



UCRS Advisory Board

MINUTES

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS) ADVISORY BOARD MEETING

December 6, 2024

10:00 AM – 2:00 PM

BOARD MEMBERS PARTICIPATING: Chair Vice Chancellor – CFO Chuck Haines, Vice Chair Professor David Kleinfeld, Chief Operating Officer (COO) Rachael Nava, Vice President - Systemwide Human Resources - Cheryl Lloyd, Professor Zoran Nenadić, Nurse David Yamada, Benefits Manager Dorothy Ong, Pharmacy Technician Ruth Zolayvar, CUCRA Chair John Meyer, and CUCEA Chair Joel Dimsdale.

BOARD MEMBERS ABSENT: Chief Investment Officer (CIO) Jagdeep Bachher

UCOP STAFF PARTICIPATING: Associate Vice President and Systemwide Controller Barbara Cevallos, Chief Data and Operating Officer Arthur Guimaraes, Associate Vice President Caín Díaz, 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, Digital Strategy and Systems Leader Matt Tindol, Senior Director Ming Wung, Manager Jennetta Brown, Manager Thomas Carthron, Manager Peter Ishaya, Manager Doug Kanigher, Manager Jennifer Luna, Manager John Monroe, Manager Lahi Oliver, Manager Scott Sylva, Principal Analyst Ashley Eigenauer, Principal Analyst Ken Feer, Principal Analyst Aaron Locquiao, Principal Analyst Rebecca Preza, Principal Analyst Melissa Rad, Communications Specialist Radhika Mellin, Retirement Thought Leader Richard Townsend, Supervisor Lisa Wassom, and Department Coordinator Marla Cox.

OTHERS PRESENT: Professor Emeritus Jim Chalfant, Assistant Dean and Staff Advisor to the Regents Jason Valdry, Supervisor Gretchen Verdugo, Retiree and UPTE representative Paul Brooks, CUCEA Chair-Elect Amy Block-Joy, CUCRA Chair-Elect Sue Abeles, CUCRA representative Eric Hayes, Retiree and CUCRA member Marianne Schnaubelt, Retiree and CUCEA representative Louise Taylor, CUCFA representative Eric Hays, AFSME representative Geoff Goodman, CNA representative Nate Johnson, Teamsters Representative Alex Vermie, Actuary Todd Tauzer (Segal), and Consultant Rita Brennan (Segal Benz).

The meeting officially began at 10:03 a.m.

PUBLIC COMMENT PERIOD: Retiree and UPTE representative Paul Brooks questioned why the 10-year rate-of-return for the Pathway 2060 fund was not closer to the return of the US Domestic Equity Index Fund. He then requested the fund description for the UC Blue & Gold fund and the

Pathway 2060 fund. He then inquired how many individuals rolled over their lump sum cashout (Board staff indicated that the Winter meeting will provide this information), if the RASC had a callback feature for those waiting in the call queue, and if there was a specific representative assigned to retirement elections that exceed the average processing time of 45 days. Responding to the comment, Managing Director of Defined Contribution Products Marco Merz stated that the Pathway 2060 fund has both domestic and international equities, that the UC Blue & Gold fund has a total expense ratio of 1 basis point with no underlying fees, and that the two requested fund descriptions would be emailed to Retiree Brooks if he was unable to access them online. With agreement from Retiree Brooks, Chair Haines indicated that Executive Director Green would address the other comments during the RASC agenda items.

APPROVAL OF THE MINUTES: Chair Haines called for the approval of the minutes of the Board meetings of June 14, 2024. The minutes were approved by acclamation.

COMMENTS FROM THE CHAIR: Chair Haines began by introducing newly appointed Board Members Professor Emeritus Dr. Joel Dimsdale and Professor Zoran Nenadić.

