Modeling of Various Maximum Employer Contribution Rates

University of California Retirement Plan

UCRS Advisory Board Meeting

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Draft for Discussion

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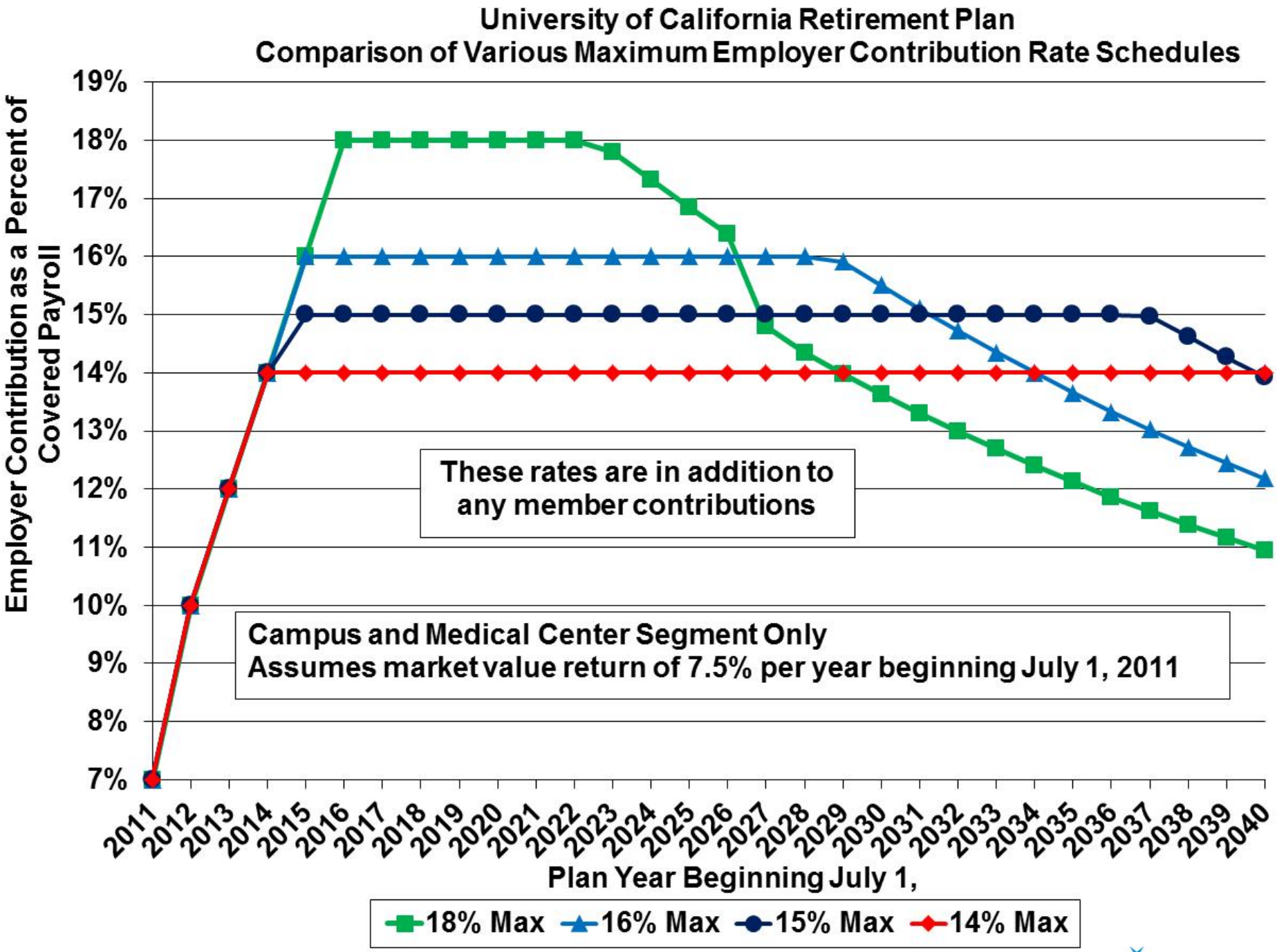
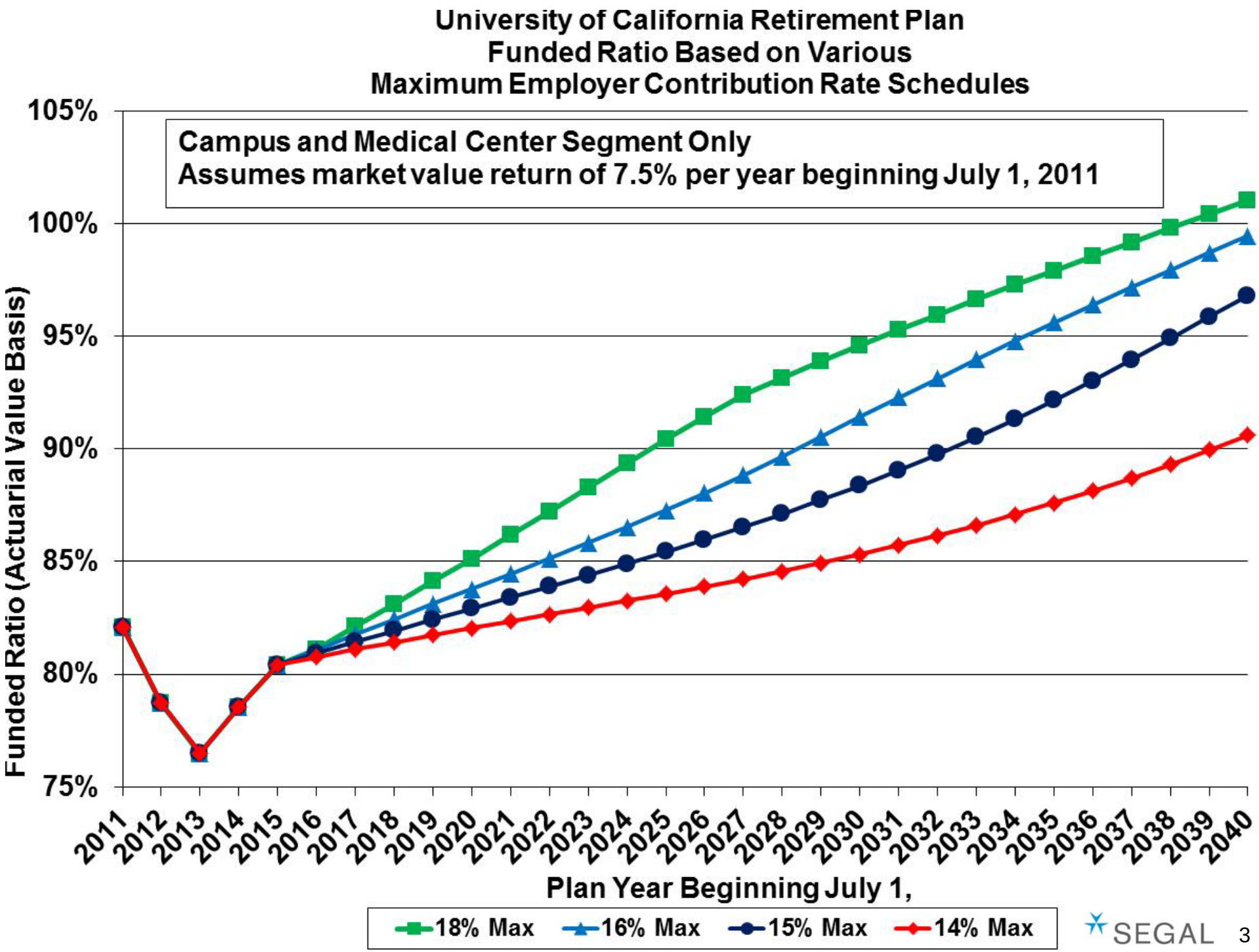
Modeling of Various Maximum Employer Contribution Rates

