UCRS Advisory Board

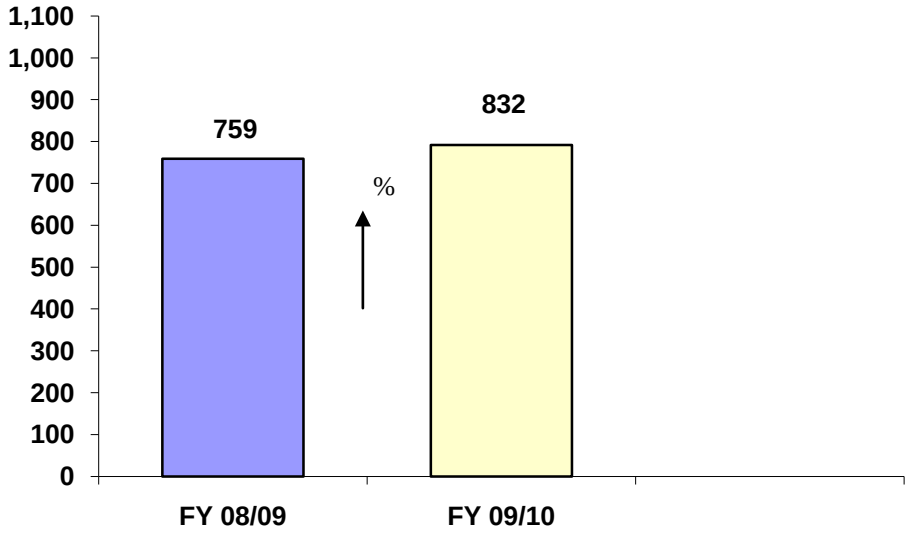
Meeting of February 25, 2011

AGENDA ITEM J

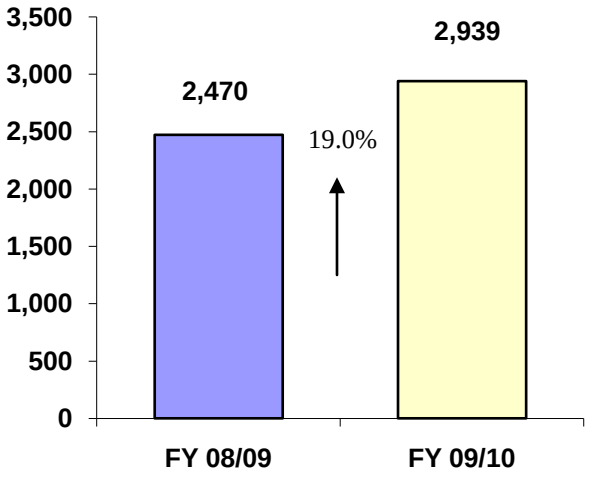
UCRP – Lump Sum Cashout Annual Report

Each year, the UCRS Advisory Board is presented with a report on the Lump Sum Cashout (LSC) payments. The LSC is available to UCRP members who separate from service and are eligible for retirement and to former spouses who want a lump sum payment as a result of a qualified domestic relations order (QDRO). The LSC amount for members is actuarially equivalent to the member's expected lifetime basic retirement income including assumed cost-of-living adjustments. For former spouses, the LSC amount is the actuarial present value of their community property interest in UCRP and is available if the member is eligible to retire.
Attachment I is an overview of UCRP LSC and retirement income election and payment activity since fiscal year (FY) 2000/01. A comparison of the data for FY 2009/10 with FY 2008/09 shows the following:

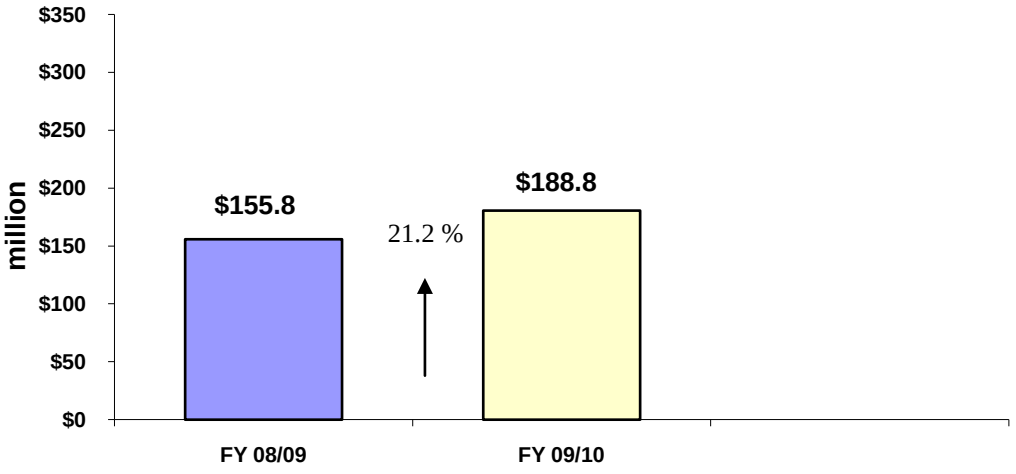
The total number of LSC elections increased by 9.6%.



