

University of California Retirement Plan

*Actuarial Valuation Report*

*as of July 1, 2006*

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*October 16, 2006*

*Ms. Judith W. Boyette  
Associate Vice President, Human Resources and Benefits  
University of California  
1111 Franklin Street, 7<sup>th</sup> Floor  
Oakland, California 94607-5200*

*Dear Associate Vice President Boyette:*

*We are pleased to submit this Actuarial Valuation Report as of July 1, 2006 for the University of California Retirement Plan (“UCRP” or “Plan”). It summarizes the actuarial data used in the valuation, recommends contribution rates for the 2006-2007 Plan Year and analyzes the preceding year’s experience.*


*The census and financial information on which our calculations were based was provided by the UC HR/Benefits Staff. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary.*

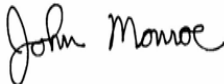
*This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion the assumptions as approved by the Regents are reasonably related to the experience of and future expectations for the Plan.*

*We look forward to reviewing this report at the November 2006 Regents meeting and to answering any questions.*

*Sincerely,*

*THE SEGAL COMPANY*

*By: *  
\_\_\_\_\_  
*Paul Angelo, FSA, EA, MAAA  
Senior Vice President and Actuary*

**  
\_\_\_\_\_  
*John Monroe, ASA, EA, MAAA  
Associate Actuary*

JZM/gxk

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**SECTION 1: Executive Summary of the Valuation for the University of California Retirement Plan**

## **SECTION 1: Executive Summary for the University of California Retirement Plan**

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### **Purpose**

This report has been prepared by The Segal Company to present a valuation of the University of California Retirement Plan (“UCRP” or “Plan”) as of July 1, 2006. The valuation was performed to determine if the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Plan,
- The characteristics of covered active members, terminated vested members, retired members, disabled members and beneficiaries as of July 1, 2006,
- The assets of the Plan as of June 30, 2006,
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding member terminations, retirement, death, etc.

### **Significant Issues in Valuation Year**

#### **LOS ALAMOS NATIONAL LABORATORY TRANSFER OF ASSETS AND LIABILITIES**

- The University of California contract to manage the Los Alamos National Laboratory (LANL) expired on May 31, 2006. The Department of Energy (DOE) executed a new management and operations contract effective June 1, 2006 with Los Alamos National Security, LLC (LANS). Under the terms of the LANS contract, LANS will sponsor a defined benefit pension plan that is substantially equivalent to the provisions of the UCRP. Assets and liabilities will be transferred from UCRP to the LANS defined benefit plan for the LANL employees who elected to transfer to the new plan, provided the necessary and advisable rulings on the plans and proposed transactions are obtained from the appropriate regulatory agencies.
- There are 6,532 active members who elected to transfer to the LANS defined benefit plan. Their actuarial accrued liability as of July 1, 2006 is approximately \$1.4 billion, excluding the liability for their CAP benefits that will be retained by UCRP. This liability is reflected in our valuation results and included with the UCRP active member liabilities. This liability is based on the current UCRP actuarial assumptions, methods and plan provisions. The liability for these members as determined for the LANS defined benefit plan will almost certainly be different, as it will be based on the LANS benefit provisions and the actuarial assumptions and methods used by the LANS actuary.

## SECTION 1: Executive Summary for the University of California Retirement Plan

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### Significant Issues in Valuation Year (continued)

- The LANL transfer elections reflected in this valuation are based on the transfer election data provided by the University as of August 24, 2006. We anticipate minor changes to the election file information, but we do not believe these changes will have a material impact on the valuation results.
- The amount of assets to be retained in the UCRP for LANL members who have retired or are inactive, and the amount of the assets that may be transferred to the LANS defined benefit plan for the transitioning employees who elected to participate in the LANS defined benefit plan, are not currently known. These amounts will depend on the assumptions used, future discussions with the DOE and appropriate regulatory approvals. For that reason, while this valuation includes results reflecting the LANL transfer elections, it does not reflect the actual transfer of assets and liabilities to the LANS defined benefit plan. This means that the results of this valuation include liabilities even for members who have elected to transfer to the LANS defined benefit plan. As noted above, we have continued to value these members as active UCRP members and their UCRP liabilities are shown as active in the results. LANL employees **who elected not** to transfer to the LANS defined benefit plan are included in the valuation results either as terminated vested or nonvested members, or as retired members if they have retired by July 1, 2006.

### ASSETS

- The UCRP investment portfolio consists of approximately 65% equities and 35% fixed income investments. During the 2005-2006 Plan Year, the rate of return on the market value of assets was 7.2%. Due to the recognition of prior investment losses, the rate of return on the actuarial value of assets was 5.9%, which is below the expected return of 7.5%.

### FUNDED RATIO

- The Plan's funded ratio on an actuarial basis decreased from 110% as of July 1, 2005 to 104% as of July 1, 2006. This decrease in funded ratio is a result of the investment loss on the actuarial value of assets, an actuarial loss due to salary increases being greater than expected and the fact that no contributions are being made to offset the Plan's normal cost. The Plan is still in an overfunded position as the actuarial value of assets exceeds the actuarial accrued liability by \$1.7 billion.
- The actual average increase in salary for UCRP members that were active in both this valuation and the previous valuation was 5.9%. When compared to the average assumed increase of approximately 3.4%, this produces an actuarial loss due to salary increases greater than expected. There is one year remaining of a temporary three-year reduction in the salary increase assumption that models the effect of budgetary constraints. This temporary reduction will be phased out by the July 1, 2007 valuation.

**Significant Issues in Valuation Year (continued)**

**FUTURE EXPECTATIONS**

- No contributions are recommended for the 2006-2007 Plan Year. This is due to the application of the full funding policy that The Regents adopted in 1990. See Section 2D of this report for a description of that policy. Member contributions are all currently being redirected to the UC Defined Contribution Plan. It is expected that the Plan's surplus will run out in the next few years and may run out as early as July 1, 2008.
- As indicated on page 4 of this valuation report, the total unrecognized investment gain as of July 1, 2006 is about \$1.4 billion. This investment gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, and will serve to offset any investment losses that may occur after July 1, 2006. This implies that if the Plan earns the assumed rate of investment return of 7.50% per year (net of investment expenses) on a **market value** basis, that will result in investment gains on the actuarial value of assets in the next few years.
- The normal cost rate calculated in this valuation includes the second of three expected gradual increases. This is due to phasing out the temporary three-year reduction in the salary increase assumption that models the effect of current budgetary constraints. We expect that there will be another modest increase in the normal cost rate in the next valuation as the period of temporary reduction in the salary increase assumptions is completely phased out.

**DEMOGRAPHIC EXPERIENCE**

- The number of active members decreased by 1.9% from 124,642 as of July 1, 2005 to 122,317 as of July 1, 2006. Total covered payroll increased by 1.3%, to a level of \$8.26 billion. The Plan has 45,442 members currently receiving benefits, an increase of 9.6% from 2005. Total annual benefits in pay status increased by 18.4%, to a level of \$1.3 billion. There are also 52,548 terminated members in the Plan who are entitled to future benefits. Within this group of terminated members there are 25,570 terminated vested members who are entitled to a deferred or immediate vested monthly benefit and 26,978 terminated nonvested members who are entitled to a refund of member contributions or payment of their Capital Accumulation Provision (CAP) balance.

**SECTION 1: Executive Summary for the University of California Retirement Plan**

**Summary of Key Valuation Results**

	<b>2006</b> (\$ in 000s)	<b>2005</b> (\$ in 000s)
<b>Contributions for plan year beginning July 1:</b>		
Recommended	\$ 0	\$ 0
Percentage of payroll	0.00%	0.00%
<b>Funding elements for plan year beginning July 1:</b>		
Normal cost (beginning of year)	\$ 1,305,390	\$ 1,250,061
Percentage of payroll (beginning of year)	15.81%	15.34%
Percentage of payroll (middle of year)	16.39%	15.90%
Market value of assets	\$43,362,224	\$41,857,500
Actuarial value of assets (AVA)	41,972,476	41,084,862
Actuarial accrued liability (AAL)	40,301,708	37,252,384
Unfunded/(Overfunded) actuarial accrued liability	(1,670,768)	(3,832,478)
Current liability	33,267,573	30,329,325
<b>GAS* 25/27 for plan year beginning July 1:</b>		
Annual required contributions	\$ 0	\$ 0
Actual contributions	0	0
Percentage contributed	100.00%	100.00%
Funded ratio (AVA / AAL)	104.1%	110.3%
Covered payroll	\$8,258,985	\$8,149,640
<b>Demographic data for plan year beginning July 1:</b>		
Number of retired members and beneficiaries	45,442	41,477
Number of vested terminated members**	52,548	47,123
Number of active members	122,317	124,642
Average covered payroll (actual dollars)	\$67,521	\$65,384

\* *Governmental Accounting Standards which requires certain reporting information for public sector plans.*

\*\* *Includes terminated nonvested members due a refund of member contributions or CAP balance payment.*



**SECTION 1: Executive Summary for the University of California Retirement Plan**

**FIVE-YEAR HISTORY OF RECOMMENDED CONTRIBUTIONS AND FUNDED STATUS**

Beginning with the 1990 plan year, the Regents adopted a full funding policy. Under that policy, the University will suspend contributions when the smaller of the market value or the actuarial value of Plan assets exceeds the lesser of:

- The actuarial accrued liability (including normal cost), or
- 150% of the estimated current liability (including normal cost).

