



University of California PERS Plus 5 Plan

*Actuarial Valuation Report
as of July 1, 2009*

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October 7, 2009

*Mr. Dwaine B. Duckett
Vice President, Human Resources
University of California
1111 Franklin Street, 5th Floor
Oakland, California 94607*

Dear Vice President Duckett:

We are pleased to submit this Actuarial Valuation Report as of July 1, 2009 for the University of California PERS Plus 5 Plan (“Plan”). It summarizes the actuarial data used in the valuation, recommends the funding requirements for the 2009-2010 Plan Year and analyzes the preceding year’s experience.

The census and financial information on which our calculations were based was provided by the UC HR Staff. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion the assumptions as approved by the Regents are reasonably related to the experience of and future expectations for the Plan.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

We look forward to reviewing this report at the November 2009 Regents meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

*Paul Angelo, FSA, EA, MAAA
Senior Vice President and Actuary*

AB/kek

*John Monroe, ASA, EA, MAAA
Vice President and Associate Actuary*

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SECTION 1 - Executive Summary of the Valuation for the University of California PERS Plus 5 Plan

SECTION 1: Executive Summary of the Valuation for the University of California PERS Plus 5 Plan

Purpose

This report has been prepared by The Segal Company to present a valuation as of July 1, 2009 of the University of California PERS Plus 5 Plan - University of California Voluntary Early Retirement Incentive Program (“Plan” or “PERS Plus 5 Plan”) for eligible employees with PERS membership related to employment at the University. The UC PERS Plus 5 Plan, established in 1991, is a frozen plan covering a closed group of members, all of whom are in retirement status. Since no additional benefits will accrue for these members in the future, the plan has no normal cost. The valuation was performed to determine if the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the PERS Plus 5 Plan,
- The characteristics of retired members and beneficiaries as of July 1, 2009,
- The assets of the Plan as of June 30, 2009,
- Economic assumptions regarding future investment earnings; and
- Other actuarial assumptions, i.e., administration expenses and mortality.

Significant Issues in Valuation Year

ASSETS AND FUNDED RATIO

- The Plan’s funded ratio decreased from 191.9% as of July 1, 2008 to 150.5% as of July 1, 2009. This decrease in funded ratio is a result of the effect of the -19.5% return on the market value of assets during the 2008/2009 Plan Year. Since the assumed rate of return is 7.5%, this resulted in an actuarial loss from investments. Chart 6 (page 5) shows a graphical representation of the Plan’s funded ratio over the past six years. The same information presented in a numerical format can be found in Exhibit II (page 10).
- The actuarial valuation report as of July 1, 2009 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Declines in asset values will decrease the Plan’s funded ratio, while increases will increase the Plan’s funded ratio.

SECTION 1: Executive Summary of the Valuation for the University of California PERS Plus 5 Plan

FUTURE EXPECTATIONS

- Plan assets exceed liabilities by \$19.1 million. Since the Plan covers only retired members and beneficiaries, we expect that no future contributions will be required based on current Plan provisions.

DEMOGRAPHIC EXPERIENCE

- The Plan has 718 retired members and beneficiaries currently receiving benefits, a decrease of 15 from 2008. Total annual benefits in pay status are \$4.9 million.

SECTION 1: Executive Summary of the Valuation for the University of California PERS Plus 5 Plan

Summary of Key Valuation Results

	2009	2008
Funding elements for Plan Year beginning July 1:		
Normal cost (beginning of year)	\$ 0	\$ 0
Market value of assets	56,941,468	76,335,570
Actuarial value of assets (AVA)	56,941,468	76,335,570
Actuarial accrued liability (AAL)	37,833,455	39,776,875
Unfunded/(Overfunded) actuarial accrued liability	(19,108,013)	(36,558,695)
GAS* 25/27 for Plan Year beginning July 1:		
Annual required contributions	0	0
Actual contributions	0	0
Percentage contributed	100.0%	100.0%
Funded ratio (AVA / AAL)	150.5%	191.9%
Demographic data for Plan Year beginning July 1:		
Number of retired members and beneficiaries	718	733

* *Governmental Accounting Standards which require certain reporting information for public sector plans.*

SECTION 2: Valuation Results for the University of California PERS Plus 5 Plan

SECTION 2: Valuation Results for the University of California PERS Plus 5 Plan

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographics of covered retired members and beneficiaries.

