



UCRS Advisory Board

MINUTES

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS) ADVISORY BOARD MEETING/VIDEO-TELECONFERENCE

JUNE 18, 2021

10:00 AM – 2:00 PM

BOARD MEMBERS PARTICIPATING: Chair Jo Mackness, Vice Chair Ron Cortez, Chief Investment Officer (CIO) Jagdeep Bachher, Chief Operating Officer (COO) Rachael Nava, Interim Vice President/CHRO 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.

UCOP STAFF PARTICIPATING: Associate Vice President David Alcocer, Chief Operating Officer Arthur Guimaraes, Managing Director Marco Merz, Sr. Counsel Luis Blanco, Sr. Counsel Robert Gaumer, Chief of Staff/Executive Director Dianna Henderson, Interim Executive Director Bernadette Green, Associate Director Peter Nguyen, Director Hyun Swanson, Manager Janie Berry, Manager Aliya Dibrell, Manager Kendra Eaglin, Manager Doug Kanigher, Manager John Monroe, Manager Greg Ricks, Manager Scott Sylva, Manager Michael Waldman, Supervisor Judy Ohmott, Principal Analyst Ashley Eigenauer, Principal Analyst Melissa Rad, and Principal Analyst Robert Semple.

OTHERS PRESENT: Retiree and UPTE representative Paul Brooks, UC-AFT representative Mitchell Brown, UPTE representative Sam Felsing, CUCFA representative Eric Hays, AFSCME representative Nischit Hedge, Teamsters representative Mary Higgins, Teamsters representative Melissa Munio, and Teamsters representative Alex Vermie.

The meeting officially began at 10:02 a.m.

PUBLIC COMMENT PERIOD: Retiree and UPTE representative Paul Brooks questioned why Fidelity did not default to two factor authentication when submitting a withdrawal request. On a separate note he requested an explanation on the frequency of correspondence received from the Retirement Administration Service Center (RASC) regarding Medicare enrollment. The Chair noted that both topics would be addressed by separate representatives on the call later in the meeting, and Mr. Brooks affirmed that would be acceptable.

Board member Bohn relayed that he had provided the Chair with a letter sent to UC Faculty Welfare (UCFW) from a Professor at UC Riverside that detailed their experience going through the retirement process with RASC. Professor Bohn further commented that this was not the first letter that UCFW received on this subject, and that it might help the RASC if they allowed the retirement process to start earlier so that an unhealthy seasonality is not created around July 1 retirements. Chair Mackness thanked Professor Bohn for his feedback and comments and directed Interim Executive Director Bernadette Green to address this during the RASC update (i.e. item C).

APPROVAL OF THE MINUTES: Chair Mackness called for the approval of the Board minutes of February 26, 2021. The minutes were approved by acclamation.

COMMENTS FROM THE CHAIR: Chair Mackness began by announcing that Board members Ron Cortez and Cheryl Lloyd, both President appointees, had terms ending as of June 30, 2021, and that both had accepted a second appointment to the Board commencing on July 1, 2021.

OFFICE OF THE CHIEF FINANCIAL OFFICER – BUDGET UPDATE: Associate Vice President Alcocer began by informing the Board that the state legislature had approved the state budget, and that approved budget included both permanent fund increases and one-time fund allocations for UC. He stated that UC should receive a restoration of the \$300 million budget decrease that occurred in fiscal year (FY) 2020-21, as well as an additional \$173 million in ongoing support. The permanent increases represent a 5% increase to the base budget from FY 2019-20. He then provided additional information on the one-time fund allocations, stating that there were 30 possible one-time allocations, including \$15 million for student health services, \$13 million to expand UC Programs in Medical Education (UC PRIME), \$4 million for student financial aid, as well as \$325 million for deferred maintenance.

Associate Vice President Alcocer then informed the Board that there is intent language in the budget that would limit the percentage of non-resident student enrollment to 18% for all UC locations. The intent language would not begin until FY 2022-23, and applicable for the UC campuses that were previously permitted to exceed the 18% non-resident enrollment limit. He indicated revenue would decrease with a lower non-resident student enrollment rate, and that the state intends to backfill lost revenue should this change occur. He closed by noting that there is also intent language to expand overall California enrollment by 7,000 students, which would be state funded, and that there should be clarifying language available in the upcoming weeks.

CHIEF INVESTMENT OFFICER – REPORT: Chief Investment Officer (CIO) Bachher began by providing the retirement system asset value of \$124 billion as of June 17, 2021, with \$90 billion in UCRP and \$34 billion in the Retirement Savings Programs (RSP). He noted that the past fiscal year saw the single biggest increase in 30 years, with a 27% increase in assets under management, as of June 17, 2021. He attributed the increase primarily to returns on public equities, which was in large part driven by an injection of an unprecedented globally coordinated fiscal stimulus.