Normal cost as a percentage of pay has remained relatively stable over the past 5 years ranging from a low of 15.04% for 2004-2005 to a high of 15.81% for 2006-2007. The Plan remains fully funded for 2006-2007 under the UCRP funding policy shown above as once again the assets exceed the actuarial accrued liability.

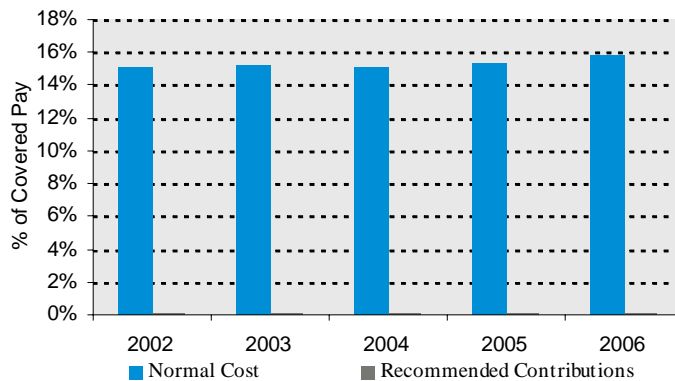
The Plan's funded percentage (actuarial value of assets divided by actuarial accrued liability) has steadily declined over the past five years as shown below:

Plan Year <u>Beg. 7/1</u>	AAL <u>\$ in Billions</u>	AVA <u>\$ in Billions</u>	Funded <u>Percentage</u>
2002	30.1	41.6	138
2003	33.0	41.4	126
2004	35.0	41.3	118
2005	37.3	41.1	110
2006	40.3	42.0	104

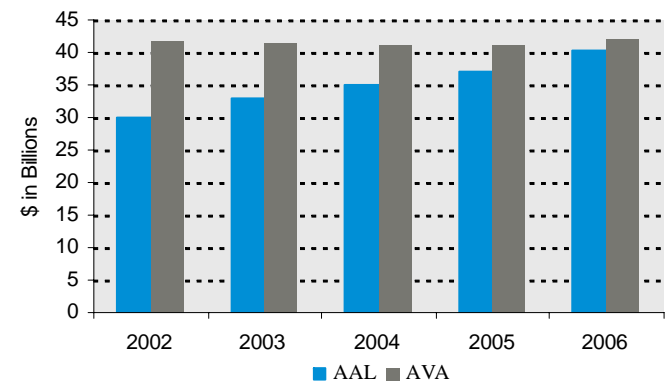
The actuarial accrued liability has shown a steady increase while the actuarial value of assets has remained relatively level as prior investment losses are being recognized over a five-year period and no contributions are being made.

*The first graph shows a five-year history of the normal cost as a percent of pay along side the recommended contributions. The second graph shows the five-year history of the funded status – actuarial accrued liability versus the actuarial value of assets.*

**Five-Year History of Normal Cost and Recommended University Contributions for Plan Years Beginning July 1**



**Five-Year History of Actuarial Accrued Liability and Actuarial Value of Assets for Plan Years Beginning July 1**



**SECTION 2: Valuation Results for the University of California Retirement Plan**

**SECTION 2: Valuation Results for the University of California Retirement Plan**

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**A. MEMBER DATA**

The Actuarial Valuation and Review considers the number and demographics of covered members, including active members, vested terminated members, retired members, disabled members and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A and B.

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**CHART 1**

**Member Population: 1997 – 2006**

*A historical perspective of how the participant population has changed over the past ten valuations can be seen in this chart.*

<b>Year Beginning July 1</b>	<b>Active Members</b>	<b>Terminated Vested Members*</b>	<b>Retired Members, Disabled Members and Beneficiaries</b>	<b>Ratio of Retirees to Actives</b>
1997	93,404	28,778	29,659	0.32
1998	93,363	21,998	30,346	0.33
1999	98,123	22,109	31,242	0.32
2000	103,382	21,950	32,770	0.32
2001	109,848	23,278	34,684	0.32
2002	117,776	25,198	36,165	0.31
2003	121,351	31,262	37,867	0.31
2004	123,717	39,874	39,738	0.32
2005	124,642	47,123	41,477	0.33
2006	122,317	52,548	45,442	0.37

\* Includes terminated nonvested members due a refund of member contributions or CAP balance payment.

**SECTION 2: Valuation Results for the University of California Retirement Plan**

**Active Members**

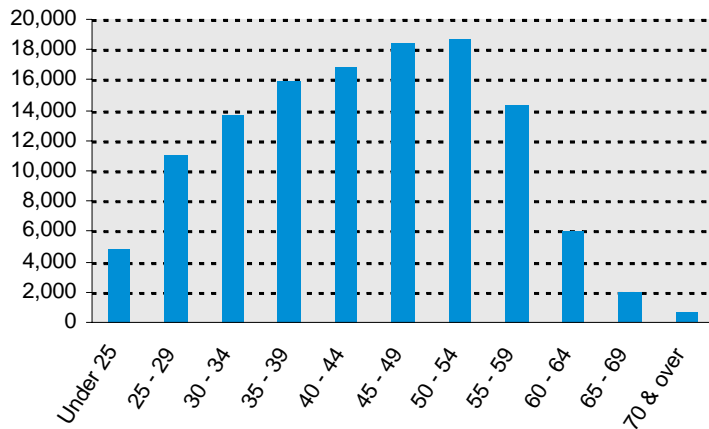
Plan costs and liabilities are affected by the age, service credit and compensation of active members. In this year's valuation, there are 122,317 active members with an average age of 44.2 years, average service credit of 9.3 years and average compensation of \$67,521.

**Inactive Members**

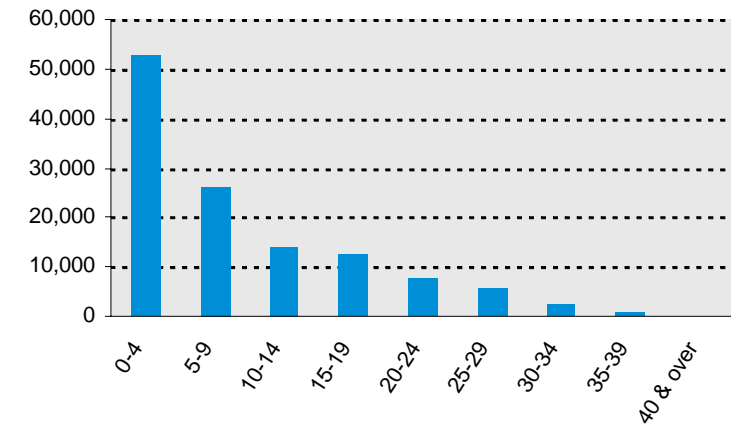
In this year's valuation, there were 52,548 terminated members. Within this group of terminated members there are 25,570 members with a vested right to a deferred or immediate vested monthly benefit and 26,978 terminated nonvested members who are entitled to a return of their member contributions or a distribution of their CAP balance.

*These graphs show a distribution of active members by age and by service credit. In Chart 3 there are 115 members who have 40 or more years of service credit.*

**CHART 2**  
**Distribution of Active Members by Age as of July 1, 2006**



**CHART 3**  
**Distribution of Active Members by Service Credit as of July 1, 2006**



**SECTION 2: Valuation Results for the University of California Retirement Plan**

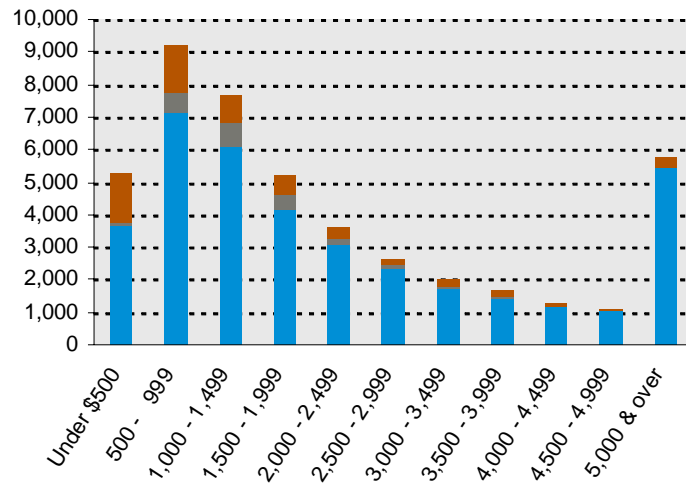
**Retired Members, Disabled Members and Beneficiaries**

As of July 1, 2006, 37,289 retired members, 2,269 disabled members and 5,884 beneficiaries were receiving total monthly benefits of \$108,233,046.

*These graphs show a distribution of the current retired members, disabled members and beneficiaries based on their monthly benefit and age.*

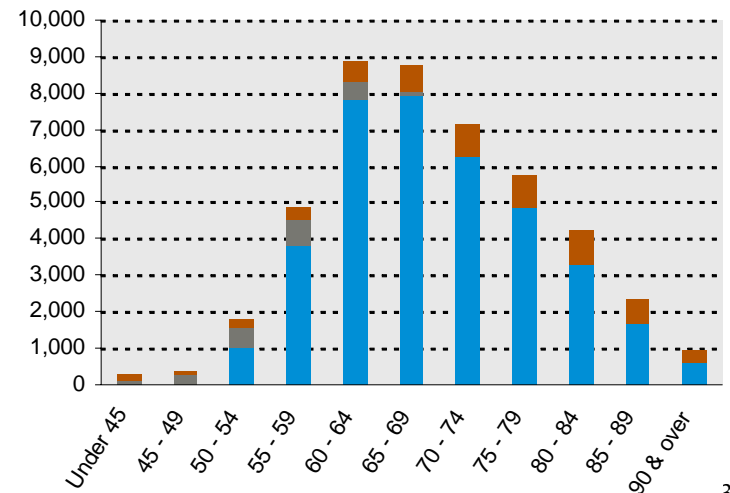
**CHART 4**

**Distribution of Retired Members, Disabled Members and Beneficiaries by Monthly Benefit as of July 1, 2006**



**CHART 5**

**Distribution of Retired Members, Disabled Members and Beneficiaries by Age as of July 1, 2006**



## SECTION 2: Valuation Results for the University of California Retirement Plan

### B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both net contributions (less administration expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information for UCRP, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D and E.

