



University of California Retirement Plan

*Actuarial Valuation Report  
as of July 1, 2008*

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*October 27, 2008*

*Mr. John Cammidge  
Acting Associate Vice President, Human Resources and Benefits  
University of California  
1111 Franklin Street, 7<sup>th</sup> Floor  
Oakland, California 94607-5200*

*Dear Acting Associate Vice President Cammidge:*

*We are pleased to submit this Actuarial Valuation Report as of July 1, 2008 for the University of California Retirement Plan (“UCRP” or “Plan”). It summarizes the actuarial data used in the valuation, recommends total contribution rates for the 2009-2010 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 are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.*

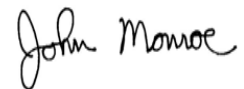
*We look forward to reviewing this report at the November 2008 Regents meeting and to answering any questions.*

*Sincerely,*

*THE SEGAL COMPANY*

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

*ST/kek*

  
\_\_\_\_\_  
*John Monroe, ASA, EA, MAAA  
Vice President and Associate Actuary*

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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, 2008. 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, 2008,
- The assets of the Plan as of June 30, 2008,
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding member terminations, retirement, death, etc.

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

#### **UCRP FUNDING POLICY**

- Effective with this valuation a new funding policy has been adopted that determines recommended total contributions based on the Plan’s normal cost adjusted by an amortization of any surplus or underfunding. This July 1, 2008 valuation determines the recommended total contribution for the Plan Year beginning July 1, 2009.
- The recommended total contribution rate determined by this funding policy for the 2009-2010 Plan Year is 11.61% of covered payroll. This recommended total contribution rate applies to the non-laboratory segment of UCRP (e.g., campuses, medical centers and Hastings College of Law). Contributions for the laboratories are subject to the terms of the University’s contracts with the Department of Energy.
- More details concerning the recommended total contribution and the new funding policy can be found in Section 2, Subsection D, Chart 11, on page 10 and Section 4, Exhibit VI, on page 50. More information on the various UCRP segments can be found in Section 1, page vii. Unless otherwise noted, results shown in this report are for all of UCRP.

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

**LAWRENCE LIVERMORE NATIONAL LABORATORY TRANSFER OF ASSETS AND LIABILITIES**

- Effective October 1, 2007, the management of the Lawrence Livermore National Laboratory (“LLNL”) transferred from the University to the Lawrence Livermore National Security, LLC (“LLNS”). Approximately 3,900 former UC employees elected to transfer their accrued UCRP benefits and service credit to the LLNS Defined Benefit Pension Plan (“LLNS Plan”). Under the terms of management Contract No. W-7405-ENG-48 (“Contract”) between the University of California and the Department of Energy/National Nuclear Security Administration (“DOE/NNSA”) governing the transition to a successor contractor, the University transferred assets and liabilities associated with the UCRP benefits accrued by LLNL employees who elected to participate in the LLNS Plan.
- UCRP retained the liability for UCRP benefits accrued by those vested former LLNL employees who did not elect to participate in the LLNS Plan, as well as the liability for inactive and retired LLNL members (LLNL “Retained Segment”). In addition to retaining assets to cover 100% of the liabilities of the LLNL Retained Segment, UCRP retained an additional Contribution Reserve Amount (CRA) of \$140 million to offset future funding obligations for the LLNL Retained Segment. The DOE/NNSA will reimburse the University for any existing or future shortfalls in UCRP attributable to the LLNL Retained Segment that are not offset by the CRA.

**ASSETS**

- During the 2007-2008 Plan Year, the rate of return on the market value of assets was -5.6%. Based on a partial recognition of this return as well as prior investment experience, the rate of return on the actuarial value of assets was 9.3%, which is above the expected return of 7.5%.
- As indicated on page 4 of this valuation report, the total unrecognized investment loss as of July 1, 2008 is about \$1.8 billion. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes over the next few years. This means 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, there will be investment losses on the actuarial value of assets in the next few years. Absent any offsetting actuarial gains, this will result in increases in the recommended total contribution.

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

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

#### **FUNDED RATIO**

- The Plan's funded ratio on an actuarial basis decreased from 105% as of July 1, 2007 to 103% as of July 1, 2008. This decrease in funded ratio is mainly a result of the fact that no contributions are being made to offset the Plan's normal cost, the transfer assets and liabilities to the LLNS Plan and an actuarial loss due to salary increases being greater than expected. All of these effects are offset partially by the investment gain on the actuarial value of assets. The Plan is still in an overfunded position as the actuarial value of assets exceeds the actuarial accrued liability by \$1.3 billion.
- The actual average increase in salary for UCRP members that were active in both this valuation and the previous valuation was 6.7%. When compared to the average assumed increase of approximately 5.4%, this produced an actuarial loss due to salary increases greater than expected.

#### **CHANGE IN PLAN PROVISIONS**

- Appendix E is an amendment to UCRP that was approved by The Regents in February 1999, effective January 1, 2000, subject to an Internal Revenue Service (IRS) determination that the form of the Plan is consistent with the tax-qualification requirements of the Internal Revenue Code (IRC). Following a lengthy moratorium on determination letter requests for certain defined benefits plans, during Plan Year 2007-2008 the IRS issued a favorable determination letter on UCRP, including Appendix E. Appendix E is designed to restore benefits that would be accrued under the standard UCRP benefit formula but for the application of IRC Section 401(a)(17), which limits the compensation that can be taken into account to determine benefits under a tax-qualified retirement plan. The compensation limit is indexed for inflation and reviewed annually.
- Appendix E has not yet been implemented and no benefits have been paid under the provision. The estimated increase to UCRP's actuarial accrued liability (AAL) of \$50.6 million and the increase in the normal cost of approximately \$5.5 million are included in the current valuation results.

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

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

#### **DEMOGRAPHIC EXPERIENCE**

- Overall, the number of active members decreased by 3.9% from 118,885 as of July 1, 2007 to 114,242 as of July 1, 2008. Excluding the impact of the transition to the Lawrence Livermore National Security, LLC Pension Plan, the number of active members increased by 2.3% from 111,621 as of July 1, 2007 to 114,242 as of July 1, 2008.
- The Plan has 50,171 members currently receiving benefits, an increase of 5.2% from 2007. Total annual benefits in pay status increased by 10.6%, to a level of \$1.6 billion. There are also 64,566 terminated members in the Plan who are entitled to future benefits. Within this group of terminated members there are 29,436 terminated vested members who are entitled to a deferred or immediate vested benefit and 27,334 terminated nonvested members who are entitled to a refund of member contributions or payment of their Capital Accumulation Provision (CAP) balance. There are also 7,796 members that transferred to the LANS or LLNS defined benefit plans who will be entitled to a CAP balance payment from UCRP after they separate from employment with LANS or LLNS.



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

### Summary of Key Valuation Results

	2008 (\$ in 000s)	2007 (\$ in 000s)
<b>Recommended total contributions:</b>		
Percentage of payroll*	11.61%	0.00%
Estimated annual dollar amount**	\$875,031	\$0
<b>Funding elements for Plan Year beginning July 1:</b>		
Normal cost (beginning of year)	\$1,262,178	\$1,276,199
Percentage of payroll (beginning of year)	16.90%	16.76%
Percentage of payroll (middle of year)	17.52%	17.38%
Market value of assets	\$42,023,162	\$48,105,347
Actuarial value of assets (AVA)	43,840,272	43,433,936
Actuarial accrued liability (AAL)	42,576,822	41,436,576
Unfunded/(Overfunded) actuarial accrued liability	(1,263,450)	(1,997,360)
Funded ratio (AVA / AAL)	103.0%	104.8%
<b>Governmental Accounting Standard (GAS) 25 for Plan Year beginning July 1:</b>		
Annual required contributions	\$0	\$2,657
Actual contributions	- -	2,657
Percentage contributed	N/A	100%
<b>Demographic data for Plan Year beginning July 1:</b>		
Number of retired members and beneficiaries	50,171	47,682
Number of vested terminated members***	64,566	59,056
Number of active members	114,242	118,885
Average compensation (actual dollars)	\$72,553	\$70,881

\* For 2008, recommended total contributions are based on the new UCRP funding policy and are contributions for the Plan Year beginning July 1, 2009. The recommended total contributions shown are for the non-laboratory segment of UCRP and exclude contributions of \$0 for the Lawrence Berkeley National Laboratory Segment, \$0 for the Lawrence Livermore National Laboratory Retained Segment (after application of Contribution Reserve Amount) and \$0 for the Los Alamos National Laboratory Retained Segment of UCRP.

