Segal Consulting

University of California Retirement Plan (UCRP)

JULY 1, 2015 VALUATION PRESENTATION

Completed by Segal Consulting San Francisco

UCRS Advisory Board
November 16, 2015

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Highlights of 2015 Actuarial Valuation

- Approximately 4% market value return for 2014/15
  - Actuarial value return of 10.6% due to five-year smoothing of gains/losses
  - Market value of $55.1 billion exceeds actuarial value by $1.3 billion
- Increase in funded ratio (80% to 82%) and decrease in UAAL ($12.09 to $12.08 billion) and total funding policy contribution (28.8% to 28.4%) due to:
  - Investment return and other gains
  - Offset to some extent by the changes in actuarial assumptions
- $700 million STIP to UCRP transfer occurred on July 31, 2014
  - Transfer is reflected in the valuation results
  - Represents an amount that along with actual contributions results in nearly full funding of the ARC for 2014-2015

Highlights of 2015 Actuarial Valuation

Experience Study

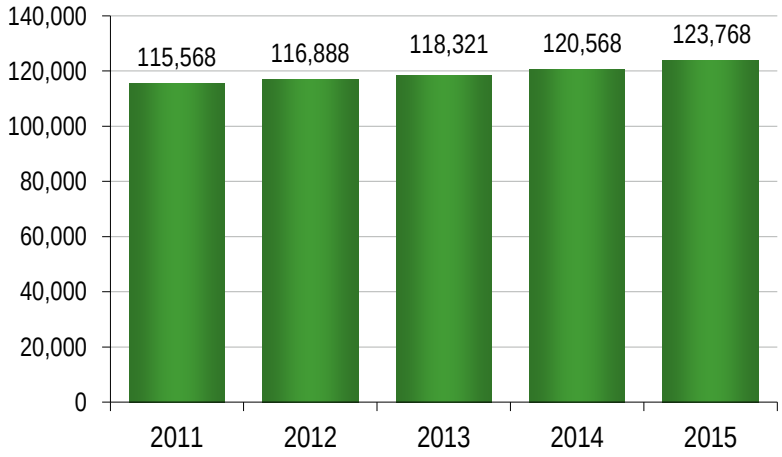
- Regents approved changes in actuarial assumptions as a result of recommendations from the 2010 through 2014 Actuarial Experience Study
- Most significant changes were:
  - Reduction in investment return assumption from 7.50% to 7.25%
  - Mortality was the most significant change in demographic assumptions
- Impact on valuation results:
  - $2.2 billion increase in UAAL
  - 1.78% increase in total funding policy contribution rate

Changes to UCRP Funding Policy

- Regents approved changes to UAAL amortization periods as follows:
  - Actuarial experience gains and losses - Decrease from 30 to 20 years
  - Changes in actuarial assumptions – Increase from 15 to 20 years
  - Plan amendments affecting non-actives – Decrease from 15 to 10 years
- Changes are effective with 2015 valuation and <u>do</u> <u>not</u> affect amortization bases established in prior valuations

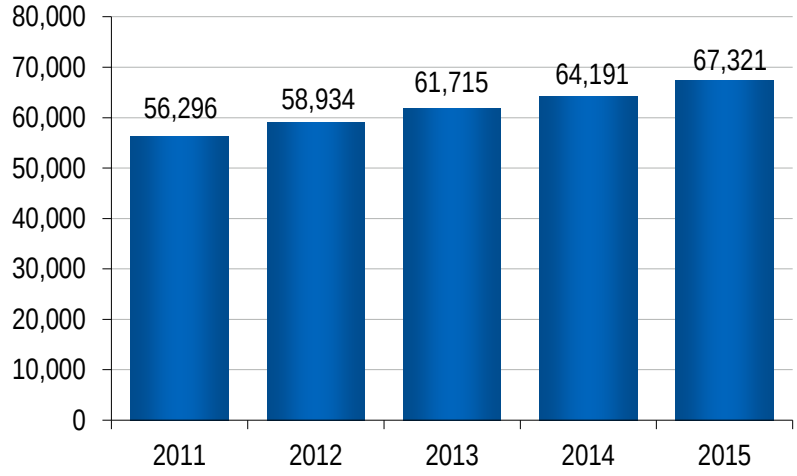
UCRP Demographics

ACTIVE MEMBERS



	2015	2014
Active Members	**123,768**	**120,568**
• Average Age	44.8	44.9
• Average Service	9.4	9.6
• Average Compensation	$89,578	$86,224

