UCRS Advisory Board

Meeting of November 10, 2011

AGENDA ITEM A

UCRP – Experience Study

This item was originally scheduled for the June 2011 UCRS Advisory Board (Board) meeting, since the Experience Study for the University of California retirement Plan (UCRP or Plan) was scheduled to be presented to The Regents in July 2011. As time constraints did not permit the presentation of this item in June, the item has been added to the agenda for the Board's November 2011 meeting.

In accordance with actuarial best practice and Plan requirements, the Plan's Consulting Actuary conducts an Experience Study to compare the expected experience under the Plan to the actual experience and makes recommendations to adjust Plan assumptions as necessary to be able to best estimate future liabilities. The latest Experience Study covers the period from July 1, 2006 through June 30, 2010.

The following is typically analyzed:

- The Plan's actual as compared to expected experience with respect to mortality, retirement, withdrawal and disability rates;
- The Plan's actual as compared to expected experience with respect to merit and promotional salary increases, adjusted for inflation;
- The Plan's actual as compared to expected experience with respect to other valuation assumptions, including the percentage of UCRP members with eligible survivors, sick leave conversion, future rates of benefit accrual, Lump Sum Cashout (LSC) elections, and deferred vested retirement age;
- Whether the Plan's actual experience as compared to the expected experience reflects a significant pattern or trend which would indicate that a change should be made to the Plan's actuarial valuation assumptions; and
- Whether the current economic assumptions (including price inflation, wage inflation, and investment return) are still appropriate.

The Plan's Consulting Actuary, The Segal Company (Segal), will provide an overview of the Study that they presented to The Regents in July 2011. Highlights include the recommendations to maintain the current long-term investment return assumption of 7.5% per annum and an assumption change reflecting improved mortality for UCRP members, both of which were approved by The Regents.

The approved change with the most significant impact on Plan costs and liabilities was the change in mortality rates, as the Plan experience shows that UCRP members (males in particular) are living longer than expected. This is also true for the general population and is reflected in a new standard mortality table that is being implemented. This new mortality table also incorporates a margin for future improvements in mortality consistent with current Actuarial Standards of Practice.

The recommended assumption changes were effective for the July 1, 2011 actuarial valuation and changes to annuity option factors and LSC factors will be effective for retirements and LSC elections beginning on July 1, 2012 and later. A copy of the full UCRP Experience Study and action item presented to The Regents in July 2011 is available on the Regents' website at:

http://www.universityofcalifornia.edu/regents/regmeet/jul11/f4.pdf

Attachment