\*\* Based on estimated 2009-2010 covered payroll of \$7,536,877 (also in thousands). Actual recommended total contributions will be based on actual 2009-2010 payroll.

\*\*\* Includes terminated nonvested members due a refund of member contributions or CAP balance payment and members that transferred to the LANS or LLNS defined benefit plans who will be entitled to a CAP balance payment from UCRP after they separate from employment with LANS or LLNS.

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

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

Effective with the July 1, 2008 valuation, a new funding policy has been adopted that determines recommended total contributions based on the Plan’s normal cost adjusted by an amortization of any surplus or underfunding, with contributions starting for the Plan Year beginning July 1, 2009.

This recommended total contribution rate is 11.61% for the 2009-2010 Plan Year and applies to the non-laboratory segment of UCRP.

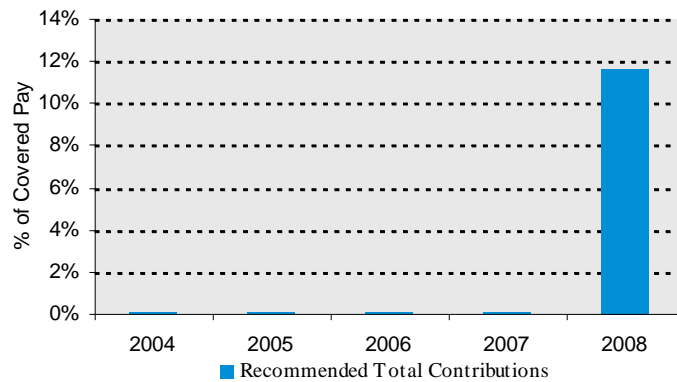
The Plan’s funded percentage (actuarial value of assets divided by actuarial accrued liability) over the past five years is shown below:

Plan Year Beg. 7/1	AAL \$ in Billions	AVA \$ in Billions	Funded Percentage
2004	35.0	41.3	118
2005	37.3	41.1	110
2006	40.3	42.0	104
2007	41.4	43.4	105
2008	42.6	43.8	103

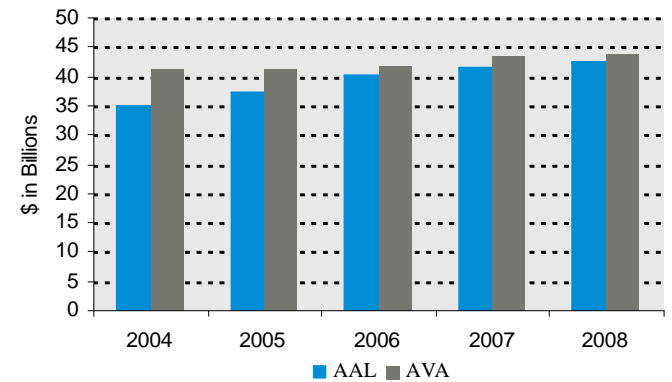
The actuarial accrued liability has shown a steady increase while the actuarial value of assets has remained relatively level as prior investment losses were recognized over a five-year period and no contributions are being made.

*The first graph shows a five-year history of the recommended total contributions (non-laboratory segment of UCRP). 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 Recommended Total Contributions Based on July 1 Actuarial Valuation Date**



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



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

### Summary of UCRP July 1, 2008 Valuation Results by Segment (\$ in 000s)

	Total UCRP	Campus and Medical Centers*	Lawrence Berkeley National Laboratory (LBNL)	Lawrence Livermore National Laboratory (LLNL)	Los Alamos National Laboratory (LANL)
Normal Cost (beginning of year)	\$1,262,178	\$1,228,474	\$33,704	\$0	\$0
Market value of assets	42,023,162	34,009,575	1,670,583	3,306,333	3,036,671
Actuarial value of assets (AVA)	43,840,272	35,609,105	1,742,826	3,320,355	3,167,986
Actuarial accrued liability (AAL)	42,576,822	34,449,596	1,352,426	3,672,977	3,101,823
Unfunded/(Overfunded) actuarial accrued liability	(1,263,450)	(1,159,509)	(390,400)	352,622	(66,163)
Funded Ratio (AVA/AAL)	103.0%	103.4%	128.9%	90.4%	102.1%
Estimated Covered Payroll for 2009-2010 Plan Year	\$7,748,889	\$7,536,877	\$212,012	\$0	\$0
Recommended total contributions**					
Percent of payroll***		11.61%	0.00%	N/A	N/A
Estimated dollar amount in 000s		\$875,031	\$0	\$0	\$0

\* Includes Hasting College of Law

\*\* All recommended total contributions are based on valuation results as of July 1, 2008. Please see applicable addendum reports for each segment for more detailed information on each segment including the calculation of the recommended total contributions.

\*\*\* The recommended total contributions shown for the campus and medical center segment are for the Plan Year beginning July 1, 2009. The contributions shown for the LLNL and LANL Retained Segments are required for the Plan Year beginning July 1, 2008, and are due by February 28, 2010. The contributions shown for the LLNL Retained Segment are after application of any Contribution Reserve Amount.

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

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

### 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, B and C.

#### CHART 1

##### Member Population: 1999 – 2008

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

Year Beginning July 1	Active Members	Terminated Vested Members*	Retired Members, Disabled Members and Beneficiaries	Ratio of Retirees to Actives
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
2007	118,885	59,056	47,682	0.40
2008	114,242	64,566	50,171	0.44

\* Includes terminated nonvested members due a refund of member contributions or CAP balance payment and members that transferred to the LANS or LLNS defined benefit plans who will be entitled to a CAP balance payment from UCRP after they separate from employment with LANS or LLNS.

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

**Active Members**

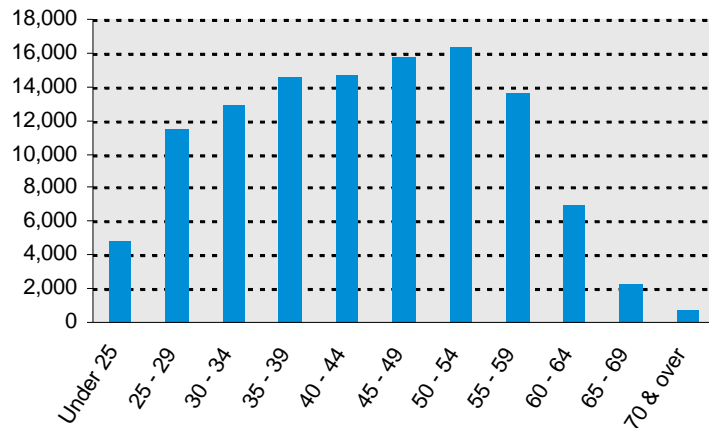
Plan costs and liabilities are affected by the age, service credit and compensation of active members. In this year's valuation, there are 114,242 active members with an average age of 44.2 years, average service credit of 8.9 years and average compensation of \$72,553.

