UC campuses and six academic health centers.

As of December 31, 2024, the UC endowment, which includes the General Endowment Pool and the Blue and Gold Endowment Pool, stood at \$30.2 billion, up from \$30 billion in the prior fiscal year. Over the past ten years, the endowment has more than tripled in value—growing from \$8 billion to \$30 billion—and paid out \$4.5 billion to benefit UC students, faculty, and various academic programs.

The Blue and Gold Endowment Pool, which was launched on March 31, 2019 with \$250 million, stood at \$6.8 billion as of December 31, 2024, down from \$6.9 billion in the prior fiscal year. The Blue and Gold had the highest performance of the University’s financial products.

UC’s retirement assets, which include the pension and the Retirement Savings Program, stood at \$144.3 billion at the end of the quarter, having grown from \$71.9 billion in 2014. Over those ten years, the pension grew by 98 percent, from \$52 billion to \$103.2 billion. Even with a relatively high discount rate of 6.75 percent, the pension is 87 percent funded on a market value basis and 85 percent on an actuarial basis. Despite not having had the benefit of government funding, UC’s pension is the best funded of the three state plans.

For its part, the UC Retirement Savings Program has added 63,000 participants since 2014—from 301,000 in 2014 to 364,000, a 21 percent increase—and its assets have doubled, growing

from \$19.8 billion to \$41.1 billion. The plan is the second largest public defined contribution program behind the federal government and continues to have the lowest management fee in the nation, only 0.05 percent.

The **General Endowment Pool** stood at \$23.4 billion as of December 31, 2024, up from \$22.6 billion the fiscal year before. The 30-year annualized net return was 9.2 percent, the 20-year return was 7.7 percent, the ten-year return was 8.5 percent, the five-year return was 9.2 percent, and the one-year net return was 13.3 percent. UC's investment office has been investing the General Endowment Pool for 93 years.

Figure 1. General Endowment Pool as of December 31, 2024

As of December 31, 2024	Market Value in Millions (\$)	Fiscal YTD 6 Months	Annualized Returns							
			1 Year	3 Year	5 Year	10 Year	15 Year	20 Year	25 Year	30 Year
Endowment	\$23,390	4.9	13.3	3.6	9.2	8.5	8.8	7.7	6.9	9.2
Total Plan Policy Benchmark		6.1	14.6	5.4	9.3	8.0	7.8	7.2	6.3	8.7
Value Added		(1.2)	(1.3)	(1.8)	(0.1)	0.5	1.0	0.5	0.6	0.5
Public Equity	\$10,727	6.6	19.6	5.3	10.9	9.6	9.8	8.0	6.0	9.0
Public Equity Policy Benchmark		6.0	17.1	4.6	9.5	9.0	9.1	7.9	6.3	9.7
Value Added		0.6	2.5	0.7	1.4	0.6	0.7	0.1	(0.3)	(0.7)
Total Fixed Income	\$1,265	3.0	4.4	1.6	1.5	2.5	3.6	4.1	5.2	6.3
Fixed Income Policy Benchmark		2.8	3.8	0.9	1.7	2.7	3.7	4.2	5.2	5.7
Value Added		0.2	0.6	0.7	(0.2)	(0.2)	(0.1)	(0.1)	0.0	0.6
Private Assets										
Private Equity - Total	\$5,712	2.5	9.2	(0.9)	13.1	17.3	17.3	14.7	14.1	19.2
Private Equity Policy Benchmark		10.7	26.9	11.0	16.7	17.0	17.1	14.2	10.6	14.3
Value Added		(8.2)	(17.7)	(11.9)	(3.6)	0.3	0.2	0.5	3.5	4.9
Absolute Return	\$835	12.4	18.6	7.7	7.4	5.7	6.3	5.9	-	-
Absolute Return Policy Benchmark		4.6	9.4	3.2	5.3	2.9	2.2	3.7	-	-
Value Added		7.8	9.2	4.5	2.1	2.8	4.1	2.2	-	-
Real Estate	\$2,858	2.4	7.9	10.3	11.0	10.2	10.3	7.1	-	-
Real Estate Policy Benchmark		1.0	(2.3)	(3.1)	2.2	5.3	6.9	4.7	-	-
Value Added		1.4	10.2	13.4	8.8	4.9	3.4	2.4	-	-
Real Assets	\$588	3.0	0.1	5.3	6.9	2.4	2.0	-	-	-
Private Credit	\$888	3.5	8.9	6.4	-	-	-	-	-	-
Private Credit Policy Benchmark		5.2	10.0	7.3	-	-	-	-	-	-
Value Added		(1.7)	(1.1)	(0.9)	-	-	-	-	-	-
Cash	\$518	3.1	5.7	3.5	-	-	-	-	-	-
Cash Policy Benchmark		2.6	5.3	3.9	-	-	-	-	-	-
Value Added		0.5	0.4	(0.4)	-	-	-	-	-	-

