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# UCRS Advisory Board

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## MINUTES

### UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS) ADVISORY BOARD MEETING/VIDEO-TELECONFERENCE

March 1, 2024

10:00 AM – 2:00 PM

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**BOARD MEMBERS PARTICIPATING:** Chief Investment Officer (CIO) Jagdeep Bachher, Vice Chancellor – CFO Chuck Haines, Vice President Cheryl Lloyd, Professor David Kleinfeld, Nurse David Yamada, Pharmacy Technician Ruth Zolayvar, Benefits Manager Dorothy Ong, CUCRA Chair John Meyer, and CUCEA Chair Jo Anne Boorkman.

**BOARD MEMBERS ABSENT:** Professor Terrence Hendershott, Executive Vice President and Chief Operating Officer (COO) Rachael Nava

**UCOP STAFF PARTICIPATING:** COO – UC Investments Arthur Guimaraes, Interim Associate Vice President Cain Diaz, Senior Managing Director Satish Swamy, Managing Director Marco Merz, Principal Counsel Luis Blanco, Principal Counsel Robert Gaumer, Executive Director Bernadette Green, Executive Director Hyun Swanson, Senior Director Ming Wung, Manager Jennetta Brown, Manager, Michelle Estes, Manager Aliya Dibrell, Manager Doug Kanigher, Manager Jennifer Luna, Manager John Monroe, Manager Greg Ricks, Manager Scott Sylva, Manager Sapphire Thompson, Manager Matthew Tindol, Principal Analyst Ashley Eigenauer, Principal Analyst Ken Feer, Principal Analyst Aaron Locquiao, Principal Analyst Rebecca Preza, Principal Analyst Melissa Rad, Principal Analyst Gloria Sit, Supervisor Kiet Luu, Business Analyst Mary Sanchez, Thought Leader Richard Townsend, and Program Coordinator Marla Cox.

**OTHERS PRESENT:** UCI Assistant Dean and Staff Advisor to the Regents Jason Valdry, UCI Analyst Gretchen Verdugo, Professor Emeritus Roger Anderson, Retiree and UPTE representative Paul Brooks, Retiree and CUCRA Vice-Chair Sue Ables, Retiree and CUCRA member Marianne Schnaubelt, AFSME representative Geoff Goodman, CUCFA representative Eric Hayes, CNA representative Nate Johnson, Teamsters Local 2010 representative Alex Vermie, UAPD representative Glynnis Golden Ortiz, Actuary Paul Angelo (Segal) and Actuary Emily Klare (Segal).

The meeting officially began at 10:00 a.m.

**PUBLIC COMMENT PERIOD:** (no public comments)

**APPROVAL OF THE MINUTES:** Vice Chair Haines called for the approval of the minutes of the Board meetings of December 1, 2023. The minutes were approved by acclamation.

**COMMENTS FROM THE CHAIR:** Vice Chair Haines welcomed attendees to the first meeting of 2024 and informed the Board that Chair Hendershott would not be able to attend the meeting.

**OFFICE OF THE CHIEF FINANCIAL OFFICER – BUDGET UPDATE:** Interim Associate Vice President Diaz provided an overview of the Governor’s January budget, stating that the budget is projected to have a \$38 billion deficit driven by a decrease in income tax revenue. He noted that the budget proposed to defer the 5% base budget increase called for in the multi-year compact agreement between UC and the Governor to the 2025-26 fiscal year. He noted that the Governor proposed to use funds from the state reserve (or rainy day funds) to offset the projected a \$38 billion gap between forecasted revenue and expenditures in 2024-25. Lastly, he mentioned that the proposed budget included \$15 million for UC Merced Medical Education Building and foregoes \$300 million in funding for the UCLA immunology and immunotherapy institute (\$200 million in funding provided in prior years).

**CHIEF INVESTMENT OFFICER – REPORT:** Senior Managing Director Swamy began by providing UCRP asset value of \$91.4 billion as of December 31, 2023 and \$93.7 billion as of February 29, 2024. He then addressed asset allocation, noting that UCRP currently held 3% of assets in cash, 25% in alternative assets, 15% in fixed income and 57% in public equities. He attributed the increase of \$28 billion in market value of assets over the past five years to strong performance in the equities market, specifically noting the \$10 billion increase in UCRP asset value over the past year.

Managing Director Merz began by providing the Retirement Savings Program (RSP) asset value as of \$35.6 billion as of December 31, 2023. He added that assets reached just over \$37 billion as of February 29, 2024, an all time high for the RSP. He then provided a breakdown of asset value by fund class, noting that 40% of assets were in the UC Pathway Funds, 50% invested in the core lineup, and the remainder invested in the Brokerage Window. Turning to product enhancement, Managing Director Merz stated that the UC Blue & Gold fund, a short duration bond, and Certificates of Deposit will be added to the menu of available funds (added as an investment option in plans where permitted).

