AGENDA ITEM B

UCRP – Preview of Upcoming Experience Study

An Experience Study (Study) is conducted every three-to-five years by Segal, the Plan's Consulting Actuary. An Experience Study compares the expected experience under a defined benefit pension plan's current actuarial assumptions to the actual experience over a set observation period. The comparisons, along with consideration of internal and external trends among various employee groups, help the consulting actuary determine if adjustments to the plan's assumptions are warranted in order to calculate the best estimates of future liabilities and actuarially-equivalent optional benefit payment forms.

Specifically, in UCRP Experience Studies the Plan's actual, as compared to expected experience is analyzed with respect to:

- mortality, retirement, withdrawal and disability rates;
- merit, longevity and promotional salary increases, adjusted for an estimate of actual wage inflation;
- other valuation assumptions, including the percentage of UCRP members with eligible survivors, sick leave conversion, future rates of benefit accrual, Lump Sum Cashout (LSC) elections, and deferred vested retirement ages; and
- whether significant patterns or trends exist which would indicate that a change should be made to the Plan's actuarial valuation assumptions.

The Studies also determine whether the current economic assumptions, including price inflation, wage inflation, and investment rate of return assumption, are still appropriate. For the UCRP Study the review of the assumed investment rate of return is done in consultation with the Office of the Chief Investment Officer and will include a review of other California governmental retirement plans and their investment rate of return assumptions.

An Experience Study for UCRP is currently underway and Segal will be presenting the results and recommendations to the UCRS Advisory Board (Board) in June, with recommendations going to the Regents for approval in July.

The Study covers the observation period from July 1, 2010 through June 30, 2014. Any recommended assumption changes that the Regents approve will be effective for the July 1, 2015 actuarial valuation and changes to annuity option factors and LSC factors will be effective for retirements and LSC elections on July 1, 2016 or later. In addition, any changes recommended for UCRP, for assumptions that also apply to either the UC-PERS Plus 5 Plan or the 415(m) Restoration Plan, will also be recommended for those plans.