The **Blue and Gold Endowment Pool** stood at \$6.8 billion as of December 31, 2024. The pool's three-year return was 4.2 percent, and the one-year net return was 15.4 percent, the highest return of UC Investments' six financial products for two-and-a-half years in a row. To increase campuses' liquidity during the COVID-19 pandemic, all assets of the Blue and Gold Endowment Pool were withdrawn in April 2020. The pool, which is 100 percent passive and extremely low-cost to manage, was re-launched on March 31, 2021 with \$200 million.

Figure 2. Blue and Gold Endowment Pool as of December 31, 2024

As of December 31,2024	Market Value in Millions (\$)	Fiscal YTD 6 Months	Annualized Returns							
			1 Year	3 Year	5 Year	10 Year	15 Year	20 Year	25 Year	30 Year
Blue & Gold	\$6,825	5.8	15.4	4.2	-	-	-	-	-	-
Total Plan Policy Benchmark		5.4	14.4	4.0	-	-	-	-	-	-
Value Added		0.4	1.0	0.2	-	-	-	-	-	-
Public Equity	\$6,027	6.1	17.5	5.0	-	-	-	-	-	-
Public Equity Policy Benchmark		6.0	17.1	4.6	-	-	-	-	-	-
Value Added		0.1	0.4	0.4	-	-	-	-	-	-
Fixed Income	\$798	2.8	3.9	1.0	-	-	-	-	-	-
Fixed Income Policy Benchmark		2.8	3.8	0.9	-	-	-	-	-	-
Value Added		0.0	0.1	0.1	-	-	-	-	-	-

The **pension** stood at \$103.2 billion as of December 31, 2024, up from \$98.6 billion the fiscal year before. The 30-year annualized net return was 8.5 percent, the 20-year return was 6.7 percent, the ten-year return was 7.4 percent, the five-year return was 7.7 percent, and the one-year net return was 12.5 percent. UC Investments has been investing the pension for 65 years. The pension has 279,697 members, 54 percent of whom are currently active.

Figure 3. Pension as of December 31, 2024

As of December 31,2024	Market Value in Millions (\$)	Fiscal YTD 6 Months	Annualized Returns							
			1 Year	3 Year	5 Year	10 Year	15 Year	20 Year	25 Year	30 Year
Pension	\$103,162	4.9	12.5	3.6	7.7	7.4	8.1	6.7	6.1	8.5
Total Plan Policy Benchmark		5.5	13.3	4.4	8.3	7.6	7.9	6.6	5.8	8.3
Value Added		(0.6)	(0.8)	(0.8)	(0.6)	(0.2)	0.2	0.1	0.3	0.2
Public Equity	\$63,534	6.3	18.1	5.0	10.0	9.5	9.8	7.7	5.8	8.8
Public Equity Policy Benchmark		6.0	17.1	4.6	9.5	8.9	9.2	7.9	6.3	9.7
Value Added		0.3	1.0	0.4	0.5	0.6	0.6	(0.2)	(0.5)	(0.9)
Fixed Income	\$12,456	3.4	4.9	1.1	1.8	2.8	3.7	4.2	5.3	6.5
Fixed Income Policy Benchmark		3.3	4.6	1.1	2.0	2.9	3.7	4.2	5.2	5.8
Value Added		0.1	0.3	0.0	(0.2)	(0.1)	0.0	0.0	0.1	0.7
Core	\$9,759	3.0	4.4	1.3	1.6	2.4	3.3	3.7	4.9	6.2
Core Policy Benchmark		2.8	3.8	0.9	1.7	2.4	3.1	3.6	4.8	5.5
Value Added		0.2	0.6	0.4	(0.1)	0.0	0.2	0.1	0.1	0.7
High Yield	\$2,697	5.4	8.1	3.2	4.1	5.1	6.5	-	-	-
High Yield Policy Benchmark		5.5	8.1	2.9	3.8	5.0	6.3	-	-	-
Value Added		(0.1)	0.0	0.3	0.3	0.1	0.2	-	-	-
Private Assets										
Private Equity	\$12,490	3.5	10.2	0.5	12.6	12.4	13.3	11.8	11.4	17.2
Private Equity Policy Benchmark		10.7	26.9	11.0	16.7	15.0	14.9	13.1	9.6	13.5
Value Added		(7.2)	(16.7)	(10.5)	(4.1)	(2.6)	(1.6)	(1.3)	1.8	3.7
Absolute Return	\$1,496	11.4	17.7	7.5	7.2	5.6	6.2	-	-	-
Absolute Return Policy Benchmark		4.6	9.4	3.2	5.3	3.3	2.5	-	-	-
Value Added		6.8	8.3	4.3	1.9	2.3	3.7	-	-	-
Real Estate	\$6,960	1.3	1.0	5.8	6.1	7.7	8.8	5.1	-	-
Real Estate Policy Benchmark		1.0	(2.3)	(3.1)	2.2	5.3	7.0	3.9	-	-
Value Added		0.3	3.3	8.9	3.9	2.4	1.8	1.2	-	-
Real Assets	\$3,111	1.9	(1.9)	4.0	5.7	2.0	6.6	-	-	-
Private Credit	\$2,439	3.7	9.0	6.5	-	-	-	-	-	-
Private Credit Policy Benchmark		5.2	10.0	7.3	-	-	-	-	-	-
Value Added		(1.5)	(1.0)	(0.8)	0.0	0.0	0.0	0.0	-	-
Cash	\$676	2.6	4.7	3.4	-	-	-	-	-	-

