University of California Retirement Plan

Highlights of Actuarial Experience Study for the period July 1, 2006 through June 30, 2010

Completed by
The Segal Company
San Francisco

5162272v1

Purpose of the Study

- **Required under model actuarial practices and Plan terms and is done every 3-5 years**
- **Covers economic and demographic assumptions for**
  - **UCRP and Retiree Health Plan valuations**
  - **Asset / liability forecasts**
- **Categories of assumptions:**
  - **Demographic**
    - **Major: mortality, retirement, termination, disability**
  - **Economic**
    - **Inflation, investment rate of return, salary increases**

Major Recommendations

- **Demographic**
  - **Decrease mortality rates**
    - **Significant change – Increases life expectancy for a 60-year-old by about 2 years for males and 1 year for females**
- **Economic**
  - **Maintain 7.5% earnings assumption**
    - **Relative "confidence level" reduced to 60%**
  - **Maintain inflation assumption at 3.50%**
  - **Increase real "across-the-board" salary increase assumption from 0.25% to 0.50%**
    - **Total wage inflation increases from 3.75% to 4.00%**
  - **Reduce promotional and merit salary increase assumption**

Anticipated Impact on Valuation Results

- **Modeled as of July 1, 2010 for illustration**
- **Increase in Actuarial Accrued Liability ($1.77 billion)**
  - **Primarily due to updating the mortality table**
- **Slight increase in Normal Cost (0.2% of payroll)**
- **Increase in total funding policy rate (2.25% of payroll)**
  - **From 23.25% to 25.50% of payroll**