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Regents have approved an asset valuation method for UCRP that smoothes market value investment gains and losses over a five-year period. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

*The chart shows the determination of the actuarial value of assets as of the valuation date.*

### CHART 6

#### Determination of Actuarial Value of Assets for Year Ended June 30, 2006

			(\$ in 000s)
1. Market value of assets			\$43,362,224
2. Calculation of unrecognized return*	<u>Amount*</u>	<u>Unrecognized Return**</u>	
(a) Year ended June 30, 2006	(\$106,416)	(\$85,133)	
(b) Year ended June 30, 2005	1,062,517	637,510	
(c) Year ended June 30, 2004	2,420,256	968,102	
(d) Year ended June 30, 2003	(653,657)	(130,731)	
(e) Year ended June 30, 2002	<u>(6,340,338)</u>	<u>0</u>	
(f) Total unrecognized return			1,389,748
3. Actuarial value of assets: (1) - (2f)			<u>41,972,476</u>
4. Actuarial value as a percentage of market value: (3) ÷ (1)			96.8%

\* Total return minus expected return on a market value basis

\*\* Recognition at 20% per year over 5 years

## SECTION 2: Valuation Results for the University of California Retirement Plan

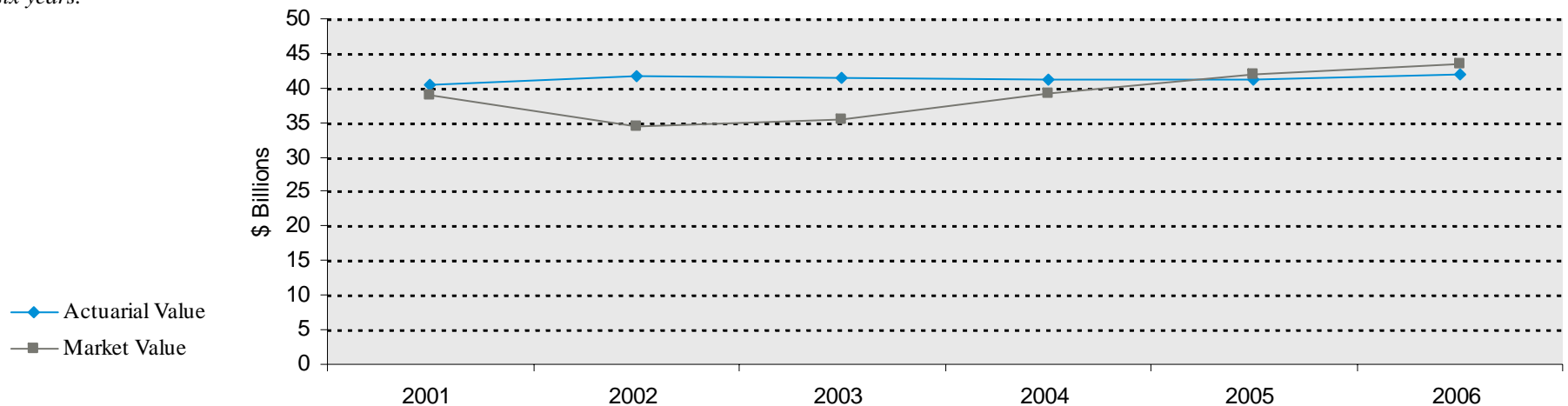
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Both the actuarial value and market value of assets are representations of the Plan's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial value of assets is significant because UCRP's liabilities are compared to the actuarial value of assets to determine what portion, if any, remains unfunded. Amortization of any unfunded liability may become an important element in determining future contribution rates.

*This chart shows the change in the actuarial value of assets versus the market value over the past six years.*

**CHART 7**

**Actuarial Value of Assets vs. Market Value of Assets for Years Ended June 30, 2001 – 2006**



## SECTION 2: Valuation Results for the University of California Retirement Plan

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### C. ACTUARIAL EXPERIENCE

To calculate contribution rates, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution rate will decrease from the previous year. On the other hand, the contribution rate will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution rates to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution rate is adjusted to take into account a change in experience anticipated for all future years.

The components of the total loss of \$1.1 billion are shown below. The net experience loss from sources other than investments was 1.1% of the expected actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

*This chart provides a summary of the actuarial experience during the past year.*

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### CHART 8 Actuarial Experience for Year Ended June 30, 2006

	(\$ in 000s)
1. Net (loss) from investments*	(\$665,579)
2. Net (loss) from salary increases greater than assumed	(392,978)
3. Net (loss) from other experience	<u>(48,598)</u>
4. Net experience (loss): (1) + (2) + (3)	(\$1,107,155)

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\* Details in Chart 9



**SECTION 2: Valuation Results for the University of California Retirement Plan**

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**Investment Rate of Return**

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on UCRP's investment policy. For valuation purposes, the assumed rate of return is 7.50%. As shown below, the actual rate of return on the actuarial value of assets for the 2005-2006 Plan Year was 5.85%.

Since the actual return for the year was less than the assumed return, the Plan experienced an actuarial loss during the year ended June 30, 2006 with regard to its investments, when measured based on the actuarial value of assets. The amount of this loss is derived below.

*This chart shows the (loss) due to investment experience.*

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**CHART 9**  
**Investment Experience for Year Ended June 30, 2006**

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	<b>June 30, 2006</b> <b>(\$ in 000s)</b>
1. Actual return on actuarial value of assets	\$2,360,551
2. Average actuarial value of assets	40,348,394
3. Actual rate of return: (1) ÷ (2)	5.85%
4. Assumed rate of return	7.50%
5. Expected return: (2) x (4)	3,026,130
6. Actuarial (loss): (1) – (5)	(\$665,579)

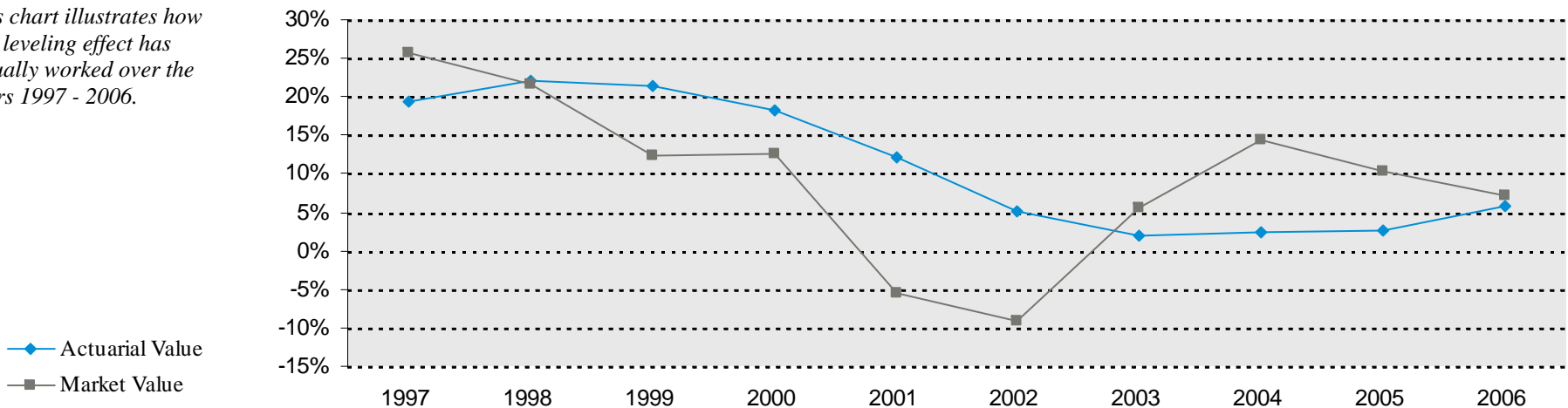
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## SECTION 2: Valuation Results for the University of California Retirement Plan

In the preceding subsection B we described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this method is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs. This effect is clear in the chart below, where the year-to-year returns on actuarial value are less volatile than the returns on market value.

**CHART 10**  
**Market and Actuarial Rates of Return for Years Ended June 30, 1997 - 2006**

*This chart illustrates how this leveling effect has actually worked over the years 1997 - 2006.*



## SECTION 2: Valuation Results for the University of California Retirement Plan

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### **Other Experience**

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the members,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net loss from this other experience for the year ended June 30, 2006 amounted to \$442 million which is 1.1% of the expected actuarial accrued liability.

## SECTION 2: Valuation Results for the University of California Retirement Plan

### D. RECOMMENDED CONTRIBUTION

Beginning with the 1990 plan year, the Regents adopted a full funding policy. Under that policy, the University will suspend contributions when the smaller of the market value or actuarial value of plan assets exceeds the lesser of:

- The actuarial accrued liability (including normal cost), or
- 150% of the estimated current liability (including normal cost).

