



UCRS Advisory Board

MINUTES

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS) ADVISORY BOARD MEETING

December 1, 2023

10:00 AM – 2:00 PM

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

BOARD MEMBERS ABSENT: None

UCOP STAFF PARTICIPATING: Associate Vice President and Systemwide Controller Barbara Cevallos, Interim Associate Vice President Cain Diaz, Associate Vice President Jay Henderson, Senior Managing Director Satish Swamy, Managing Director Marco Merz, Principal Counsel Luis Blanco, Principal Counsel Robert Gaumer, Executive Director Hyun Swanson, Director Matt Teaford, Director Ruth Satorre, Manager Aliya Dibrell, Manager Michelle Estes, Manager Doug Kanigher, Manager John Monroe, Manager Greg Ricks, Manager Scott Sylva, Principal Analyst Ashley Eigenauer, Principal Analyst Ken Feer, Principal Analyst Aaron Locquiao, Principal Analyst Rebecca Preza, Principal Analyst Melissa Rad, Principal Analyst Gloria Sit, Program Policy Analyst Tony Yang, Accountant Vicky Lam, Accountant Kiet Luu, Business Analyst Mary Sanchez, and Thought Leader Richard Townsend.

OTHERS PRESENT: Assistant Dean and Staff Advisor to the Regents Jason Valdry, Professor Emeritus Todd Wipke, Professor Emeritus and Joint Benefits Committee Chair Roger Anderson, Retiree and UPTE representative Paul Brooks, Retiree and CUCRA member Marianne Schnaubelt, AFSME representative Geoff Goodman, CUCRA representative Eric Hayes, Teamsters representative Mary Higgins, UAW representative Neal Sweeney, Actuary Paul Angelo (Segal), and Actuary Emily Klare (Segal).

The meeting officially began at 10:04 a.m.

PUBLIC COMMENT PERIOD: Retiree and UPTE representative Paul Brooks inquired if there was a specific representative assigned to retirement elections that exceed the average processing time of 45 days, what the average wait time is for someone calling the RASC phone number designated specifically for survivor benefits, and if the procedure for the processing of survivor benefits is incorporated into pre-retirement educational classes. Retiree and UPTE representative Paul Brooks

then questioned if the glide path investment option was the best suited default investment option and whether a stock fund would make more sense, citing that Warren Buffet recommends that anyone who doesn't know how invest put 90% of their portfolio in the S&P500 and the rest in bonds. Responding to the comment, Chief Investment Officer Bachher stated that bonds, in addition to stocks, are a good place to be in, and that diversification is important. Managing Director of Defined Contribution Products Marco Merz added that target date funds are reviewed annually and were historically more conservative but have steadily seen an increase in equity allocation.

APPROVAL OF THE MINUTES: Chair Hendershott called for the approval of the minutes of the Board meetings of June 23, 2023 and October 30, 2023. The minutes were approved by acclamation.

COMMENTS FROM THE CHAIR: Chair Hendershott began by introducing Board Members David Kleinfeld, Dorothy Ong, and David Yamada. He then proposed that the annual Lump Sum Cashout report be delivered in the Winter meeting instead of the Fall meeting which was accepted by the Board.

OFFICE OF THE CHIEF FINANCIAL OFFICER – BUDGET UPDATE: Interim Associate Vice President Diaz began by informing the Board that the state legislature and governor had approved the 2023-24 state budget. The budget included a 5% (\$215 million) increase in new permanent general funds, consistent with the multi-year compact running through 2026-27, and \$110 million in permanent increases to existing appropriations in support of student programs (health, housing, enrollment growth) as well as funding for debt services for capital projects related to campus expansion and clean energy. The budget also included \$142.5 million in one-time support, with \$100 million of the funds being allocated towards a new immunology and immunotherapy institute at UCLA. Lastly, the Regents approved the University budget proposal for 2024-25, which included a salary program of 4.2% for policy covered staff.

CHIEF INVESTMENT OFFICER – REPORT: Senior Managing Director Swamy began by providing the UCRP asset market value of \$88.2 billion as of June, 30, 2023. He added that assets in the pension plan were up to \$88.6 billion as of November 29, 2023. With respect to asset allocation, he indicated that UCRP was slightly underweight in private assets and fixed income.

Managing Director Merz began by providing the Retirement Savings Program (RSP) asset value of \$32.6 billion as of September 30, 2023. 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. Lastly, he stated that participants will be able to invest in the UC Blue & Gold fund as well as Certificates of Deposit in the 457(b) plan in the next fiscal year.

NOTE: The agenda items were presented out of order to accommodate the schedules of the item presenters.

ITEM F – UCRS – REDWOOD RETIREMENT ADMINISTRATION RECORDKEEPING SYSTEM, UCRAYS, ROOTS AND RETIREMENT ADMINISTRATION SERVICE CENTER (RASC) – UPDATE: Vice President Lloyd shared that Executive Director Green would be absent

from the meeting as she was attending the Higher Education conference to accept the Focus on Efficiency award. Vice President Lloyd stated that the RASC had fully implemented their new operating model, specifically noting that a new system for appointment scheduling with a RASC retirement counselor was set to launch in January, 2024. She added that with the new operating model fully implemented work would begin with CEM Benchmarking, Inc. to benchmark RASC's performance to other comparable pension systems such as CalPERS and CalSTRS.