This section presents a summary of significant statistical data on these participant groups. More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibit A.

Retired Members and Beneficiaries

As of July 1, 2009, 629 retired members and 89 beneficiaries were receiving total monthly benefits of \$411,541.

These graphs show a distribution of the current retired members and beneficiaries based on their monthly benefit and age.

CHART 1
Distribution of Retired Members and Beneficiaries by Monthly Benefit as of July 1, 2009

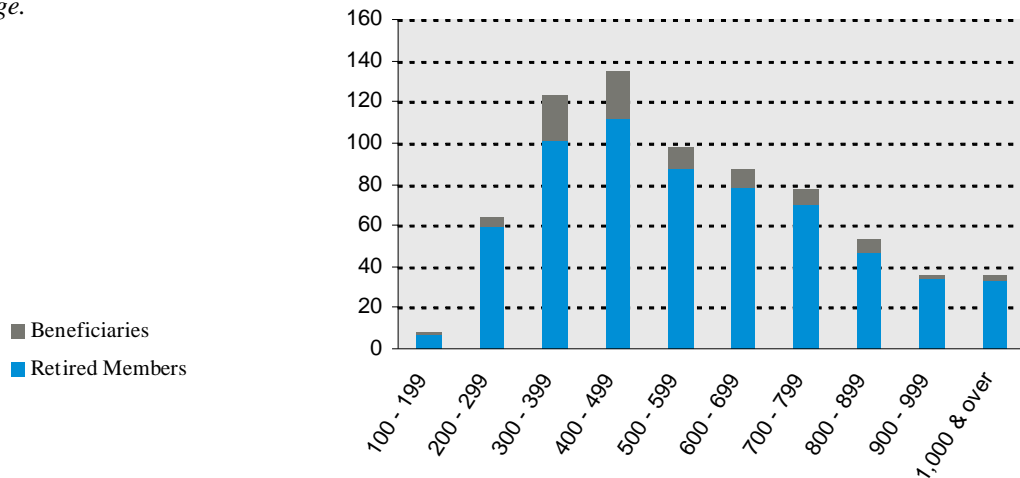
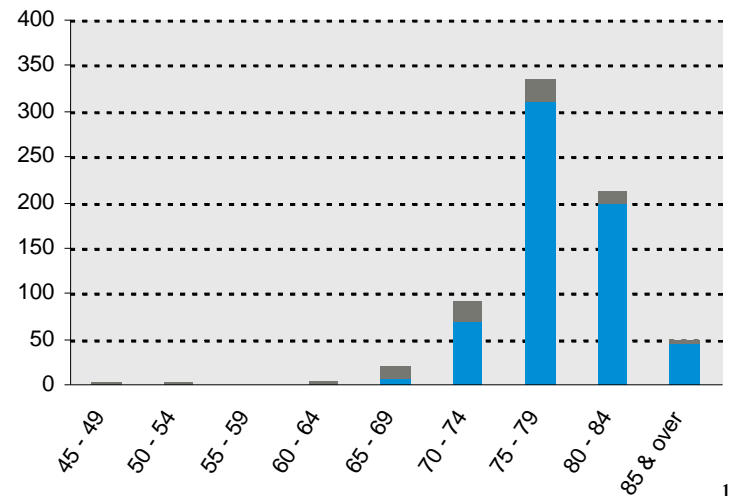


CHART 2
Distribution of Retired Members and Beneficiaries by Age as of July 1, 2009



SECTION 2: Valuation Results for the University of California PERS Plus 5 Plan

B. FINANCIAL INFORMATION

Retirement plan assets change as a result of the net impact of income and expense components such as net investment earnings (less investment fees), administration expenses and benefit payments.

The Regents have approved an asset valuation method that uses the market value of assets as the actuarial value of assets. The entire market value investment return is treated as income, which may be positive or negative.

The chart below shows the net assets and changes to those asset values for the past two years.

The chart shows the market value of assets as of the last two valuation dates.