Based on application of the full funding policy, the recommended contributions to the plan are \$0.

The contribution rates as of July 1, 2006 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4 and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

*The chart compares this valuation's recommended contribution with the prior valuation.*

### CHART 11

#### Recommended Contribution

	Plan Year Beginning July 1			
	2006 (\$ in 000s)		2005 (\$ in 000s)	
	Amount	% of Payroll	Amount	% of Payroll
1. Normal cost, beginning of year				
a. Non-safety members	\$1,297,558	15.77%	\$1,243,104	15.31%
b. Safety members	<u>7,832</u>	23.72%	<u>6,957</u>	23.00%
c. Total	\$1,305,390	15.81%	\$1,250,061	15.34%
2. Normal cost, adjusted for timing to middle of year				
a. Non-safety members	\$1,345,337	16.35%	\$1,288,878	15.87%
b. Safety members	<u>8,120</u>	24.59%	<u>7,213</u>	23.85%
c. Total	\$1,353,457	16.39%	\$1,296,091	15.90%
3. Full funding limitation*				
a. Actuarial liability basis	0	N/A	0	N/A
b. Current liability basis	9,806,139	N/A	6,216,589	N/A
c. Lesser of 3(a) and 3(b)	0	N/A	0	N/A
4. Recommended contribution, lesser of (2c) and (3c)	0	0.00%	0	0.00%
5. Covered payroll	\$8,258,985		\$8,149,640	

\* Details in Exhibit H

## SECTION 2: Valuation Results for the University of California Retirement Plan

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### Components and Reconciliation of Normal Cost

Chart 12 below details the components of normal cost as of July 1, 2006. Chart 13 shows a reconciliation of the normal cost percentage from July 1, 2005 to July 1, 2006.

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#### CHART 12

##### Components of Normal Cost as of July 1, 2006

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	(\$ in 000s)	% of Payroll
Retirement benefits	\$982,650	11.90%
Withdrawal benefits	117,711	1.43%
Disability benefits	120,728	1.46%
Death benefits	43,006	0.52%
Administrative expenses	41,295	0.50%
<b>Total Normal Cost</b>	<b>\$1,305,390</b>	<b>15.81%</b>

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#### CHART 13

##### Reconciliation of the Normal Cost from July 1, 2005 to July 1, 2006

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	% of Payroll
Normal Cost as of July 1, 2005	15.34%
Change in demographic profile of participants	0.15%
Change due to removal of one year of select and ultimate salary scale	0.32%
Normal Cost as of July 1, 2006	15.81%

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## SECTION 2: Valuation Results for the University of California Retirement Plan

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### E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. The information required is set forth in Governmental Accounting Standards (GAS) 25 and 27. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contributions (\$0) to the actual contributions (\$0). This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the assets of the plan to the liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

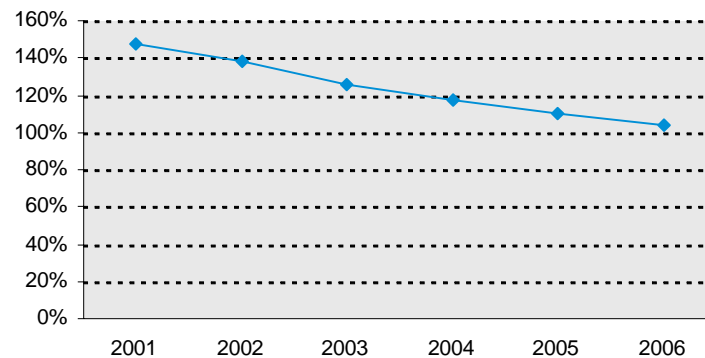
The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits I, II and III.

*This graph shows the Plan's funded ratio.*

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**CHART 14**  
**Funded Ratio (Plan Year Beginning July 1)**

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**SECTION 3: Supplemental Information for the Valuation of the University of California Retirement Plan**

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT A**

**Table of Plan Coverage**

**i. Active Members**

<b>Category</b>	<b>Year Beginning July 1</b>		<b>Change From Prior Year</b>
	<b>2006</b>	<b>2005</b>	
<b>Active members with Social Security:</b>			
Number	117,935	118,782	-0.7%
Average age	43.8	43.7	N/A
Average service credit	8.7	8.7	0.0%
Total compensation	\$7,871,639,170	\$7,660,232,931	2.8%
Average compensation	66,746	64,490	3.5%
<b>Active members without Social Security:</b>			
Number	3,957	5,442	-27.3%
Average age	55.6	54.2	N/A
Average service credit	26.5	25.3	4.7%
Total compensation	\$354,323,937	\$459,157,178	-22.8%
Average compensation	89,544	84,373	6.1%
<b>Safety members:</b>			
Number	425	418	1.7%
Average age	40.4	40.1	N/A
Average service credit	10.2	10.4	-1.9%
Total compensation	\$33,021,755	\$30,250,028	9.2%
Average compensation	77,698	72,368	7.4%
<b>All active members:</b>			
Number	122,317	124,642	-1.9%
Average age	44.2	44.2	N/A
Average service credit	9.3	9.4	-1.1%
Total compensation	\$8,258,984,862	\$8,149,640,137	1.3%
Average compensation	67,521	65,384	3.3%



**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT A**

**Table of Plan Coverage**

**ii. Nonactive Members**

<b>Category</b>	<b>Year Beginning July 1</b>		<b>Change From Prior Year</b>
	<b>2006</b>	<b>2005</b>	
<b>Terminated vested members:</b>			
Number	25,570	22,671	12.8%
Average age	47.5	47.5	N/A
Total monthly benefit	\$17,436,312	\$14,484,596	20.4%
Average monthly benefit	682	639	6.7%
<b>Terminated nonvested members:</b>			
Number	26,978	24,452	10.3%
Average member refund and CAP balance	\$2,355	\$2,204	6.9%
<b>Retired members:</b>			
Number in pay status	37,289	33,590	11.0%
Average age	69.3	69.7	N/A
Total monthly benefit	\$95,518,074	\$79,450,826	20.2%
Average monthly benefit	2,562	2,365	8.3%
<b>Disabled members:</b>			
Number in pay status	2,269	2,225	2.0%
Average age	55.2	54.9	N/A
Total monthly benefit	\$3,427,934	\$3,258,967	5.2%
Average monthly benefit	1,511	1,465	3.1%
<b>Beneficiaries (includes Eligible Survivors, Contingent Annuitants, and Spouses/Domestic Partners):</b>			
Number in pay status	5,884	5,662	3.9%
Average age	72.5	72.0	N/A
Total monthly benefit	\$9,287,038	\$8,636,451	7.5%
Average monthly benefit	1,578	1,525	3.5%

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT B**

**Members in Active Service and Average Compensation as of July 1, 2006  
By Age and Service Credit**

**i. All Active Members**

Age	Service Credit									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	4,833	4,791	42	--	--	--	--	--	--	--
	\$36,675	\$36,688	\$35,234	--	--	--	--	--	--	--
25 - 29	11,008	9,757	1,238	13	--	--	--	--	--	--
	46,291	46,327	45,932	\$53,576	--	--	--	--	--	--
30 - 34	13,657	9,668	3,486	494	9	--	--	--	--	--
	55,874	55,970	55,575	55,968	\$63,561	--	--	--	--	--
35 - 39	15,874	8,755	4,887	1,746	466	20	--	--	--	--
	62,748	60,327	66,349	65,727	59,771	\$51,988	--	--	--	--
40 - 44	16,904	6,365	5,051	2,998	1,899	556	35	--	--	--
	67,316	60,975	68,873	76,536	69,334	69,198	\$66,693	--	--	--
45 - 49	18,471	5,032	4,223	3,222	3,289	1,916	762	27	--	--
	71,716	62,171	68,782	78,885	78,852	79,262	71,227	\$63,297	--	--
50 - 54	18,628	4,091	3,392	2,788	3,267	2,576	1,984	515	15	--
	75,737	65,766	68,791	77,151	80,667	87,863	82,781	74,523	\$56,822	--
55 - 59	14,393	2,758	2,375	1,987	2,273	1,903	1,861	996	237	3
	78,764	67,058	71,490	75,518	80,043	89,161	92,634	87,721	72,957	\$68,259
60 - 64	5,997	1,130	1,011	768	910	649	719	568	236	6
	88,785	73,320	69,895	79,591	85,514	100,265	110,058	122,744	108,062	93,388
65 - 69	1,924	363	304	211	240	161	173	205	224	43
	104,358	79,893	80,295	85,738	96,058	116,795	128,305	137,199	139,265	137,401
70 & over	628	129	78	62	73	47	47	45	84	63
	115,811	85,499	76,112	79,691	113,514	133,102	143,389	153,253	154,016	154,079
Total	122,317	52,839	26,087	14,289	12,426	7,828	5,581	2,356	796	115
	\$67,521	\$56,301	\$65,888	\$75,305	\$78,390	\$86,551	\$89,824	\$98,557	\$110,275	\$142,438

