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# UCRS Advisory Board

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## MINUTES

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

March 3, 2023

10:00 AM – 2:00 PM

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**BOARD MEMBERS PARTICIPATING:** Chair Henning Bohn, Vice Chancellor – CFO Chuck Haines, Vice President Cheryl Lloyd, Executive Vice President and Chief Operating Officer (COO) Rachael Nava, Professor Terrence Hendershott, Academic Personnel Policy Analyst Tiffany Wilson, Pharmacy Technician Ruth Zolayvar, CUCRA Chair John Meyer, and CUCEA Chair Jo Anne Boorkman.

**BOARD MEMBERS ABSENT:** Chief Investment Officer (CIO) Jagdeep Bachher

**UCOP STAFF PARTICIPATING:** COO – UC Investments Arthur Guimaraes, Associate Vice President David Alcocer, Associate Vice President – Total Rewards Jay Henderson, Associate Vice President and Systemwide Controller Barbara Cevallos, Senior Managing Director Satish Swamy, Managing Director Marco Merz, Principal Counsel Luis Blanco, Principal Counsel Robert Gaumer, Chief of Staff/Executive Director Dianna Henderson, Executive Director Bernadette Green, Director Ken Reicher, Interim Executive Director Hyun Swanson, Director Matt Teaford, Manager Jennetta Brown, Manager, Michelle Estes, Manager Aliya Dibrell, Manager Doug Kanigher, Manager John Monroe, Manager Greg Ricks, Manager Scott Sylva, Principal Analyst Ashley Eigenauer, Principal Analyst Aaron Locquiao, Principal Analyst Jennifer Luna, Principal Analyst Rebecca Preza, Principal Analyst Melissa Rad, Principal Analyst Gloria Sit, Supervisor Alexandra Fuentes, Supervisor Tim Hoppe, Supervisor Erin Morse, Thought Leader Richard Townsend, and Program Coordinator Marla Cox.

**OTHERS PRESENT:** UCSD Associate Professor Inma Hernandez, Professor Emeritus Roger Anderson, Professor Emeritus Amy B. Joy, Professor Emeritus Todd Wipke, Retiree and UPTE representative Paul Brooks, Retiree and CUCRA member Marianne Schnaubelt, IUOE representative Mark Fragoso, AFSME representative Geoff Goodman, CUCFA representative Eric Hayes, CNA representative Nate Johnson, Teamsters representative Melissa Munio, Actuary Paul Angelo (Segal) and Actuary Emily Klare (Segal).

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

**PUBLIC COMMENT PERIOD:** UCSD Associate Professor Inma Hernandez indicated she wished to address the services offered by Fidelity, specifically financial education services and investment options. She called for UC to contract Fidelity to provide financial advice services, lower fees on certain brokerage account transactions, and add certificate of deposit (CD) investment options to the 457(b) Plan. She cited a recent example of a \$70 commission fee for a single transaction and noted that

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there was no ability to set-up trades automatically. Managing Director Merz acknowledged some ETFs, such as with Vanguard, have high commission funds, and stated that this was not unique to the contract between UC and Fidelity. He noted that there were more than 2,700 ETF's available that did not have any commission fees, and that the Office of the Chief Investment Officer was actively looking at offering CD's in the 457(b) Plan.

Retiree and UPTE representative Paul Brooks called for RASC to provide a case manager for every individual retiring with reciprocity between UC and CalPRS. RASC Executive Director Green informed Mr. Brooks that the RASC would be implementing changes in the future, as it relates to a retirement under a reciprocal system. UCSF Lab Supervisor Maria Desousa informed the Board of the delay she was experiencing with the processing of her retirement application, citing a reciprocal retirement with CalPERS as the cause for unnecessary delays.

**APPROVAL OF THE MINUTES:** Chair Bohn called for the approval of the minutes of the Board meetings of December 9, 2022. The minutes were approved by acclamation.

**COMMENTS FROM THE CHAIR:** Chair Bohn called attention to the UCRS Plan Summary data and provided the weblink for all to access the information.

**OFFICE OF THE CHIEF FINANCIAL OFFICER – BUDGET UPDATE:** Associate Vice President Alcocer stated that the Governor's proposed January budget had provided for a 5% base budget increase for UC, consistent with the multi-year compact agreement between UC and the Governor. He noted that the Governor projected a \$23 billion gap between forecasted revenue and expenditures in 2023-24, so it is not yet known whether the final budget will contain a 5% base budget increase or additional funding for one-time opportunities.

**CHIEF INVESTMENT OFFICER – REPORT:** Senior Managing Director Swamy began by providing UCRP asset value of \$83.154 billion as of March 2, 2023. He then addressed asset allocation, noting that UCRP currently held 4% of assets in cash and is 3% under policy weight for public equities.

Managing Director Merz began by providing the Retirement Savings Program (RSP) asset value as of \$30 billion as of December 31, 2022, with a decrease of almost \$6 billion from a year ago. He then provided a breakdown of asset value by fund class, noting that 40% of assets were in the UC Pathway Funds, 51.6% invested in the core lineup, and the remainder invested in the Brokerage Window. He pointed out that the Savings Fund had a positive absolute return and all other funds were meeting their expectations from a long term perspective. Turning to product enhancement, Managing Director Merz stated that a change to the glidepath for UC Pathway funds was underway, and there would be an overall increase in equities of about 10%, or about \$900 million. He then announced that the Regents approved an increase to the maximum purchase amount for a Qualified Longevity Annuity Contract (QLAC), as permitted by the SECURE Act 2.0, and eligible participants would now be allowed to purchase a QLAC in the lesser of \$200,000 or 100% of account balance.