- Rates are "actual" employer contribution rates and not the total funding policy contribution rates
  - Employer rates are in addition to any member contributions
- Maximum employer contribution rate scenarios modeled:
  - 14%, 15%, 16% and 18% of payroll
    - Total of employer and member contribution rates are assumed to be no greater than the total Funding Policy Contribution for any year in the projection
    - Rates are modeled on the next slide with the corresponding funded ratios shown on the slide after that
- In years where the combined actual employer and member rates do not reach the total funding policy contribution rates, the Unfunded Actuarial Accrued Liability is amortized over a period greater than 30 years, which is generally considered longer than current or emergent actuarial practice in this area
- Projections results may change significantly from year to year depending on actual experience including future market returns


University of California Retirement Plan
Comparison of Various Maximum Employer Contribution Rate Schedules
Employer Contribution as a Percent of Covered Payroll
19%
18%
17%
16%
15%
14%
13%
12%
11%
10%
9%
8%
7%
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
2035
2036
2037
2038
2039
2040
Plan Year Beginning July 1,
These rates are in addition to any member contributions
Campus and Medical Center Segment Only
Assumes market value return of 7.5% per year beginning July 1, 2011
18% Max
16% Max
15% Max
14% Max


University of California Retirement Plan
Funded Ratio Based on Various
Maximum Employer Contribution Rate Schedules
Campus and Medical Center Segment Only
Assumes market value return of 7.5% per year beginning July 1, 2011
105%
100%
95%
90%
85%
80%
75%
Funded Ratio (Actuarial Value Basis)
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
2035
2036
2037
2038
2039
2040
Plan Year Beginning July 1,
18% Max
16% Max
15% Max
14% Max

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Assumptions and Methods Used in Projections

- Unless otherwise noted, the projections were made using generally accepted actuarial practices and are based on the July 1, 2011 actuarial valuation results, including the participant data and actuarial assumptions on which that valuation was based. Here is a summary of some of the important assumptions used in the projection.
  - Campus and medical center segment only
  - 7.50% market value return per year starting July 1, 2011
  - Reflects new pension tier starting July 1, 2013 (along with later retirement rate assumptions for members in this tier)
  - Member rate for current tier increases to 6.5% for 2013/2014 and 8.0% for 2014/2015 (less $19 per month) and stays at that level throughout the projection
  - Approved/projected employer rate is as shown in the modeling
  - Normal cost plus interest on UAAL contributed during June 2011 and July 2011—$1.1 billion in 2010/2011 and $935 million in 2011/2012
  - Active member population has been assumed to remain constant in all future years
  - Demographics for future new entrants are assumed to be the same as those for members hired during the two years prior to July 1, 2011

Disclaimer

- Projections, by their nature, are not a guarantee of future results. The modeling projections are intended to serve as illustrations of future financial outcomes that are based on the information available to us at the time the modeling is undertaken and completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.
- All calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary who is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.