



UCRS Advisory Board

MINUTES
UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)
ADVISORY BOARD MEETING

June 17, 2022
10:00 AM – 2:00 PM

BOARD MEMBERS PARTICIPATING: Chair Jo Mackness, Vice Chancellor – CFO Chuck Haines, Chief Investment Officer (CIO) Jagdeep Bachher, Vice President Cheryl Lloyd, Professor Terrence Hendershott, Professor Henning Bohn, Academic Personnel Policy Analyst Tiffany Wilson, Pharmacy Technician Ruth Zolayvar, CUCRA Chair John Meyer, and CUCEA Chair Henry Powell.

BOARD MEMBERS ABSENT: Chief Operating Officer (COO) Rachael Nava

UCOP STAFF PARTICIPATING: Associate Vice President David Alcocer, Senior Managing Director Satish Swamy, Managing Director Marco Merz, Associate Vice President and Systemwide Controller Barbara Cevallos, Principal Counsel Robert Gaumer, Executive Director Bernadette Green, Associate Director Peter Nguyen, Director Ken Reicher, Interim Executive Director Hyun Swanson, Manager Janie Berry, Manager Aliya Dibrell, Manager Michelle Estes, Manager Doug Kanigher, Manager John Monroe, Manager Greg Ricks, Manager Scott Sylva, Principal Analyst Ashley Eigenauer, Principal Analyst Jennifer Luna, Principal Analyst Melissa Rad, Principal Analyst Rebecca Preza, Supervisor Alexandra Fuentes, Accountant Vicky Lam, Accountant Kiet Luu, and Thought Leader Richard Townsend.

OTHERS PRESENT: UCI Assistant Dean and Staff Advisor to the Regents Jason Valdry, Professor Emeritus Jim Chalfant, UCB Bryan Jones, UCB Elana Pereira, UCB CFO Kate Steiner, Retiree Marian Gade, CUCRA Chair-elect, Professor Emeritus and Joint Benefits Committee Chair Roger Anderson, Sue Abeles, Retiree and UPTE representative Paul Brooks, Retiree and CUCRA member Marianne Schnaubelt, IUOE representative Mark Fragoso, AFSME representative Geoff Goodman, CUCFA representative Eric Hayes, CNA representative Nate Johnson, Teamsters representative Melissa Munio, Teamsters representative Mary Higgins, and Actuary Emily Klare (Segal).

The meeting officially began at 10:05 a.m.

PUBLIC COMMENT PERIOD: Retiree and UPTE representative Paul Brooks requested information on the time between when a death notification for a UCRP member is received and when a payment goes out to beneficiaries or survivors. In addition, Mr. Brooks questioned the performance of the Income Fund and its suitability as a default investment. The Chair noted that both topics would be addressed by separate representatives later in the meeting, and Mr. Brooks affirmed that would be acceptable.

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APPROVAL OF THE MINUTES: Chair Mackness called for the approval of the minutes of the Board meetings of February 25, 2022. The minutes were approved by acclamation.

COMMENTS FROM THE CHAIR: Chair Mackness began by announcing the term for Harry Powell, the CUCEA Chair and ex-officio representative on the Board, ends as of June 30, 2022. She thanked him for his service to the Board and ably representing the Emeriti. She also noted that the new CUCEA Chair and ex-officio representative to the Board would be Emerita Librarian Jo Ann Boorkman from UC Davis. Lastly Chair Mackness announced that UCSB Vice Chancellor and CFO Chuck Haines was appointed to the Board by the President as a replacement for previously announced Presidential appointee Greg Goldman.

OFFICE OF THE CHIEF FINANCIAL OFFICER – BUDGET UPDATE: Associate Vice President Alcocer began by informing the Board that the state legislature had approved the 2022 state budget, and the budget included both permanent fund increases and one-time fund allocations for UC. He stated that if there are no changes to the budget by the Governor then UC should receive a \$400 million base budget increase, which represents an increase of 6.3% for operating expenses (\$250 million), \$100 million to fund undergraduate enrollment growth among California residents, and \$38 million for academic outreach. Associate Vice President Alcocer added that the one-time funds allocated in the budget included \$250 million to support clean energy projects at UC Berkeley, \$250 million to support expansion of the Riverside and Merced campuses, and \$150 million towards deferred maintenance. In closing he reminded the Board that the budget was not yet finalized, and that the final budget allocations would be known by August 31, 2022.

CHIEF INVESTMENT OFFICER – REPORT: Chief Investment Officer and Board member Bachher began by providing the value of assets under management, noting \$81 billion of assets were in UCRP. He added that assets in the pension plan were down to \$80 billion as of that morning, and saw a decrease of \$10 billion from the close of fiscal year 2021-22. He attributed the decrease primarily to global conditions resulting in a poor performance of stocks and bonds. Noting that inflation was a concern, Chief Investment Officer Bachher and Senior Managing Director Swamy provided their analysis of inflation over the past 50 years, and they stressed the importance of a balance between controlling inflation and maintaining demand to avoid a recession.

