



**University of California Retirement Plan**

*Actuarial Valuation Report  
as of July 1, 2009*

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*October 21, 2009*

*Mr. Dwaine B. Duckett  
Vice President, Human Resources  
University of California  
1111 Franklin Street, 5<sup>th</sup> 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 Retirement Plan (“UCRP” or “Plan”). It summarizes the actuarial data used in the valuation, determines total funding policy contribution rates for the 2010-2011 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.*

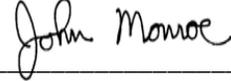
*We look forward to reviewing this report at the November 2009 Regents meeting and to answering any questions.*

*Sincerely,*

*THE SEGAL COMPANY*

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

*JKH/hy*

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

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**SECTION 1: Executive Summary for the University of California Retirement Plan**

## SECTION 1: Executive Summary for the University of California Retirement Plan

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### Purpose

This report has been prepared by The Segal Company to present a valuation of the University of California Retirement Plan (“UCRP” or “Plan”) as of July 1, 2009. 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 Plan,
- The characteristics of covered active members, terminated vested members, retired members, disabled members and beneficiaries as of July 1, 2009,
- The assets of the Plan as of June 30, 2009,
- The funding policy adopted by the Regents,
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding member terminations, retirement, death, etc.

### Significant Issues in Valuation Year

#### CONTRIBUTIONS

*Reference: Pg. 10*

- The total funding policy contribution rate increased from 11.61% of covered payroll to 20.40% of covered payroll. The increase in the total funding policy contribution rate was mainly due to the investment loss on the actuarial value of assets and to no contributions being made during 2008-2009. This total funding policy contribution rate is for the 2010-2011 Plan Year and applies to the non-laboratory segment of UCRP (e.g., campuses, medical centers and Hastings College of Law). Contributions for the laboratories are subject to the terms of the University’s contracts with the Department of Energy. More information on the various UCRP segments can be found in Section 1, page vi. Unless otherwise noted, results shown in this report are for all of UCRP.
- The Regents have approved restarting contributions effective April 15, 2010, subject to collective bargaining as applicable. The University contribution rate will be 4% of covered payroll and the member rate will be the same as the amount that is currently redirected to the Defined Contribution Plan.

## SECTION 1: Executive Summary for the University of California Retirement Plan

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### Significant Issues in Valuation Year (continued)

#### ASSETS

*Reference: Pgs. 7 and 8*

- During the 2008-2009 Plan Year, the rate of return on the market value of assets was -19.2%. Based on a partial recognition of this return as well as prior investment experience, the rate of return on the actuarial value of assets was 1.9%, which is less than the expected return of 7.5%.

*Reference: Pg. 4*

- The total unrecognized investment loss as of July 1, 2009 is about \$10.5 billion. This investment loss will be recognized in the determination of the actuarial value of assets for valuation purposes over the next few years. This implies that, if the Plan earns the assumed rate of investment return of 7.50% per year (net of investment expenses) on a **market value** basis, there will be investment losses on the actuarial value of assets in the next few years. Unless there are offsetting future experience gains, we anticipate that this will lead to increases in the future total funding policy contributions.
- This 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 increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan.

#### FUNDED RATIO

*Reference: Pg. 11*

- The Plan's funded ratio on an actuarial value basis decreased from 103% as of July 1, 2008 to 95% as of July 1, 2009. This decrease in funded ratio is mainly a result of the investment loss on the actuarial value of assets and the fact that no contributions were made during 2008-2009. The Plan is now in an unfunded position as the actuarial accrued liability exceeds the actuarial value of assets by \$2.4 billion.

*Reference: Pg. 21*

#### FUTURE EXPECTATIONS

- The unrecognized investment losses of \$10.5 billion represent about 33% of the market value of assets. Unless offset by future investment gains or other favorable experience, the future recognition of the \$10.5 billion in market losses is expected to have a significant impact on the Plan's future funded ratio and future total funding policy contributions. This potential impact may be illustrated as follows:
  - If the deferred losses were recognized immediately in the actuarial value assets, the funded percentage would decrease from 94.8% to 71.4%.
  - If the deferred losses were recognized immediately in the actuarial value of assets, the total funding policy contribution would increase from 20.40% of covered payroll to 32.74% of covered payroll.

## SECTION 1: Executive Summary for the University of California Retirement Plan

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### Significant Issues in Valuation Year (continued)

- Since the approved contributions are less than the total funding policy contributions, contributions at the approved level will create additional future actuarial losses that will lead to further increases in future total funding policy contributions. We understand that the total funding policy contributions will be reported as the Annual Required Contribution (ARC) under Governmental Accounting Standards (GAS) 25 and 27. In that case, the accumulated total of these contribution losses will also be reported under GAS 27 as a Net Pension Obligation (NPO).
- This valuation report does not reflect either the Furlough/Salary Reduction Plan approved by the Regents in July 2009, or the amendment to UCRP adopted by the Regents at the same time to ensure that the Furlough/Salary Reduction Plan has no impact on the calculation of member benefits. Accordingly, this amendment will not result in increasing benefits above those on which this valuation is based. However, we estimate that about \$10 million less in UCRP employer and member contributions would be made from April 15, 2010 through August 31, 2010 as a result of the Furlough/Salary Reduction Plan.

### DEMOGRAPHIC EXPERIENCE

*Reference: Pgs. 12 and 13*

- Overall, the number of active members increased by 1.3% from 114,242 as of July 1, 2008 to 115,745 as of July 1, 2009. The Plan has 51,653 members currently receiving benefits, an increase of 3.0% from 2008. Total annual benefits in pay status increased by 6.4%, to a level of \$1.7 billion. There are also 54,883 terminated members in the Plan who are entitled to future benefits. Within this group of terminated members there are 31,215 terminated vested members who are entitled to a deferred or immediate vested benefit and 16,067 terminated nonvested members who are entitled to a refund of member contributions or payment of their Capital Accumulation Provision (CAP) balance. There are also 7,601 members that transferred to the LANS or LLNS defined benefit plans who will be entitled to a CAP balance payment from UCRP after they separate from employment with LANS or LLNS.
- The actual average increase in salary for UCRP members that were active in both this valuation and the previous valuation was 4.9%. When compared to the average assumed increase of approximately 5.5%, this produced an actuarial gain due to salary increases less than expected.

## SECTION 1: Executive Summary for the University of California Retirement Plan

### Summary of Key Valuation Results

	2009 (\$ in 000s)	2008 (\$ in 000s)
<b>Total funding policy contributions:</b>		
Percentage of payroll*	20.40%	11.61%
Estimated annual dollar amount**	\$1,620,665	\$875,031
<b>Funding elements for Plan Year beginning July 1:</b>		
Normal cost (beginning of year)	\$1,338,726	\$1,262,178
Percentage of payroll (beginning of year)	17.00%	16.90%
Percentage of payroll (middle of year)	17.63%	17.52%
Market value of assets	\$32,258,542	\$42,023,162
Actuarial value of assets (AVA)	42,798,773	43,840,272
Actuarial accrued liability (AAL)	45,160,525	42,576,822
Unfunded/(Overfunded) actuarial accrued liability	2,361,752	(1,263,450)
Funded ratio (AVA / AAL)	94.8%	103.0%
<b>Governmental Accounting Standard (GAS) 25 for Plan Year beginning July 1:</b>		
Annual required contributions	\$1,669,257	\$454
Actual contributions	- -	454
Percentage contributed	N/A	100%
<b>Demographic data for Plan Year beginning July 1:</b>		
Number of retired members and beneficiaries	51,653	50,171
Number of vested terminated members***	54,883	64,566
Number of active members	115,745	114,242
Average compensation (actual dollars)	\$75,506	\$72,553

\* Total funding policy contributions are for the Plan Year starting one year after the date of the actuarial valuation. The total funding policy contributions shown are for the non-laboratory segment of UCRP and exclude contributions for the Lawrence Berkeley National Laboratory Segment, the Lawrence Livermore National Laboratory Retained Segment and the Los Alamos National Laboratory Retained Segment of UCRP. Page vi shows those contributions by each segment.

\*\* Based on estimated covered payroll of \$7,944,437 (also in thousands) for the 2010-2011 Plan Year and \$7,536,877 for the 2009-2010 Plan Year. Actual contributions are set by the Regents and will be made based on actual payroll.

\*\*\* Includes terminated nonvested members due a refund of member contributions or CAP balance payment and members that transferred to the LANS or LLNS defined benefit plans who will be entitled to a CAP balance payment from UCRP after they separate from employment with LANS or LLNS.

**SECTION 1: Executive Summary for the University of California Retirement Plan**

**FIVE-YEAR HISTORY OF TOTAL FUNDING POLICY CONTRIBUTIONS AND FUNDED STATUS**

Effective with the July 1, 2008 valuation, a new funding policy was adopted that determines total funding policy contributions based on the Plan’s normal cost adjusted by an amortization of any surplus or underfunding.

The total funding policy contribution rate would be effective for the Plan Year starting one year after the date of the actuarial valuation and applies to the non-laboratory segment of UCRP.

The total funding policy contribution rate for the 2010-2011 Plan Year is based on this valuation and is 20.40% of payroll.

The Regents have approved restarting contributions on or around April 15, 2010. The University contribution rate will be 4% of covered payroll and the member rate will be the same as the amount that is currently being redirected to the Defined Contribution Plan.

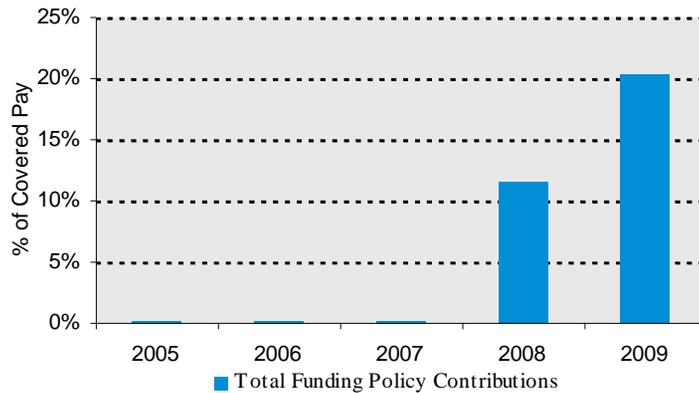
The Plan’s funded percentage (actuarial value of assets divided by actuarial accrued liability) over the past five years is shown below:

Plan Year <u>Beg. 7/1</u>	AAL <u>\$ in Billions</u>	AVA <u>\$ in Billions</u>	Funded <u>Percentage</u>
2005	\$37.3	\$41.1	110%
2006	40.3	42.0	104
2007	41.4	43.4	105
2008	42.6	43.8	103
2009	45.2	42.8	95

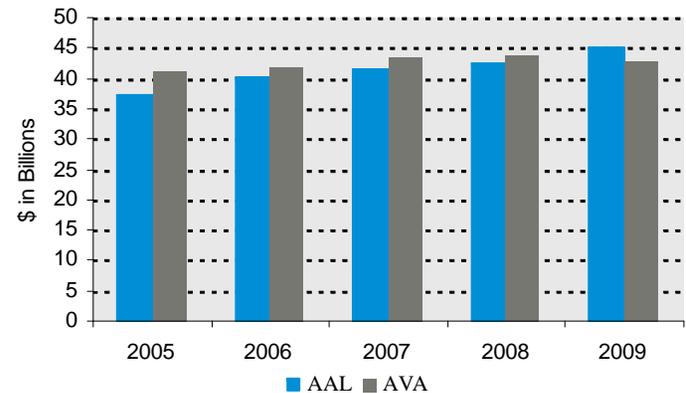
The actuarial accrued liability has shown a steady increase while the actuarial value of assets has remained relatively level as prior investment losses were recognized over a five-year period and no contributions are being made.

