University of California Retirement Plan

Updated Lump Sum Cashout and Option Factors Effective July 1, 2024

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Actuarial Experience Study

- Performed every 3-5 years
  - Reviews assumptions based on recent experience
  - Concludes with recommendations for economic and demographic assumptions
- Latest study performed in 2023
  - No changes to the inflation, investment return, and cost-of-living (COLA) assumptions
  - Changes to mortality assumptions to reflect members and beneficiaries living longer
    - Results in changes to factors used in the calculation of Lump Sum Cashouts and monthly retirement benefit options for members retiring on or after July 1, 2024

What is Actuarially Equivalent?

- UCRP Plan Document defines as follows:
  - *Actuarially Equivalent* means benefits and payment options, the actuarial present values of which are equal
- Present value of a benefit at retirement can be calculated with the following assumptions:
  - Mortality: Probability each payment will be made
  - Interest: Adjustment for time value of money
  - COLA: Increase of future payments
- If there are changes to these assumptions, the Lump Sum Cashout and Option factors will change

Impact on Lump Sum Cashout Factors

- Updated Lump Sum Cashout (LSC) and Option factors effective for retirements on or after July 1, 2024
  - Changes do not impact benefits for current retirees
- Will not affect the Basic Retirement Income (BRI)
- LSC factors are slightly increasing for most ages
  - LSC amount generally slightly greater for the same BRI
  - 0.36% to 0.56% increase at retirement ages 50 to 65
  - Decreases starting at age 81
- Example: Retirement age 62 with $5,000/mo BRI
  - LSC = $882,450 (current assumptions)
  - LSC = $887,000 (new assumptions)

Impact on Option Factors

- **Decreases** in Option A through D factors for common member and contingent annuitant (CA) ages 50 to 65
  - Optional benefit generally slightly smaller for the same BRI
  - Option A: 0.8% to 1.1% (100% continuance to CA)
  - Option B: 0.5% to 0.8% (66 2/3% continuance to CA)
  - Option C: 0.4% to 0.6% (50% continuance to CA)
  - Option D: 0.2% to 0.3% (50% continuance to ES/CA)
- Example: Retirement at age 60 (CA age 60) with $5,000/mo BRI
  - Option A Benefit = $4,600 (current assumptions)
  - Option A Benefit = $4,555 (new assumptions)

Other Information

- UCnet article describing changes
- HRB memo released
- New factors will be in production on Redwood and UCRAYS starting April 1, 2024
- Each member makes their own decision regarding retirement date and form of payment
  - Important to get the members what they need so they can make an informed decision
- Factors for service credit purchases (Buybacks) also change