**ITEM A – UCRP – IMPACT OF NEW ACTUARIAL ASSUMPTIONS ON BENEFITS FOR MEMEBRS RETIRING ON OR AFTER JULY 1, 2024:** Referencing slides previously provided to the Board, Actuarial Services Group Analyst Sit provided background information on the UCRP experience study. She noted that the study performed in 2023 did not result in changes to assumed rates of inflation, investment return or cost-of-living adjustments, but did result in changes to mortality assumptions. She then reviewed examples of how the change in mortality assumptions could impact those retiring on or after July 1, 2024, noting that, in general, some retirements could see a modest increase to the lump sum cashout amount, and those electing an alternate payment option could see a slight decrease to monthly retirement income.

**ITEM B – RETIREMENT SAVINGS PROGRAM – OPERATIONS AND EDUCATION REPORT:** Executive Director Swanson began by provided the highlights of the 2023 4<sup>th</sup> quarter RSP report. She stated that RSP plans had 350,000 unique participants with just over 50% of active participants making supplemental deferral contributions, and that 62% of career employees were on track to have at least 80% retirement income replacement from UCRS sources, specifically noting that income provided by Social Security is not included in the retirement income replacement figure. She noted that Fidelity met all their performance standards.

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With respect to communications and education, she informed the Board that in 2023 UC employees and retirees engaged in over 100,000 counseling and education interactions, specifically noting the attendance in the newly launched webinar series titled the Confident Retiree.

Executive Director Swanson informed the Board that in response to their feedback a lobby feature is set to be added to the redesign of myUCretirement.com to assist users in finding information.

With respect to the Roth deferral option that was added to the RSP plans August 2023, Executive Director Swanson informed the Board that there have been 8,500 participant enrollments. She noted that 35% of Roth enrollments were made by employees who did not previously participate, and 68% of these new enrollees are under age 40.

In response to a question from Board Member Boorkman, Policy Analyst Eigenauer stated that webinar participants are given the opportunity answer a survey and provide feedback at the end of each webinar and updates are regularly made to presentation slides in response to the survey results.

Board Member Meyer commented on the importance of continuity between UC retirement websites, stating specifically that the user should not need to know the structure of UCOP in order to know which website to use.

**ITEM C – UCRS – RETIREMENT CHOICE PROGRAM STATISTICS:** Executive Director Swanson reviewed Retirement Choice Program statistics through February 21, 2024, mentioning that 35% of eligible hires/rehires selected Pension Choice, 27.5% defaulted to Pension Choice, and 37% selected Savings Choice.

In follow-up to a request previously made by former Board Member Henning Bohn regarding retention rates amongst those who are participating in the Retirement Choice Program, Executive Director Swanson stated 41% of employees who elected Pension Choice, 25% of employees who defaulted to Pension Choice, and 33% of employees who elected Savings Choice are still active UC employees.

**ITEM D – UCRP – LUMP SUM CASHOUT REPORT:** RASC Executive Director Green provided lump sum cashout (LSC) statistics for the 2023 calendar year. She indicated that the LSC take rate for 2023 was at 23% for staff and 20% for individuals with an Academic title code.

Following-up on a previous request from Board member Zolayvar, Executive Director Green stated that the pay group with the highest LSC take rate was individuals with a salary range of \$45,000-\$70,000, seeing 261 of the 880 elections in 2023.

Lastly, she mentioned that 58% of the 2023 LSC recipients elected an internal (UC) or external rollover, while 33% elected a direct payment and 9% elected a combination of rollover and direct payment. Board member Ong requested additional information on the group who elected a direct payment.

Following-up on a previous request from Board member Zolayvar, Executive Director Green stated that a survey of those electing a LSC is planned to launch in the upcoming year and would be

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conducted by an outside independent firm. She stated that Board member Ong's request for additional information on those electing a direct payment of their LSC could be incorporated into the survey.

Executive Director Green responded to a comment from Board member Meyer stating that individuals going through the retirement process are provided with a LSC factsheet (in addition to the Retirement Handbook).

**ITEM F – UCRS – REDWOOD RETIREMENT ADMINISTRATION RECORDKEEPING SYSTEM, UCRAYS, ROOTS AND RETIREMENT ADMINISTRATION SERVICE CENTER (RASC) – UPDATE:** HR Benefits Information Systems Manager Dibrell began by providing a brief update on the UCRAYS system. Referencing slides previously provided to the Board, she highlighted the increased use of UCRAYS for self-service retirement applications from the launch of Redwood in 2019 through the end of 2023.

RASC Executive Director Green then reviewed slides provided to the Board, detailing the RASC's plan to provide best in class service by engaging CEM benchmarking. She then announced that the RASC portal and Retirement Counselors successfully launched on January 2, 2024.

Responding to the video played by Executive Director Green, Board Member Meyer commented that it was very positive and answers a lot of question (that members may have) on the services offered by RASC retirement counselors.

Executive Director Green highlighted the steps Retirement Counselors are taking to counsel members on survivor benefits planning. She informed the Board that the time for sending a death packet to a survivor or beneficiary was reduced from 54 days in October 2023 to 12 days in January 2024.

The meeting adjourned at 12:19 p.m.