*The first graph shows a five-year history of the total funding policy contributions (non-laboratory segment of UCRP). The second graph shows the five-year history of the funded status – actuarial accrued liability versus the actuarial value of assets.*

**Five-Year History of Total Funding Policy Contributions Based on July 1 Actuarial Valuation Date**



**Five-Year History of Actuarial Accrued Liability and Actuarial Value of Assets for Plan Years Beginning July 1**



## SECTION 1: Executive Summary for the University of California Retirement Plan

### Summary of UCRP July 1, 2009 Valuation Results by Segment (\$ in 000s)

	Total UCRP	Campus and Medical Centers*	Lawrence Berkeley National Laboratory (LBNL)	Lawrence Livermore National Laboratory (LLNL)	Los Alamos National Laboratory (LANL)
Normal Cost (beginning of year)	\$1,338,726	\$1,303,163	\$35,563	\$0	\$0
Market value of assets	32,258,542	26,301,005	1,298,698	2,422,187	2,236,652
Actuarial value of assets (AVA)	42,798,773	34,948,781	1,723,036	3,159,503	2,967,453
Actuarial accrued liability (AAL)	45,160,525	36,878,421	1,456,832	3,706,905	3,118,367
Unfunded/(Overfunded) actuarial accrued liability	2,361,752	1,929,640	(266,204)	547,402	150,914
Funded Ratio (AVA/AAL)	94.8%	94.8%	118.3%	85.2%	95.2%
Estimated Covered Payroll for 2010-2011 Plan Year	\$8,168,905	\$7,944,437	\$224,468	\$0	\$0
Total funding policy contributions**					
Percent of payroll***		20.40%	20.40%	N/A	N/A
Estimated dollar amount in 000s		\$1,620,665	\$45,791	N/A	N/A
Required Contractual Contributions****					
Estimated dollar amount in 000s		N/A	N/A	\$52,738	\$28,493

\* Includes Hasting College of Law

\*\* All total funding policy contributions are based on valuation results as of July 1, 2009. Please see Section 2, page 10 for more detailed information on this calculation.

\*\*\* The total funding policy contributions shown for the campus and medical centers and LBNL segments are for the Plan Year beginning July 1, 2010. Actual contributions for these two segments will be set by the Regents..

\*\*\*\* The contributions shown for the LLNL and LANL Retained Segments are required for the Plan Year beginning July 1, 2009 under the terms of the University's contracts with the Department of Energy, and are due by February 28, 2011. The contributions shown for the LLNL Retained Segment are after application of any Contribution Reserve Amount.

**SECTION 2: Valuation Results for the University of California Retirement Plan**

## SECTION 2: Valuation Results for the University of California Retirement Plan

### A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographics of covered members, including active members, vested terminated members, retired members, disabled 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, Exhibits A, B and C.

### CHART 1

#### Member Population: 2000 – 2009

*A historical perspective of how the participant population has changed over the past ten valuations can be seen in this chart.*

Year Beginning July 1	Active Members	Terminated Vested Members*	Retired Members, Disabled Members and Beneficiaries	Ratio of Retirees to Actives
2000	103,382	21,950	32,770	0.32
2001	109,848	23,278	34,684	0.32
2002	117,776	25,198	36,165	0.31
2003	121,351	31,262	37,867	0.31
2004	123,717	39,874	39,738	0.32
2005	124,642	47,123	41,477	0.33
2006	122,317	52,548	45,442	0.37
2007	118,885	59,056	47,682	0.40
2008	114,242	64,566	50,171	0.44
2009	115,745	54,883	51,653	0.45

\* Includes terminated nonvested members due a refund of member contributions or CAP balance payment and members that transferred to the LANS or LLNS defined benefit plans who will be entitled to a CAP balance payment from UCRP after they separate from employment with LANS or LLNS.

**SECTION 2: Valuation Results for the University of California Retirement Plan**

**Active Members**

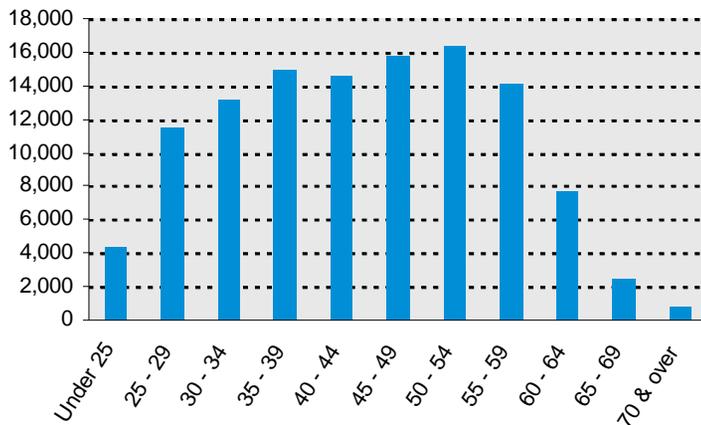
Plan costs and liabilities are affected by the age, service credit and compensation of active members. In this year's valuation, there are 115,745 active members with an average age of 44.5 years, average service credit of 9.2 years and average compensation of \$75,506.

**Inactive Members**

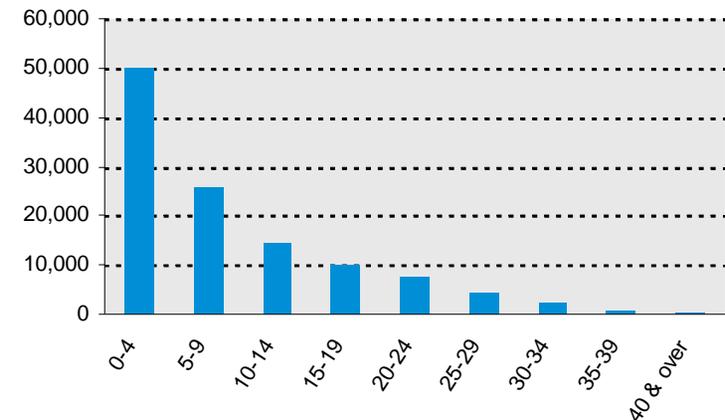
In this year's valuation, there were 54,883 terminated members. Within this group of terminated members there are 31,215 members with a vested right to a deferred or immediate vested benefit and 16,067 terminated nonvested members who are entitled to a return of their member contributions or a distribution of their CAP balance. There are also 7,601 members that transferred to the LANS or LLNS defined benefit plans who will be entitled to a CAP balance payment from UCRP after they separate from employment with LANS or LLNS.

*These graphs show a distribution of active members by age and by service credit. In Chart 3 there are 218 members who have 40 or more years of service credit.*

**CHART 2**  
**Distribution of Active Members by Age as of July 1, 2009**



**CHART 3**  
**Distribution of Active Members by Service Credit as of July 1, 2009**



**SECTION 2: Valuation Results for the University of California Retirement Plan**

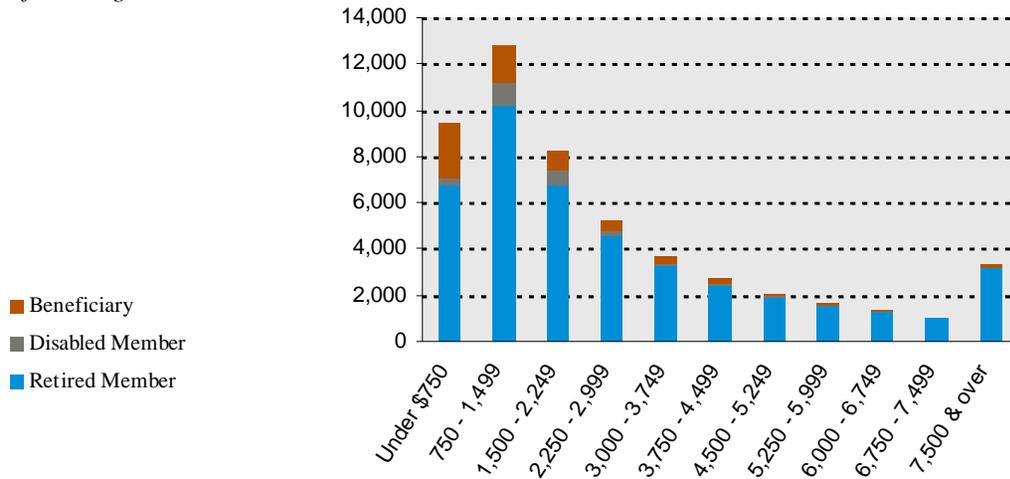
**Retired Members, Disabled Members and Beneficiaries**

As of July 1, 2009, 42,969 retired members, 2,157 disabled members and 6,527 beneficiaries were receiving total monthly benefits of \$139,423,602.

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

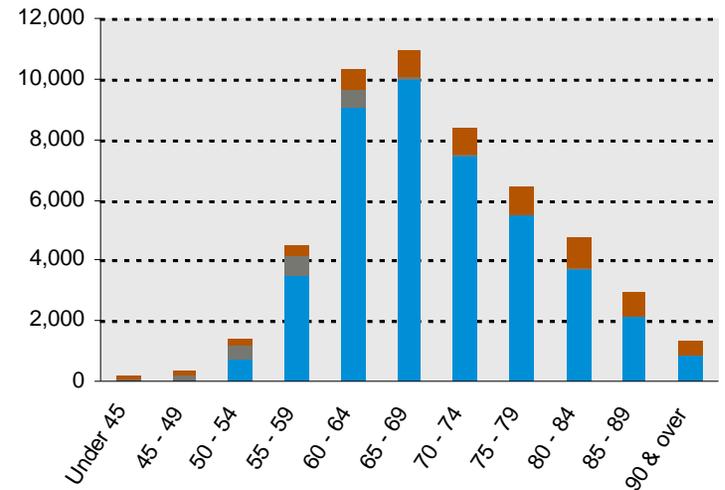
**CHART 4**

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



**CHART 5**

**Distribution of Retired Members, Disabled Members and Beneficiaries by Age as of July 1, 2009**



## SECTION 2: Valuation Results for the University of California Retirement Plan

### B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both net contributions (less administration expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information for UCRP, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D and E.

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Regents have approved an asset valuation method for UCRP that smoothes market value investment gains and losses over a five-year period. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset values and the plan costs are more stable.