The **UC Retirement Savings Program** stood at \$41.1 billion as of December 31, 2024, up from \$39 billion the fiscal year before and \$19.8 billion in 2014. In keeping with “Less is More,” the first of the ten pillars of the UC Investments Way, over that same ten-year period, the number of investment funds in the program was reduced from 75 to 16, and the management fee to participants dropped by 64 percent to 0.05 percent, the lowest in the nation. As of July 1, 2024, all Retirement Savings Program participants have the same opportunity to invest in the Blue and Gold Endowment Pool in which the University itself invests.

UC Working Capital, which comprises the **Total Return Investment Pool** and the **Short-Term Investment Pool**, stood at a combined \$12.2 billion as of December 31, 2024, down from \$12.8 billion the fiscal year before. The lower balances in these pools reflect the fact that campuses have moved their assets to other UC financial products, such as the higher-returning Blue and Gold Endowment Pool.

The **Total Return Investment Pool** stood at \$9.2 billion as of December 31, 2024, down from \$9.8 billion the fiscal year before. The 15-year annualized net return was 6.6 percent, the ten-year return was 5.5 percent, the five-year return was 6 percent, and the one-year net return was 11 percent.

The **Short-Term Investment Pool** stood at \$3 billion as of December 31, 2024, the same as the fiscal year before. The 30-year annualized net return was 3.6 percent, the 25-year return was 3.1 percent, the 20-year return was 2.7 percent, the ten-year return was 2.2 percent, the five-year return was 2.6 percent, and the one-year net return was 5.1 percent.

Figure 4. Working Capital as of December 31, 2024

As of December 31,2024	Market Value in Millions (\$)	Fiscal YTD 6 Months	Annualized Returns				
			1 Year	3 Year	5 Year	10 Year	15 Year
Total Plan	\$9,191	4.6	11.0	3.4	6.0	5.5	6.6
Policy Benchmark		4.4	10.3	3.0	6.1	5.5	6.4
Value Added		0.2	0.7	0.4	(0.1)	0.0	0.2
Public Equity	\$5,084	6.2	17.4	5.0	6.9	7.8	9.1
Public Equity Policy Benchmark		6.0	17.1	4.6	9.5	9.4	8.8
Value Added		0.2	0.3	0.4	(2.6)	(1.6)	0.3
Fixed Income	\$4,099	2.8	3.9	1.1	1.4	2.5	3.9
Fixed Income Policy Benchmark		2.8	3.8	0.9	1.7	2.4	3.1
Value Added		0.0	0.1	0.2	(0.3)	0.1	0.8
Cash	\$9	2.4	5.1	4.0	2.6	2.2	2.2

As of December 31,2024	Market Value in Millions (\$)	Fiscal YTD 6 Months	Annualized Returns							
			1 Year	3 Year	5 Year	10 Year	15 Year	20 Year	25 Year	30 Year
Short Term	\$3,048	2.4	5.1	4.0	2.6	2.2	2.2	2.7	3.1	3.6
Total Plan Policy		2.1	4.4	3.5	2.2	1.7	1.3	1.8	2.1	2.7
Value Added		0.3	0.7	0.5	0.4	0.5	0.9	0.9	1.0	0.9

ATTACHMENTS

1. UC Retirement
2. UC Working Capital
3. UC Endowment