The total number of Retirement Income elections increased by 19.0%

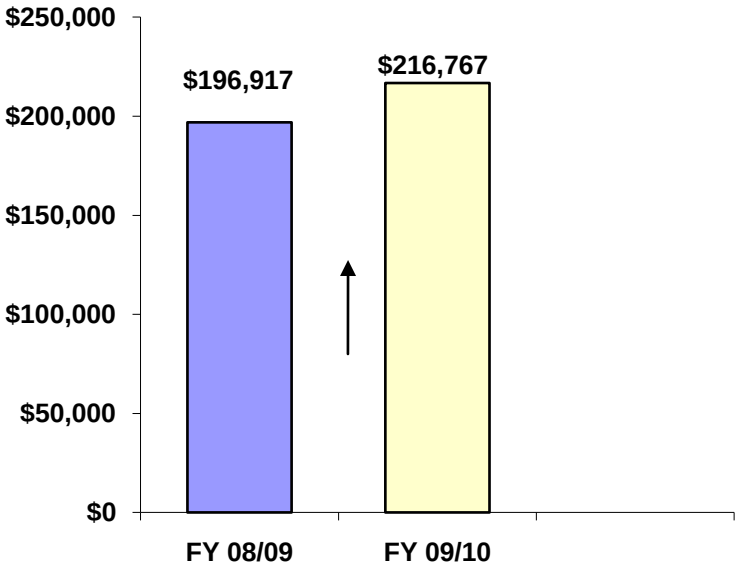


The total amount of LSC payments increased by 21.2 %.



The average LSC amount paid increased by 10.1%.

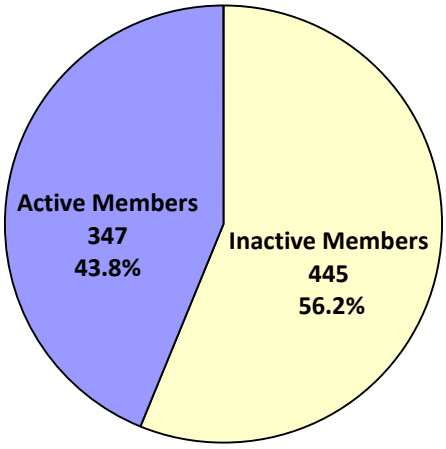
10.1%



The percentage of members and former spouses electing an LSC (the "LSC take rate") versus retirement income decreased very slightly from 23.5% in FY 2008/09 to 22.1% in FY 2009/10.

Of the 792 LSCs elected by members during FY 2009/10, 347 (43.8%) were elected by active members and 445 (56.2%) were elected by inactive members.

Distribution of FY 2009/10 LSC Elections by Active vs. Inactive Members

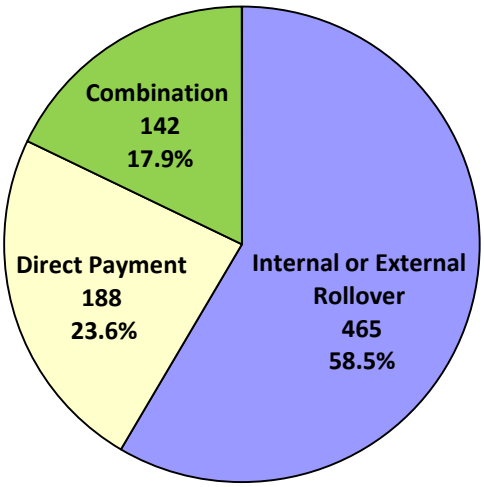


Note that due to timing issues, the number of LSC elections and LSC payments are not exactly the same each fiscal year. The total and average dollar value of LSC payments corresponds to those LSCs actually paid during FY 2009/10 (871 in total, 795 to members and 76 to former spouses).

