



UCRS Advisory Board

MINUTES

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS) ADVISORY BOARD AD HOC TELECONFERENCE

October 30, 2023

11:00 AM – 12:00 PM

BOARD MEMBERS PARTICIPATING: Chair Terrence Hendershott, Vice Chancellor – CFO Chuck Haines, Vice President Cheryl Lloyd, Nurse David Yamada, Pharmacy Technician Ruth Zolayvar, Benefits Manager Dorothy Ong, and CUCEA Chair Jo Anne Boorkman, CUCRA Chair John Meyer.

BOARD MEMBERS ABSENT: Chief Investment Officer (CIO) Jagdeep Bachher, Chief Operating Officer (COO) Rachael Nava, and Professor David Kleinfeld.

UCOP STAFF PARTICIPATING: Chief Data and Operating Officer Arthur Guimaraes, Managing Director Marco Merz, Principal Counsel Robert Gaumer, Interim Executive Director Hyun Swanson, Manager John Monroe, Manager Scott Sylva, Principal Analyst Ashley Eigenauer, Principal Analyst Aaron Locquiao, Principal Analyst Rebecca Preza, Principal Analyst Melissa Rad, Principal Analyst Gloria Sit, and Policy Analyst Tony Yang.

OTHERS PRESENT: UCI Director Jason Valdry, Professor Emeritus Todd Wipke, Academic Senate Principal Analyst Ken Feer, UC Health Policy Analyst Tony Yang, Retiree and CUCEA member Louise Taylor, Retiree and CUCRA Chair-elect Sue Ables AFSME representative Geoff Goodman, AFSME representative Claudia Preparata, CUCRA representative Eric Hayes, CNA representative Nate Johnson, Actuary Paul Angelo (Segal), Actuary Eva Yum (Segal), and Actuary Emily Klare (Segal).

The meeting officially began at 11:00 a.m.

PUBLIC COMMENT PERIOD: There were no public comments made.

COMMENTS FROM THE CHAIR: Chair Hendershott began by welcoming and recognizing new Board members Dorothy Ong, David Yamada, and David Kleinfeld.

ITEM A – UCRP – 2023 VALUATION AND PROPOSAL TO INCREASE UC CONTRIBUTIONS AND AUTHORIZE STIP TRANSFER: Interim Executive Director Hyun Swanson began by noting the Regents want to address the UCRP funding policy shortfall and

October 30, 2023

specifically requested that scenarios for reaching 100% funding status, including options for increasing UCRP member contribution rates, be presented to them at their meeting in November 2023.

Segal Actuary Emily Klare then reviewed highlights of the UCRP actuarial valuation report as of July 1, 2023. She noted that UCRP had a FY return of 9.5% on a market value of assets (MVA) and a 6.1% return on an actuarial value of assets (AVA) basis. She stated that due to five-year smoothing of investment gains/losses, the market value of assets is less than the actuarial value by \$1.8 billion. She also mentioned that UCRP's funded ratio (on an actuarial basis) decreased from 83.5% to 81.8%, while the unfunded actuarial accrued liability (UAAL) increased from \$17.0 to \$20.0 billion. She stated that the total funding policy contribution rate remains at 32.88% of eligible pay. She noted that a transfer of \$500 million from the Short Term Investment Pool (STIP) is reflected in the valuation results.

Referencing a presentation deck shared with the Board, Manager John Monroe proceeded to summarize three modeled scenarios for reaching full funding which will be presented at the November Regents meeting. The President's draft recommendation, which aligns with the Regents request, would increase the UCRP employer contribution rate by .50% per year over eight years, beginning July 1, 2024, and authorize five years of transfers from STIP. In response to the Regents' specific request to model scenarios with an increase to member contributions, two additional options were presented. Scenario #1 would increase the UCRP employer contribution rate by .50% per year over eight years and the employee contribution rate by .25% per year over four years, as well as authorize five years of transfers from STIP. Scenario #2, would increase the UCRP employer contribution rate by 1.0% per year over four years, increase to employee contribution rate to 50% of Normal Cost over two years (for most tiers this is an increase of about 2%), and authorize five years of transfers from STIP.

Turning to the finals slides in the presentation deck, Manager Monroe summarized each alternative's financial impact on UCRP. He noted that UCRP is projected to be fully funded by year 2048 under the President's recommendation, by year 2045 under scenario #1, and year 2042 under scenario #2, versus year 2056 under the baseline projection.

BOARD MEMBER COMMENTS:

Board member Meyer commented that the Regents should be sensitive to impacts on employees given the recent increase in health care premiums, and to be cognizant of where the funding is coming from and consequences on campus resources.

Chair Hendershott inquired if UCRP was constitutionally guaranteed to which Principal Counsel Gaumer responded that pension benefits fall under the California Rule and UC as an employer is responsible for any pension debts. Additionally, he commented that the campus would be assessed for STIP transfers.

Board member Boorkman commented that the President's recommendation was a more measured approach and had the slowest impact on individuals and the University as a whole and asked that the Regents consider that the consequence of a lower funding ratio was a result of decisions from their body.

UCRS Advisory Board Minutes

October 30, 2023

Board member Yamada agreed that the President's recommendation was a more measured approach and stated that members will face hardships if their contribution rate increase.

Board member Zolayvar commented workers are vulnerable due to wage increases not keeping up with inflation and increasing employee contributions would be a lose-lose situation.

The meeting adjourned at 11:50