**Inactive Members**

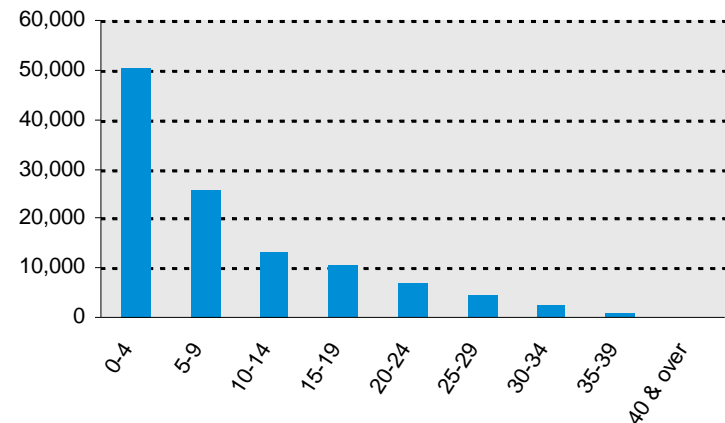
In this year's valuation, there were 64,566 terminated members. Within this group of terminated members there are 29,436 members with a vested right to a deferred or immediate vested benefit and 27,334 terminated nonvested members who are entitled to a return of their member contributions or a distribution of their CAP balance. There are also 7,796 members that transferred to the LANS or LLNS defined benefit plans who will be entitled to a CAP balance payment from UCRP after they separate from employment with LANS or LLNS.

*These graphs show a distribution of active members by age and by service credit. In Chart 3 there are 185 members who have 40 or more years of service credit.*

**CHART 2**  
**Distribution of Active Members by Age as of July 1, 2008**



**CHART 3**  
**Distribution of Active Members by Service Credit as of July 1, 2008**



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

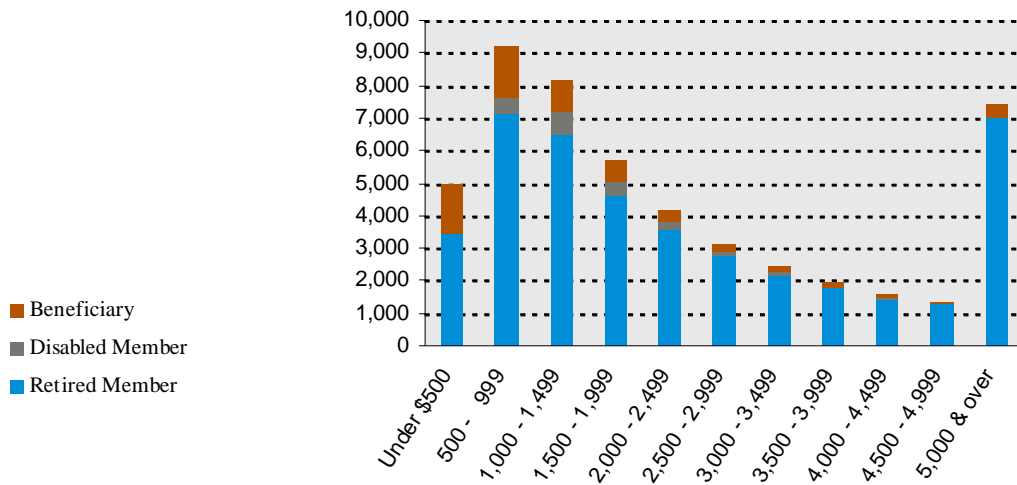
**Retired Members, Disabled Members and Beneficiaries**

As of July 1, 2008, 41,584 retired members, 2,218 disabled members and 6,369 beneficiaries were receiving total monthly benefits of \$131,086,586.

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

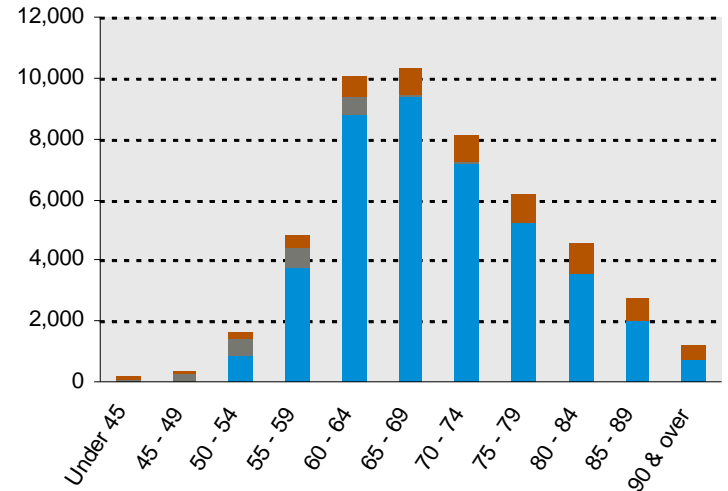
**CHART 4**

**Distribution of Retired Members, Disabled Members and Beneficiaries by Monthly Benefit as of July 1, 2008**



**CHART 5**

**Distribution of Retired Members, Disabled Members and Beneficiaries by Age as of July 1, 2008**



## 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 values 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, 2008

			(\$ in 000s)
1. Market value of assets			\$42,023,162
2. Calculation of unrecognized return*	<u>Amount*</u>	<u>Return**</u>	
(a) Year ended June 30, 2008	(\$6,070,876)	(\$4,856,700)	
(b) Year ended June 30, 2007	4,782,754	2,869,652	
(c) Year ended June 30, 2006	(106,416)	(42,566)	
(d) Year ended June 30, 2005	1,062,517	212,504	
(e) Year ended June 30, 2004	<u>2,420,256</u>	<u>0</u>	
(f) Total unrecognized return			(1,817,110)
3. Actuarial value of assets: (1) - (2f)			<u>43,840,272</u>
4. Actuarial value as a percentage of market value: (3) ÷ (1)			104.3%

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

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



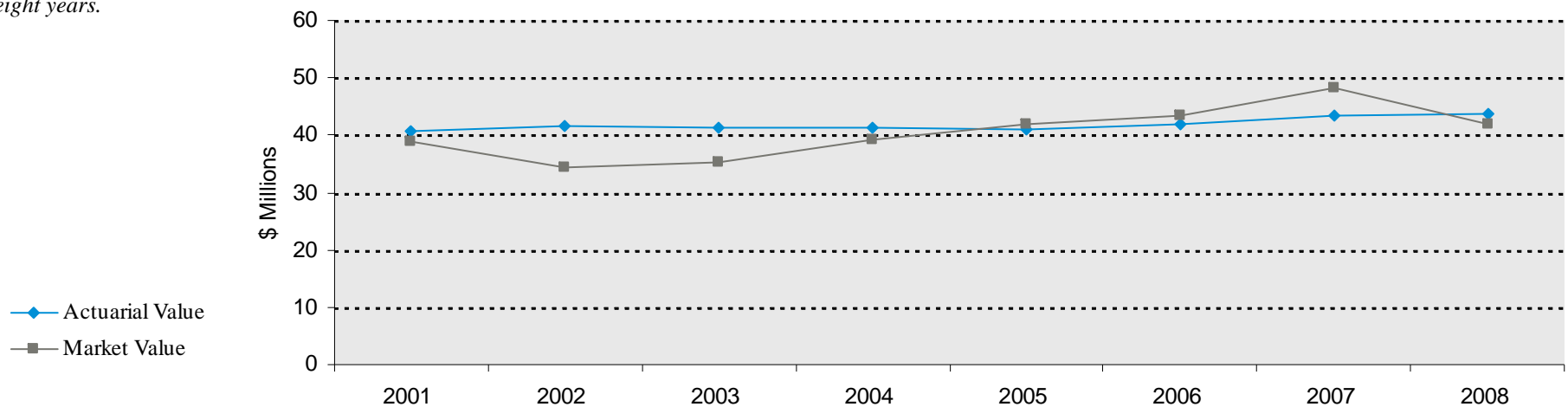
## SECTION 2: Valuation Results for the University of California Retirement Plan

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 or overfunded. Amortization of any unfunded or overfunded liability is 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 eight years.*

**CHART 7**

**Actuarial Value of Assets vs. Market Value of Assets for Years Ended June 30, 2001 – 2008**



## 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 gain of \$0.5 billion are shown below. The net experience loss from sources other than investments was 0.6% 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, 2008

	(\$ in 000s)
1. Net gain from investments*	\$768,003
2. Net (loss) from salary increases greater than assumed	(215,565)
3. Net (loss) from other experience (including LLNL/LLNS elections and transfers)	<u>(17,786)</u>
4. Net experience gain: (1) + (2) + (3)	\$534,652

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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 2007-2008 Plan Year was 9.34%.