With respect to UCRP, he said that the Regents agreed with the decision to increase the public equity asset allocation between 3-5% during the year, which in turn added value to the overall performance of the pension plan. He added that UCRP would return to the target asset allocation rate of 58-59% by the end of the 2020-21 FY. He stated that the long term average return also improved with this year's returns, noting that all but one long term period averaged above UCRP's 6.75% assumed rate of return. He closed by noting that moving forward to the next fiscal year the two biggest items to watch are inflation and unemployment rate.

Director Merz began by reiterating the Retirement Savings Program (RSP) asset value as of \$34 billion as of June 17, 2021, and noted that this was roughly a \$10 billion dollar increase from last year. He

then provided a breakdown of asset value by fund class, noting that 40% of assets were in the UC Pathway Funds, \$17 billion invested in the core lineup, and the remainder invested in the Brokerage Window. Following a brief overview of the RSP fund performance, he noted that the Savings Fund has not benchmarked with inflation and 60,000 participants invested in the Savings Fund received a communication piece highlighting the importance of reviewing their asset allocation.

Director Merz then informed the Board that in late March, 2021 a tobacco and fossil fuel free fund, the UC Global Equity EX fossil fuel fund, became available to RSP participants at a cost of one basis point. Lastly he reminded the Board of the upcoming enhancement to the Pathway Funds, known as a Qualified Longevity Annuity Contract (QLAC), which provides participants between the ages of 62 and 69 an option to make a deferred lifetime income purchase through a vetted institution.

ITEM A. UCRS – SECOND CHOICE OPPORTUNITY FOR SAVINGS CHOICE PARTICIPANTS TO SWITCH TO UCRP/PENSION CHOICE – UPDATE: Principal Analyst Eigenauer provided an update on the number of Savings Choice participants who elected to switch to Pension Choice through May 31, 2021, noting that the 52 participants that elected to switch would enter UCRP with the start of the 2021-22 Plan Year.

ITEM B – UCRS - COST-OF-LIVING ADJUSTMENT FOR 2021 AND MEASUREMENT OF THE ANNUITANT PURCHASING POWER: Manager Monroe began by stating that the UCRP Annuitant COLA for July 1, 2021, which is based on the average increase in the Consumer Price Index (CPI) for all urban consumers in the San Francisco and Los Angeles metropolitan areas from February 2020 to February 2021, will be 1.28% for those who retired July 1, 2019 or after and 2.00% for those who retired prior to July 1, 2019. He then briefly summarized the methodology within the item. Manager Monroe stated purchasing power for retirees remains around 75% and noted it is lowest for those with the earliest retirement dates. He concluded by pointing out that those who received a 1.28% COLA this year may receive a larger COLA next year due to the CPI being currently greater than 2%.

ITEM C – UCRS – REDWOOD RETIREMENT ADMINISTRATION RECORDKEEPING SYSTEM, UCRAYS, ROOTS AND RETIREMENT ADMINISTRATION SERVICE CENTER (RASC) – UPDATE: HR Business Information Systems Manager Dibrell began by providing an update on the UCRAYS, Redwood and ROOTS systems (all of which were newly launched two years ago). She stated that a new feature allowing members to complete their retirement process online was launched within UCRAYS, in April of 2021, and so far 1,600 personal retirement profiles and 1,900 retirement election forms have been completed within the UCRAYS self-service member portal. In addition, the Redwood pension recordkeeping system received updates to process Second Choice Window elections and “no lapse in pay” retirement elections, and the ROOTS benefits professional tool received updates to demographic details and the ability to access retiree benefit income statements. She concluded by informing the Board that the UCRAYS deferred functionality to complete a service credit purchase and submit a UCRP disability application are set to launch by the end of the calendar year.

Board member Bohn commented that he had heard of reports that “no lapse in pay” requests were being denied and of difficulty reaching the RASC, and Interim RASC Executive Director Green responded by offering to cover both topics in her portion of the item.

Interim Vice President/CHRO Lloyd commented that although the self-service retirement tool launched in UCRAYS is an ideal option for some employees, it is acknowledged that a non-self-service option is necessary and enhancements to this option are being explored.