**CHART 3
Asset Values for Years Ended June 30, 2008 – 2009**

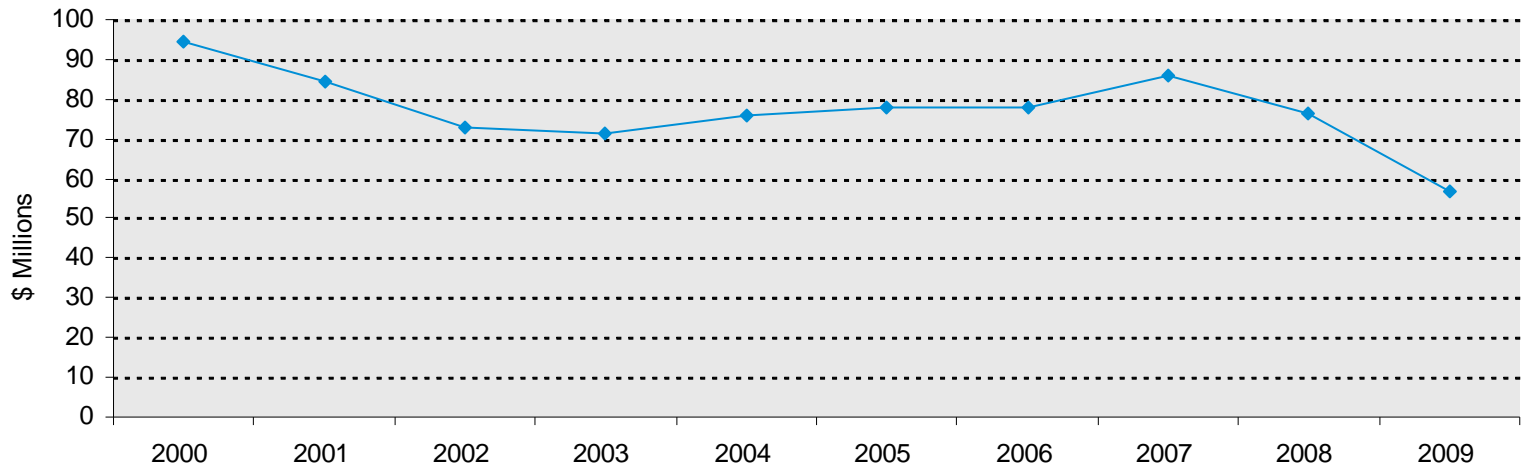
Assets as of June 30,	2009	2008
Total investments	\$57,972,722	\$76,741,260
Receivables	1,259,306	1,112,473
Payables	<u>(2,290,560)</u>	<u>(1,518,163)</u>
Net assets	<u>\$56,941,468</u>	<u>\$76,335,570</u>
Change in Asset Values		
Value as of the beginning of the year	\$76,335,570	\$86,150,283
University contributions	0	0
Administration expenses	(7,265)	(7,460)
Benefit payments	(4,987,758)	(5,114,432)
Net investment return	<u>(14,399,079)</u>	<u>(4,692,821)</u>
Value as of the end of the year	<u>\$56,941,468</u>	<u>\$76,335,570</u>

SECTION 2: Valuation Results for the University of California PERS Plus 5 Plan

The market value of assets is a representation of the Plan’s financial status. The market value is significant because the Plan’s liabilities are compared to its assets to determine what portion, if any, remains unfunded.

This chart shows the change in the market value of assets over the past ten years.

CHART 4
Market Value of Assets for Years Ended June 30, 2000 – 2009



SECTION 2: Valuation Results for the University of California PERS Plus 5 Plan

C. ACTUARIAL EXPERIENCE

To calculate the surplus of assets over liabilities of the Plan, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain) then the surplus of assets over liabilities will be greater when compared to the surplus that was expected had all assumptions been met. On the other hand, the surplus of assets over liabilities will be less than expected if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution

requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The components of the total loss of \$20.2 million are shown below. The net experience loss from sources other than investments was 0.68% of the actuarial accrued liability.

This chart provides a summary of the actuarial experience during the past year.