Since the actual return for the year was greater than the assumed return, the Plan experienced an actuarial gain during the year ended June 30, 2008 with regard to its investments, when measured based on the actuarial value of assets. The amount of this gain is derived below.

*This chart shows the gain due to investment experience.*

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### CHART 9 Investment Experience for Year Ended June 30, 2008

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	<b>June 30, 2008</b> <b>(\$ in 000s)</b>
1. Actual return on actuarial value of assets	\$3,894,733
2. Average actuarial value of assets	41,689,738
3. Actual rate of return: (1) ÷ (2)	9.34%
4. Assumed rate of return	7.50%
5. Expected return: (2) x (4)	3,126,730
6. Actuarial gain: (1) – (5)	\$768,003

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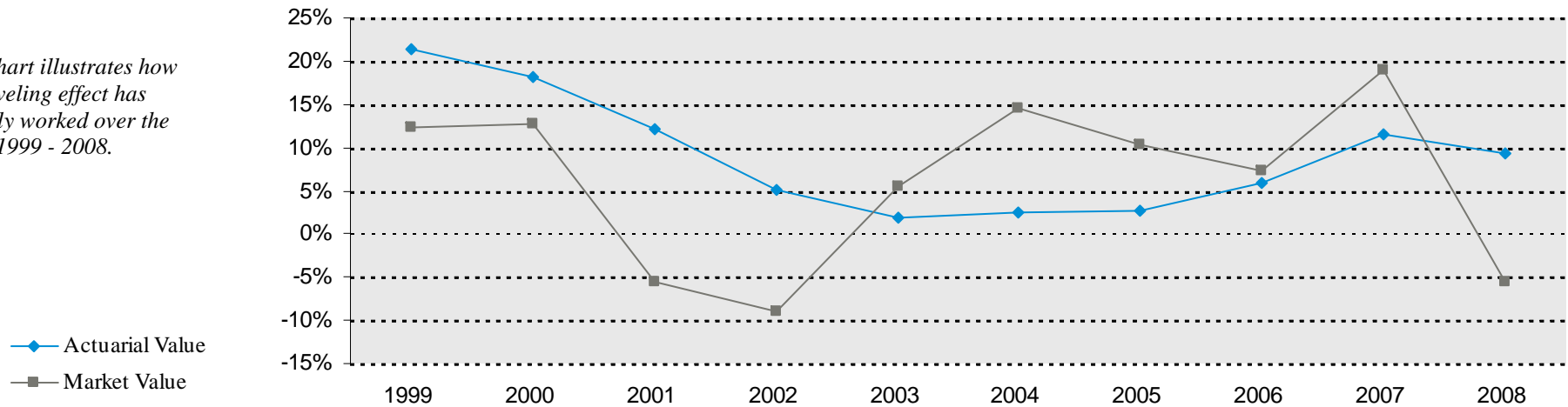
## SECTION 2: Valuation Results for the University of California Retirement Plan

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, 1999 - 2008**

*This chart illustrates how this leveling effect has actually worked over the years 1999 - 2008.*



## 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,
- salary increases different than assumed,
- effect of LLNL transfer member elections, and
- the transfer of LLNL assets and liabilities to the LLNS Plan.

The net loss from this other experience for the year ended June 30, 2008 amounted to \$233 million which is 0.6% of the expected actuarial accrued liability. Further details may be found in Section 3, Exhibit F.

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

### D. RECOMMENDED TOTAL CONTRIBUTION

Effective with the July 1, 2008 valuation a new funding policy has been adopted that determines recommended total contributions based on the Plan's normal cost adjusted by an amortization of any surplus (overfunding) or underfunding, with contributions starting for the Plan Year beginning July 1, 2009.

The recommended total contribution determined by this funding policy for the 2009-2010 Plan Year is based on a three-year amortization period for surplus as of July 1, 2008.

The calculation of the recommended total contribution rate is shown below.

This recommended total contribution rate applies to the non-laboratory segment of UCRP (e.g., campuses, medical centers and Hastings College of Law). Contributions for the laboratories are subject to the terms of the University's contracts with the Department of Energy. For more information on the various UCRP segments please see Section 1, page vii. For more details on the UCRP funding policy please see Section 4, Exhibit VI, page 50.

The recommended total contribution rates as of July 1, 2008 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 shows the calculation of the recommended total contribution for the non-laboratory segment of UCRP.*

**CHART 11**  
**Recommended Total Contribution**

	Actuarial Valuation Date	
	July 1, 2008 (\$ in 000s)	
	Amount	% of Payroll
1. Normal cost (beginning of year)	\$1,228,474	16.91%
2. Actuarial value of assets	35,609,105	
3. Actuarial accrued liability	34,449,596	
4. Unfunded/(Overfunded) actuarial accrued liability	(1,159,509)	
5. Amortization of Unfunded/(Overfunded) actuarial accrued liability*	(414,767)	-5.71%
6. Recommended total contribution rate, before timing adjustment: (1) + (5)		11.20%
7. Recommended total contribution rate, adjusted for timing**		<u>11.61%</u>
8. Estimated recommended total contribution amount***	\$875,031	

\* Three year amortization of surplus as of July 1, 2008. See Section 3, Exhibit H for more details.

\*\* Recommended total contribution includes an adjustment to account for contributions being made throughout the year. No additional adjustment is included to account for contributions not starting until the Plan Year beginning July 1, 2009.

\*\*\* Based on estimated covered payroll of \$7,536,877 (also in thousands) for the 2009-2010 Plan Year. Actual recommended total contributions will be based on actual 2009-2010 payroll.

## 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 to the actual contributions. 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 cover the Plan's accrued liabilities. 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.

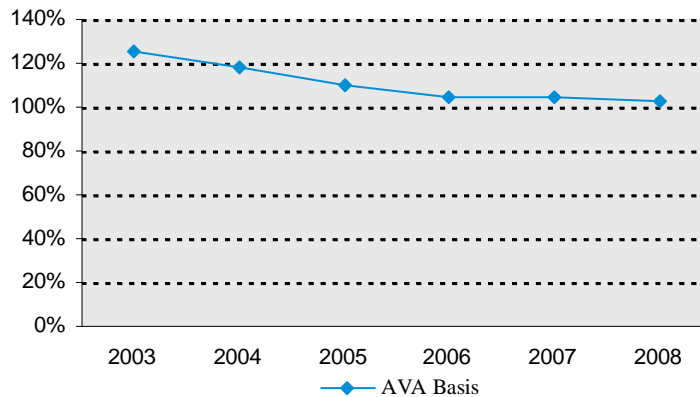
The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits I, II, III and VII.

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

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**CHART 12**  
**Funded Ratio (Plan Year Beginning July 1)**

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**SECTION 3: Supplemental Information from 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>2008</b>	<b>2007</b>	
<b>Active members with Social Security:</b>			
Number	111,261	115,260	-3.5%
Average age	44.0	43.9	N/A
Average service credit	8.5	8.7	-2.3%
Total compensation	\$7,994,312,587	\$8,082,109,431	-1.1%
Average compensation	71,852	70,121	2.5%
<b>Active members without Social Security:</b>			
Number	2,570	3,193	-19.5%
Average age	56.9	56.7	N/A
Average service credit	26.9	27.1	-0.7%
Total compensation	\$258,876,105	\$309,313,298	-16.3%
Average compensation	100,730	96,872	4.0%
<b>Safety members:</b>			
Number	411	432	-4.9%
Average age	40.5	40.5	N/A
Average service credit	9.4	10.1	-6.9%
Total compensation	\$35,364,951	\$35,210,804	0.4%
Average compensation	86,046	81,506	5.6%
<b>All active members:</b>			
Number	114,242	118,885	-3.9%
Average age	44.2	44.3	N/A
Average service credit	8.9	9.2	-3.3%
Total compensation	\$8,288,553,643	\$8,426,633,533	-1.6%
Average compensation	72,553	70,881	2.4%

