



UCRS Advisory Board

MINUTES

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS) ADVISORY BOARD MEETING

June 23, 2023

10:00 AM – 2:00 PM

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

BOARD MEMBERS ABSENT: Chief Investment Officer (CIO) Jagdeep Bachher, Vice President Cheryl Lloyd, and CUCRA Chair John Meyer.

UCOP STAFF PARTICIPATING: Associate Vice President David Alcocer, Associate Vice President Jay Henderson, Senior Managing Director Satish Swamy, Chief Data and Operating Officer Arthur Guimaraes, Deputy Chief Human Resource Officer Dianna Henderson, Managing Director Marco Merz, Principal Counsel Luis Blanco, Principal Counsel Robert Gaumer, Executive Director Bernadette Green, Director Cain Diaz, Director Ken Reicher, Interim Executive Director Hyun Swanson, Manager Jennetta Brown, Manager Aliya Dibrell, Manager Michelle Estes, Manager Doug Kanigher, Manager John Monroe, Manager Greg Ricks, Manager Scott Sylva, Principal Analyst Ashley Eigenauer, Principal Analyst Ken Feer, Principal Analyst Aaron Locquiao, Principal Analyst Jennifer Luna, Principal Analyst Rebecca Preza, Principal Analyst Melissa Rad, Principal Analyst Gloria Sit, Policy Analyst Tony Yang, Supervisor Tim Hoppe, Accountant Vicky Lam, Accountant Kiet Luu, Department Coordinator Marla Cox, Business Analyst Mary Sanchez, and Thought Leader Richard Townsend.

OTHERS PRESENT: UCI Director Jason Valdry, Professor Emeritus Todd Wipke, Professor Emeritus and Joint Benefits Committee Chair Roger Anderson, Retiree and UPTE representative Paul Brooks, Retiree and CUCRA member Marianne Schnaubelt, AFSME representative Geoff Goodman, AFSME representative Claudia Preparata, CUCRA representative Eric Hayes, Teamsters representative Jose Fuentes, Teamsters representative Mary Higgins, Teamsters representative Alex Vermie, CNA representative Nate Johnson, Actuary Paul Angelo (Segal), and Actuary Emily Klare (Segal).

The meeting officially began at 10:01 a.m.

PUBLIC COMMENT PERIOD: Retiree and UPTE representative Paul Brooks suggested if a retirement application has not been processed within 60 days it be assigned to a specific individual within the RASC.

APPROVAL OF THE MINUTES: Chair Bohn called for the approval of the minutes of the Board meetings of March 3, 2023. The minutes were approved by acclamation.

COMMENTS FROM THE CHAIR: Chair Bohn began by recognizing Tiffany Wilson for her service to the Board and informed the Board that her term as an elected staff representative ends as of June 30, 2023.

OFFICE OF THE CHIEF FINANCIAL OFFICER – BUDGET UPDATE: Associate Vice President Alcocer began by informing the Board that the state legislature had approved the 2023 state budget which included both permanent fund increases and one-time fund allocations for UC. He stated that if there are no changes to the budget UC would receive a 5% (\$260 million) base budget increase, which includes \$30 million to fund undergraduate enrollment growth among California residents. In closing he stated that there is ongoing uncertainty around state tax revenue due to the extension of the tax filing deadline which could result in additional budget actions in January 2024.

CHIEF INVESTMENT OFFICER – REPORT: Senior Managing Director Swamy began by providing UCRP asset value of \$86.5 billion as of June 22, 2023. He then addressed asset allocation, noting that UCRP currently held 5.5% of assets in cash and running slightly under policy weight . Lastly, he confirmed for Board member Zolayvar that UCRP is expected to have an 8.6% rate of return for 2022-23.

Managing Director Merz began by providing the Retirement Savings Program (RSP) asset value of \$33 billion as of June 22, 2023, noting a decrease of \$3 billion from June 30, 2022. He then provided a breakdown of asset value by fund class, noting that 40% of assets were in the UC Pathway Funds, 50% invested in the core lineup, and the remainder invested in the Brokerage Window. Referencing slides provided to the Board, a brief overview of the RSP fund performance was provided and it was noted that funds tracked or outperformed their benchmark over the long-term. Lastly, he reminded the Board that the annual window to purchase a Qualified Longevity Annuity Contract (QLAC) is set for September 2023 and noted that participants will see an increase in the maximum QLAC purchase amount (the lesser of \$200,000 or 100% of participant’s balance). Additionally, he noted that the Regents approved a 90 day “free-look” period, now allowing a participant to revoke their QLAC purchase (as provided for by the SECURE Act 2.0).

ITEM A – UCRP – COST-OF-LIVING ADJUSTMENTS (COLA) FOR 2023,

MEASUREMENT OF ANNUITANT PURCHASING POWER: Policy Analyst Sit began by stating that the UCRP Annuitant COLA for July 1, 2023, 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 2022 to February 2023, will be 2.90% for annuitants with retirement dates on or before July 1, 2022. She then briefly summarized the methodology within the item. Policy Analyst Sit stated purchasing power for most retirees remains around 85%, noting approximately 14,400 annuitants with a purchasing power below 85%, but none lower than 83%.

Chair Bohn questioned the appropriateness of a limited region for measuring changes in the CPI (San Francisco and Los Angeles metropolitan areas) and if a more modern approach might be considered.