*The chart shows the determination of the actuarial value of assets as of the valuation date.*

### CHART 6

#### Determination of Actuarial Value of Assets for Year Ended June 30, 2009

			(\$ in 000s)
1.	Market value of assets		\$32,258,542
2.	Calculation of unrecognized return*	<u>Original Amount*</u>	<u>Unrecognized Return**</u>
	(a) Year ended June 30, 2009	(\$10,986,902)	(\$8,789,524)
	(b) Year ended June 30, 2008	(6,070,876)	(3,642,526)
	(c) Year ended June 30, 2007	4,782,754	1,913,102
	(d) Year ended June 30, 2006	(106,416)	(21,283)
	(e) Year ended June 30, 2005	1,062,517	<u>0</u>
	(f) Total unrecognized return***		(10,540,231)
3.	Actuarial value of assets: (1) - (2f)		<u>42,798,773</u>
4.	Actuarial value as a percentage of market value: (3) ÷ (1)		132.7%

\* Total return minus expected return on a market value basis

\*\* Recognition at 20% per year over 5 years

\*\*\*Deferred return as of June 30, 2009 recognized in each of the next four years:

(a) Amount recognized during 2009/2010	\$(2,476,288)
(b) Amount recognized during 2011/2012	(2,455,005)
(c) Amount recognized during 2012/2013	(3,411,556)
(d) Amount recognized during 2013/2014	<u>(2,197,382)</u>
	(\$10,540,231)

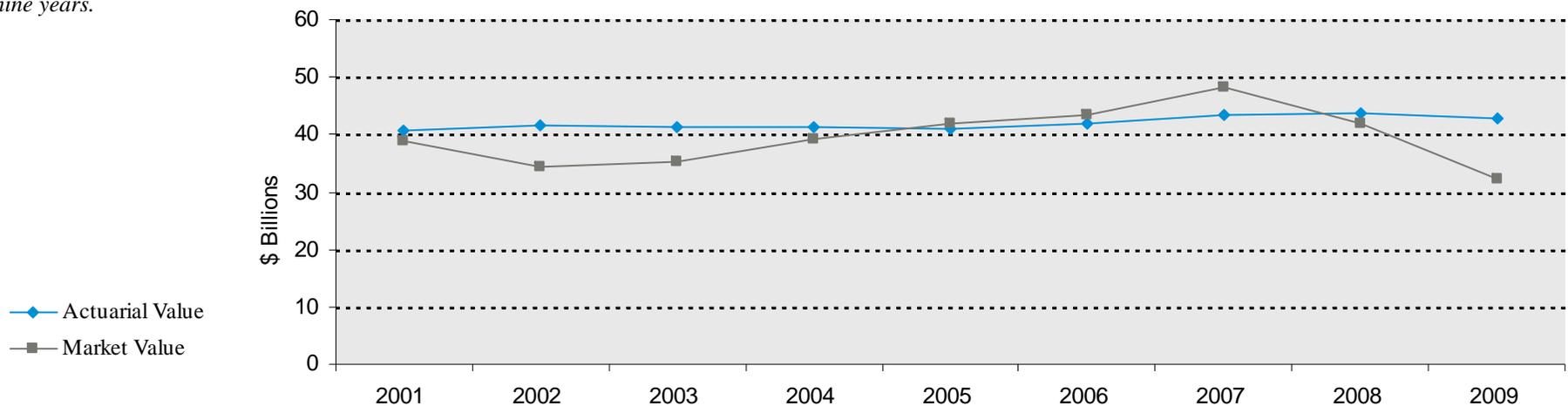
## SECTION 2: Valuation Results for the University of California Retirement Plan

Both the actuarial value and market value of assets are representations of the Plan's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial value of assets is significant because UCRP's liabilities are compared to the actuarial value of assets to determine what portion, if any, remains unfunded or overfunded. Amortization of any unfunded or overfunded liability is an important element in determining future contribution rates.

*This chart shows the change in the actuarial value of assets versus the market value over the past nine years.*

**CHART 7**

**Actuarial Value of Assets vs. Market Value of Assets for Years Ended June 30, 2001 – 2009**



## SECTION 2: Valuation Results for the University of California Retirement Plan

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### C. ACTUARIAL EXPERIENCE

To calculate contribution rates, 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), the contribution rate will decrease from the previous year. On the other hand, the contribution rate will increase 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 rates to remain stable, assumptions should approximate experience.

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

The components of the total loss of \$3.3 billion are shown below. The net experience gain from sources other than investments and contributions was 0.1% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

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

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### CHART 8 Actuarial Experience for Year Ended June 30, 2009

	(\$ in 000s)
1. Net (loss) from contributions less than expected	(\$906,025)
2. Net (loss) from investments*	(2,400,064)
3. Net gain from salary increases less than assumed	72,880
4. Net (loss) from other experience	<u>(37,755)</u>
5. Net experience (loss): (1) + (2) + (3) + (4)	(\$3,270,964)

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\* Details in Chart 9

**SECTION 2: Valuation Results for the University of California Retirement Plan**

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**Investment Rate of Return**

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on UCRP's investment policy. For valuation purposes, the assumed rate of return is 7.50%. As shown below, the actual rate of return on the actuarial value of assets for the 2008-2009 Plan Year was 1.91%.

Since the actual return for the year was less than the assumed return, the Plan experienced an actuarial loss during the year ended June 30, 2009 with regard to its investments, when measured based on the actuarial value of assets. The amount of this gain is derived below.

*This chart shows the gain due to investment experience.*

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**CHART 9  
Investment Experience for Year Ended June 30, 2009**

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	<b>June 30, 2009 (\$ in 000s)</b>
1. Actual return on actuarial value of assets	\$818,217
2. Average actuarial value of assets	42,910,416
3. Actual rate of return: (1) ÷ (2)	1.91%
4. Assumed rate of return	7.50%
5. Expected return: (2) x (4)	3,218,281
6. Actuarial gain: (1) – (5)	(\$2,400,064)

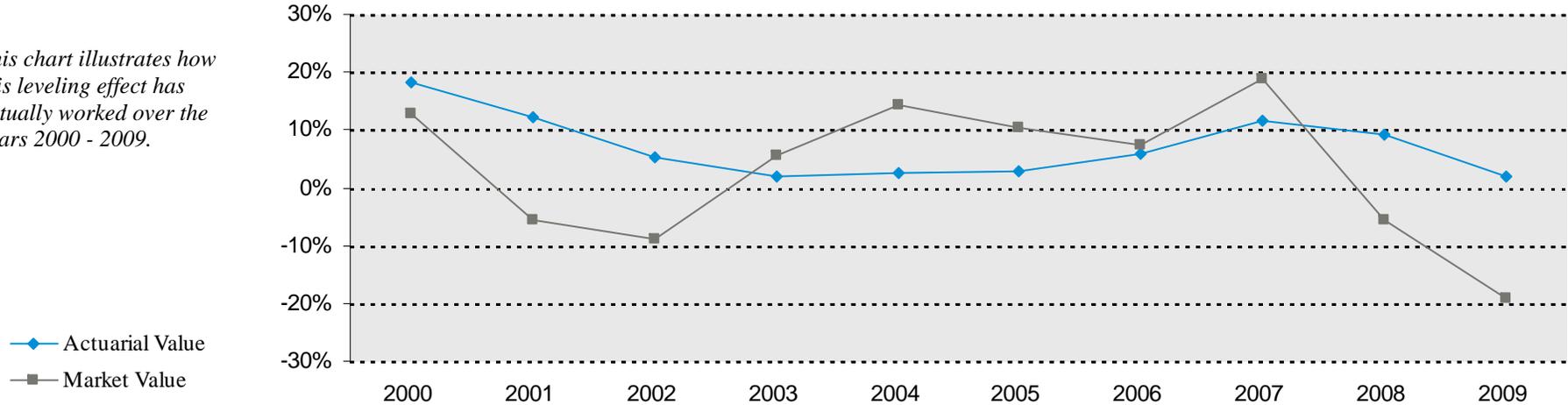
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**SECTION 2: Valuation Results for the University of California Retirement Plan**

In the preceding subsection B we described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this method is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs. This effect is clear in the chart below, where the year-to-year returns on actuarial value are less volatile than the returns on market value.

**CHART 10**  
**Market and Actuarial Rates of Return for Years Ended June 30, 2000 - 2009**

*This chart illustrates how this leveling effect has actually worked over the years 2000 - 2009.*



## SECTION 2: Valuation Results for the University of California Retirement Plan

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### **Other Experience**

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the members,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2009 amounted to \$35 million which is 0.1% of the actuarial accrued liability. Further details may be found in Section 3, Exhibit F.

## SECTION 2: Valuation Results for the University of California Retirement Plan

### D. TOTAL FUNDING POLICY CONTRIBUTION

Effective with the July 1, 2008 valuation a new funding policy was adopted that determines total funding policy contributions based on the Plan's normal cost adjusted by an amortization of any surplus (overfunding) or underfunding, with contributions starting for the Plan Year beginning July 1, 2009.

The total funding policy contribution for the 2009-2010 Plan Year is based on a three-year amortization period for surplus as of July 1, 2008.

The total funding policy contribution for the 2010-2011 Plan year is based on a 15-year amortization period for unfunded actuarial accrued amount liability as of July 1, 2009.

The calculation of the total funding policy contribution rates for the current and prior valuation are shown below.

This total funding policy contribution rate applies to the non-laboratory segment of UCRP (e.g., campuses, medical centers and Hastings College of Law). Contributions for the laboratories are subject to the terms of the University's contracts with the Department of Energy. For more information on the various UCRP segments please see Section 1, page vi. For more details on the UCRP funding policy please see Section 4, Exhibit VI, page 49.

The total funding policy contribution rates as of July 1, 2009 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4 and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

*The chart shows the calculation of the total funding policy contribution for the non-laboratory segment of UCRP.*

**CHART 11**  
**Total Funding Policy Contribution (Non-Laboratory Segment of UCRP)**

	Actuarial Valuation Date			
	July 1, 2009 (\$ in 000s)		July 1, 2008 (\$ in 000s)	
	Amount	% of Payroll	Amount	% of Payroll
1. Normal cost (beginning of year)	\$1,303,163	17.02%	\$1,228,474	16.91%
2. Actuarial value of assets	34,948,781		35,609,105	
3. Actuarial accrued liability	36,878,421		34,449,596	
4. Unfunded/(Overfunded) actuarial accrued liability	1,929,640		(1,159,509)	
5. Amortization of Unfunded/(Overfunded) actuarial accrued liability*	203,352	2.66%	(414,767)	-5.71%
6. Total funding policy contribution rate, before timing adjustment: (1) + (5)		19.68%		11.20%
7. Total funding policy contribution rate, adjusted for timing**		<u>20.40%</u>		<u>11.61%</u>
8. Estimated total funding policy contribution amount***	\$1,620,665		\$875,031	

\* Fifteen year amortization of unfunded actuarial accrued liability as of July 1, 2009. Three year amortization of surplus as of July 1, 2008. See Section 3, Exhibit H for more details.

\*\* Total funding policy contribution includes an adjustment to account for contributions being made throughout the year. No additional adjustment is included to account for contributions not starting until the beginning of the next Plan Year.

\*\*\* Based on estimated covered payroll of \$7,944,437 (also in thousands) for the 2010-2011 Plan Year and \$7,536,877 for the 2009-2010 Plan Year. Actual contributions are set by the Regents and will be made based on actual payroll.

## SECTION 2: Valuation Results for the University of California Retirement Plan

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### E. 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 the GASB is the historical comparison of the GASB required contributions to the actual contributions. 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 Standards. 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, III and VII.