Average Age: 44.2

Average Service Credit: 9.3

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT B**

**Members in Active Service and Average Compensation as of July 1, 2006  
By Age and Service Credit**

**ii. Members with Social Security**

Age	Service Credit									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	4,782	4,741	41	--	--	--	--	--	--	--
	\$36,605	\$36,622	\$34,682	--	--	--	--	--	--	--
25 - 29	10,795	9,552	1,230	13	--	--	--	--	--	--
	46,284	46,337	45,798	\$53,576	--	--	--	--	--	--
30 - 34	13,382	9,424	3,462	487	9	--	--	--	--	--
	56,000	56,206	55,466	55,665	\$63,561	--	--	--	--	--
35 - 39	15,681	8,624	4,852	1,723	462	20	--	--	--	--
	62,775	60,458	66,301	65,423	59,575	\$51,988	--	--	--	--
40 - 44	16,777	6,313	5,032	2,975	1,879	543	35	--	--	--
	67,274	61,004	68,873	76,493	69,174	68,289	\$66,693	--	--	--
45 - 49	18,355	5,012	4,218	3,212	3,263	1,886	746	18	--	--
	71,712	62,193	68,785	78,910	78,813	79,303	71,031	\$68,964	--	--
50 - 54	17,960	4,067	3,387	2,782	3,225	2,506	1,872	118	3	--
	75,728	65,653	68,800	77,135	80,640	88,157	82,924	76,946	\$52,643	--
55 - 59	12,985	2,744	2,370	1,974	2,226	1,810	1,633	211	16	1
	78,168	66,947	71,499	75,459	79,766	88,947	93,940	93,761	65,779	\$113,962
60 - 64	5,200	1,107	999	764	893	607	616	160	53	1
	85,331	72,997	69,770	79,717	85,105	99,660	109,982	133,820	124,464	58,942
65 - 69	1,523	347	298	211	235	145	137	57	76	17
	96,568	78,611	79,719	85,738	96,334	117,284	129,758	135,947	136,208	142,706
70 & over	495	124	77	61	72	46	39	17	31	28
	105,824	82,001	75,976	79,658	113,640	134,223	139,380	158,550	154,377	151,149
Total	117,935	52,055	25,966	14,202	12,264	7,563	5,078	581	179	47
	\$66,746	\$56,346	\$65,854	\$75,268	\$78,252	\$86,378	\$89,587	\$106,644	\$128,181	\$145,342

Average Age: 43.8

Average Service Credit: 8.7

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT B**

**Members in Active Service and Average Compensation as of July 1, 2006  
By Age and Service Credit**

**iii. Members without Social Security**

Age	Service Credit									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	36	36	--	--	--	--	--	--	--	--
	\$36,382	\$36,382	--	--	--	--	--	--	--	--
25 - 29	161	161	--	--	--	--	--	--	--	--
	41,265	41,265	--	--	--	--	--	--	--	--
30 - 34	216	211	5	--	--	--	--	--	--	--
	45,134	44,472	\$73,067	--	--	--	--	--	--	--
35 - 39	115	106	9	--	--	--	--	--	--	--
	50,232	48,344	72,470	--	--	--	--	--	--	--
40 - 44	41	30	6	4	--	1	--	--	--	--
	58,168	52,884	66,421	\$78,789	--	\$84,682	--	--	--	--
45 - 49	55	13	1	3	7	14	8	9	--	--
	63,676	48,790	49,979	60,380	\$92,475	67,843	\$71,499	\$51,964	--	--
50 - 54	613	11	3	3	32	56	102	394	12	--
	74,182	65,461	60,445	72,821	80,916	73,636	78,859	73,357	\$57,867	--
55 - 59	1,394	10	5	11	46	90	225	784	221	2
	84,025	79,922	67,433	81,059	93,436	93,325	82,743	86,045	73,477	\$45,408
60 - 64	792	22	11	3	15	42	103	408	183	5
	111,483	89,774	75,413	51,970	110,600	108,999	110,508	118,400	103,312	100,277
65 - 69	401	16	6	--	5	16	36	148	148	26
	133,946	107,695	108,924	--	83,086	112,364	122,773	137,681	140,835	133,932
70 & over	133	5	1	1	1	1	8	28	53	35
	152,981	172,239	86,604	81,693	104,455	81,549	162,935	150,037	153,805	156,424
Total	3,957	621	47	25	106	220	482	1,771	617	68
	\$89,544	\$49,534	\$75,623	\$73,760	\$91,638	\$90,976	\$91,988	\$95,830	\$105,080	\$140,430

Average Age: 55.6

Average Service Credit: 26.5

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT B**

**Members in Active Service and Average Compensation as of July 1, 2006  
By Age and Service Credit**

**iv. Safety Members**

Age	Service Credit									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	15	14	1	--	--	--	--	--	--	--
	\$59,739	\$59,871	\$57,886	--	--	--	--	--	--	--
25 - 29	52	44	8	--	--	--	--	--	--	--
	63,297	62,684	66,668	--	--	--	--	--	--	--
30 - 34	59	33	19	7	--	--	--	--	--	--
	66,636	61,957	70,927	\$77,047	--	--	--	--	--	--
35 - 39	78	25	26	23	4	--	--	--	--	--
	75,820	65,940	73,044	88,557	\$82,380	--	--	--	--	--
40 - 44	86	22	13	19	20	12	--	--	--	--
	79,969	63,744	69,843	82,720	84,364	\$109,004	--	--	--	--
45 - 49	61	7	4	7	19	16	8	--	--	--
	80,363	71,139	70,984	75,227	80,487	84,428	\$89,196	--	--	--
50 - 54	55	13	2	3	10	14	10	3	--	--
	95,819	101,130	66,239	96,467	88,776	92,084	95,958	\$132,315	--	--
55 - 59	14	4	--	2	1	3	3	1	--	--
	107,913	111,276	--	103,073	80,698	93,517	123,700	127,184	--	--
60 - 64	5	1	1	1	2	--	--	--	--	--
	85,686	68,630	134,088	65,817	79,949	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	425	163	74	62	56	45	21	4	--	--
	\$77,698	\$67,596	\$71,574	\$84,448	\$83,472	\$93,969	\$97,345	\$131,032	--	--

Average Age: 40.4

Average Service Credit: 10.2

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT C**

**Reconciliation of Member Data**

	<b>Active Members</b>	<b>Terminated Vested Members*</b>	<b>Retired Members</b>	<b>Disabled Members</b>	<b>Beneficiaries</b>	<b>Total</b>
Number as of July 1, 2005	124,642	47,123	33,590	2,225	5,662	213,242
New members	15,528	N/A	N/A	N/A	N/A	15,528
Terminations – with vested rights	(6,890)	6,890	0	0	0	0
Termination – without vested rights**	(7,111)	(794)	0	0	0	(7,905)
Retirements	(4,055)	(528)	4,500	83	N/A	0
Lump Sum Cashouts	(565)	(326)	0	0	N/A	(891)
Return to work	882	(882)	0	0	N/A	0
Died with or without beneficiary	(125)	(49)	(810)	(47)	252	(779)
Data adjustments	<u>11</u>	<u>1,114</u>	<u>9</u>	<u>8</u>	<u>(30)</u>	<u>1,112</u>
Number as of July 1, 2006	122,317	52,548	37,289	2,269	5,884	220,307

\* Includes terminated nonvested members due a refund of member contributions or CAP balance payment.

\*\* “Termination – without vested rights” includes those members who terminated and received a refund of member contributions or a distribution of their CAP balance.

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT D**

**Summary Statement of Income and Expenses**

	Year Ended June 30, 2006 (\$ in 000s)	Year Ended June 30, 2005 (\$ in 000s)
<b>Contribution income:</b>		
Employer contributions	\$ 13	\$ 736
Members contributions	1,746	1,653
Less administration expense	<u>(34,010)</u>	<u>(21,258)</u>
Net contribution income	(\$32,251)	(\$18,869)
<b>Investment income:</b>		
Interest, dividends and other income	\$1,707,064	\$1,335,523
Recognition of capital appreciation	1,081,263	(84,859)
Less investment fees	<u>(434,284)</u>	<u>(152,639)</u>
Net investment income	2,354,043	1,098,025
Other income	6,506	6,865
<b>Total income available for benefits</b>	<b>\$2,328,298</b>	<b>\$1,086,021</b>
<b>Less benefit payments</b>	<b>(\$1,440,684)</b>	<b>(\$1,294,209)</b>
<b>Change in reserve for future benefits</b>	<b>\$887,614</b>	<b>(\$208,188)</b>

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT E**

**Summary Statement of Assets**

	Year Ended June 30, 2006 (\$ in 000s)	Year Ended June 30, 2005 (\$ in 000s)
<b>Cash equivalents</b>	\$18,992	\$234,848
<b>Accounts receivable:</b>		
Contributions	\$74,022	\$ 80,426
Interest and dividends	139,546	124,314
Investment of cash collateral	10,445,933	7,901,277
Securities sales and other	<u>289,339</u>	<u>118,502</u>
Total accounts receivable	10,948,840	8,224,519
<b>Investments:</b>		
Equity securities	\$29,264,419	\$27,478,773
Fixed income securities	14,226,605	14,663,978
Real estate	229,968	62,605
Other	<u>459,476</u>	<u>0</u>
Total investments at market value	<u>44,180,468</u>	<u>42,205,356</u>
<b>Total assets</b>	\$55,148,300	\$50,664,723
<b>Less accounts payable:</b>		
Payable for securities purchased	(\$1,302,132)	(\$781,247)
Member withdrawals, refunds and other payables	(37,045)	(126,505)
Collateral held for securities lending	<u>(10,446,899)</u>	<u>(7,899,471)</u>
Total accounts payable	(\$11,786,076)	(\$8,807,223)
<b>Net assets at market value</b>	<u>\$43,362,224</u>	<u>\$41,857,500</u>
<b>Net assets at actuarial value (for comparison purposes)</b>	<u>\$41,972,476</u>	<u>\$41,084,862</u>