In RASC Executive Director Green's absence, Retirement Program Services Executive Director Swanson summarized the written item and slides previously provided to the Board.

Business Information Systems Manager Aliya Dibrell provided a brief update of the UCRAYS, Roots and Redwood systems. With respect to UCRAYS, she stated that the site had over 801,000 logins in 2023, which includes 78,000 retirement estimates, 63,000 views of retiree tax statements, 40,000 secure messages, and 33,000 new accounts. With respect to Redwood, Manager Dibrell detailed the plans for the migration of the system to a cloud-based platform, Amazon Web Services (AWS), stating that the migration called for a two-week transition period which is scheduled to start on December 15, 2023. In response to Board Member Meyer and Boorkman's question, Manager Dibrell stated that RASC representatives would have access to the system starting on Monday, December 18th, and although employees and retirees would not have access to their UCRAYS account during the transition period they would still be able to contact the RASC for services.

Addressing Retiree Paul Brooks public comment, Thought Leader Richard Townsend stated that a specific individual is assigned to process a retirement, however, the case processor may not work directly with a member. With respect to the designated survivor phone line, he stated the overall average speed to answer is 3 minutes and 35 seconds.

ITEM A – UCRP – ANNUAL ACTUARIAL VALUATION REPORT AS OF JULY 1, 2023:

Manager Monroe began by introducing Consulting Actuaries Paul Angelo and Emily Klare. Actuary Klare summarized the highlights of the UCRP actuarial valuation report as of July 1, 2023. She noted that UCRP had a FY return of 9.5% on a market value of assets (MVA) and a 6.41% return on an actuarial value of assets (AVA) basis. She stated that due to five-year smoothing of investment gains/losses, the market value of assets is less than the actuarial value by \$1.2 billion. She also mentioned that UCRP's funded ratio (on an actuarial basis) decreased from 83.5% to 81.8%, while the unfunded actuarial accrued liability (UAAL) increased from \$17.0 to \$20.0 billion. Proceeding through slides provided to the Board, Consulting Actuary Klare summarized UCRP's current demographics, historical rates of return, and historical funded status.

Consulting Actuary Angelo reviewed the final slides showing the projection of UCRP employer contributions and funded status based on the July 1, 2023 actuarial valuation results.

ITEM B – PROPOSAL TO INCREASE UC CONTRIBUTIONS AND AUTHORIZE STIP

TRANSFERS: Manager Monroe began by summarizing the item that went before the Regents on November 15, 2023, which resulted in the approval of the Presidents recommendation to increase the UCRP employer contribution rate half a percent each year for eight years, starting at 14% and ending at 18%, as well as permit \$3 billion of transfers over five years from the Short Term Investment Pool

(STIP) to UCRP. Manager Monroe then reviewed the projected UCRP funding status based on the three scenarios presented to the Regents in November. He stated that with the Regents approved increase to UCRP employer contributions and STIP transfers, UCRP was projected to reach 100% funding eight years sooner than the baseline projection, improving from 2056 to 2048. Lastly, Manager Monroe reminded the board that UCRP's projected funded status is reviewed on an annual basis and the point at which 100% funding is reached can change based on actual experience of the plan.

ITEM C – RETIREMENT SAVINGS PROGRAM – OPERATIONS AND EDUCATION

REPORT: Executive Director Swanson summarized the highlights of the 2023 3rd quarter RSP report. She noted that RSP plans had almost 355,000 unique participants, 51% of active participants were making supplemental deferral contributions, and that 62% of career employees were on track to have at least 80% retirement income replacement from all UCRS sources. With respect to the newly added Roth deferral option, Executive Director Swanson stated that from the point of inception in August, 2023, 5,000 participants made an election to participate in Roth, with one-third of the elections being made by brand new enrollees. She noted that Fidelity met all performance standards for the quarter. With respect to communications and education, she stated that a new webinar regarding Roth deferrals was added to the standard lineup and the Confident Retiree webinar series would feature retiree health benefits in February, 2024. Lastly, Executive Director Swanson informed the Board that the redesign of myUCretirement.com is set to launch in September, 2024 and would expand pension benefits content.

Board Member Meyer, Boorkman, and Chair Hendershott stressed that from a user perspective the three UC retirement related websites can be challenging. Chair Hendershott acknowledged the steps being taken to improve the user experience within myUCretirement.com.

Board Member Ong requested to see Roth deferral statistics by age group.

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

Retirement Policy Manager Sylva began by providing Retirement Choice Program election statistics noting that 36% of eligible hires/rehires selected Pension Choice, 27% defaulted to Pension Choice, and 37% selected Savings Choice through June 30, 2023. Proceeding to review slides previously provided to the Board, Manager Sylva detailed Retirement Choice Program election statistics, including second choice election statistics, detailing elections based on UC location and employee group (Faculty, Staff represented, Staff unrepresented).

ITEM E – UCRS ANNUAL FINANCIAL REPORT AND RESULTS OF EXTERNAL AUDIT OF THE FINANCIAL STATEMENT FOR FISCAL YEAR 2022-23:

Benefit Plan Accounting Interim Supervisor Kiet Luu informed the Board that Price Waterhouse Coopers completed their audit and concluded that the UCRS financial statements are free of any material mistakes.

The meeting adjourned at 1:47 pm