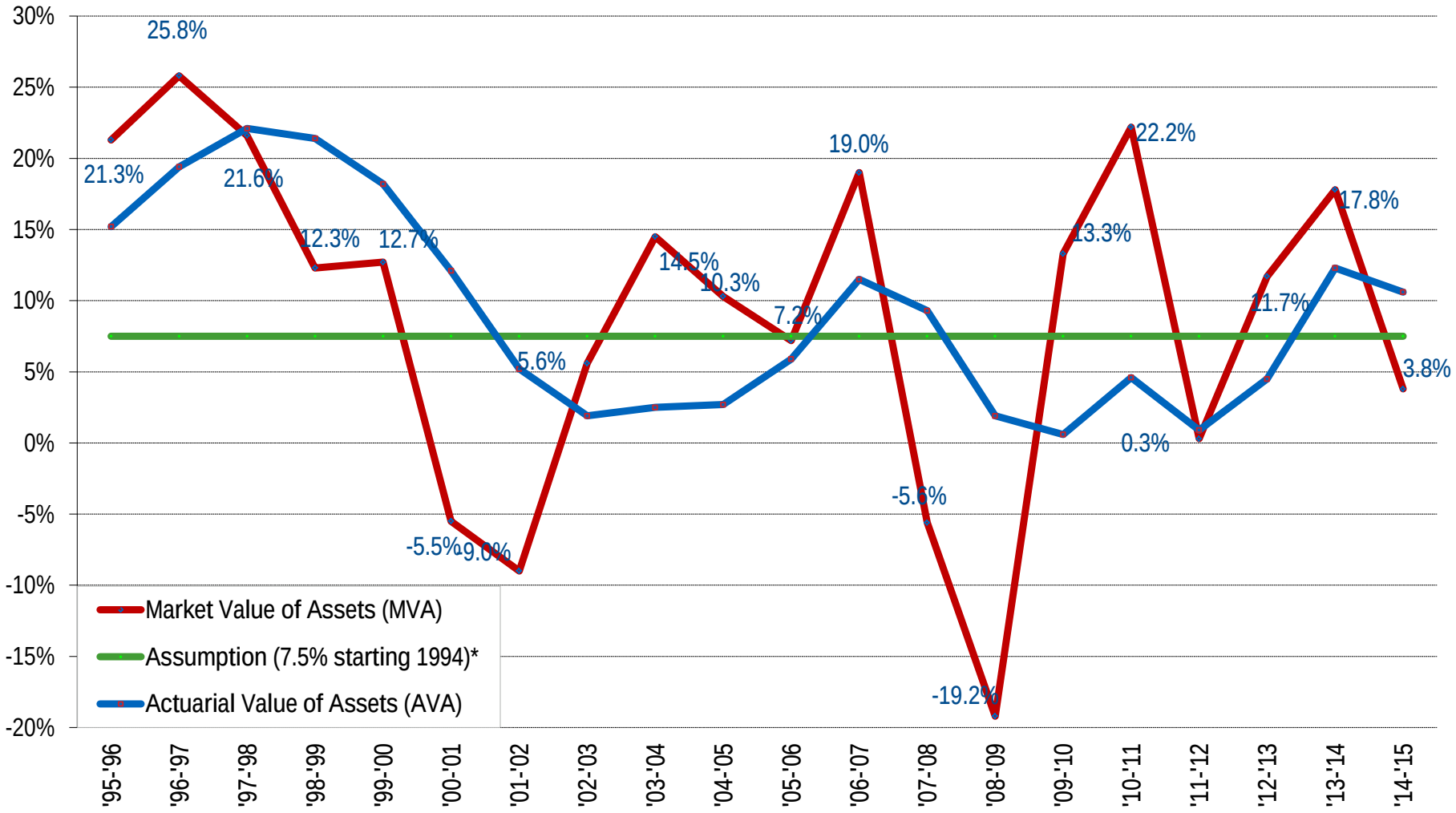
RETIRED MEMBERS



	2015	2014
Retired Members (in Pay Status)	**67,321**	**64,191**
• Average Age	71.1	70.9
• Average Annual Benefit	$39,370	$38,323