**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

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**EXHIBIT F**

**Development of Unfunded/(Overfunded) Actuarial Accrued Liability (\$ in 000s)**

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	<b>Year Ended June 30, 2006</b>
1. Unfunded/(Overfunded) actuarial accrued liability at beginning of year	(\$3,832,478)
2. Normal cost at beginning of year	1,250,061
3. Total contributions (employer and member)	(1,759)
4. Interest	
(a) For whole year on (1) + (2)	(\$193,681)
(b) For half year on (3)	<u>(66)</u>
(c) Total interest	<u>(193,747)</u>
5. Expected unfunded/(overfunded) actuarial accrued liability	(\$2,777,923)
6. Changes due to:	
(a) Actuarial loss	<u>\$1,107,155</u>
(b) Total changes	<u>1,107,155</u>
7. Unfunded/(Overfunded) actuarial accrued liability at end of year	<u>(\$1,670,768)</u>

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**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT G**

**Actuarial Liabilities**

	July 1, 2006 (\$ in 000s)	July 1, 2005 (\$ in 000s)
<b>Actuarial Accrued Liability</b>		
Members in pay status		
Retirees*	\$13,573,503	\$11,008,951
Beneficiaries	1,048,757	986,013
Disableds	<u>493,126</u>	<u>470,013</u>
Total in pay status	\$15,115,386	\$12,464,977
Active members		
With Social Security	\$19,437,900	\$18,909,958
Without Social Security	2,758,314	3,371,819
Safety	<u>141,382</u>	<u>134,447</u>
Total actives	\$22,337,596	\$22,416,224
Terminated members		
Vested	\$2,785,202	\$2,317,292
Nonvested	<u>63,524</u>	<u>53,891</u>
Total terminated	\$2,848,726	\$2,371,183
Total actuarial accrued liability	\$40,301,708	\$37,252,384
<b>Current Liability</b>		
Members in pay status*	\$15,115,386	\$12,464,977
Active members	15,303,461	15,493,165
Terminated members	<u>2,848,726</u>	<u>2,371,183</u>
Total current liability	\$33,267,573	\$30,329,325
<b>Actuarial Present Value of Projected Benefits</b>		
Members in pay status*	\$15,115,386	\$12,464,977
Active members	33,427,523	32,822,184
Terminated members	<u>2,848,726</u>	<u>2,371,183</u>
Total present value of projected benefits	\$51,391,635	\$47,658,344

\* For July 1, 2006, includes a liability of \$137.3 million for Lump Sum Cashouts, CAP balance payments and refunds of member contributions that were paid on or after July 1, 2006.

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT H**  
**Full Funding Limitations**

<b>Assets</b>	<b>July 1, 2006</b> <b>(\$ in 000s)</b>	<b>July 1, 2005</b> <b>(\$ in 000s)</b>
Actuarial value of assets at beginning of Plan Year	\$41,972,476	\$41,084,862
Market value of assets at beginning of Plan Year	43,362,224	41,857,500
Lesser of actuarial value and market value	41,972,476	41,084,862
Estimated Plan disbursements	(1,973,588)	(1,595,181)
Interest to end of Plan Year	<u>3,072,378</u>	<u>3,020,017</u>
Estimated assets at end of Plan Year	\$43,071,266	\$42,509,698
<b>Full Funding Limitation - Actuarial Accrued Liability Basis</b>		
Actuarial accrued liability at beginning of Plan Year	\$40,301,708	\$37,252,384
Normal cost at beginning of Plan Year	1,305,390	1,250,061
Estimated Plan disbursements	(1,973,588)	(1,595,181)
Interest to end of Plan Year	<u>3,044,974</u>	<u>2,826,336</u>
Estimated actuarial accrued liability at end of Plan Year	\$42,678,484	\$39,733,600
Estimated assets at end of Plan Year	<u>43,071,266</u>	<u>42,509,698</u>
Full funding limitation (minimum zero)	\$ 0	\$ 0
<b>Full Funding Limitation - Current Liability Basis</b>		
Current liability at beginning of Plan Year	\$33,267,573	\$30,329,325
Current liability normal cost at beginning of Plan Year	1,430,798	1,429,484
Estimated Plan disbursements	(1,973,588)	(1,595,181)
Interest to end of Plan Year	<u>2,526,820</u>	<u>2,320,563</u>
Estimated current liability at end of Plan Year	\$35,251,603	\$32,484,191
150% of estimated current liability	52,877,405	48,726,287
Estimated assets at end of Plan Year	<u>43,071,266</u>	<u>42,509,698</u>
Full funding limitation (minimum zero)	\$ 9,806,139	\$ 6,216,589

### SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan

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#### EXHIBIT I

#### Section 415 Limitations

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Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit indexed for inflation. That limit is \$170,000 for 2005 and \$175,000 for 2006. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, form of benefits chosen and after tax contributions.

The University pays benefits in excess of the limits through a 415(m) Restoration Plan.

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

### SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan

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#### EXHIBIT J

#### Definitions of Pension Terms

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The following list defines certain technical terms for the convenience of the reader:

#### **Assumptions or Actuarial**

##### **Assumptions:**

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield which the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age; and
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

##### **Normal Cost:**

The amount required to fund the level cost allocated to the current year of service.

##### **Actuarial Accrued Liability for Actives:**

The accumulated value of normal costs allocated to the years before the valuation date.

##### **Actuarial Accrued Liability for Pensioners:**

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and of the interest which the sum is expected to earn before it is entirely paid out in benefits.

##### **Unfunded (Overfunded) Actuarial Accrued Liability:**

The extent to which the actuarial accrued liability of the Plan exceeds (or is exceeded by) the assets of the Plan. There is a wide range of approaches to recognizing the unfunded or overfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

**SECTION 3: Supplemental Information from the Valuation of the University of California Retirement Plan**

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**Amortization of the Unfunded  
(Overfunded) Actuarial  
Accrued Liability:**

Payments made over a period of years equal in value to the Plan's unfunded or overfunded actuarial accrued liability.

**Investment Return:**

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return reflects a smoothing of market gains and losses to avoid significant swings in the value of assets from one year to the next.

**Current Liability:**

The actuarial present value of accumulated plan benefits.

**Beneficiary:**

Used for statistical purposes only; includes Eligible Survivors, Contingent Annuitants and Spouses/Domestic Partners

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**EXHIBIT I**

**Supplementary Information Required by GAS 25 – Schedule of Employer Contributions**

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<b>Plan Year Ended June 30</b>	<b>Annual Required Contributions</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
2002	\$ 0	\$ 0	100.00%
2003	0	0	100.00%
2004	0	0	100.00%
2005	0	0	100.00%
2006	0	0	100.00%
2007	0	--	100.00%

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**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

**EXHIBIT II**

**Supplementary Information Required by GAS 25 – Schedule of Funding Progress (\$ in 000s)**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]</b>
07/01/2001	\$40,554,492	\$27,451,200	(\$13,103,292)	147.7%	\$6,539,246	(200.4%)
07/01/2002	41,648,822	30,099,594	(11,549,228)	138.4%	7,226,529	(159.8%)
07/01/2003	41,429,311	32,954,757	(8,474,554)	125.7%	7,733,777	(109.6%)
07/01/2004	41,293,050	35,034,183	(6,258,867)	117.9%	7,835,249	(79.9%)
07/01/2005	41,084,862	37,252,384	(3,832,478)	110.3%	8,149,640	(47.0%)
07/01/2006*	41,972,476	40,301,708	(1,670,768)	104.1%	8,258,985	(20.2%)

\* Does not reflect the transfer of assets and liabilities to the LANS defined benefit plan.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**EXHIBIT III**

**Supplementary Information Required by GAS 25 and 27**

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Valuation Date	July 1, 2006
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level percent, Open
Remaining Amortization Period	1.29 Years
Asset Valuation Method	The market value of asset less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and the expected returns on a market value basis and is recognized over a five-year period.
Actuarial Assumptions:	
Investment Rate of Return*	7.50%
Projected Salary Increases*	4.50% to 6.50%
Cost of Living Adjustments	2.00%
Membership of the Plan	
Retirees, disableds and beneficiaries receiving benefits	45,442
Terminated plan members entitled to, but not yet receiving benefits**	52,548
Active plan members	<u>122,317</u>
Total	220,307

---

\* Includes inflation at 4.00%

\*\* Includes terminated nonvested members due a refund of member contributions or CAP balance payment.

Note: The projected salary increases will be 2.0% lower for the period July 1, 2006 through June 30, 2007.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**EXHIBIT IV**

**Actuarial Assumptions and Methods**

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**Demographic Assumptions**

**Post – Retirement Mortality Rates:**

*Healthy:* 1994 Group Annuity Reserving Mortality Table unloaded, projected with scale AA to 2002. Ages are set back two years for males (from the male table) and set back one year for females (from the female table).

*Disabled:* Based upon 1987 Group Long Term Disability Table (composite select and ultimate rates).