OFFICE OF THE CHIEF FINANCIAL OFFICER – BUDGET UPDATE: Associate Vice President Caín Díaz began by recapping the budget status in June, 2024, which included the Governor’s proposal to reduce UC funding and the joint legislative proposal to increase funding in 2024-25 but reduce funding in 2025-26. The final approved budget included the joint legislative proposal to increase funding by \$135 million, with an intent to decrease future funding by 7.95%. Lastly, if State funds are decreased in 2025-26, then the Regents-approved University budget would have a \$504 million deficit and measures would need to be taken towards cost savings or additional revenue sources.

CHIEF INVESTMENT OFFICER – REPORT: Senior Managing Director Swamy began by providing the UCRP asset market value of \$103 billion as of September 30, 2024. He added that assets in the pension plan were up to \$105.5 billion as of December 5, 2024. He provided the current asset allocation versus the policy allocation and specifically noted that public equity investments were 9% overweight and a leading force behind the 7.2% return on investments FYTD.

Managing Director Merz began by providing the Retirement Savings Program (RSP) asset value of \$42.6 billion as of December 5, 2024. He then provided a breakdown of asset value by fund class, noting that 42.9% of assets were in the UC Pathway Funds, 49.6% invested in the core lineup, and the remainder invested in the Brokerage Window. Lastly, he stated that participants are now able to invest in the UC Blue & Gold fund as well as Certificates of Deposit (through the Brokerage Window).

ITEM A – UCRS ANNUAL FINANCIAL REPORT AND RESULTS OF EXTERNAL AUDIT OF THE FINANCIAL STATEMENT FOR FISCAL YEAR 2023-24: Benefit Plan Accounting Manager Lahi Oliver informed the Board that Price Waterhouse Coopers completed their audit and concluded that the UCRS financial statements are free of any material mistakes.

ITEM B – RETIREMENT SAVINGS PROGRAM – OPERATIONS AND EDUCATION

REPORT: Executive Director Swanson began by informing the Board of fraudulent activity that occurred in October, 2024 which impacted approximately 200 participants, nine of which had funds transferred out of their account (with Fidelity restoring the missing funds within a week). In response to a question by Board Member Nenadic, Executive Director Swanson explained that the fraudulent activity occurred through youth and crypto accounts being opened with participant credentials that were available on the dark web (through other, non-Fidelity breaches) and then connected to their Fidelity accounts. Manager Jenniger Luna then summarized the highlights of the 2024 3rd quarter RSP report. She noted that RSP plans had almost 364,000 unique participants, 50% of active participants were making supplemental deferral contributions, and that 60% of career employees were on track to have at least 80% retirement income replacement from all UCRS sources. She noted that Fidelity met all performance standards for the quarter. With respect to communications and education, Communications Specialist Radhika Mellin informed the Board that the redesign of myUCretirement.com was launched, and provided the Board with a live overview of the site.

Board Member Dimsdale requested to see additional information on retirement readiness scores for individuals in the Retirement Choice Program, specifically individuals subject to the PEPPA covered compensation limit.

Board Member Meyer stressed the importance of website continuity between myuc Retirement.com, UCnet and the RASC designated portal.

ITEM C – RETIREMENT CHOICE PROGRAM & SECOND CHOICE WINDOW UPDATE:

In the interest of time and with Board approval, Chair Haines deferred the item until the Winter meeting.

ITEM D – UCRS – LUMP SUM CASHOUT SURVEY: Referencing slides previously provided to the Board, Executive Director Bernadette Green began by reviewing the background on why the lump sum cashout survey was conducted, who received the survey, and details of the demographics of survey respondents.

Consultant Rita Brennan informed the Board that Segal Benz were tasked with creating, distributing, and analyzing the lump sum cashout survey, with the primary focus being to gain an understanding of how retirees feel about their decision to elect a lump sum cashout. She stated that 87% of the 773 survey respondents stated that they would not change their retirement election and that lump sum cashout was the payment option for their retirement objectives. Proceeding through the slides, Consultant Brennan reviewed survey respondent's financial goals, financial knowledge, understanding of UCRP payment options, and access to information to make their retirement election. Lastly, she reviewed survey respondents feedback on what other resources would have been helpful in the retirement process.