**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>2008*</b>	<b>2007</b>	
<b>Terminated vested members:</b>			
Number	29,436	26,776	9.9%
Average age	47.9	47.8	N/A
Total monthly benefit**	\$42,690,061	\$35,093,936	21.6%
Average monthly benefit	1,450	1,311	10.6%
<b>Terminated nonvested members:***</b>			
Number	35,130	32,280	8.8%
Average member refund and CAP balance	\$5,099	\$3,903	30.6%
<b>Retired members:</b>			
Number in pay status	41,584	39,261	5.9%
Average age	69.5	69.4	N/A
Total monthly benefit	\$116,705,354	\$105,015,414	11.1%
Average monthly benefit	2,806	2,675	4.9%
<b>Disabled members:</b>			
Number in pay status	2,218	2,269	-2.2%
Average age	55.9	55.6	N/A
Total monthly benefit	\$3,500,321	\$3,520,151	-0.6%
Average monthly benefit	1,578	1,551	1.7%
<b>Beneficiaries (includes Eligible Survivors, Contingent Annuitants, and Spouses/Domestic Partners):</b>			
Number in pay status	6,369	6,152	3.5%
Average age	73.1	72.8	N/A
Total monthly benefit	\$10,880,911	\$10,022,670	8.6%
Average monthly benefit	1,708	1,629	4.8%

\* CAP balances total \$1.23 billion as of this date for all members.

\*\* Benefit is calculated based on assumed retirement age (age 59 or current age if later).

\*\*\* For July 1, 2008, includes 7,796 members that transferred to the LANS or LLNS defined benefit plans who will be entitled to a CAP balance payment from UCRP after they separate employment with LANS or LLNS. For July 1, 2007, 4,789 members were included.

**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, 2008  
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	4,845	4,839	6	--	--	--	--	--	--	--
	\$40,735	\$40,744	\$33,346	--	--	--	--	--	--	--
25 - 29	11,463	10,356	1,090	17	--	--	--	--	--	--
	51,524	51,713	49,796	\$46,843	--	--	--	--	--	--
30 - 34	12,940	8,981	3,411	539	9	--	--	--	--	--
	61,703	62,604	59,843	58,453	\$62,423	--	--	--	--	--
35 - 39	14,591	7,923	4,717	1,607	337	7	--	--	--	--
	68,739	68,254	70,647	66,678	63,569	\$54,600	--	--	--	--
40 - 44	14,712	5,681	4,759	2,502	1,384	377	9	--	--	--
	72,464	66,948	74,783	81,070	73,509	65,321	\$73,739	--	--	--
45 - 49	15,737	4,462	4,098	2,875	2,417	1,455	406	24	--	--
	74,467	66,078	72,057	83,464	82,777	76,608	70,820	\$63,101	--	--
50 - 54	16,393	3,635	3,398	2,595	2,776	2,206	1,391	378	14	--
	79,778	69,282	74,401	82,454	89,292	89,385	83,437	71,488	\$74,348	--
55 - 59	13,615	2,547	2,430	1,885	2,146	1,910	1,591	887	215	4
	84,465	74,473	74,283	83,137	87,745	94,335	99,043	90,337	77,368	\$67,920
60 - 64	6,948	1,288	1,323	936	1,033	785	725	625	223	10
	92,886	74,845	76,153	83,471	91,792	104,991	116,789	129,088	119,222	91,558
65 - 69	2,234	370	353	247	286	203	197	250	261	67
	115,423	89,578	81,769	96,325	113,569	123,151	140,221	149,944	149,073	157,582
70 & over	764	144	94	64	93	64	54	57	90	104
	131,088	95,232	95,375	98,877	109,959	150,057	169,726	166,623	171,533	165,521
Total	114,242	50,226	25,679	13,267	10,481	7,007	4,373	2,221	803	185
	\$72,553	\$61,635	\$70,678	\$79,986	\$85,631	\$90,032	\$97,076	\$106,407	\$122,799	\$156,538

Average Age: 44.2

Average Service Credit: 8.9

**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, 2008  
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	4,800	4,794	6	--	--	--	--	--	--	--
	\$40,703	\$40,712	\$33,346	--	--	--	--	--	--	--
25 - 29	11,269	10,170	1,082	17	--	--	--	--	--	--
	51,499	51,709	49,604	\$46,843	--	--	--	--	--	--
30 - 34	12,744	8,816	3,383	536	9	--	--	--	--	--
	61,753	62,746	59,695	58,405	\$62,423	--	--	--	--	--
35 - 39	14,460	7,845	4,689	1,587	332	7	--	--	--	--
	68,732	68,357	70,565	66,419	63,053	\$54,600	--	--	--	--
40 - 44	14,605	5,634	4,735	2,486	1,371	370	9	--	--	--
	72,409	66,947	74,745	80,983	73,376	64,472	\$73,739	--	--	--
45 - 49	15,642	4,435	4,087	2,866	2,399	1,434	397	24	--	--
	74,405	66,054	72,059	83,483	82,722	76,294	69,919	\$63,101	--	--
50 - 54	16,183	3,608	3,395	2,591	2,767	2,182	1,364	274	2	--
	79,845	69,118	74,390	82,472	89,278	89,461	83,436	74,034	\$90,383	--
55 - 59	12,795	2,528	2,421	1,880	2,124	1,854	1,476	492	18	2
	84,332	74,291	74,167	83,138	87,671	94,489	99,556	92,262	83,897	\$61,351
60 - 64	6,340	1,265	1,317	930	1,017	753	664	348	42	4
	90,603	74,548	76,072	83,362	91,537	104,775	117,326	133,250	136,114	106,205
65 - 69	1,818	354	346	242	281	194	173	119	82	27
	108,367	88,200	80,847	96,838	113,052	123,867	137,557	153,292	151,504	152,606
70 & over	605	141	91	62	91	64	46	31	31	48
	121,947	94,171	94,458	98,326	109,947	150,057	169,707	172,938	155,290	171,202
Total	111,261	49,590	25,552	13,197	10,391	6,858	4,129	1,288	175	81
	\$71,852	\$61,637	\$70,601	\$79,953	\$85,522	\$89,903	\$96,556	\$106,496	\$140,829	\$159,081

Average Age: 44.0

Average Service Credit: 8.5

**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, 2008  
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	37	37	--	--	--	--	--	--	--	--
	\$39,442	\$39,442	--	--	--	--	--	--	--	--
25 - 29	132	132	--	--	--	--	--	--	--	--
	45,098	45,098	--	--	--	--	--	--	--	--
30 - 34	132	130	1	1	--	--	--	--	--	--
	50,459	50,664	\$44,271	\$30,014	--	--	--	--	--	--
35 - 39	62	57	4	1	--	--	--	--	--	--
	53,219	50,753	88,178	53,961	--	--	--	--	--	--
40 - 44	40	31	8	1	--	--	--	--	--	--
	66,461	63,364	73,582	105,471	--	--	--	--	--	--
45 - 49	24	14	5	1	2	2	--	--	--	--
	62,658	57,722	61,327	45,410	\$95,937	\$75,877	--	--	--	--
50 - 54	172	11	1	1	4	18	23	102	12	--
	68,605	63,203	36,136	47,318	95,022	76,912	\$81,710	\$63,897	\$71,676	--
55 - 59	795	12	5	4	20	53	111	391	197	2
	85,715	92,299	100,562	77,754	95,300	87,764	91,838	87,461	76,772	\$74,489
60 - 64	604	23	5	6	14	31	61	277	181	6
	116,745	91,145	81,498	100,434	109,306	111,003	110,934	123,859	115,303	81,794
65 - 69	413	16	6	4	4	9	24	131	179	40
	146,515	120,076	123,905	68,971	152,026	107,717	159,418	146,902	147,959	160,940
70 & over	159	3	3	2	2	--	8	26	59	56
	165,870	145,069	123,185	115,970	110,514	--	169,833	159,094	180,068	160,652
Total	2,570	466	38	21	46	113	227	927	628	104
	\$100,730	\$55,621	\$88,203	\$81,125	\$105,160	\$93,790	\$105,837	\$106,153	\$117,775	\$154,556