Attachment II is a chart displaying a frequency distribution of the amounts of the LSC payments made to members during FY 2009/10 in increments of $50,000. Of the total of 795 LSC payments made to members, 520 or 65.4% were for less than $200,000, and 74 or 9.3% were for $500,000 or more. The largest LSC payment amount was $2,051,131.25 and the smallest LSC payment amount was $3,399.08.

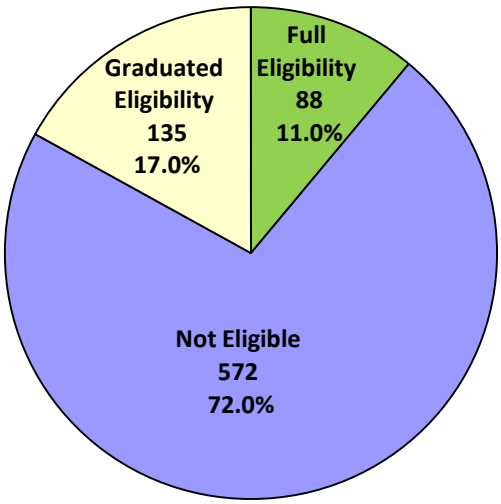
In FY 2009/10, members could have had an LSC paid to them directly, have had it rolled over to another employer's plan or to an Individual Retirement Account (IRA) (external rollover), or have had the pretax portion rolled over to the UC DC Plan, 403(b) Plan or 457(b) Plan (internal rollover). They also may have chosen a combination of a direct payment and either an internal or external rollover. Of the 795 members who received LSC payments during FY 2009/10, 465 (58.5%) chose either an internal or external rollover, 188 (23.6%) chose to receive direct payment, and 142 (17.9%) chose a combination of direct payment and rollover.

Disbursement Elections of FY 2009/10 LSC Payments



Members who are eligible to continue medical and dental coverage when they retire forfeit this eligibility if they elect to receive an LSC payment instead of retirement income. Of the 795 members who received an LSC payment during FY 2009/10, 572 (72.0%) would have been eligible to continue medical and dental coverage if they had elected retirement income instead of an LSC payment. Of this total number, 88 members (11.0%) had full eligibility and would have received the maximum UC contribution and 135 members (17.0%) had graduated eligibility and would have received 50% to 95% of the maximum UC contribution depending on the amount of their service credit.