June 23, 2023

ITEM B – UCRP – PRELIMINARY RESULTS OF EXPERIENCE STUDY: Actuary Paul Angelo (Segal) summarized the highlights of the most recent UCRP Actuarial Experience Study covering the period from July 1, 2018 through June 30, 2022. With respect to demographic assumptions, he indicated that the recommendations to decrease rates of mortality, termination, and disability, and increase rate of retirement were relatively minor. Turning to economic assumptions, he indicated that Segal is recommending a slight increase in merit and promotional rates of salary increase, and to maintain the current rate of inflation and investment return. He then summarized the potential cost impacts to UCRP if Segal’s recommendations were approved by the Regents in July. He stated that UCRP’s Normal Cost would decrease from 20.7% to 20.1% of payroll. He indicated that UCRP’s actuarial accrued liability would increase by 5%, or \$500 million, reducing UCRP’s funded ratio from 83.5% to 83.1%. He also noted that UCRP’s actuarially determined Total Funding Policy Rate would increase from 32.90% to 32.20% of payroll.

ITEM C – UCRS – RETIREMENT CHOICE PROGRAM & SECOND CHOICE WINDOW - UPDATE: Retirement Policy Manager Sylva began by providing Retirement Choice Program election statistics noting that 36% of eligible hires/rehires selected Pension Choice, 27% defaulted to Pension Choice, and 37% selected Savings Choice through the 2023 1st quarter. Proceeding to review slides previously provided to the Board, Manager Sylva detailed Retirement Choice Program election statistics, including second choice election statistics, based on salary bands, UC location, employee group (Faculty, Staff represented, Staff unrepresented). He concluded by reminding the Board of education and resource enhancements which included the launch of a new webinar dedicated to the second choice window.

ITEM D – RETIREMENT SAVINGS PROGRAM – OPERATIONS AND EDUCATION REPORT: Interim Executive Director Swanson summarized the highlights of the 2023 1st quarter RSP report. She noted that RSP plans had 336,000 unique participants, 50% of active participants were making supplemental deferral contributions, and that 62% of career employees were on track to have at least 80% retirement income replacement from all UCRS sources. She noted that Fidelity met all of their performance standards. She also mentioned that 39% of logins to Fidelity were through a mobile device, and use of a mobile app may be a way of increasing participant engagement in the future. With respect to communications and education, she stated that a new webinar launched in March 2023 and saw more than 1,000 registrations.

With respect to the Retirement Choice Program, Interim Executive Director Swanson shared that additional enhancements were made to the Retirement Choice Program modeling tool for newly hired employees which included clearer messaging and the ability to edit data assumption fields.

Lastly, Interim Executive Director Swanson announced that the addition of a Roth deferral option within the UC 403(b) and 457(b) Plans will be available to participants starting on August 1, 2023.

ITEM E – UCRS – REDWOOD RETIREMENT ADMINISTRATION RECORDKEEPING SYSTEM, UCRAYS, ROOTS AND RETIREMENT ADMINISTRATION SERVICE CENTER (RASC) – UPDATE: Manager Dibrell provided a brief update of the UCRAYS, Roots and Redwood systems. With respect to UCRAYS, she noted that there have been over 460,000 logins, 24,000 secure messages, 18,000 new registrations, and 314,000 password resets so far in 2023.

UCRS Advisory Board Minutes

June 23, 2023

RASC Executive Director Green then reviewed slides provided to the Board, detailing the RASC's performance in processing retirement elections, call-center performance, and planned changes to RASC staffing.

RASC Executive Director Green announced the launch of a pilot program where upon a retiree passing, monthly payments to a spouse or domestic partner would continue prior to RASC's receipt of an official death certificate. She stated that of 228 survivor benefits cases, nine were able to be processed under the pilot program. Board Member Boorkman commented on the importance of an eligible survivor having access to annuitant insurance without a delay in processing.

ITEM F – UCRS ADVISORY BOARD – UCRS ADVISORY BOARD – ELECTION OF STAFF

MEMBERS: Principal Analyst Eigenauer summarized the process to elect two staff members to the Board to replace outgoing members. Following the nomination period, which lasted from March 22nd to May 1st, six candidates vied for the two open staff positions. She mentioned that the actual election was conducted by YesElections, an outside vendor that specializes in public sector elections.

Approximately 7,100 eligible voters cast ballots via the internet or by mail during the voting period, which began on May 22nd and ended on June 16th. She said that the winners were Ruth Zolayvar, a pharmacy technician and AFSCME member from UCSD, and David Yamada, a nurse and CNA member from UCLA. He concluded by noting that the candidates had been advised of the election results, which would be posted to the Board's pages on UCnet the following week.

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

2023-24: Principal Analyst Eigenauer noted that Terry Hendershott had been nominated to serve as Chair and Chuck Haines had been nominated to serve as Vice Chair. These were the only nominations received. Chair Bohn called for a voice vote and Terry Hendershott and Chuck Haines were elected to serve as Chair and Vice Chair, respectively, for FY 2023-24.

ITEM H – UCRS ADVISORY BOARD – MEETING SCHEDULE FOR FISCAL YEAR 2023-

24: Principal Analyst Eigenauer announced the proposed meeting dates for the next fiscal year, as delineated in the Board item. She indicated that if no scheduling conflicts were reported over the summer months, she would consider the proposed dates as acceptable and have them posted on the Board's main page on UCnet.

The meeting adjourned at 1:25