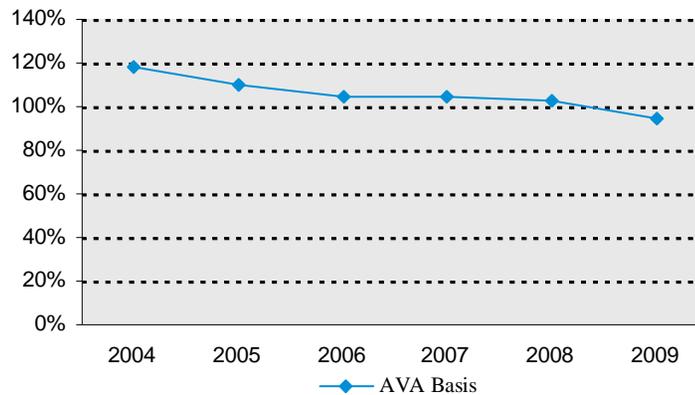
*This graph shows the Plan's funded ratio.*

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**CHART 12**

#### Funded Ratio (Plan Year Beginning July 1)

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**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT A**

**Table of Plan Coverage**

**i. Active Members**

<b>Category</b>	<b>Year Beginning July 1</b>		<b>Change From Prior Year</b>
	<b>2009</b>	<b>2008</b>	
<b>Active members with Social Security:</b>			
Number	113,129	111,261	1.7%
Average age	44.3	44.0	N/A
Average service credit	8.8	8.5	3.5%
Total compensation	\$8,470,183,198	\$7,994,312,587	6.0%
Average compensation	\$74,872	\$71,852	4.2%
<b>Active members without Social Security:</b>			
Number	2,199	2,570	-14.4%
Average age	57.7	56.9	N/A
Average service credit	27.4	26.9	1.9%
Total compensation	\$231,322,247	\$258,876,105	-10.6%
Average compensation	\$105,194	\$100,730	4.4%
<b>Safety members:</b>			
Number	417	411	1.5%
Average age	41.0	40.5	N/A
Average service credit	9.5	9.4	1.1%
Total compensation	\$37,927,838	\$35,364,951	7.2%
Average compensation	\$90,954	\$86,046	5.7%
<b>All active members:</b>			
Number	115,745	114,242	1.3%
Average age	44.5	44.2	N/A
Average service credit	9.2	8.9	3.4%
Total compensation	\$8,739,433,283	\$8,288,553,643	5.4%
Average compensation	\$75,506	\$72,553	4.1%

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT A**

**Table of Plan Coverage**

**ii. Nonactive Members**

<b>Category</b>	<b>Year Beginning July 1*</b>		<b>Change From Prior Year</b>
	<b>2009</b>	<b>2008</b>	
<b>Terminated vested members:</b>			
Number	31,215	29,436	6.0%
Average age	48.2	47.9	N/A
Total monthly benefit**	\$44,312,526	\$42,690,061	3.8%
Average monthly benefit	\$1,420	\$1,450	-2.1%
<b>Terminated nonvested members:***</b>			
Number	23,668	35,130	-32.6%
Average member refund and CAP balance	\$7,032	\$5,099	37.9%
<b>Retired members:</b>			
Number in pay status	42,969	41,584	3.3%
Average age	69.8	69.5	N/A
Total monthly benefit	\$124,462,877	\$116,705,354	6.6%
Average monthly benefit	\$2,897	\$2,806	3.2%
<b>Disabled members:</b>			
Number in pay status	2,157	2,218	-2.8%
Average age	56.2	55.9	N/A
Total monthly benefit	\$3,506,426	\$3,500,321	0.2%
Average monthly benefit	\$1,625	\$1,578	3.0%
<b>Beneficiaries (includes Eligible Survivors, Contingent Annuitants, and Spouses/Domestic Partners):</b>			
Number in pay status	6,527	6,369	2.5%
Average age	73.5	73.1	N/A
Total monthly benefit	\$11,454,299	\$10,880,911	5.3%
Average monthly benefit	\$1,755	\$1,708	2.8%

\* CAP balances total \$1.25 billion as of July 1, 2009 and \$1.23 billion as of July 1, 2008 for all members.

\*\* Benefit is calculated based on assumed retirement age (age 59 or current age if later).

\*\*\* For July 1, 2009, includes 7,601 members that transferred to the LANS or LLNS defined benefit plans who will be entitled to a CAP balance payment from UCRP after they separate employment with LANS or LLNS. For July 1, 2008, 7,796 members were included.

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT B**

**Members in Active Service and Average Compensation as of July 1, 2009  
By Age and Service Credit**

**i. All Active Members**

Age	Service Credit									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	4,391	4,381	10	--	--	--	--	--	--	--
	\$41,750	\$41,766	\$34,966	--	--	--	--	--	--	--
25 - 29	11,447	10,367	1,055	25	--	--	--	--	--	--
	53,180	53,307	51,973	\$51,562	--	--	--	--	--	--
30 - 34	13,098	9,033	3,454	602	9	--	--	--	--	--
	64,504	65,612	62,474	59,735	\$49,772	--	--	--	--	--
35 - 39	14,877	7,983	4,777	1,768	336	13	--	--	--	--
	71,456	71,231	73,579	67,874	66,465	\$45,710	--	--	--	--
40 - 44	14,612	5,552	4,685	2,687	1,305	374	9	--	--	--
	75,628	70,795	78,070	82,032	76,895	66,219	\$81,301	--	--	--
45 - 49	15,807	4,554	4,103	3,053	2,238	1,484	357	18	--	--
	76,983	68,443	74,861	85,269	86,992	77,576	74,543	\$71,149	--	--
50 - 54	16,335	3,536	3,256	2,789	2,677	2,327	1,314	423	13	--
	82,209	71,714	75,761	85,193	92,459	91,624	84,779	76,008	\$58,165	--
55 - 59	14,125	2,600	2,447	2,056	2,083	2,103	1,670	932	224	10
	87,678	76,730	77,515	85,818	93,071	97,781	102,347	89,748	80,885	\$65,098
60 - 64	7,683	1,369	1,451	1,121	1,114	941	770	672	227	18
	94,192	76,874	80,775	86,158	92,149	102,740	118,616	128,042	116,994	76,532
65 - 69	2,501	425	404	314	300	243	214	263	270	68
	118,734	92,904	87,578	101,897	112,872	125,474	146,920	160,217	154,500	153,640
70 & over	869	140	117	83	103	87	55	57	105	122
	132,918	98,139	95,204	94,781	111,501	148,367	161,733	171,653	177,070	172,917
Total	115,745	49,940	25,759	14,498	10,165	7,572	4,389	2,365	839	218
	\$75,506	\$64,341	\$73,584	\$81,976	\$89,247	\$92,367	\$100,554	\$107,840	\$126,030	\$154,000

Average Age: 44.5

Average Service Credit: 9.2

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT B**

**Members in Active Service and Average Compensation as of July 1, 2009  
By Age and Service Credit**

**ii. Members with Social Security**

Age	Service Credit									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	4,361	4,351	10	--	--	--	--	--	--	--
	\$41,756	\$41,772	\$34,966	--	--	--	--	--	--	--
25 - 29	11,274	10,203	1,047	24	--	--	--	--	--	--
	53,133	53,281	51,748	\$50,837	--	--	--	--	--	--
30 - 34	12,938	8,904	3,427	598	9	--	--	--	--	--
	64,521	65,721	62,299	59,616	\$49,772	--	--	--	--	--
35 - 39	14,730	7,884	4,754	1,750	329	13	--	--	--	--
	71,464	71,347	73,535	67,650	65,635	\$45,710	--	--	--	--
40 - 44	14,514	5,515	4,659	2,671	1,292	368	9	--	--	--
	75,559	70,811	77,971	81,946	76,706	65,641	\$81,301	--	--	--
45 - 49	15,715	4,527	4,089	3,041	2,227	1,464	349	18	--	--
	76,906	68,395	74,859	85,260	86,959	77,201	73,421	\$71,149	--	--
50 - 54	16,193	3,514	3,251	2,786	2,669	2,309	1,292	371	1	--
	82,239	71,626	75,736	85,204	92,455	91,602	84,717	77,058	\$90,769	--
55 - 59	13,471	2,577	2,435	2,052	2,075	2,062	1,582	665	22	1
	87,759	76,528	77,340	85,821	93,067	97,902	102,867	91,675	80,926	\$85,945
60 - 64	7,151	1,352	1,444	1,117	1,101	909	716	462	45	5
	92,521	76,596	80,559	86,086	91,871	102,865	118,995	128,220	133,490	95,638
65 - 69	2,097	406	398	304	297	235	191	170	76	20
	112,738	91,636	87,230	101,706	112,858	125,338	143,534	165,577	157,953	151,516
70 & over	685	136	113	82	100	84	50	35	30	55
	123,301	97,614	95,037	94,605	111,278	150,068	162,954	182,202	162,643	173,660
Total	113,129	49,369	25,627	14,425	10,099	7,444	4,189	1,721	174	81
	\$74,872	\$64,335	\$73,489	\$81,922	\$89,165	\$92,252	\$100,098	\$107,261	\$142,310	\$162,293

Average Age: 44.3

Average Service Credit: 8.8

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT B**

**Members in Active Service and Average Compensation as of July 1, 2009  
By Age and Service Credit**

**iii. Members without Social Security**

Age	Service Credit									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	28	28	--	--	--	--	--	--	--	--
	\$39,118	\$39,118	--	--	--	--	--	--	--	--
25 - 29	103	103	--	--	--	--	--	--	--	--
	43,314	43,314	--	--	--	--	--	--	--	--
30 - 34	103	100	2	1	--	--	--	--	--	--
	53,246	52,868	\$83,274	\$30,975	--	--	--	--	--	--
35 - 39	76	70	5	1	--	--	--	--	--	--
	54,683	53,669	68,949	54,332	--	--	--	--	--	--
40 - 44	32	23	6	3	--	--	--	--	--	--
	70,345	59,992	106,291	77,825	--	--	--	--	--	--
45 - 49	26	14	7	1	1	3	--	--	--	--
	67,674	68,915	68,977	46,026	\$42,087	\$74,588	--	--	--	--
50 - 54	95	8	1	1	2	8	13	50	12	--
	68,737	55,223	43,682	56,574	106,091	89,344	\$78,884	\$67,404	\$55,448	--
55 - 59	622	10	6	2	8	36	84	265	202	9
	84,657	86,236	96,500	67,673	94,196	89,708	91,887	84,814	80,881	\$62,782
60 - 64	528	17	6	4	12	30	54	210	182	13
	116,613	98,977	119,144	106,264	118,123	98,064	113,582	127,650	112,916	69,184
65 - 69	402	19	5	9	3	8	23	93	194	48
	150,029	119,997	102,947	110,601	114,285	129,481	175,045	150,420	153,147	154,526
70 & over	184	4	4	1	3	3	5	22	75	67
	168,719	115,969	99,937	109,254	118,937	100,739	149,516	154,870	182,841	172,306
Total	2,199	396	42	23	29	88	179	640	665	137
	\$105,194	\$57,261	\$92,474	\$90,715	\$107,758	\$96,000	\$109,783	\$109,451	\$121,771	\$149,096