Average Age: 56.9

Average Service Credit: 26.9

**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, 2008  
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	8	8	--	--	--	--	--	--	--	--
	\$66,289	\$66,289	--	--	--	--	--	--	--	--
25 - 29	62	54	8	--	--	--	--	--	--	--
	69,692	68,786	\$75,807	--	--	--	--	--	--	--
30 - 34	64	35	27	2	--	--	--	--	--	--
	75,022	71,382	78,974	\$85,386	--	--	--	--	--	--
35 - 39	69	21	24	19	5	--	--	--	--	--
	84,158	76,987	83,778	88,973	\$97,803	--	--	--	--	--
40 - 44	67	16	16	15	13	7	--	--	--	--
	87,951	74,385	86,553	93,911	87,516	\$110,195	--	--	--	--
45 - 49	71	13	6	8	16	19	9	--	--	--
	92,121	83,083	79,270	81,485	89,392	100,384	\$110,604	--	--	--
50 - 54	38	16	2	3	5	6	4	2	--	--
	102,168	110,418	111,918	78,761	92,854	99,375	93,845	\$109,834	--	--
55 - 59	25	7	4	1	2	3	4	4	--	--
	112,828	109,634	111,669	102,572	90,753	115,065	109,652	134,673	--	--
60 - 64	4	--	1	--	2	1	--	--	--	--
	108,611	--	155,003	--	99,133	81,173	--	--	--	--
65 - 69	3	--	1	1	1	--	--	--	--	--
	111,542	--	147,880	81,658	105,088	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	411	170	89	49	44	36	17	6	--	--
	\$86,046	\$77,436	\$85,205	\$88,619	\$91,048	\$102,813	\$106,436	\$126,393	--	--

Average Age: 40.5

Average Service Credit: 9.4

**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, 2007	118,885	59,056	39,261	2,269	6,152	225,623
New members	14,936	0	0	0	520	15,456
Terminations – with vested rights	(7,675)	7,675	0	0	0	0
Terminations – without vested rights**	(9,265)	(616)	0	0	0	(9,881)
Retirements	(2,816)	(371)	3,157	30	0	0
Lump Sum Cashouts	(549)	(372)	0	(24)	0	(945)
Return to work	837	(805)	(29)	(3)	0	0
Died with or without beneficiary	(114)	(49)	(812)	(45)	(300)	(1,320)
Data adjustments	<u>3</u>	<u>48</u>	<u>7</u>	<u>(9)</u>	<u>(3)</u>	<u>46</u>
Number as of July 1, 2008	114,242	64,566	41,584	2,218	6,369	228,979

\* Includes terminated nonvested members due a refund of member contributions or CAP balance payment and members that transferred to the LANS or LLNS defined benefit plans who will be entitled to a CAP balance payment from UCRP after they separate employment with LANS or LLNS.

\*\* 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, 2008 (\$ in 000s)	Year Ended June 30, 2007 (\$ in 000s)
<b>Contribution income:</b>		
Employer contributions	\$2,657	\$23,934
Members contributions	1,391	1,406
Less administration expense	<u>(36,557)</u>	<u>(38,918)</u>
Net contribution income	(\$32,509)	(\$13,578)
<b>Investment income:</b>		
Interest and dividends	\$1,325,418	\$1,266,051
Recognition of capital appreciation	2,491,694	3,334,914
Securities lending income	512,746	741,547
Securities lending fees and rebates	<u>(440,825)</u>	<u>(714,353)</u>
Net investment income	3,889,033	4,628,159
Other income	5,700	6,119
<b>Total income available for benefits</b>	<b>\$3,862,224</b>	<b>\$4,620,700</b>
<b>Less benefit payments</b>	<b>(\$1,888,679)</b>	<b>(\$1,714,780)</b>
<b>Less transfer of assets to LANS</b>	<b>\$0</b>	<b>(\$1,444,460)</b>
<b>Less transfer of assets to LLNS</b>	<b>(\$1,567,209)</b>	<b>\$0</b>
<b>Change in reserve for future benefits</b>	<b>\$406,336</b>	<b>\$1,461,460</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, 2008 (\$ in 000s)	Year Ended June 30, 2007 (\$ in 000s)
<b>Cash equivalents</b>	\$306,828	\$179,435
<b>Accounts receivable:</b>		
Contributions	\$67,394	\$92,540
Interest and dividends	109,345	114,509
Investment of cash collateral	7,985,216	12,641,611
Securities sales and other	<u>565,781</u>	<u>7,644</u>
Total accounts receivable	8,727,736	12,856,304
<b>Investments:</b>		
Equity securities	\$25,175,728	\$31,510,547
Fixed income securities	12,270,022	13,077,651
Real estate	1,110,554	633,081
Commingled funds	<u>3,229,559</u>	<u>3,435,246</u>
Total investments at market value	<u>41,785,863</u>	<u>48,656,525</u>
<b>Total assets</b>	\$50,820,427	\$61,692,264
<b>Less accounts payable:</b>		
Payable for securities purchased	(\$595,899)	(\$900,010)
Member withdrawals, refunds and other payables	(172,596)	(44,651)
Collateral held for securities lending	<u>(8,028,770)</u>	<u>(12,642,256)</u>
Total accounts payable	(\$8,797,265)	(\$13,586,917)
<b>Net assets at market value</b>	<u>\$42,023,162</u>	<u>\$48,105,347</u>
<b>Net assets at actuarial value (for comparison purposes)</b>	<u>\$43,840,272</u>	<u>\$43,433,936</u>

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

**EXHIBIT F**

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

	<b>Year Ended June 30, 2008</b>
1. Unfunded/(Overfunded) actuarial accrued liability at beginning of year	(\$1,997,360)
2. Normal cost at beginning of year	1,276,199
3. Total contributions (employer and member)	(4,047)
4. Interest	
(a) For whole year on (1) + (2)	(\$54,087)
(b) For half year on (3)	<u>(152)</u>
(c) Total interest	<u>(54,239)</u>
5. Expected Unfunded/(Overfunded) actuarial accrued liability	(\$779,447)
6. Changes due to:	
(a) Gain from investments	(\$768,003)
(b) Loss from salary increases	215,565
(c) Gain from other experience	(143,491)
(d) Recognition of LLNL elections	(191,513)
(e) Transfer of assets and liabilities to LLNS	352,790
(f) Changes in Plan provisions	<u>50,649</u>
(g) Total changes	<u>(484,003)</u>
7. Unfunded/(Overfunded) actuarial accrued liability at end of year	<u>(\$1,263,450)</u>

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

**EXHIBIT G**

**Actuarial Liabilities**

	July 1, 2008 (\$ in 000s)	July 1, 2007 (\$ in 000s)
<b>Actuarial Accrued Liability</b>		
Members in pay status		
Retirees*	\$16,380,564	\$14,825,257
Beneficiaries	1,214,837	1,130,004
Disableds	<u>704,064</u>	<u>702,481</u>
Total in pay status	\$18,299,465	\$16,657,742
Active members		
With Social Security	\$18,389,695	\$19,205,186
Without Social Security	1,852,728	2,292,800
Safety	<u>119,438</u>	<u>137,141</u>
Total actives	\$20,361,861	\$21,635,127
Terminated members		
Vested	\$3,736,375	\$3,017,709
Nonvested	<u>179,121</u>	<u>125,998</u>
Total terminated	\$3,915,496	\$3,143,707
Total actuarial accrued liability	\$42,576,822	\$41,436,576
<b>Actuarial Present Value of Projected Benefits</b>		
Members in pay status*	\$18,299,465	\$16,657,742
Active members	30,725,682	32,099,148
Terminated members	<u>3,915,496</u>	<u>3,143,707</u>
Total present value of projected benefits	\$52,940,643	\$51,900,597

\* For July 1, 2008, includes a liability of \$34.5 million for Lump Sum Cashouts, CAP balance payments and refunds of member contributions that were paid on or after July 1, 2008. For July 1, 2007, includes a liability of \$96.4 million for Lump Sum Cashouts, CAP balance payments and refunds of member contributions that were paid on or after July 1, 2007.