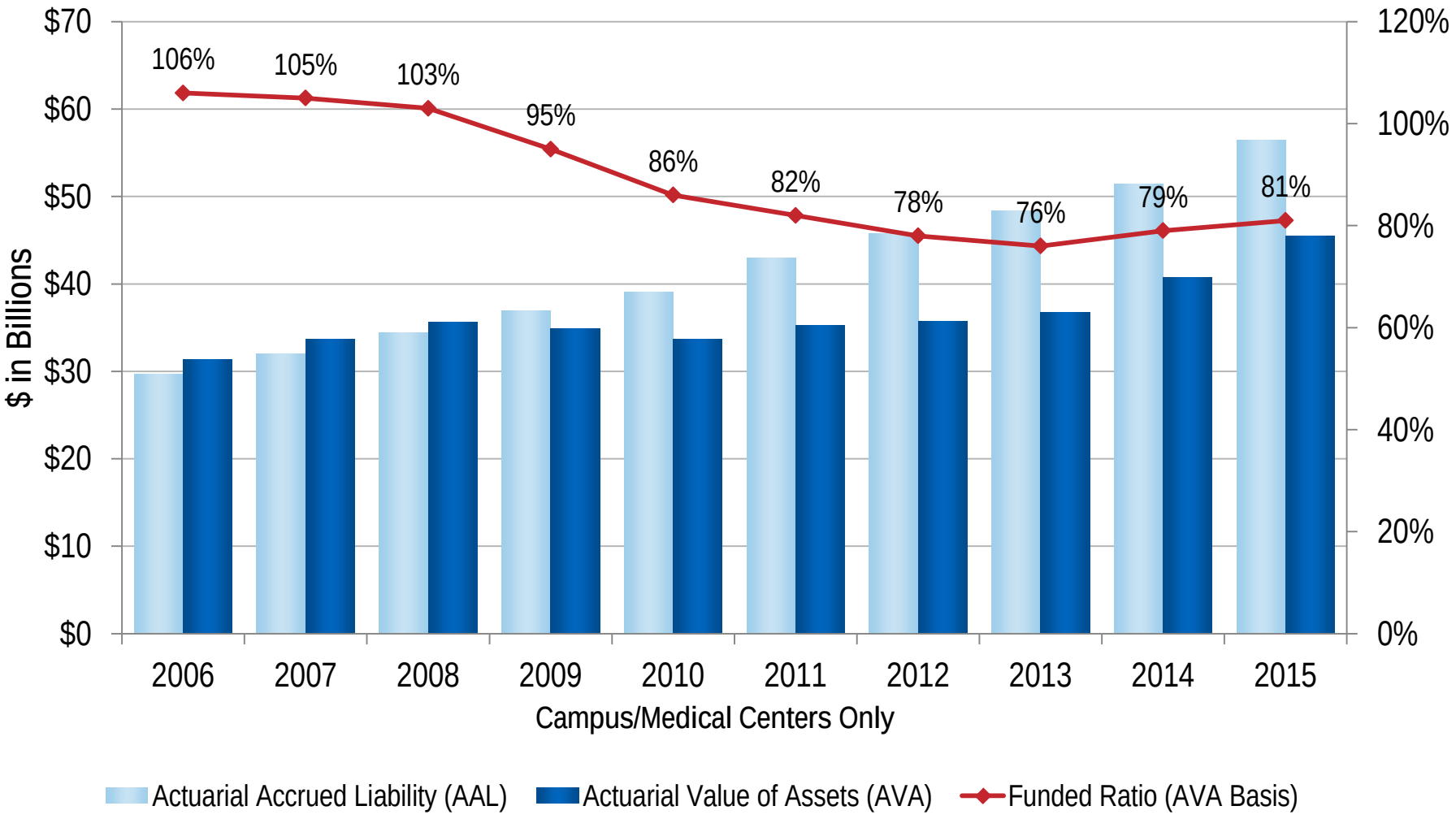
	2015	2014
Terminated Vested Members	**34,166**	**34,162**

UCRP Investment Rates of Return



***Investment rate of return assumed changed to 7.25% per annum starting July 1, 2015**

UCRP Historical Funded Status and Funded Ratio (5 year smoothing) as of July 1



UCRP Valuation Results ($ in billions)

	07/01/2015	07/01/2014
Market Value of Assets (MVA)	$55.1	$52.8
Actuarial Value of Assets (AVA)	$53.8	$48.3
Actuarial Accrued Liability (AAL)	$65.8	$60.4
Unfunded AAL – AVA Basis (AAL less AVA)	$12.1	$12.1
Unfunded AAL – MVA Basis (AAL less MVA)	$10.8	$7.6
Funded Percentage (AVA Basis)	82%	80%
Funded Percentage (MVA Basis)	84%	87%
Normal Cost (beginning of year)	$1.8	$1.6
Normal Cost (% of pay, middle of year)	18.36%	18.24%
Funding Policy Contributions (% of pay)*	28.44%	28.79%

* Campus and Medical Centers Segment only