Average Age: 57.7

Average Service Credit: 27.4

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT B**

**Members in Active Service and Average Compensation as of July 1, 2009  
By Age and Service Credit**

**iv. Safety Members**

Age	Service Credit									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	2	2	--	--	--	--	--	--	--	--
	\$65,833	\$65,833	--	--	--	--	--	--	--	--
25 - 29	70	61	8	1	--	--	--	--	--	--
	75,287	74,596	\$81,350	\$68,967	--	--	--	--	--	--
30 - 34	57	29	25	3	--	--	--	--	--	--
	80,860	76,143	84,883	92,933	--	--	--	--	--	--
35 - 39	71	29	18	17	7	--	--	--	--	--
	87,825	82,038	86,537	91,790	\$105,480	--	--	--	--	--
40 - 44	66	14	20	13	13	6	--	--	--	--
	93,457	82,344	92,698	100,573	95,686	\$101,669	--	--	--	--
45 - 49	66	13	7	11	10	17	8	--	--	--
	98,970	84,664	82,030	91,393	98,758	110,382	\$123,469	--	--	--
50 - 54	47	14	4	2	6	10	9	2	--	--
	99,290	103,162	103,733	84,737	89,840	98,650	102,196	\$96,325	--	--
55 - 59	32	13	6	2	--	5	4	2	--	--
	112,564	109,471	129,340	101,004	--	106,067	116,384	102,502	--	--
60 - 64	4	--	1	--	1	2	--	--	--	--
	120,486	--	163,075	--	86,672	116,098	--	--	--	--
65 - 69	2	--	1	1	--	--	--	--	--	--
	115,376	--	149,173	81,580	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	417	175	90	50	37	40	21	4	--	--
	\$90,954	\$82,229	\$91,799	\$93,481	\$97,178	\$105,888	\$113,002	\$99,414	--	--

Average Age: 41.0

Average Service Credit: 9.5

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT C**

**Reconciliation of Member Data**

	<b>Active Members</b>	<b>Terminated Vested Members*</b>	<b>Retired Members</b>	<b>Disabled Members</b>	<b>Beneficiaries</b>	<b>Total</b>
Number as of July 1, 2008	114,242	64,566	41,584	2,218	6,369	228,979
New members	12,695	0	0	0	476	13,171
Terminations – with vested rights	(2,782)	2,782	0	0	0	0
Terminations – without vested rights**	(7,017)	(10,795)	0	0	0	(17,812)
Retirements	(1,756)	(511)	2,249	18	0	0
Lump Sum Cashouts	(267)	(374)	(3)	(30)	(4)	(678)
Return to work	735	(699)	(31)	(5)	0	0
Died with or without beneficiary	(105)	(86)	(850)	(46)	(311)	(1,398)
Data adjustments	<u>0</u>	<u>0</u>	<u>20</u>	<u>2</u>	<u>(3)</u>	<u>19</u>
Number as of July 1, 2009	115,745	54,883	42,969	2,157	6,527	222,281

\* Includes terminated nonvested members due a refund of member contributions or CAP balance payment and members that transferred to the LANS or LLNS defined benefit plans who will be entitled to a CAP balance payment from UCRP after they separate employment with LANS or LLNS.

\*\* Includes those members who terminated and received a refund of member contributions or a distribution of their CAP balance.

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT D**

**Summary Statement of Income and Expenses**

	Year Ended June 30, 2009 (\$ in 000s)	Year Ended June 30, 2008 (\$ in 000s)
<b>Contribution income:</b>		
Employer contributions	\$454	\$2,657
Members contributions	1,300	1,391
Less administration expense	<u>(32,453)</u>	<u>(36,557)</u>
Net contribution income	(\$30,699)	(\$32,509)
<b>Investment income:</b>		
Interest and dividends	\$1,041,872	\$1,325,418
Recognition of capital appreciation	(299,503)	2,491,694
Securities lending income	149,064	512,746
Securities lending fees and rebates	<u>(73,216)</u>	<u>(440,825)</u>
Net investment income	818,217	3,889,033
Other income	0	5,700
<b>Total income available for future benefits</b>	<b>\$787,518</b>	<b>\$3,862,224</b>
<b>Less benefit payments</b>	<b>(\$1,829,017)</b>	<b>(\$1,888,679)</b>
<b>Less transfer of assets to LLNS</b>	<b>\$0</b>	<b>(\$1,567,209)</b>
<b>Change in assets available for future benefits</b>	<b>(\$1,041,499)</b>	<b>\$406,336</b>

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT E**

**Summary Statement of Assets**

	Year Ended June 30, 2009 (\$ in 000s)	Year Ended June 30, 2008 (\$ in 000s)
<b>Cash equivalents</b>	\$229,916	\$306,828
<b>Accounts receivable:</b>		
Contributions	\$59,449	\$67,394
Interest and dividends	78,275	109,345
Investment of cash collateral	6,596,311	7,985,216
Securities sales and other	<u>681,259</u>	<u>565,781</u>
Total accounts receivable	7,415,294	8,727,736
<b>Investments:</b>		
Equity securities	\$18,291,611	\$25,175,728
Fixed income securities	8,064,545	12,270,022
Real estate	980,369	1,110,554
Commingled funds	5,148,901	3,229,559
Other	<u>(5,648)</u>	<u>0</u>
Total investments at market value	<u>32,479,778</u>	<u>41,785,863</u>
<b>Total assets</b>	\$40,124,988	\$50,820,427
<b>Less accounts payable:</b>		
Payable for securities purchased	(\$1,057,760)	(\$595,899)
Member withdrawals, refunds and other payables	(188,862)	(172,596)
Collateral held for securities lending	<u>(6,619,824)</u>	<u>(8,028,770)</u>
Total accounts payable	(\$7,866,446)	(\$8,797,265)
<b>Net assets at market value</b>	<u>\$32,258,542</u>	<u>\$42,023,162</u>
<b>Net assets at actuarial value (for comparison purposes)</b>	<u>\$42,798,773</u>	<u>\$43,840,272</u>

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT F**

**Development of Unfunded/(Overfunded) Actuarial Accrued Liability (\$ in 000s)**

	<b>Year Ended June 30, 2009</b>
1. Unfunded/(Overfunded) actuarial accrued liability at beginning of year	(\$1,263,450)
2. Normal cost at beginning of year	1,262,178
3. Expected total funding policy contributions	(875,031)
4. Interest	
(a) For whole year on (1) + (2)	(\$95)
(b) For half year on (3)	<u>(32,814)</u>
(c) Total interest	<u>(32,909)</u>
5. Expected Unfunded/(Overfunded) actuarial accrued liability	(\$909,212)
6. Changes due to:	
(a) Loss from contributions less than expected	\$906,025
(b) Loss from investments	2,400,064
(c) Gain from salary increases	(72,880)
(d) Loss from other experience	<u>37,755</u>
(e) Total changes	<u>3,270,964</u>
7. Unfunded/(Overfunded) actuarial accrued liability at end of year	<u>\$2,361,752</u>

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT G**

**Actuarial Liabilities**

	July 1, 2009 (\$ in 000s)	July 1, 2008 (\$ in 000s)
<b>Actuarial Accrued Liability</b>		
Members in pay status		
Retirees*	\$17,301,102	\$16,380,564
Beneficiaries	1,267,399	1,214,837
Disableds	<u>704,828</u>	<u>704,064</u>
Total in pay status	\$19,273,329	\$18,299,465
Active members		
With Social Security	\$19,952,224	\$18,389,695
Without Social Security	1,680,045	1,852,728
Safety	<u>126,924</u>	<u>119,438</u>
Total actives	\$21,759,193	\$20,361,861
Terminated members		
Vested	\$3,961,565	\$3,736,375
Nonvested	<u>166,438</u>	<u>179,121</u>
Total terminated	\$4,128,003	\$3,915,496
Total actuarial accrued liability	\$45,160,525	\$42,576,822
<b>Actuarial Present Value of Projected Benefits</b>		
Members in pay status*	\$19,273,329	\$18,299,465
Active members	32,684,279	30,725,682
Terminated members	<u>4,128,003</u>	<u>3,915,496</u>
Total present value of projected benefits	\$56,085,611	\$52,940,643

\* For July 1, 2009, includes a liability of \$33.7 million for Lump Sum Cashouts, CAP balance payments and refunds of member contributions that were paid on or after July 1, 2009. For July 1, 2008, includes a liability of \$34.5 million for Lump Sum Cashouts, CAP balance payments and refunds of member contributions that were paid on or after July 1, 2008.

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

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**EXHIBIT H**

**Table of Amortization Bases (Non-Laboratory Segment of UCRP - \$ in 000s)**

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<b>Type</b>	<b>Date Established</b>	<b>Initial Years</b>	<b>Initial Amount</b>	<b>Annual Payment*</b>	<b>Years Remaining</b>	<b>Outstanding Balance</b>
Actuarial Loss	07/01/2009	15	\$1,929,640	<u>\$203,352</u>	15	<u>\$1,929,640</u>
Total				\$203,352		\$1,929,640

\* Level dollar amount. Payment shown is as of beginning of year. The amounts shown are based on results for the non-laboratory segment of UCRP (e.g. campuses, medical centers and Hastings College of Law). They are used in the determination of the total funding policy contribution shown in Section 2, Chart 11, page 10. For more details on the UCRP funding policy please see Section 4, Exhibit VI, page 49.

### SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan

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#### EXHIBIT I

#### Section 415 Limitations

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Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit indexed for inflation. That limit is \$185,000 for 2008 and \$195,000 for 2009. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, form of benefits chosen and after tax contributions.

The University pays benefits in excess of the limits through a 415(m) Restoration Plan. These costs are excluded in this valuation.

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

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**EXHIBIT J**

**Definitions of Pension Terms**

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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 that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age; and
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

**Normal Cost:**

The amount required to fund the level cost allocated to the current year of service.

**Actuarial Accrued Liability  
for Actives:**

The accumulated value of normal costs allocated to the years before the valuation date.

**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 that the actuarial accrued liability of the Plan exceeds (or is exceeded by) the assets of the Plan.

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

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**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 gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return reflects a smoothing of market gains and losses to avoid significant swings in the value of assets from one year to the next.

**Beneficiary:**

Used for statistical purposes only; includes Eligible Survivors, Contingent Annuitants and Spouses/Domestic Partners

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**EXHIBIT I**

**Supplementary Information Required by GAS 25 – Schedule of Employer Contributions (\$ in 000s)**

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<b>Plan Year Ended June 30</b>	<b>Annual Required Contributions</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
2005	\$0	\$0	100.00%
2006	0	0	100.00%
2007	23,934	23,934	100.00%
2008	2,657	2,657	100.00%
2009	454	454	100.00%
2010*	1,669,257	--	N/A

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*\*The Annual Required Contribution (ARC) shown for the Plan Year ending June 30, 2010 includes interest until the end of the Plan Year. This interest includes interest on expected approved employer contributions made throughout the year.*

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT II**

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)</b>
07/01/2004	\$41,293,050	\$35,034,183	(\$6,258,867)	117.9%	\$7,835,249	(79.9%)
07/01/2005	41,084,862	37,252,384	(3,832,478)	110.3%	8,149,640	(47.0%)
07/01/2006*	41,972,476	40,301,708	(1,670,768)	104.1%	8,258,985	(20.2%)
07/01/2007**	43,433,936	41,436,576	(1,997,360)	104.8%	7,612,726	(26.2%)
07/01/2008	43,840,272	42,576,822	(1,263,450)	103.0%	7,468,809	(16.9%)
07/01/2009	42,798,773	45,160,525	2,361,752	94.8%	7,873,694	30.0%

\* Does not reflect the transfer of assets and liabilities to the LANS defined benefit plan.