Interim RASC Executive Director Green followed by providing an update on the RASC reorganization plan and operating model, informing the Board that three new manager positions had been filled, and that the new manager positions were designed to address the concerns raised by Board member Bohn and retiree/UPTE representative Brooks. She commented that the RASC teams faced challenges not being on site, and that efforts were being made to make additional improvements through a return to on site operations. Interim Vice President/CHRO Lloyd added that RASC services are essential and that work with the operations team was underway to get more representatives back in the office as soon as possible.

Interim RASC Executive Director Green then presented an overview of RASC daily operations and service metrics, noting that the RASC was in their peak season which resulted in a large increase in the average call volume and average wait time. RASC Member Services Manager Waldman followed by providing a brief overview of the member satisfaction survey, which is offered to every fifth RASC caller, along with the survey results from April, May and June. He then proceeded to review monthly UCRAYS secure messaging service metrics, and Interim RASC Executive Director Green commented that work is still being done to improve the process of completing and closing these cases.

In response to a question regarding gathering campus representative feedback from Vice Chair Cortez, Interim RASC Executive Director Green indicated that the new operating model and framework will address this through the recently filled client relationship manager position. Vice Chair Cortez then responded by indicating that the Board would like to be provided with feedback given by various campuses/locations, in addition to service metrics. Board member Bohn added that the Board would like to see member surveys on the organization, rather than just their experience with a RASC representative.

Interim RASC Executive Director Green then provided an update on Survivor benefit applications and processing times, and stated that work was being done to lower the processing times and provide proactive outreach. She then followed by providing a processing status of retirement applications, including a review of the newly introduced “no lapse in pay” option for those who have a July 1 retirement date.

Chair Mackness inquired how RASC staffing levels compared to other organizations and if any options to syphon off calls were being explored. RASC Call Center Manager Doug Kanigher replied that a Request for Proposal for telephony was underway, and that an update on both items would be provided at the next meeting.

In closing, the Board members acknowledged the benefit of the newly hired managers and progress made by RASC but stressed the need for an evaluation of the member experience with the RASC organization, including the experience and timing of when a member goes through the retirement process, as well as further engagement with UC benefit personnel to obtain feedback.

ITEM D – RETIREMENT SAVINGS PROGRAM – OPERATIONS AND EDUCATION

REPORT: Director Swanson stated that the information from the report was as of the end of the first (calendar year) quarter and proceeded to provide highlights of the report. She noted that 55% of active participants are making voluntary contributions to the RSP, and that 64% of career employees are on track to replace 80% of pay in retirement from UC sources. Director Swanson then reviewed in more detail the percentage of employees on track to replace 80% of pay in retirement from UC sources based on income bands, current age and age at hire, noting that those hired by UC earlier in their career have a greater chance of accruing more retirement income through UC, and vice versa. She then noted that Fidelity missed two of its performance standards for the quarter; average speed to answer was 124 seconds with a 30 second performance standard, and call abandonment rate was 5% with a 3% performance standard.

Addressing a previous public comment from retiree/UPTE representative Paul Brooks, Director Swanson stated that although two factor authentication is not the default it is available to participants and is mandatory for transactions involving a newly entered account number. She added that Fidelity has a guarantee on transactions, and that there is no limit on the reimbursement a participant would receive, should a fraudulent transaction occur.

With respect to communications and education, Director Swanson advised that there were over 31,000 calls to Fidelity during the last quarter, and that 67% of active participants accessed their account information within the last twelve months. She also added that the number of on-site workshops and one-on-one meetings had doubled from the same time last year, noting that they were temporarily being performed virtually.

Director Swanson concluded with an update on Retirement Choice Program statistics, noting that the election distribution was relatively the same as previous quarters, with 37% new hires electing Pension Choice, and 36% of new hires electing Savings Choice. She added that employee classification, whether staff or designated faculty, had an even election distribution in Savings Choice.

ITEM E – UCRS ADVISORY BOARD – ELECTION OF OFFICERS FOR FISCAL YEAR

2021-22: Principal Analyst Semple noted that Jo Mackness had been nominated to serve a second term as Chair and Ronald Cortez had been nominated to serve a second term as Vice Chair. These were the only nominations received. Chair Mackness called for a voice vote and Jo Mackness and Ronald Cortez were elected to serve as Chair and Vice Chair, respectively, for FY 2021-22.

ITEM F – UCRS ADVISORY BOARD – PROPOSED MEETING SCHEDULE FOR FISCAL

YEAR 2021-22: Principal Analyst Semple announced the proposed meeting dates for the next fiscal year, as delineated in the Board item. He indicated that if no scheduling conflicts were reported over the summer months then the proposed dates would be considered acceptable and would be posted on the Board's main page on UCnet.

The meeting adjourned at 1:58