**ITEM A – UCRP – ACTUARIAL EXPERIENCE STUDY OVERVIEW:** Actuarial Services Group Manager Monroe began by providing a brief background on the UCRP experience study. Referencing slides previously provided to the Board, Segal Actuary Paul Angelo reviewed the types of

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actuarial assumptions that will be used in the UCRP experience study, the preliminary results of which will be presented in the June 23, 2023 Board meeting.

In response to a question from Board member Zolayvar, Segal Actuary Emily Klare stated that membership groups (Faculty, Staff, Safety) are analyzed, but there is not analysis based on pay level. She added that mortality tables differ for Faculty, Staff and Faculty, and are not based on pay levels.

In response to a question from Board member Hendershott, Segal Actuary Paul Angelo stated that years impacted by COVID-19 would be given low credibility. Segal Actuary Emily Klare added that a longer period of experience would be taken into account and analysis regarding the outlier experience would be performed.

**ITEM B – RETIREMENT SAVINGS PROGRAM – OPERATIONS AND EDUCATION**

**REPORT:** Following up on RSP financial information provided by Managing Director Merz, Retirement Program Services Interim Executive Director Swanson provided the highlights of the 2022 4<sup>th</sup> quarter RSP report. She stated that RSP plans had 335,000 unique participants and that 54% of active participants were making supplemental deferral contributions. Addressing the public comment regarding Fidelity services, Interim Executive Director Swanson stated that Fidelity is providing the services which they have been contracted for, and that they are meeting all of their performance standards.

Following-up on a previous request from Board member Zolayvar regarding retirement readiness, Interim Executive Director Swanson stated that an update will be provided in the June meeting.

With respect to communications and education, she informed the Board that a new webinar series titled the Confident Retiree is set to launch later in the month.

Lastly, Interim Executive Director Swanson announced that the yearly administration fee is being reduced from \$33 to \$31 per participant.

**ITEM C – UCRS – RETIREMENT CHOICE PROGRAM STATISTICS:** Interim Executive Director Swanson reviewed Retirement Choice Program statistics through 3Q 2022, mentioning that 36% of eligible hires/rehires selected Pension Choice, 27% defaulted to Pension Choice, and 37% selected Savings Choice.

In follow-up to a question previously posed by Chair Bohn regarding retention rates amongst those who are participating in the Retirement Choice Program, Interim Executive Director Swanson stated that the information should be available in time for the June 23, 2023 meeting.

**ITEM D – RETIREMENT SAVINGS PROGRAM – LEGISLATIVE UPDATE – SECURE ACT**

**2.0:** Manager Sylva informed the Board that an Item was being brought before the Regents later in the month to request amendments to the Retirement Savings Program and indicated that the requested amendments stemmed from recently passed legislation, the SECURE Act 2.0. He reviewed the proposed RSP amendments going before the Regents and provided details on required compliance amendments stemming from the same legislation. Chair Bohn indicated his approval of the request to add a Roth option to the 403(b) and 457(b) Plans and inquired if the DC Plan would see any changes.

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Manager Sylva indicated that the DC Plan would not see any changes in relation to the addition of a Roth feature.

**ITEM E – UCRP – LUMP SUM CASHOUT REPORT:** RASC Executive Director Green provided LSC statistics for the 2022 calendar year (January 1, 2022 through November 29, 2022). She indicated that the LSC take rate for 2022 remained at 19%, but the actual number of LSC elections had decreased by 17% from the previous calendar year. She mentioned that 39% of the members who elected an LSC in 2022 would not have been eligible for retiree health coverage had they opted for UCRP monthly retirement income. Lastly, she mentioned that 60% of the 2022 LSC recipients elected an internal (UC) or external rollover, while 29% elected a direct payment and 11% elected a combination of rollover and direct payment.

Following-up on a previous request from Board member Zolayvar, Executive Director Green stated that a survey of those electing a LSC has not yet been launched, and acknowledged it is still an outstanding action item.

In response to a question from Board member Zolayvar, Executive Director Green stated that demographic data on those electing LSC was not analyzed as part of the report. Board Member Zolayvar requested that it be included as part of the survey requested.

**ITEM F – UCRS – REDWOOD RETIREMENT ADMINISTRATION RECORDKEEPING SYSTEM, UCRAYS, ROOTS AND RETIREMENT ADMINISTRATION SERVICE CENTER (RASC) – UPDATE:** HR Benefits Information Systems Manager Dibrell began by providing a brief update on the UCRAYS system. She noted that 81% of retirement profiles and 85% of retirement elections are submitted online, with the site seeing over 885,000 logins since launching in April 2021.

RASC Executive Director Green then reviewed slides provided to the Board, detailing the RASC's performance in processing retirement elections. She then announced that the new survivor intake process went live on March 1, 2023. Chair Bohn inquired if there is an option for continuity in pay similar to the no-lapse-in-pay option offered to UC retirees to which Executive Director Green indicated that it may not be appropriate for the survivor group. Board member Meyer complimented the team on the work that has been done to improve the survivor intake process and stressed the importance of outreach to members regarding the new survivor intake phone line.

**ITEM G – UCRS – 2023 ELECTION OF STAFF REPRESENTATIVES:** Principal Analyst Eigenauer provided an overview of the election process for two new staff representatives to the Board, whose four-year terms would begin effective July 1, 2023. She noted that election information for both candidates and voters would be available on the Board's pages on UCnet by March 22, 2023, when the call for nominations would be announced via a news article on UCnet. The news article would also be distributed to local campus editors. She reported that the voting period would run between May 22nd and June 16th and would be handled by YesElections, an outside, impartial vendor. She concluded by stating that he should be able to announce the two new staff representatives at the Board's June 23rd meeting.

The meeting adjourned at 1:04