Managing Director Merz began by providing the Retirement Savings Program (RSP) asset value of \$30 billion as of June 15, 2022, noting a decrease of \$4 billion from March 31, 2022. 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. Referencing slides provided to the Board, a brief overview of the RSP fund performance was provided and it was noted that funds tracked or outperformed their benchmark over the long-term. Addressing the question posed during the public comment period, Managing Director Merz stated that the Income Fund is suitable for the average participant as it has performed well over the long term. Lastly he stated that on June 30, 2022 the RSP will align to the investment approach of the endowment and UCRP, and around \$850 million in assets containing tobacco and fossil fuels will be sold.

ITEM A – UCRP – COST-OF-LIVING ADJUSTMENTS (COLA) FOR 2022, MEASURING OF ANNUITANT PURCHASING POWER AND POTENTIAL Ad-Hoc COLA: Manager Monroe began by stating that the UCRP Annuitant COLA for July 1, 2022, which is based on the average

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increase in the Consumer Price Index (CPI) for all urban consumers in the San Francisco and Los Angeles metropolitan areas from February 2021 to February 2022, will be 3.69% for almost all annuitants. Manager Monroe stated around 900 annuitants will see their purchasing power fall below 75% and 4800 annuitants will have below 85% retained purchasing power. He then provided a brief summary of historical Ad-Hoc COLA's and reviewed the proposed action item to go before the Regents in July, 2022 requesting to restore annuitant purchasing power to 85%.

ITEM B – UCRS – SECOND CHOICE OPPORTUNITY FOR SAVINGS CHOICE

PARTICIPANTS TO SWITCH TO UCRP/PENSION CHOICE - UPDATE:

Retirement Policy Manager Sylva began by providing a brief overview of the second choice window program design. Referencing slides previously provided to the Board, Manager Sylva then reviewed updated election statistics and demographic details. After reviewing election statistics from slides provided to the Board, Manager Sylva announced that President Drake approved a decision memo which proposed aligning the application of savings choice service credit towards both elements of Pension Choice benefits (UCRP and DC Supplemental contributions) upon entering UCRP after a second choice election is made. He concluded by reminding the Board of upcoming education and resource enhancements which include the launch of a new tool that allows current employees to model a second choice election, updates to the new employee Retirement Choice Program webinar and the future launch of a webinar dedicated to the second choice window.

ITEM C – RETIREMENT SAVINGS PROGRAM – OPERATIONS AND EDUCATION

REPORT: Interim Executive Director Swanson summarized the highlights of the 2022 1st quarter RSP report. She noted that RSP plans had 328,000 unique participants, 55% of active participants were making supplemental deferral contributions, and that 64% of career employees (50% for those who are age 40+) were on track to have at least 80% retirement income replacement from all UCRS sources. She noted that Fidelity had not met a performance standard due to a fulfillment vendor unexpectedly being offline, but everything was restored and communication materials were sent to participants. With respect to communications and education, she stated that there were approximately 33,000 attendees at workshops, webinars and counseling interactions during the quarter. Interim Executive Director Swanson provided an update on the webinars offered, informing the Board that three different retirement webinars are now conducted monthly, an evening session was added, and that a live Q&A feature was launched allowing participants to have their questions answered in real time during the webinar session.

In response to a question from Board member Zolayvar, Interim Executive Director Swanson stated that retirement readiness score is based on the age at hire, and requested that they work together to see if there are opportunities to increase the retirement readiness of low income workers.

With respect to the Retirement Choice Program election statistics she mentioned that 37% of eligible hires/rehires selected Pension Choice, 26% defaulted to Pension Choice, and 37% selected Savings Choice through the 2021 4th quarter. Lastly, Interim Executive Director Swanson shared the enhancements made to the new hire Retirement Choice Program tool which include an update for second choice window modeling, a tutorial, as well as a change in the earnings assumptions. She also noted that TFIR launched a Choice Program tool on their website which allows for more assumptions than the standard tool on myuc retirement.com.

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ITEM D – UCRS – REDWOOD RETIREMENT ADMINISTRATION RECORDKEEPING SYSTEM, UCRAYS, ROOTS AND RETIREMENT ADMINISTRATION SERVICE CENTER (RASC) – UPDATE: Manager Dibrell provided a brief update of the UCRAYS, Roots and Redwood systems. She noted that users are sending an average of 4,000 secure message and running an average of 36,000 retirement estimates per month.

RASC Executive Director Green then reviewed slides provided to the Board, detailing the RASC's performance in processing retirement elections, call-center performance, and planned changes to RASC staffing.

Board member Zolayvar inquired again if a survey had been sent to those who elected a lump sum cashout and Executive Director Green responded that it had not yet been launched and the current timeline for a survey was unknown.

ITEM E – UCRS ADVISORY BOARD – ELECTION OF OFFICERS FOR FISCAL YEAR 2022-23: Principal Analyst Eigenauer noted that Henning Bohn had been nominated to serve as Chair and Terry Hendershott had been nominated to serve as Vice Chair. These were the only nominations received. Chair Mackness called for a voice vote and Henning Bohn and Terry Hendershott were elected to serve as Chair and Vice Chair, respectively, for FY 2022-23.

ITEM F – UCRS ADVISORY BOARD – MEETING SCHEDULE FOR FISCAL YEAR 2022-23: Principal Analyst Eigenauer announced the proposed meeting dates for the next fiscal year, as delineated in the Board item. She indicated that if no scheduling conflicts were reported over the summer months, she would consider the proposed dates as acceptable and have them posted on the Board's main page on UCnet.

The meeting adjourned at 2:13