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

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**EXHIBIT H**

**Table of Amortization Bases (\$ in 000s)**

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<b>Type</b>	<b>Date Established</b>	<b>Initial Years</b>	<b>Initial Amount</b>	<b>Annual Payment*</b>	<b>Years Remaining</b>	<b>Outstanding Balance</b>
Initial Surplus	07/01/2008	3	(\$1,159,509)	<u>(\$414,767)</u>	3	<u>(\$1,159,509)</u>
Total				(\$414,767)		(\$1,159,509)

\* Level dollar amount. Payment shown is as of beginning of year. The amounts shown are based on results for the non-laboratory segment of UCRP (e.g. campuses, medical centers and Hastings College of Law). They are used in the determination of the recommended total contribution shown in Section 2, Chart 11, page 10. For more details on the UCRP funding policy please see Section 4, Exhibit VI, page 50.

### 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 \$180,000 for 2007 and \$185,000 for 2008. 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.

**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.

**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 (\$ in 000s)**

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<b>Plan Year Ended June 30</b>	<b>Annual Required Contributions</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
2004	\$0	\$0	100.00%
2005	0	0	100.00%
2006	0	0	100.00%
2007	23,934	23,934	100.00%
2008	2,657	2,657	100.00%
2009	0	--	N/A

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*Note: The Annual Required Contributions for the Plan Year ending June 30, 2009 are preliminary and will be updated in the July 1, 2009 valuation.*

**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>
07/01/2003	\$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%)
07/01/2007**	43,433,936	41,436,576	(1,997,360)	104.8%	7,612,726	(26.2%)
07/01/2008	43,840,272	42,576,822	(1,263,450)	103.0%	7,468,809	(16.9%)

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

\*\* Beginning in 2007, covered payroll is reduced to anticipate members who leave active status during the year.

## 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

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Valuation Date	July 1, 2008
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level percent, Open
Remaining Amortization Period	1.00 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*	4.35% to 7.00%
Cost of Living Adjustments	2.00%
Membership of the Plan	
Retirees, disableds and beneficiaries receiving benefits	50,171
Terminated Plan members entitled to, but not yet receiving benefits**	64,566
Active Plan members	<u>114,242</u>
Total	228,979

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\* Includes inflation at 3.50%

\*\* Includes terminated nonvested members due a refund of member contributions or CAP balance payment and members that transferred to the LANS or LLNS defined benefit plans who will be entitled to a CAP balance payment from UCRP after they separate employment with LANS or LLNS.

**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:* RP-2000 Disabled Retiree Mortality Table. Ages are set back two years for males (from the male table) and set back one year for females (from the female table).

**Sample Termination Rates Before Retirement:**

Age	Rate (%)					
	Healthy Mortality		Disabled Mortality*		Disability Incidence	
	Male	Female	Male	Female	Male	Female
20	0.04	0.03	2.26	0.75	0.10	0.06
25	0.06	0.03	2.26	0.75	0.10	0.08
30	0.08	0.03	2.26	0.75	0.12	0.10
35	0.09	0.04	2.26	0.75	0.17	0.16
40	0.10	0.06	2.26	0.75	0.22	0.25
45	0.13	0.09	2.26	0.75	0.28	0.36
50	0.20	0.12	2.64	1.06	0.36	0.53
55	0.33	0.21	3.29	1.55	0.47	0.75
60	0.60	0.40	3.93	2.08	0.54	0.86
65	1.10	0.79	4.66	2.66	0.54	0.86

\* 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):**

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	At least three, but less than four Years of Service	At least four, but less than five Years of Service	Five or more Years of Service
Age	Unisex	Unisex	Unisex	Unisex	Unisex	Unisex
20	24.00	22.00	21.00	21.00	13.00	9.00
25	23.00	20.00	19.00	17.00	11.00	8.00
30	22.00	14.00	12.00	11.00	10.00	7.00
35	19.00	11.00	9.00	7.00	7.00	6.00
40	16.00	10.00	8.00	6.00	5.00	4.00
45	15.00	8.00	6.00	5.00	4.00	3.00
50	14.00	6.00	5.00	4.00	3.00	2.00
55	13.00	5.00	4.00	3.00	3.00	1.00
60	12.00	4.00	3.00	3.00	2.00	1.00
65	11.00	3.00	2.00	2.00	1.00	1.00

**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 – Staff and Safety					
	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	At least three, but less than four Years of Service	At least four, but less than five Years of Service	Five or more Years of Service
	Unisex	Unisex	Unisex	Unisex	Unisex	Unisex
20	27.00	24.00	21.00	16.00	15.00	13.00
25	26.00	23.00	20.00	15.00	14.00	12.00
30	24.00	21.00	17.00	14.00	13.00	10.00
35	22.00	17.00	14.00	11.00	10.00	8.00
40	19.00	14.00	11.00	8.00	7.00	6.00
45	17.00	11.00	9.00	6.00	5.00	4.00
50	14.00	9.00	7.00	5.00	4.00	2.00
55	12.00	7.00	6.00	4.00	3.00	2.00
60	11.00	6.00	5.00	3.00	2.00	1.00
65	10.00	5.00	4.00	2.00	1.00	1.00

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

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**Retirement Rates:**

Age	Retirement Probability – Unisex		
	Faculty	Staff	Safety
50	2.00%	4.00%	15.00%
51	1.00	4.00	10.00
52	1.00	4.00	10.00
53	1.00	4.00	10.00
54	1.00	5.00	10.00
55	2.00	5.00	25.00
56	2.00	6.00	25.00
57	2.00	6.00	25.00
58	2.00	8.00	25.00
59	3.00	14.00	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	7.00	25.00	75.00
65	8.00	30.00	100.00
66	9.00	25.00	100.00
67	10.00	25.00	100.00
68	12.00	25.00	100.00
69	15.00	25.00	100.00
70	15.00	20.00	100.00
71	12.00	20.00	100.00
72	12.00	20.00	100.00
73	12.00	20.00	100.00
74	12.00	20.00	100.00
75	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 59.

**Form of Payment:**

For those members not electing a Lump Sum Cashout:

Life annuity for members without a survivor;

25% contingent annuity for members with Social Security who have a survivor;

50% contingent annuity for members without Social Security who have a survivor;

50% contingent annuity for Safety members who have a survivor.

It is also assumed that some members elect a Lump Sum Cashout (see Lump Sum Assumptions).

**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.

**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.

**Percent with Survivors:**

85% of male members and 65% of female members are assumed to have survivors at time of decrement.

**Survivor Ages:**

Members assumed to have an opposite sex spouse or domestic partner, with females three years younger than males.



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

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**Number of Survivors (Samples):**

<u>Age</u>	<b>Number of Survivors per Active Member with Survivors</b>	
	<u>Male</u>	<u>Female</u>
20	1.0	1.0
25	1.8	2.1
30	2.2	2.7
35	2.7	2.8
40	3.0	2.4
45	2.8	2.1
50	2.5	1.7
55	2.0	1.4
60	1.5	1.2
65	1.3	1.1

**Economic Assumptions**

<b>Net Investment Return:</b>	7.50% (including 3.50% for inflation)
<b>Consumer Price Index:</b>	Increase of 3.50% per year.
<b>Administrative Expenses:</b>	0.50% of payroll added to normal cost.

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

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**Salary Increases:**

**Annual Rate of Compensation Increase**

Inflation: 3.50% per year, plus “across the board” salary increases of 0.25% per year, plus the following merit and promotional increases:

<b>Years of Service</b>	<b>Faculty</b>	<b>Staff and Safety</b>
Less than 1	3.25%	3.25%
1	3.25	3.00
2	3.25	2.80
3	3.25	2.50
4	3.25	2.20
5	3.25	2.00
6	3.20	1.80
7	3.10	1.70
8	3.00	1.60
9	2.90	1.50
10	2.80	1.40
11	2.70	1.30
12	2.60	1.20
13	2.50	1.10
14	2.40	1.00
15	2.30	0.90
16	2.20	0.80
17	2.10	0.75
18	2.00	0.70
19	1.75	0.65
20 & over	1.50	0.60

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

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### Actuarial Methods

<b>Actuarial Value of Assets:</b>	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.
<b>Actuarial Cost Method:</b>	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.
<b>Covered Payroll:</b>	Covered payroll for a Plan Year is determined by annualizing actual payroll for the prior Plan Year increased by the assumed rate of salary growth. Covered payroll is then reduced to anticipate members who leave active status during the year.