Eligibility for Retiree Medical and Dental Coverage If No LSC



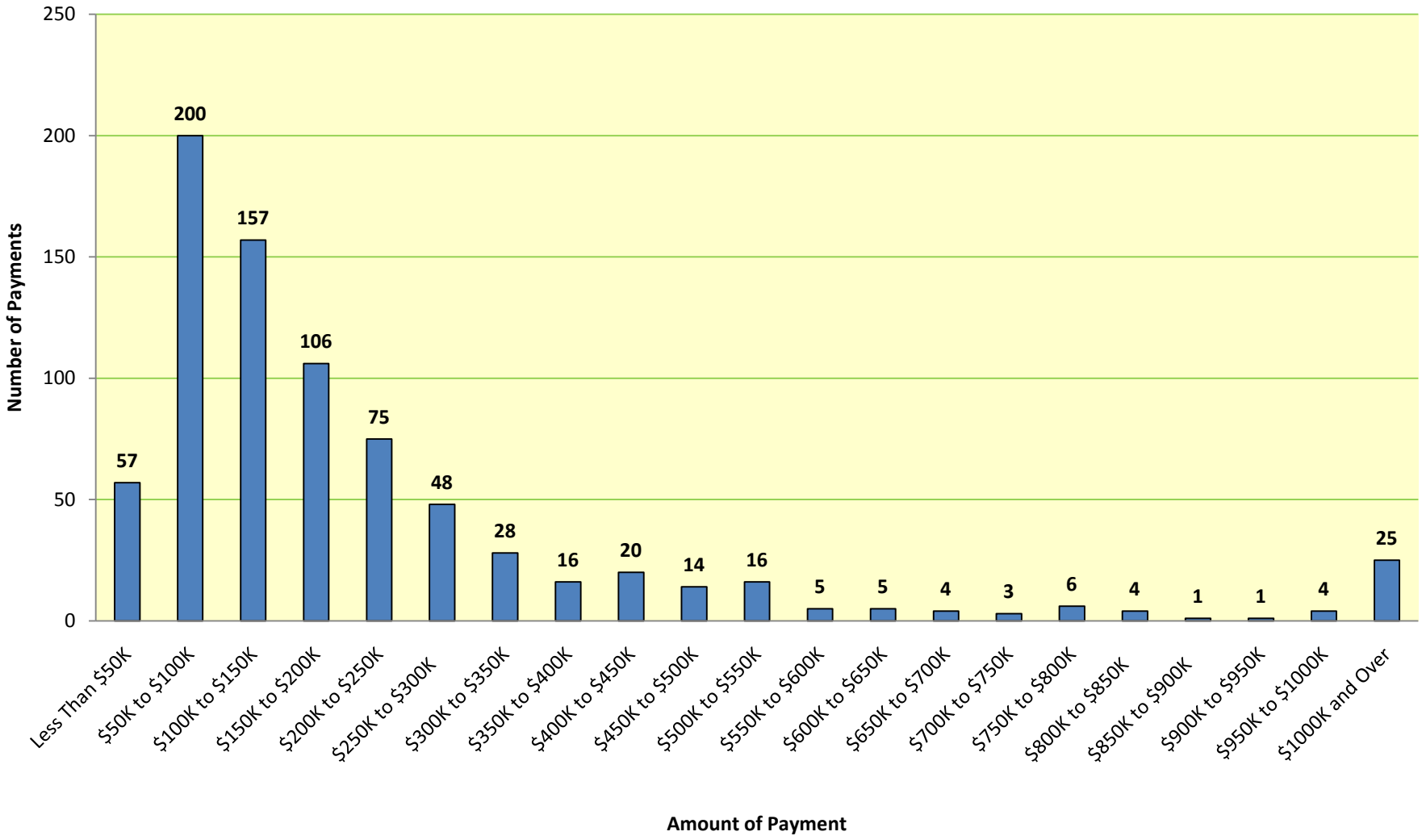
Attachments

10-Year UCRP Lump Sum Cashout/Retirement Income Overview

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Lump Sum Cashout (LSC) Elections										
Number of LSC - Members	564	434	407	494	715	746	908	960	710	792
Number of LSC - QDROS	67	53	64	53	70	67	61	66	49	40
Total LSC	631	487	471	547	785	813	969	1,026	759	832
LSC Payments ($000's) [1]	$149,757	$134,025	$102,181	$125,147	$167,210	$191,297	$289,363	$309,780	$155,761	$188,804
Average LSC ($000's)[2]	$215	$223	$191	$195	$196	$217	$279	$278	$197	$217
Retirement Income Elections										
Number of Members	1,618	1,577	1,769	2,321	2,956	2,896	3,140	3,328	2,459	2,931
Number of QDROs	4	14	10	20	15	11	20	23	11	8
Total Retirement Income Elections	1,622	1,591	1,779	2,341	2,971	2,907	3,160	3,351	2,470	2,939
LSC Take Rates										
Members LSC Take Rate (%)	25.8%	21.6%	18.7%	17.5%	19.5%	20.5%	22.4%	22.4%	22.4%	21.3%
(# Members LSC / # Member Retirement Income Elections + # Member LSC)										
QDRO LSC Take Rate (%)	94.4%	79.1%	86.5%	72.6%	82.4%	85.9%	75.3%	74.2%	81.7%	83.3%
(# QDRO LSC / # QDRO Retirement Income Elections + # QDRO LSC)										
Total LSC Take Rate (%)	28.0%	23.4%	20.9%	18.9%	20.9%	21.9%	23.5%	23.4%	23.5%	22.1%
(Total # LSC / total # Retirement Income Elections + total # LSC)										

Note: Eligibility of the Member to retire is a requirement to elect the LSC; therefore, the take rate percentage for the LSC is measured utilizing retirement figures.

[1]The dollar amount for LSCs represents payments made during the fiscal year.

[2]Effective fiscal year 2000/01 the average LSC is based on the total number of Member and QDRO LSCs paid rather than the total number elected.

University of California Retirement Plan
Frequency Distribution of the 795 Lump Sum Cashout Payments to Members During Fiscal Year 2009/2010