\*\* Beginning in 2007, covered payroll is reduced to anticipate members who leave active status during the year.

## SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan

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### EXHIBIT III

#### Supplementary Information Required by GAS 25

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Valuation Date	July 1, 2009
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level dollar, Closed
Remaining Amortization Period	15 years for all UAAL as of July 1, 2009. Any changes in UAAL after July 1, 2009 will be separately amortized over a fixed (closed) 15-year period effective with that valuation.
Asset Valuation Method	The market value of asset less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and the expected returns on a market value basis and is recognized over a five-year period.
Actuarial Assumptions:	
Investment Rate of Return*	7.50%
Projected Salary Increases*	4.35% to 7.00%
Cost of Living Adjustments	2.00%
Membership of the Plan	
Retirees, disableds and beneficiaries receiving benefits	51,653
Terminated Plan members entitled to, but not yet receiving benefits**	54,883
Active Plan members	<u>115,745</u>
Total	222,281

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\* Includes inflation at 3.50%

\*\* Includes terminated nonvested members due a refund of member contributions or CAP balance payment and members that transferred to the LANS or LLNS defined benefit plans who will be entitled to a CAP balance payment from UCRP after they separate employment with LANS or LLNS.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**EXHIBIT IV**

**Actuarial Assumptions and Methods**

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**Demographic Assumptions**

**Post – Retirement Mortality Rates:**

*Healthy:* 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).

*Disabled:* RP-2000 Disabled Retiree Mortality Table. Ages are set back two years for males (from the male table) and set back one year for females (from the female table).

**Sample Termination Rates Before Retirement:**

Age	Rate (%)					
	Healthy Mortality		Disabled Mortality*		Disability Incidence	
	Male	Female	Male	Female	Male	Female
20	0.04	0.03	2.26	0.75	0.10	0.06
25	0.06	0.03	2.26	0.75	0.10	0.08
30	0.08	0.03	2.26	0.75	0.12	0.10
35	0.09	0.04	2.26	0.75	0.17	0.16
40	0.10	0.06	2.26	0.75	0.22	0.25
45	0.13	0.09	2.26	0.75	0.28	0.36
50	0.20	0.12	2.64	1.06	0.36	0.53
55	0.33	0.21	3.29	1.55	0.47	0.75
60	0.60	0.40	3.93	2.08	0.54	0.86
65	1.10	0.79	4.66	2.66	0.54	0.86

\* Assumed to apply only while receiving UCRP Disability Income.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Sample Termination Rates Before Retirement (continued):**

Rate (%)						
Withdrawal – Faculty						
	Less than one Year of Service	At least one, but less than two Years of Service	At least two, but less than three Years of Service	At least three, but less than four Years of Service	At least four, but less than five Years of Service	Five or more Years of Service
Age	Unisex	Unisex	Unisex	Unisex	Unisex	Unisex
20	24.00	22.00	21.00	21.00	13.00	9.00
25	23.00	20.00	19.00	17.00	11.00	8.00
30	22.00	14.00	12.00	11.00	10.00	7.00
35	19.00	11.00	9.00	7.00	7.00	6.00
40	16.00	10.00	8.00	6.00	5.00	4.00
45	15.00	8.00	6.00	5.00	4.00	3.00
50	14.00	6.00	5.00	4.00	3.00	2.00
55	13.00	5.00	4.00	3.00	3.00	1.00
60	12.00	4.00	3.00	3.00	2.00	1.00
65	11.00	3.00	2.00	2.00	1.00	1.00

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Sample Termination Rates Before Retirement (continued):**

Age	Rate (%)					
	Withdrawal – Staff and Safety					
	Less than one Year of Service	At least one, but less than two Years of Service	At least two, but less than three Years of Service	At least three, but less than four Years of Service	At least four, but less than five Years of Service	Five or more Years of Service
	Unisex	Unisex	Unisex	Unisex	Unisex	Unisex
20	27.00	24.00	21.00	16.00	15.00	13.00
25	26.00	23.00	20.00	15.00	14.00	12.00
30	24.00	21.00	17.00	14.00	13.00	10.00
35	22.00	17.00	14.00	11.00	10.00	8.00
40	19.00	14.00	11.00	8.00	7.00	6.00
45	17.00	11.00	9.00	6.00	5.00	4.00
50	14.00	9.00	7.00	5.00	4.00	2.00
55	12.00	7.00	6.00	4.00	3.00	2.00
60	11.00	6.00	5.00	3.00	2.00	1.00
65	10.00	5.00	4.00	2.00	1.00	1.00

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Retirement Rates:**

Age	Retirement Probability – Unisex		
	Faculty	Staff	Safety
50	2.00%	4.00%	15.00%
51	1.00	4.00	10.00
52	1.00	4.00	10.00
53	1.00	4.00	10.00
54	1.00	5.00	10.00
55	2.00	5.00	25.00
56	2.00	6.00	25.00
57	2.00	6.00	25.00
58	2.00	8.00	25.00
59	3.00	14.00	25.00
60	5.00	20.00	25.00
61	5.00	20.00	25.00
62	5.00	20.00	50.00
63	5.00	20.00	50.00
64	7.00	25.00	75.00
65	8.00	30.00	100.00
66	9.00	25.00	100.00
67	10.00	25.00	100.00
68	12.00	25.00	100.00
69	15.00	25.00	100.00
70	15.00	20.00	100.00
71	12.00	20.00	100.00
72	12.00	20.00	100.00
73	12.00	20.00	100.00
74	12.00	20.00	100.00
75	100.00	100.00	100.00

## SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan

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**Retirement Age and Benefit  
for Deferred Vested Members:**

Deferred vested members are assumed to retire at age 59.

**Form of Payment:**

For those members not electing a Lump Sum Cashout:

Life annuity for members without a survivor;

25% contingent annuity for members with Social Security who have a survivor;

50% contingent annuity for members without Social Security who have a survivor;

50% contingent annuity for Safety members who have a survivor.

It is also assumed that some members elect a Lump Sum Cashout (see Lump Sum Assumptions).

**Future Benefit Accruals:**

1.0 year of service per year for the full-time employees. Part-time employees are assumed to earn full-time service for all future years.

**Definition of Active Members:**

All members of UCRP who are not separated from active employment as of the valuation date or have not started receiving a monthly pension on or before the valuation date.

**Percent with Survivors:**

85% of male members and 65% of female members are assumed to have survivors at time of decrement.

**Survivor Ages:**

Members assumed to have an opposite sex spouse or domestic partner, with females three years younger than males.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Number of Survivors (Samples):**

<u>Age</u>	<b>Number of Survivors per Active Member with Survivors</b>	
	<b>Male</b>	<b>Female</b>
20	1.0	1.0
25	1.8	2.1
30	2.2	2.7
35	2.7	2.8
40	3.0	2.4
45	2.8	2.1
50	2.5	1.7
55	2.0	1.4
60	1.5	1.2
65	1.3	1.1

**Economic Assumptions**

<b>Net Investment Return:</b>	7.50% (including 3.50% for inflation)
<b>Consumer Price Index:</b>	Increase of 3.50% per year.
<b>Administrative Expenses:</b>	0.50% of payroll added to normal cost.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Salary Increases:**

**Annual Rate of Compensation Increase**

Inflation: 3.50% per year, plus “across the board” salary increases of 0.25% per year, plus the following merit and promotional increases:

<b>Years of Service</b>	<b>Faculty</b>	<b>Staff and Safety</b>
Less than 1	3.25%	3.25%
1	3.25	3.00
2	3.25	2.80
3	3.25	2.50
4	3.25	2.20
5	3.25	2.00
6	3.20	1.80
7	3.10	1.70
8	3.00	1.60
9	2.90	1.50
10	2.80	1.40
11	2.70	1.30
12	2.60	1.20
13	2.50	1.10
14	2.40	1.00
15	2.30	0.90
16	2.20	0.80
17	2.10	0.75
18	2.00	0.70
19	1.75	0.65
20 & over	1.50	0.60

## SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan

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### Actuarial Methods

<b>Actuarial Value of Assets:</b>	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and the expected returns on a market value basis and is recognized over a five-year period.
<b>Actuarial Cost Method:</b>	Entry Age Normal Actuarial Cost Method. Entry Age is calculated as the valuation date minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salaries, as if the current benefit accrual rate has always been in effect.
<b>Covered Payroll:</b>	Covered payroll for a Plan Year is determined by annualizing actual payroll for the prior Plan Year increased by the assumed rate of salary growth. Covered payroll is then reduced to anticipate members who leave active status during the year.

### Other Actuarial Assumptions

#### **Lump Sum Assumptions:**

<i>Discount Rate:</i>	7.50%
<i>COLA:</i>	2.00%
<i>Mortality:</i>	1994 Group Annuity Reserving Mortality Table unloaded for males set back three years, projected with scale AA to 2002.
<i>Take-rate:</i>	For those members retiring from active employment and for those who were receiving a disability income and now retiring, we are assuming that 12% elect a Lump Sum Cashout. For those members retiring from inactive (deferred vested) status, we are assuming that 45% elect a Lump Sum Cashout.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Approximations:**

*Sick Leave*

Service has been increased by 0.15% for Faculty, 1.40% for Staff, and 2.25% for Safety members to account for unused sick leave. This assumption applies only for members retiring from active employment and not electing a Lump Sum Cashout. For all other benefits there is assumed to be no conversion of unused sick leave to service credit.

**Changes in Actuarial Assumptions  
and Methods:**

There were no changes to the actuarial assumptions or methods since the prior valuation.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**EXHIBIT V**

**Summary of Plan Provisions**

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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.

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<b>Effective Date:</b>	April 24, 1954. Includes amendments through July 1, 2009.
<b>Covered Employees:</b>	Generally all employees who are not members of another retirement system to which the Regents contribute, and who: a. Are appointed to work 50% time or more for one year or longer or b. Have generally accumulated at least 1,000 hours in a 12-month period.
<b>Highest Average Plan Compensation (HAPC):</b>	Highest average monthly full-time-equivalent base compensation rate received during any period of 36 consecutive months.

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**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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<b>Age Factor:</b>	Percentage of HAPC per year of service credit (interpolated for fractional ages).			
<i>Nonsafety Members</i>				
	Age	Factor	Age	Factor
	50	1.10%	56	1.94%
	51	1.24	57	2.08
	52	1.38	58	2.22
	53	1.52	59	2.36
	54	1.66	60+	2.50
	55	1.80		
<i>Safety Members</i>	3.0% at all ages 50 and above.			
<i>Tier II Members</i>	Equal to one-half of the Age Factor for Nonsafety Members.			
<b>Benefit Percentage:</b>	Age Factor multiplied by years of service credit; not to exceed 100%.			

**Basic Retirement Income (BRI):**

- Members without Social Security*    Benefit Percentage x HAPC.
- Members with Social Security*    Benefit Percentage x HAPC in excess of \$133 per month.
- Safety Members*    Benefit Percentage x HAPC.

## SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan

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### **Service Retirement:**

<i>Eligibility</i>	Age 50 with 5 years of service credit, or Age 62 regardless of service credit if membership began on or before July 1, 1989, or Retirement on Normal Retirement Date.
<i>Benefit</i>	BRI.
<i>Form of Payment</i>	Single Life Annuity.
<i>Payment Options</i>	Full continuance to contingent annuitant; two-thirds continuance to contingent annuitant; one-half continuance to contingent annuitant; one-half continuance (including postretirement survivor continuance) to surviving spouse or domestic partner (for members with Social Security only).
<i>Lump Sum Cashout</i>	May be elected in lieu of monthly retirement income.

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### **Temporary Social Security Supplement:**

<i>Eligibility</i>	For members with Social Security only and retirement must occur before age 65.
<i>Benefit</i>	Temporary annuity payable to age 65 in the amount of \$133 per month multiplied by Benefit Percentage.
<i>Form of Payment</i>	Single Life Annuity.
<i>Payment Options</i>	None.

## SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan

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### Disability:

<i>Eligibility</i>	Disablement after five years of service credit; safety members are eligible for duty disability without regard to years of service credit. Service credit continues to accrue during disabled period.
<i>Benefit</i>	
<i>Member without Social Security</i>	25% of final salary, plus 5% of final salary per year of service credit greater than two, total not to exceed 40% of final salary, plus 5% of final salary for each eligible child, total not to exceed 20% of final salary.
<i>Member with Social Security</i>	15% of final salary, plus 2.5% of final salary per year of service credit greater than two, total not to exceed 40% of final salary, less \$106.40 per month.
<i>Safety Members(Non-duty)</i>	Same as for members without Social Security; includes eligible child's benefit.
<i>Safety Members(Duty)</i>	50% of HAPC, or non-duty disability benefit if greater.
<i>Form of Payment</i>	Single life annuity payable until end of disability income period or retirement date if earlier.
<i>Disability Income Period</i>	
<i>Members disabled before November 5, 1990</i>	To earliest of: Date member is eligible to retire and retirement income equals or exceeds disability income; Age 62 (age 67 for members without Social Security); or Date member retires.
<i>Members disabled on or after November 5, 1990</i>	If under age 65 at disablement: Members with Social Security: to age 65 or five years if longer. Members without Social Security: to age 67 or five years if longer. If age 65 or older at disablement: to age 70 or 12 months if longer. Disability income ends if member is no longer disabled.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Vested Termination:**

<i>Eligibility</i>	Five years of service credit, or age 62 regardless of service credit if membership began on or before July 1, 1989.
<i>Benefit</i>	BRI beginning at age 50 or later, calculated using HAPC at termination date, adjusting for CPI changes (see Cost-of-Living Adjustment), and benefit formula in effect when benefits commence.
<i>Form of Payment</i>	As for retirement.
<i>Payment Options</i>	As for retirement.
<i>Refund Option</i>	Member may elect a refund of contributions with interest, thereby forfeiting all other benefits.
<i>Lump Sum Cashout</i>	May be elected in lieu of retirement income, available only if at least age 50 with five years service credit at date of termination.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Preretirement Survivor Income:**

*Eligibility* Eligible survivor of deceased active or disabled member with two or more years of service credit; no service requirement for duty-related death of Safety member.

*Benefit*

*Member without Social Security*

Percent of final salary as follows:

Eligible Survivors	Percent	Minimum Benefit
1	25%	\$200
2	35	\$300
3	40	\$300 plus 5% of final salary
4	45	\$300 plus 10% of final salary
5+	50	\$300 plus 15% of final salary

*Member with Social Security* 25% of final salary less \$106.40 per month.

*Safety Members, non-duty death*

As for members without Social Security.

*Safety Members, duty death*

Percentage of HAPC as follows, but not less than benefit for non-duty death.

Eligible Survivors	Percent of HAPC
1	50.0%
2	62.5
3	70.0
4+	75.0

*Death while eligible to retire*

*Eligibility*

Surviving spouse or surviving domestic partner of active, disabled or inactive member who dies while eligible to retire.

*Benefit*

Greater of benefit described above or monthly benefit to eligible spouse or eligible domestic partner assuming member had retired on date of death and elected full continuance option with spouse or domestic partner as contingent annuitant.

## SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan

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### Postretirement Survivor Continuance:

*Eligibility* Eligible surviving spouse, eligible surviving domestic partner, eligible children or eligible dependent parent of deceased retired member.

*Benefit*

*Member without Social Security* 50% of BRI including COLA.

*Member with Social Security* 25% of BRI including COLA, plus 25% of Temporary Social Security Supplement (ends when member would have reached age 65).

*Safety Members* 50% of BRI including COLA.

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### Lump Sum Death Benefit:

*Eligibility* Beneficiary of active, inactive, disabled, or retired member.

*Basic Benefit*

*Active member who became a member before October 1, 1990* Greater of :

\$1,500 plus one month's final salary, or \$7,500.

*All others* \$7,500

*Residual Benefit* Refund of member contributions plus interest, reduced by a portion of benefits received (100% of retirement income, 50% of preretirement survivor income or disability income) payable to beneficiary if no survivor, surviving spouse, domestic partner, or contingent annuitant.

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**Appendix E:** Appendix E incorporates an alternative benefit formula that is intended to restore benefits that would be accrued under UCRP but for the application of the compensation limit established in IRC Section 401(a)(17). Appendix E has not been implemented and no benefits have been paid under the provision.

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**Normal Retirement Date:** Attainment of age 60 with five years of service credit.

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## SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan

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### Eligible Survivor:

*Eligible Spouse or  
Domestic Partner*

Spouse or domestic partner of deceased active or disabled member in relationship for at least one year before date of death and who is:

Responsible for care of eligible child, disabled, or age 60 (age 50 if spouse of member without Social Security and in Plan prior to October 19, 1973).

*Eligible Child*

Child that is either under age 18, under age 22 and a full-time student, or disabled, if disability occurred prior to age 18 or age 22 if a full-time student.

*Eligible Dependent Parent*

Parent of deceased active, disabled or retired member, supported by 50% or more by member for one year prior to earliest of death, disablement or retirement.

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### Inactive Member:

Former UCRP member who retains right to vested benefits.

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### Cost-of-Living Adjustment:

*Basic*

100% of annual Consumer Price Index (CPI) increase up to 2% per year.

*Supplemental*

Generally 75% of annual CPI increase above 4%.

The sum of the Basic and Supplemental COLA's cannot exceed 6% in a year.

*COLA applies to:*

*Retired members, survivors,  
disabled members, and  
contingent annuitants receiving  
retirement income*

Benefits in pay status one or more years on July 1.

*Inactive members*

HAPC (used to calculate retirement income) adjusted for COLA up to 2% per year from separation date to retirement date; retirement income adjusted using COLA formula.

*Disabled members receiving  
disability income since before  
November 5, 1990*

HAPC (used to calculate retirement income) adjusted for COLA up to COLA formula above for years from disablement to retirement date.

## SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan

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### Capital Accumulation Provision (CAP):

<i>Eligibility</i>	Active member on specified date; benefits immediately vested.
<i>Allocation Dates</i>	
<i>April 1, 1992</i>	Active member from December 31, 1991 through April 1, 1992: 5.0% of 1991 calendar year covered compensation.
<i>July 1, 1992</i>	Active member on July 1, 1992: 2.5% of 1991-1992 fiscal year covered compensation.
<i>July 1, 1993</i>	Active member on July 1, 1993: 2.5% of 1992-1993 fiscal year covered compensation.
<i>November 1, 1993</i>	Active member on October 1, 1993 and subject to 1993-1994 salary plan: 5.26% of July through October 1993 covered compensation. Not applicable for laboratory members.
<i>July 1, 1994</i>	Active member on June 1, 1994 and subject to 1993-1994 salary plan: 2.67% of November 1993 through June 1994 covered compensation. Not applicable for laboratory members.
<i>May 1, 2002</i>	Active member on April 1, 2002: 3.0% of April 2001 through March 2002 covered compensation.
<i>May 1, 2003</i>	Active member on April 1, 2003: 5.0% of April 2002 through March 2003 covered compensation.
<i>Interest Credit</i>	Regent's approved interest rate; currently 8.5% per year for pre-2002 CAPs and 7.5% for 2002 and later CAPs (CAP II).
<i>Payment</i>	Lump sum payment upon termination, retirement or death.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**University Contributions:** Each year the Regents will determine the actual total contributions and the split between Member Contributions and University Contributions based on the total funding policy contribution and various other factors, including the availability of funds, the impact of employee contributions on the competitiveness of UC’s total remuneration package, and collective bargaining. In no event would the University Contributions be lower than the Member Contributions.

The total funding policy contribution is based on the Regents funding policy as described in Exhibit VI.

The Regents have approved an employer contribution rate of 4% of covered compensation effective April 15, 2010.

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**Member Contributions:** Member contributions are currently being redirected to the UC Defined Contribution Plan. This redirect is scheduled to terminate around April 15, 2010.

*Members without Social Security* 3.0% of covered compensation, less \$19 per month.

*Members with Social Security* 2.0% of covered compensation up to the Social Security wage base, plus 4.0% of excess covered compensation, minus \$19 per month.

*Safety Members* 3.0% of covered compensation, less \$19 per month.

*Interest Credit* Regents’ approved interest rate; currently 6.0% per year.

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**Changes in Plan Provisions:** There have been no changes in plan provisions since the last valuation that had a material impact on plan liabilities and normal cost.

## SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan

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### EXHIBIT VI

#### UCRP Funding Policy

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##### UCRP Funding Policy:

Effective with the July 1, 2008 valuation, a new funding policy was adopted that determines total funding policy contributions based on the Plan's Normal Cost adjusted by an amortization of any surplus or underfunding.

The UCRP funding policy has the following structure and parameters:

- (1) The funding policy is effective with the July 1, 2008 actuarial valuation and determines total funding policy contributions starting with the Plan Year beginning July 1, 2009.
- (2) Each year the total funding policy contributions would be effective for the Plan Year starting one year after the date of the actuarial valuation.
- (3) Each year the Regents will determine the actual total contributions and the split between Member Contributions and University Contributions based on the total funding policy contributions and various other factors, including the availability of funds, the impact of employee contributions on the competitiveness of UC's total remuneration package, and collective bargaining. In no event would the University Contributions be lower than the Member Contributions.
- (4) The new funding policy determines total funding policy contribution rates based on an actuarial valuation of the non-laboratory segment of UCRP (e.g., campuses, medical centers and Hastings College of the Law). The Lawrence Berkeley National Laboratory contributes on the same basis as determined for the non-laboratory segment of UCRP, subject to the terms of the University's contract with the Department of Energy. The Lawrence Livermore National Laboratory and Los Alamos National Laboratory Retained Segments in UCRP are subject to the funding policies outlined in the University's contracts with the Department of Energy. Throughout this funding policy, the term "UCRP" refers to the non-laboratory segment of UCRP.

#### SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan

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- (5) The total funding policy contributions to UCRP consists of the Normal Cost plus an amortization charge for any Unfunded Actuarial Accrued Liability (UAAL) or minus an amortization credit for any surplus.
- (6) The Regents' Consulting Actuary conducts an annual actuarial valuation of UCRP. The Normal Cost and the Actuarial Accrued Liability (AAL) in each actuarial valuation is determined under the Entry Age Normal Actuarial Cost Method, using actuarial assumptions adopted by the Regents.
- (7) The asset smoothing method used to determine the Actuarial Value of Assets is based on the Market Value of Assets adjusted for "unrecognized returns" in each of the last five years. Unrecognized return is the difference between actual and expected returns on a market value basis and is recognized over a five-year period.
- (8) As of the effective date of this policy, any initial surplus as of that date is amortized as a level dollar amount over a period of three years.
  - a. Any changes in surplus after the effective date due to actuarial gains and losses (including contribution gains and losses) would be amortized as a level dollar amount over 15 years.
  - b. Any change in surplus due to a change in actuarial assumptions, cost method or asset smoothing method would be amortized as a level dollar amount over 15 years.
  - c. Any change in surplus due to a Plan amendment would be amortized as a level dollar amount over 15 years.
  - d. In the first year after the effective date when UCRP has a UAAL (as opposed to a continuation of the current surplus condition) all amortization bases would be considered fully amortized and contributions would be determined under the remaining provisions of this policy.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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- (9) For any future year when UCRP has a UAAL (as opposed to a continuation of the current surplus condition), the calculation of the UAAL would be maintained by source (as listed below) and each new portion of or change in UAAL would be amortized as a level dollar amount over a fixed amortization period.
  - a. Any initial UAAL (after a period of surplus) or change in UAAL due to actuarial gains and losses (including contribution gains and losses) would be amortized over 15 years.
  - b. Any change in UAAL due to a change in actuarial assumptions, cost method or asset smoothing method would be amortized over 15 years.
  - c. Any change in UAAL due to a Plan amendment would be amortized over 15 years, unless a shorter period is adopted by the Regents reflecting the nature of the Plan amendment.
- (10) For any future year in which UCRP has a surplus (other than a continuation of the current surplus condition), such surplus would be amortized as a level dollar amount over 30 years, and all prior UAAL amortization bases would be considered fully amortized.
- (11) This funding policy supersedes any previous funding policies.

## **SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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### **EXHIBIT VII**

#### **Information for the University of California Annual Financial Report**

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The following tables are for the University of California Annual Financial Report and satisfy the reporting requirements of Statement No. 27 of the Governmental Accounting Standards Board (GAS 27). There is also a table that contains various other information needed for the University of California Annual Financial Report. The information shown in these tables excludes Hastings College of Law unless specifically noted.

Table 1 shows the Annual Required Contribution (ARC), Annual Pension Cost (APC) and the Net Pension Obligation (NPO) for the fiscal years ending June 30, 2009 and June 30, 2010. The ARC shown for the year ending June 30, 2010 is based on normal cost plus a 15-year amortization of any UAAL. There is an NPO at the end of the 2009 fiscal year for the campus and medical centers.

Table 2 is a three-year history of the APC, the percentage of APC contributed, and the NPO at the end of the year.

Table 3 is a schedule of funding progress for the prior three fiscal years.

Table 4 contains the notes to the trend data. For the current fiscal year, these notes summarize the actuarial cost method used to measure the liabilities and normal cost, the amortization method and period used to calculate the ARC, the asset valuation method, and the actuarial assumptions.

Table 5 contains various other information needed to complete the UC Annual Financial Report.

Table 6 shows the schedule of amortization payments used in the determination of the ARC.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

**Table 1**  
**University of California Retirement Plan**  
**July 1, 2009 Actuarial Valuation**  
**Annual Pension Cost and Net Pension Obligation**  
**(\$ in 000s)**

	<u>Campus and Medical Centers</u>		<u>DOE National Laboratories</u>		<u>University of California Subtotal</u>	
	Year Ended June 30		Year Ended June 30		Year Ended June 30	
	2010	2009	2010	2009	2010	2009
1. Annual required contribution (ARC)	\$1,581,319	\$69,138	\$83,270	\$12	\$1,664,589	\$69,150
2. Interest on net pension obligation	5,152	0	0	0	5,152	0
3. Adjustment to ARC	7,782	0	0	0	7,782	0
4. Annual Pension Cost (APC), 1+2-3	1,578,689	69,138	83,270	12	1,661,959	69,150
5. Contributions made		442		12		454
6. Increase/(decrease) in NPO, 4-5		68,696		0		68,696
7. NPO at beginning of year		0		0		0
8. NPO at end of year, 6+7		68,696		0		68,696

**Note:** ARC and APC amounts shown include interest until the end of the Plan Year. For 2010, this interest includes interest on expected approved employer contributions made throughout the year.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Table 2**  
**University of California Retirement Plan**  
**July 1, 2009 Actuarial Valuation**  
**Three-Year Trend Information**  
**(\$ in 000s)**

<b>Fiscal Year Ending</b>	<b>Campuses and Medical Centers</b>	<b>DOE National Laboratories</b>	<b>University of California Subtotal</b>
<b>Annual Pension Cost:</b>			
June 30, 2009	\$69,138	\$12	\$69,150
June 30, 2008	2,646	11	2,657
June 30, 2007	6,359	17,575	23,934
<b>Percentage of APC Contributed:</b>			
June 30, 2009	0.64%	100.00%	0.66%
June 30, 2008	100.00%	100.00%	100.00%
June 30, 2007	100.00%	100.00%	100.00%
<b>Net Pension Obligation:</b>			
June 30, 2009	\$68,696	\$0	\$68,696
June 30, 2008	0	0	0
June 30, 2007	0	0	0

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

**Table 3**  
**University of California Retirement Plan**  
**July 1, 2009 Actuarial Valuation**  
**Schedule of Funding Progress**  
**(\$ in 000s)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Excess Assets (1) – (2)	Funded Ratio (1) / (2)	Annual Covered Payroll	Ratio of Excess Assets to Annual Covered Payroll (3) / (5)
<b>University of California Subtotal</b>						
July 1, 2009	\$42,685,564	\$45,041,066	(\$2,355,502)	94.8%	\$7,853,419	(30.0%)
July 1, 2008	43,727,521	42,467,742	1,259,779	103.0%	7,449,796	16.9%
July 1, 2007	43,328,050	41,335,935	1,992,115	104.8%	7,595,421	26.2%
<b>Campuses and Medical Centers</b>						
July 1, 2009	\$34,835,572	\$36,758,962	(\$1,923,390)	94.8%	\$7,637,064	(25.2%)
July 1, 2008	35,496,354	34,340,516	1,155,838	103.4%	7,245,447	16.0%
July 1, 2007	33,581,431	31,917,954	1,663,477	105.2%	6,720,789	24.8%
<b>DOE National Laboratories</b>						
July 1, 2009	\$7,849,992	\$8,282,104	(\$432,112)	94.8%	\$216,355	(199.7%)
July 1, 2008	8,231,167	8,127,226	103,941	101.3%	204,349	50.9%
July 1, 2007	9,746,619	9,417,981	328,638	103.5%	874,632	37.6%

**Notes:**

July 1, 2007 information includes changes in actuarial assumptions that decreased the July 1, 2007 Actuarial Accrued Liability. A change in actuarial method for projecting covered payroll is also included. Covered payroll is now reduced to anticipate members who leave active status during the year. The table below summarizes these decreases.

	Campuses and Medical Centers	DOE National Laboratories	University of California Subtotal
Actuarial accrued liability	\$481,130	\$52,068	\$533,198
Annual covered payroll	726,004	86,220	812,224

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Table 4**  
**University of California Retirement Plan**  
**July 1, 2009 Actuarial Valuation**  
**Notes to Trend Data**

	<u>Campuses and Medical Centers</u>	<u>DOE National Laboratories</u>
Valuation Date	July 1, 2009	July 1, 2009
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Dollar, Closed	Level Dollar, Closed
Remaining amortization period*	15 Years	15 Years
Asset valuation method	5-year smoothed market	5-year smoothed market
 <u>Actuarial Assumptions</u>		
Investment rate of return**	7.50%	7.50%
Projected salary increases**	4.35-7.00%	4.35-7.00%
Cost-of-living adjustments	2.00%	2.00%
* Any changes in UAAL after July 1, 2009 will be separately amortized over a fixed (closed) 15-year period effective with that valuation.		
** Includes Inflation at	3.50%	3.50%

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Table 5**  
**University of California Retirement Plan**  
**July 1, 2009 Actuarial Valuation**  
**Various Information for**  
**University of California**  
**Annual Financial Report**

<b>University of California Retirement Plan</b>	Campuses and Medical Centers	DOE National Laboratories	University of California Subtotal	Hastings	University of California Total
Retirees and beneficiaries receiving benefits	39,116	12,415	51,531	122	51,653
Inactive members entitled to, but not yet receiving benefits*	41,081	13,718	54,799	84	54,883
Active members:					
Vested	63,992	1,696	65,688	117	65,805
Nonvested	<u>49,142</u>	<u>692</u>	<u>49,834</u>	<u>106</u>	<u>49,940</u>
Total	113,134	2,388	115,522	223	115,745
<b>Total membership</b>	<b>193,331</b>	<b>28,521</b>	<b>221,852</b>	<b>429</b>	<b>222,281</b>
University of California PERS Plus 5 Plan Retirees and Beneficiaries			718		

\* Includes terminated nonvested members due a refund of contributions or CAP balance payment from UCRP after they separate from employment with LANS or LLNS.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

**Table 6**

**University of California Retirement Plan  
July 1, 2009 Actuarial Valuation  
Schedule of Amortization Payments Used in Determination of ARC  
(\$ in 000s)**

**Campus and Medical Centers**

<b>Type</b>	<b>Date Established</b>	<b>Initial Years</b>	<b>Initial Amount</b>	<b>Annual Payment</b>	<b>Years Remaining</b>	<b>Outstanding Balance</b>
Actuarial Loss	7/1/2009	15	\$1,923,390	<u>\$202,694</u>	15	<u>\$1,923,390</u>
Total				\$202,694		\$1,923,390

**DOE National Laboratories**

<b>Type</b>	<b>Date Established</b>	<b>Initial Years</b>	<b>Initial Amount</b>	<b>Annual Payment</b>	<b>Years Remaining</b>	<b>Outstanding Balance</b>
Actuarial Loss	7/1/2009	15	\$432,112	<u>\$45,537</u>	15	<u>\$432,112</u>
Total				\$45,537		\$432,112

**Hastings College of Law**

<b>Type</b>	<b>Date Established</b>	<b>Initial Years</b>	<b>Initial Amount</b>	<b>Annual Payment</b>	<b>Years Remaining</b>	<b>Outstanding Balance</b>
Actuarial Loss	7/1/2009	15	\$6,250	<u>\$658</u>	15	<u>\$6,250</u>
Total				\$658		\$6,250

**Total for University of California Retirement Plan**

<b>Type</b>	<b>Date Established</b>	<b>Initial Years</b>	<b>Initial Amount</b>	<b>Annual Payment</b>	<b>Years Remaining</b>	<b>Outstanding Balance</b>
Actuarial Loss	7/1/2009	15	\$2,361,752	<u>\$248,889</u>	15	<u>\$2,361,752</u>
Total				\$248,889		\$2,361,752

*Annual payments are level dollar amounts and shown as of beginning of year.*

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