**Sample Termination Rates Before Retirement:**

Age	Rate (%)					
	Healthy Mortality		Disabled Mortality*		Disability Incidence	
	Male	Female	Male	Female	Male	Female
20	0.04	0.03	19.60	15.10	0.14	0.06
25	0.06	0.03	18.18	13.81	0.15	0.08
30	0.08	0.03	11.49	7.88	0.16	0.10
35	0.09	0.04	7.86	5.48	0.18	0.16
40	0.10	0.06	5.26	4.13	0.22	0.26
45	0.13	0.09	3.89	3.15	0.28	0.38
50	0.20	0.12	3.30	2.66	0.37	0.57
55	0.33	0.21	3.02	2.84	0.51	0.80
60	0.60	0.40	3.14	3.75	0.78	1.12
65	1.10	0.79	4.28	5.07	1.24	1.45

\* Assumed to apply only while receiving a disability benefit.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Sample Termination Rates Before Retirement (continued):**

Age	Rate (%)			
	Withdrawal – Faculty*			
	Less than one Year of Service	At least one, but less than two Years of Service	At least two, but less than three Years of Service	Three or more Years of Service
	Unisex	Unisex	Unisex	Unisex
20	24.00	22.00	21.00	21.00
25	24.00	20.00	18.00	16.00
30	21.00	10.00	9.00	9.00
35	12.00	8.00	5.00	4.00
40	12.00	6.00	5.00	4.00
45	12.00	5.00	5.00	2.00
50	12.00	3.00	3.00	2.00
55	12.00	3.00	3.00	2.00
60	12.00	3.00	3.00	2.00

\* *Withdrawal rates are assumed to be zero for those members eligible for retirement.*

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Sample Termination Rates Before Retirement (continued):**

<b>Age</b>	<b>Rate (%)</b>			
	<b>Withdrawal – Staff*</b>			
	<b>Less than one Year of Service</b>	<b>At least one, but less than two Years of Service</b>	<b>At least two, but less than three Years of Service</b>	<b>Three or more Years of Service</b>
	<b>Unisex</b>	<b>Unisex</b>	<b>Unisex</b>	<b>Unisex</b>
20	27.00	20.00	16.00	16.00
25	25.00	20.00	16.00	15.00
30	23.00	18.00	12.00	10.00
35	18.00	15.00	10.00	7.00
40	15.00	10.00	8.00	5.00
45	15.00	7.00	6.00	3.00
50	12.00	7.00	6.00	3.00
55	12.00	7.00	4.00	2.00
60	12.00	7.00	4.00	2.00

\* *Withdrawal rates are assumed to be zero for those members eligible for retirement.*

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Sample Termination Rates Before Retirement (continued):**

<b>Age</b>	<b>Rate (%)</b>							
	<b>Withdrawal – Safety*</b>							
	<b>Less than one Year of Service</b>		<b>At least one, but less than two Years of Service</b>		<b>At least two, but less than three Years of Service</b>		<b>Three or more Years of Service</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
20	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
25	20.00	20.00	20.00	20.00	20.00	19.00	18.00	18.00
30	15.00	20.00	15.00	20.00	15.00	16.00	10.00	11.00
35	10.00	19.00	10.00	19.00	10.00	15.00	6.00	7.00
40	10.00	16.00	10.00	16.00	10.00	10.00	4.00	6.00
45	10.00	14.00	10.00	14.00	10.00	10.00	3.00	6.00
50	10.00	10.00	10.00	10.00	10.00	10.00	2.00	5.00
55	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

\* *Withdrawal rates are assumed to be zero for those members eligible for retirement.*

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Retirement Rates:**

<b>Age</b>	<b>Retirement Probability – Unisex</b>		
	<b>Faculty</b>	<b>Staff</b>	<b>Safety</b>
50	3.00%	8.00%	20.00%
51	2.00%	5.00%	5.00%
52	2.00%	5.00%	5.00%
53	2.00%	5.00%	5.00%
54	2.00%	6.00%	5.00%
55	2.00%	6.00%	25.00%
56	2.00%	6.00%	25.00%
57	2.00%	6.00%	25.00%
58	2.00%	8.00%	25.00%
59	4.00%	20.00%	25.00%
60	5.00%	20.00%	25.00%
61	5.00%	20.00%	25.00%
62	5.00%	20.00%	50.00%
63	5.00%	20.00%	50.00%
64	5.00%	30.00%	75.00%
65	6.00%	30.00%	100.00%
66	6.00%	25.00%	100.00%
67	10.00%	25.00%	100.00%
68	10.00%	25.00%	100.00%
69	15.00%	30.00%	100.00%
70	100.00%	100.00%	100.00%

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Retirement Age and Benefit  
for Deferred Vested Members:**

Deferred vested members are assumed to retire at age 50.

**Form of Payment:**

Life annuity for single members;  
25% contingent annuity for members with Social Security in a relationship for at least one year;  
50% contingent annuity for members without Social Security in a relationship for at least one year;  
50% contingent annuity for Safety members in a relationship for at least one year.

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**Future Benefit Accruals:**

1.0 year of service per year for the full-time employees. Part-time employees are assumed to earn full-time service for all future years.

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**Definition of Active Members:**

All members of UCRP who are not separated from active employment as of the valuation date or have not started receiving a monthly pension on or before the valuation date.

The results of this valuation include liabilities even for members who have elected to transfer to the LANS defined benefit plan. These members are still valued as active UCRP members and their liabilities are shown as active in the results.



**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Percent with Eligible Dependents (Samples):**

Age	Male	Female
20	58.00%	66.50%
25	85.00	89.50
30	91.50	92.50
35	93.00	94.00
40	93.50	93.50
45	94.00	92.50
50	95.00	91.00
55	94.50	89.00
60	94.00	85.00
65	93.00	80.00

**Spouse/Domestic Partner Ages:** Members assumed to have an opposite sex spouse or domestic partner, with females three years younger than males.

**Number of Dependents (Samples):**

Age	Number of Eligible Dependents per Active Member with Dependents	
	Male	Female
20	1.0	1.0
25	1.8	2.3
30	2.3	3.2
35	3.0	3.1
40	3.5	2.5
45	3.0	2.0
50	2.5	1.5
55	2.0	1.3
60	1.5	1.1
65	1.3	1.1

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Economic Assumptions**

**Net Investment Return:** 7.50% (including 4.00% for inflation)

**Consumer Price Index:** Increase of 4.00% per year.

**Salary Increases (Samples):**

<u>Annual Rate of Compensation Increase</u>	
The sum of 4.00% inflation (at all ages) plus the following Merit and Longevity increases:	
<u>Age</u>	
20	2.50%
25	2.50%
30	2.10%
35	1.70%
40	1.50%
45	1.30%
50	1.20%
55	1.10%
60	0.90%

The assumed salary increases will be 2.0% lower overall for the period July 1, 2006 through June 30, 2007.

**Administrative Expenses:** 0.5% of payroll added to normal cost.

---

**Actuarial Methods**

**Actuarial Value of Assets:** The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and the expected returns on a market value basis and is recognized over a five-year period.

**Actuarial Cost Method:** Entry Age Normal Actuarial Cost Method. Entry Age is calculated as the valuation date minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salaries, as if the current benefit accrual rate has always been in effect.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Other Actuarial Assumptions**

**Lump Sum Assumptions:**

<i>Discount Rate:</i>	7.50%
<i>COLA:</i>	2.00%
<i>Take-rate:</i>	None assumed.
<i>Mortality:</i>	1994 Group Annuity Reserving Mortality Table unloaded for males set back three years, projected with scale AA to 2002.

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**Approximations:**

<i>Guaranteed Survivor and Disability Benefits</i>	Liability and normal cost for guaranteed survivor and disability benefits for members who elected Social Security was estimated as 10% of their basic liability and normal cost.
<i>Sick Leave</i>	Service has been increased by 0.2% for faculty, 1.4% for staff, and 2.5% for safety members to account for unused sick leave.

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**Changes in Assumptions:**

There have been no changes in actuarial assumptions since the previous valuation.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**EXHIBIT V**

**Summary of Plan Provisions**

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This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

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<b>Effective Date:</b>	April 24, 1954. Includes amendments through July 1, 2006.
<b>Covered Employees:</b>	Generally all employees who are not members of another retirement system to which the Regents contribute, and who: a. Are appointed to work 50% time or more for one year or longer or b. Have generally accumulated at least 1,000 hours in a 12-month period.
<b>Highest Average Plan Compensation (HAPC):</b>	Highest average monthly full-time-equivalent base compensation rate received during any period of 36 consecutive months.

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**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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<b>Age Factor:</b>	Percentage of HAPC per year of service credit (interpolated for fractional ages).			
<i>Nonsafety Members</i>				
	Age	Factor	Age	Factor
	50	1.10%	56	1.94%
	51	1.24	57	2.08
	52	1.38	58	2.22
	53	1.52	59	2.36
	54	1.66	60+	2.50
	55	1.80		
<i>Safety Members</i>	3.0% at all ages 50 and above.			
<i>Tier II Members</i>	Equal to one-half of the Age Factor for Nonsafety Members.			
<b>Benefit Percentage:</b>	Age Factor multiplied by years of service credit; not to exceed 100%.			

**Basic Retirement Income (BRI):**

- Members without Social Security*    Benefit Percentage x HAPC.
- Members with Social Security*    Benefit Percentage x HAPC in excess of \$133 per month.
- Safety Members*    Benefit Percentage x HAPC.

## SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan

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### **Service Retirement:**

<i>Eligibility</i>	Age 50 with 5 years of service credit, or Age 62 regardless of service credit if membership began on or before July 1, 1989, or Retirement on Normal Retirement Date.
<i>Benefit</i>	BRI.
<i>Form of Payment</i>	Single Life Annuity.
<i>Payment Options</i>	Full continuance to contingent annuitant; two-thirds continuance to contingent annuitant; one-half continuance to contingent annuitant; one-half continuance (including post-retirement survivor continuance) to surviving spouse or domestic partner (for members with Social Security only).
<i>Lump Sum Cashout</i>	May be elected in lieu of monthly retirement income.