CHART 5

Actuarial Experience for Year Ended June 30, 2009

1. Net gain/(loss) from investments	\$(19,936,933)
2. Net gain/(loss) from other experience	<u>(255,650)</u>
3. Net experience gain/(loss): (1) + (2)	\$(20,192,583)

SECTION 2: Valuation Results for the University of California PERS Plus 5 Plan

D. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. The information required is set forth in Governmental Accounting Standards (GAS) 25 and 27. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

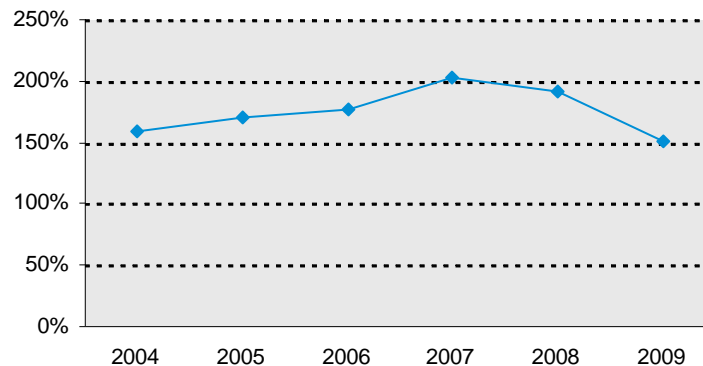
Critical information to GASB is the historical comparison of the GASB required contributions (\$0) to the actual contributions (\$0). This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the assets of the plan to the liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to cover the Plan's accrued liabilities. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits I, II, and III.

These graphs show key GASB factors.

CHART 6
Funded Ratio (Plan Year Beginning July 1)



SECTION 3: Supplemental Information for the Valuation of the University of California PERS Plus 5 Plan

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EXHIBIT A

Table of Plan Coverage

Category	Year Beginning July 1		Change From Prior Year
	2009	2008	
Retired members:			
Number in pay status	629	647	-2.8%
Average age	79.1	78.1	N/A
Total monthly benefit	\$364,623	\$374,008	-2.5%
Average monthly benefit	\$580	\$578	0.3%
Beneficiaries:			
Number in pay status	89	86	3.5%
Average age	74.5	73.9	N/A
Total monthly benefit	\$46,918	\$45,734	2.6%
Average monthly benefit	\$527	\$532	-0.9%
Total members:			
Number in pay status	718	733	-2.0%
Average age	78.5	77.6	N/A
Total monthly benefit	\$411,541	\$419,743	-2.0%
Average monthly benefit	\$573	\$573	0.0%

SECTION 3: Supplemental Information for the Valuation of the University of California PERS Plus 5 Plan

EXHIBIT B
Actuarial Liabilities

	July 1, 2009	July 1, 2008
Plan assets		
Market value of assets	\$56,941,468	\$76,335,570
Present value of future contributions	<u>0</u>	<u>0</u>
Total plan assets	\$56,941,468	\$76,335,570
Actuarial Accrued Liability		
Retirees	\$33,019,823	\$34,956,869
Beneficiaries	4,439,044	4,426,176
Present value of future expenses	<u>374,588</u>	<u>393,830</u>
Total actuarial accrued liability	\$37,833,455	\$39,776,875
Excess of assets over liabilities	\$19,108,013	\$36,558,695
Funded percentage	150.5%	191.9%

SECTION 3: Supplemental Information for the Valuation of the University of California PERS Plus 5 Plan

EXHIBIT C

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial

Assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield which the Plan will earn over the long-term future; and
- (b) Mortality rates — the death rates of pensioners; life expectancy is based on these rates.

**Actuarial Accrued Liability
for Pensioners:**

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and of the interest which the sum is expected to earn before it is entirely paid out in benefits.

**Unfunded (Overfunded) Actuarial
Accrued Liability:**

The extent to which the actuarial accrued liability of the Plan exceeds (or is exceeded by) the assets of the Plan. There is a wide range of approaches to paying off the unfunded or overfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

**Amortization of the Unfunded
(Overfunded) Actuarial
Accrued Liability:**

Payments made over a period of years equal in value to the Plan's unfunded or overfunded actuarial accrued liability.

Investment Return:

The rate of earnings of the Plan from its investments, including interest, dividends and capital gains and losses, computed as a percentage of the average value of the fund.