Manager Kevin Kennedy provided RASC planned initiatives, as they relate the lump sum cashout payment option, including updating the RASC portal with additional communication pieces, focused education for RASC staff, and small group webinars tailored to an individual's UCRP tier.

Board Members Zolayvar and Lloyd thanked the RASC team for their efforts in conducting the Lump Sum Cashout survey.

ITEM E – UCRS – REDWOOD RETIREMENT ADMINISTRATION RECORDKEEPING SYSTEM, UCRAYS, ROOTS AND RETIREMENT ADMINISTRATION SERVICE CENTER (RASC) – UPDATE: Chair Haines informed the Board that in the interest of time the Redwood, UCRAYS, Roots systems update would be deferred until the Winter meeting. In former Board Member Boorkman’s absence, Chair Haines recognized former Board Member Boorkman’s request for survivor benefits planning videos. Executive Director Green acknowledged the request and confirmed that statistics on survivor benefits processing times would be provided in the Winter meeting. She then reviewed slides previously provided to the Board, detailing the expansion of member contact channels and their related performance metrics. In response to a public comment made by Retiree Paul Brooks, Senior Director Ming Wung stated that the RASC has the option to use a callback feature for the dedicated survivor line, but it is not currently being used as the wait time is not at a level that would warrant its use. Proceeding through the slides, Executive Director Green highlighted the improvement in retirement election processing times. In response to questions from Board Member Dimsdale and Kleinfeld regarding the nature of the delay for retirement elections with the longer processing times, Senior Director Wung stated that the RASC has implemented a weekly review to help analyze the delay. Addressing the public comment from Retiree Paul Brooks, Senior Director Wung stated that the RASC has a team designated to work retirement cases (where the processing time is in excess of 45 days).

In response to Board Member Dimsdale, Executive Director Green stated that the RASC is looking to see if they can expand the No Lapse in Pay retirement election option.

Turning to CEM Benchmarking, Executive Director Green informed the Board that the results from the pension administration benchmarking analysis, performed by CEM Benchmarking, were not yet available and an update would be provided at the Winter meeting.

Lastly, Board Member Lloyd announced that Executive Director Green would be leaving UC at the end of the month and thanked Executive Director Green for service to UC and the improvements she made at RASC.

ITEM F – UCRP – DIGNITY HEALTH HOSPITAL – RECIPROCAL VESTING CREDIT: Executive Director Swanson informed the Board that the Regents approved UCRP vesting credit be awarded to employees who transitioned from Dignity Health to UCSF on August 1, 2024 in furtherance of the affiliation agreement.

ITEM G – UCRP – ANNUAL ACTUARIAL VALUATION REPORT AS OF JULY 1, 2024: Manager Monroe began by introducing Consulting Actuary Todd Tauzer. He then summarized the highlights of the UCRP actuarial valuation report as of July 1, 2024. He noted that UCRP had a FY return of 12.9% on a market value of assets (MVA) and a 7.7% return on an actuarial value of assets (AVA) basis. He also mentioned that UCRP’s funded ratio on a market value is nearly 85%, up from about 80% the previous year, and 82.5% on an actuarial basis. He stated that the plan is projected to get to 100% funded ratio in 17 years. Manager Monroe informed the Board that there was a \$500

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million dollar transfer from the Short-Term Investment Pool (STIP) to UCRP in FY 2023-24, and the Regents approved a \$800 million STIP transfer in FY 2024-25. Proceeding through slides, he then summarized UCRP's current demographics, stating there was a significant increase in active membership largely driven by three locations acquiring hospitals.

Consulting Actuary Todd Tauzer reviewed the final slides summarizing historical rates of return, historical funded status, and projected funded status based on future expectations.

The meeting adjourned at 2:05 pm