---

### **Temporary Social Security Supplement:**

<i>Eligibility</i>	For members with Social Security only and retirement must occur before age 65.
<i>Benefit</i>	Temporary annuity payable to age 65 in the amount of \$133 per month multiplied by Benefit Percentage.
<i>Form of Payment</i>	Single Life Annuity.
<i>Payment Options</i>	None.

## SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan

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### **Disability:**

<i>Eligibility</i>	Disablement after five years of service credit; safety members are eligible for duty disability without regard to years of service credit. Service credit continues to accrue during disabled period.
<i>Benefit</i>	
<i>Member without Social Security</i>	25% of final salary, plus 5% of final salary per year of service credit greater than two, total not to exceed 40% of final salary, plus 5% of final salary for each eligible child, total not to exceed 20% of final salary.
<i>Member with Social Security</i>	15% of final salary, plus 2.5% of final salary per year of service credit greater than two, total not to exceed 40% of final salary, less \$106.40 per month.
<i>Safety Members(Non-duty)</i>	Same as for members without Social Security; includes eligible child's benefit.
<i>Safety Members(Duty)</i>	50% of HAPC, or non-duty disability benefit if greater.
<i>Form of Payment</i>	Single life annuity payable until end of disability income period or retirement date if earlier.
<i>Disability Income Period</i>	
<i>Members disabled before November 5, 1990</i>	To earliest of: Date member is eligible to retire and retirement income equals or exceeds disability income; Age 62 (age 67 for members without Social Security); or Date member retires.
<i>Members disabled on or after November 5, 1990</i>	If under age 65 at disablement: Members with Social Security: to age 65 or five years if longer. Members without Social Security: to age 67 or five years if longer. If age 65 or older at disablement: to age 70 or 12 months if longer. Disability income ends if member is no longer disabled.

## SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan

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### **Vested Termination:**

<i>Eligibility</i>	Five years of service credit, or age 62 regardless of service credit if membership began on or before July 1, 1989.
<i>Benefit</i>	BRI beginning at age 50 or later, calculated using HAPC at termination date, adjusting for CPI changes (see Cost-of-Living Adjustment), and benefit formula in effect when benefits commence.
<i>Form of Payment</i>	As for retirement.
<i>Payment Options</i>	As for retirement.
<i>Refund Option</i>	Member may elect a refund of contributions with interest, thereby forfeiting all other benefits.
<i>Lump Sum Cashout</i>	May be elected in lieu of retirement income, available only if at least age 50 with five years service credit at date of termination.



**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Pre-retirement Survivor Income:**

*Eligibility* Eligible survivor of deceased active or disabled member with two or more years of service credit; no service requirement for duty-related death of Safety member.

*Benefit*

*Member without Social Security*

Percent of final salary as follows:

<u>Eligible Survivors</u>	<u>Percent</u>	<u>Minimum Benefit</u>
1	25%	\$200
2	35	\$300
3	40	\$300 plus 5% of final salary
4	45	\$300 plus 10% of final salary
5+	50	\$300 plus 15% of final salary

*Member with Social Security*

25% of final salary less \$106.40 per month.

*Safety Members, non-duty death*

As for members without Social Security.

*Safety Members, duty death*

Percentage of HAPC as follows, but not less than benefit for non-duty death.

<u>Eligible Survivors</u>	<u>Percent of HAPC</u>
1	50.0%
2	62.5
3	70.0
4+	75.0

*Death while eligible to retire*

*Eligibility*

Eligible surviving spouse or domestic partner of active, disabled or inactive member who dies while eligible to retire.

*Benefit*

Greater of benefit described above or monthly benefit to surviving spouse or domestic partner assuming member had retired on date of death and elected full continuance option with spouse or domestic partner as contingent annuitant.

**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Post-retirement Survivor Continuance:**

<i>Eligibility</i>	Eligible survivor of deceased retired member.
<i>Benefit</i>	
<i>Member without Social Security</i>	50% of BRI including COLA.
<i>Member with Social Security</i>	25% of BRI including COLA, plus 25% of Temporary Social Security Supplement (ends when member would have reached age 65).
<i>Safety Members</i>	50% of BRI including COLA.

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**Lump Sum Death Benefit:**

<i>Eligibility</i>	Active, inactive, disabled, or retired member.
<i>Basic Benefit</i>	
<i>Active member who became a member before October 1, 1990</i>	Greater of : \$1,500 plus one month's final salary, or \$7,500.
<i>All others</i>	\$7,500
<i>Residual Benefit</i>	Refund of member contributions plus interest, reduced by a portion of benefits received (100% of retirement income, 50% of pre-retirement survivor income or disability income) payable to beneficiary if no survivor, surviving spouse, domestic partner, or contingent annuitant.

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**Normal Retirement Date:** Attainment of age 60 with five years of service credit.

## SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan

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### Eligible Survivor:

*Eligible Spouse or  
Domestic Partner*

Spouse or domestic partner of deceased active or disabled member in relationship for at least one year before date of death and who is:

Responsible for care of eligible child, disabled, or age 60 (age 50 if spouse of member without Social Security and in Plan prior to October 19, 1973).

*Eligible Child*

Child that is either under age 18, under age 22 and full-time student, or disabled, if disability occurred prior to age 18 or age 22 if a full-time student.

*Eligible Dependent Parent*

Parent of deceased active, disabled or retired member, supported by 50% or more by member for one year prior to earliest of death, disablement or retirement.

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### Inactive Member:

Former UCRP member who retains right to vested benefits.

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### Cost-of-Living Adjustment:

*Basic*

100% of annual Consumer Price Index (CPI) increase up to 2% per year.

*Supplemental*

Greater of: 75% of annual CPI increase above 4%, or accumulated increment.

Accumulated increment: 2% compounded annually from the member's COLA eligibility date through the current date, less 2%.

The sum of the Basic and Supplemental COLA's cannot exceed 6% in a year.

*COLA applies to:*

*Retired members, survivors,  
disabled members, and  
contingent annuitants receiving  
retirement income*

Benefits in pay status one or more years on July 1.

*Inactive members*

HAPC (used to calculate retirement income) adjusted for COLA up to 2% per year from separation date to retirement date; retirement income adjusted using COLA formula.

*Disabled members receiving  
disability income since before  
November 5, 1990*

HAPC (used to calculate retirement income) adjusted for COLA up to COLA formula above for years from disablement to retirement date.

#### SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan

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##### **Capital Accumulation Provision(CAP):**

<i>Eligibility</i>	Active member on specified date; benefits immediately vested.
<i>Allocation Dates</i>	
<i>April 1, 1992</i>	Active member from December 31, 1991 through April 1, 1992: 5.0% of 1991 calendar year covered compensation.
<i>July 1, 1992</i>	Active member on July 1, 1992: 2.5% of 1991-1992 fiscal year covered compensation.
<i>July 1, 1993</i>	Active member on July 1, 1993: 2.5% of 1992-1993 fiscal year covered compensation.
<i>November 1, 1993</i>	Active member on October 1, 1993 and subject to 1993-1994 salary plan: 5.26% of July through October 1993 covered compensation. Not applicable for laboratory members.
<i>July 1, 1994</i>	Active member on June 1, 1994 and subject to 1993-1994 salary plan: 2.67% of November 1993 through June 1994 covered compensation. Not applicable for laboratory members.
<i>May 1, 2002</i>	Active member on April 1, 2002: 3.0% of April 2001 through March 2002 covered compensation.
<i>May 1, 2003</i>	Active member on April 1, 2003: 5.0% of April 2002 through March 2003 covered compensation.
<i>Interest Credit</i>	Regent's approved interest rate; currently 8.5% per year for pre-2002 CAPs and 7.5% for 2002 and later CAPs (CAP II).
<i>Payment</i>	Lump sum payment upon termination, retirement or death.

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##### **University Contributions:**

Determined by the Entry-Age Normal Cost method. Beginning with the 1990 plan year, the Regents adopted a full funding policy. Under that policy, the University will suspend contributions when the smaller of the market value or the actuarial value of plan assets exceeds the lesser of:

The actuarial accrued liability (including normal cost), or  
150% of the estimated current liability (including normal cost).

#### SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan

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<b>Member Contributions:</b>	Member contributions are currently being redirected to the UC Defined Contribution Plan.
<i>Members without Social Security</i>	3.0% of covered compensation, less \$19 per month.
<i>Members with Social Security</i>	2.0% of covered compensation up to the Social Security wage base, plus 4.0% of excess covered compensation, minus \$19 per month.
<i>Safety Members</i>	3.0% of covered compensation, less \$19 per month.
<i>Interest Credit</i>	Regent's approved interest rate; currently 6.0% per year.
<b>Changes in Plan Provisions:</b>	<p>There have been no changes in plan provisions since the last valuation that have a material impact on Plan liabilities and normal cost.</p> <p>Active members at the Los Alamos National Laboratory made an election to either become inactive in UCRP or to transfer to a defined benefit plan that begins effective June 1, 2006 for the Los Alamos National Security LLC (LANS). This valuation includes results reflecting the LANL transfer elections. However, it does not reflect the actual transfer of assets and liabilities to the LANS defined benefit plan. This means that the results of this valuation include liabilities even for members who have elected to transfer to the LANS defined benefit plan. These members are still valued as active UCRP members and their UCRP liabilities are shown as active in the results. LANL members <b>who elected not</b> to transfer to the LANS defined benefit plan are included in the valuation results either as terminated vested or nonvested members, or as retired members if they have retired by July 1, 2006.</p>

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