SECTION 4: Reporting Information from the Valuation of the University of California PERS Plus 5 Plan

SECTION 4: Reporting Information from the Valuation of the University of California PERS Plus 5 Plan

EXHIBIT I

Supplementary Information Required by GAS 25 – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2005	\$0	\$0	100.0%
2006	0	0	100.0%
2007	0	0	100.0%
2008	0	0	100.0%
2009	0	0	100.0%
2010	0	--	--

SECTION 4: Reporting Information from the Valuation of the University of California PERS Plus 5 Plan

EXHIBIT II

Supplementary Information Required by GAS 25 – Schedule of Funding Progress (\$ in 000s)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)*	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)
07/01/2004	\$75,738	\$47,482	\$(28,256)	159.5%
07/01/2005	77,773	45,804	(31,969)	169.8%
07/01/2006	77,830	43,877	(33,953)	177.4%
07/01/2007	86,150	42,346	(43,804)	203.4%
07/01/2008	76,336	39,777	(36,559)	191.9%
07/01/2009	56,941	37,833	(19,108)	150.5%

* Includes present value of administrative expenses equal to one percent of actuarial accrued liability.

SECTION 4: Reporting Information from the Valuation of the University of California PERS Plus 5 Plan

EXHIBIT III

Supplementary Information Required by GAS 25 and 27

Valuation Date	July 1, 2009
Actuarial Cost Method	Unit Credit
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	At market value
Actuarial Assumptions:	
Investment Rate of Return*	7.50%
Projected Salary Increases	N/A
Cost of Living Adjustments	None
Membership of the Plan	
Retirees and Beneficiaries receiving benefits	718
Terminated plan members entitled to, but not yet receiving benefits	0
Active plan members	<u>0</u>
Total	718

* Includes inflation at 3.50%

SECTION 4: Reporting Information from the Valuation of the University of California PERS Plus 5 Plan

EXHIBIT IV

Statement of Actuarial Assumptions/Methods

Demographic Assumption

Post – Retirement Mortality Rates: 1994 Group Annuity Reserving Mortality Table unloaded, projected with scale AA to 2002. Ages are set back two years for males (from the male table) and set back one year for females (from the female table).

Economic Assumptions

Net Investment Return: 7.50% (including 3.50% for inflation)

Administrative Expenses: 1.0% load added to the actuarial accrued liability

Actuarial Methods

Actuarial Value of Assets: At Market Value

Actuarial Cost Method: Unit Credit Actuarial Cost Method

Changes in Assumptions: There have been no changes in assumptions since the last valuation.

SECTION 4: Reporting Information from the Valuation of the University of California PERS Plus 5 Plan

EXHIBIT V

Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Effective Date: October 1, 1991. Includes amendments through July 1, 2009.

Covered Members: Active employees on October 1, 1991 who were active members of, and who were eligible to retire from the California Public Employee's Retirement System (PERS), whose age plus service equaled 75 or more (80 or more for faculty members), and who elected to retire under the UC PERS Plus 5 Plan effective October 1, 1991.

UC PERS Plus 5 Average Pay: Average monthly full-time-equivalent base compensation rate received during the 36 consecutive month period prior to June 30, 1990, multiplied by 1.07.

Retirement Date: October 1, 1991.

Service Credit: Each eligible member was granted five years of Service Credit.

SECTION 4: Reporting Information from the Valuation of the University of California PERS Plus 5 Plan

Age Factor: Percentage of UC PERS Plus 5 Average Pay per year of service credit (interpolated for fractional ages).

Age	Factor	Age	Factor
55	1.50%	60	2.00%
56	1.60	61	2.13
57	1.70	62	2.27
58	1.80	63+	2.41
59	1.90		

Benefit Percentage: Age Factor multiplied by years of Service Credit.

Basic Retirement Income (BRI): Benefit Percentage x UC PERS Plus 5 Average Pay.

Service Retirement:

<i>Benefit</i>	BRI.
<i>Form of Payment</i>	Single life annuity.
<i>Payment Option</i>	Full continuance to contingent annuitant.

SECTION 4: Reporting Information from the Valuation of the University of California PERS Plus 5 Plan

**Post-retirement Automatic
Survivor Benefit:**

None.

Cost-of-Living Adjustment:

No automatic adjustments. A one-time ad hoc cost-of-living adjustment of 25% was provided to all annuitants as of July 1, 2002.

University Contributions:

The actuarial cost of the University of California PERS Plus 5 Plan was determined for each University location. Each location could elect to contribute their cost in a lump sum, over two, three or five years. The last contributions were made in 1995.

Changes in Plan Provisions:

There have been no changes in Plan provisions since the last valuation.

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