### Other Actuarial Assumptions

#### **Lump Sum Assumptions:**

<i>Discount Rate:</i>	7.50%
<i>COLA:</i>	2.00%
<i>Mortality:</i>	1994 Group Annuity Reserving Mortality Table unloaded for males set back three years, projected with scale AA to 2002.
<i>Take-rate:</i>	For those members retiring from active employment and for those who were receiving a disability income and now retiring, we are assuming that 12% elect a Lump Sum Cashout. For those members retiring from inactive (deferred vested) status, we are assuming that 45% elect a Lump Sum Cashout.

#### **Approximations:**

<i>Sick Leave</i>	Service has been increased by 0.15% for Faculty, 1.40% for Staff, and 2.25% for Safety members to account for unused sick leave. This assumption applies only for members retiring from active employment and not electing a Lump Sum Cashout. For all other benefits there is assumed to be no conversion of unused sick leave to service credit.
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**SECTION 4: Reporting Information from the Valuation of the University of California Retirement Plan**

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**Changes in Actuarial Assumptions:** There were no changes to the actuarial assumptions since the prior 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, 2008.
<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 postretirement 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.

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### **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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**Preretirement 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*

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

*Benefit*

Greater of benefit described above or monthly benefit to eligible spouse or eligible 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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### Postretirement Survivor Continuance:

*Eligibility* Eligible surviving spouse, eligible surviving domestic partner, eligible children or eligible dependent parent of deceased retired member.

*Benefit*

*Member without Social Security* 50% of BRI including COLA.

*Member with Social Security* 25% of BRI including COLA, plus 25% of Temporary Social Security Supplement (ends when member would have reached age 65).

*Safety Members* 50% of BRI including COLA.

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### Lump Sum Death Benefit:

*Eligibility* Beneficiary of active, inactive, disabled, or retired member.

*Basic Benefit*

*Active member who became a member before October 1, 1990* Greater of :

\$1,500 plus one month's final salary, or \$7,500.

*All others* \$7,500

*Residual Benefit* Refund of member contributions plus interest, reduced by a portion of benefits received (100% of retirement income, 50% of preretirement survivor income or disability income) payable to beneficiary if no survivor, surviving spouse, domestic partner, or contingent annuitant.

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**Appendix E:** Appendix E incorporates an alternative benefit formula that is intended to restore benefits that would be accrued under UCRP but for the application of the compensation limit established in IRC Section 401(a)(17).

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

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## 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 a 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*

Generally 75% of annual CPI increase above 4%.

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.

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

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<b>University Contributions:</b>	<p>Each year the Regents will determine the actual total contributions and the split between Member Contributions and University Contributions based on the recommended total contribution and various other factors, including the availability of funds, the impact of employee contributions on the competitiveness of UC's total remuneration package, and collective bargaining. In no event would the University Contributions be lower than the Member Contributions.</p> <p>The recommended total contribution is based on the Regents funding policy as described in Exhibit VI.</p>
<b>Member Contributions:</b>	<p>Member contributions are currently being redirected to the UC Defined Contribution Plan.</p>
<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>	Regents' approved interest rate; currently 6.0% per year.

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

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### **Change in Plan Provisions:**

The following changes in Plan provisions have been recognized since the prior valuation:

Appendix E is an amendment to UCRP that was approved by The Regents in February 1999, effective January 1, 2000, subject to an IRS determination that the form of the Plan is consistent with the tax-qualification requirements of the IRC. Following a lengthy moratorium on determination letter requests for certain defined benefit plans, during Plan Year 2007-2008 the IRS issued a favorable determination letter on UCRP, including Appendix E. Appendix E is designed to restore benefits that would be accrued under the standard UCRP benefit formula but for the the application of IRC Section 401(a)(17), which limits the compensation that can be taken into account to determine benefits under a tax-qualified retirement plan. The compensation limit is indexed for inflation and reviewed annually.

A supplemental benefit that will be payable to the President of the University upon his retirement has been reflected in this valuation. The contributions that will fund this benefit have also been included as an asset.

Active members at LLNL made an election to either become inactive in UCRP or to transfer to a defined benefit plan that begins effective October 1, 2007 for LLNS. This valuation includes results reflecting the LLNL transfer elections. It also reflects the actual transfer of assets and liabilities to the LLNS defined benefit plan. This means that the results of this valuation exclude liabilities for members who have transferred to the LLNS defined benefit plan (with the exception of the CAP balances retained by UCRP). LLNL members who elected not to transfer to the LLNS defined benefit plan are included in the valuation results either as retired, terminated vested, or nonvested members.

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

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### EXHIBIT VI

#### UCRP Funding Policy

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##### UCRP Funding Policy:

Effective with this valuation, a new funding policy has been adopted that determines recommended total contributions based on the Plan's Normal Cost adjusted by an amortization of any surplus or underfunding. This July 1, 2008 valuation determines recommended total contributions for the Plan Year beginning July 1, 2009.

The UCRP funding policy has the following structure and parameters:

- (1) The funding policy is effective with the July 1, 2008 actuarial valuation and determines recommended total contributions starting with the Plan Year beginning July 1, 2009.
- (2) Each year the recommended contributions would be effective for the Plan Year starting one year after the date of the actuarial valuation.
- (3) Each year the Regents will determine the actual total contributions and the split between Member Contributions and University Contributions based on the recommended total contributions and various other factors, including the availability of funds, the impact of employee contributions on the competitiveness of UC's total remuneration package, and collective bargaining. In no event would the University Contributions be lower than the Member Contributions.
- (4) The new funding policy determines recommended total contribution rates based on an actuarial valuation of the non-laboratory segment of UCRP (e.g., campuses, medical centers and Hastings College of the Law). The Lawrence Berkeley National Laboratory contributes on the same basis as determined for the non-laboratory segment of UCRP, subject to the terms of the University's contract with the Department of Energy. The Lawrence Livermore National Laboratory and Los Alamos National Laboratory Retained Segments in UCRP are subject to the funding policies outlined in the University's contracts with the Department of Energy. Throughout this funding policy, the term "UCRP" refers to the non-laboratory segment of UCRP.



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

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- (5) The recommended total contributions to UCRP consists of the Normal Cost plus an amortization charge for any Unfunded Actuarial Accrued Liability (UAAL) or minus an amortization credit for any surplus.
- (6) The Regents' Consulting Actuary conducts an annual actuarial valuation of UCRP. The Normal Cost and the Actuarial Accrued Liability (AAL) in each actuarial valuation is determined under the Entry Age Normal Actuarial Cost Method, using actuarial assumptions adopted by the Regents.
- (7) The asset smoothing method used to determine the Actuarial Value of Assets is based on the Market Value of Assets adjusted for "unrecognized returns" in each of the last five years. Unrecognized return is the difference between actual and expected returns on a market value basis and is recognized over a five-year period.
- (8) As of the effective date of this policy, any initial surplus as of that date is amortized as a level dollar amount over a period of three years.
  - a. Any changes in surplus after the effective date due to actuarial gains and losses (including contribution gains and losses) would be amortized as a level dollar amount over 15 years.
  - b. Any change in surplus due to a change in actuarial assumptions, cost method or asset smoothing method would be amortized as a level dollar amount over 15 years.
  - c. Any change in surplus due to a Plan amendment would be amortized as a level dollar amount over 15 years.
  - d. In the first year after the effective date when UCRP has a UAAL (as opposed to a continuation of the current surplus condition) all amortization bases would be considered fully amortized and contributions would be determined under the remaining provisions of this policy.

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

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- (9) For any future year when UCRP has a UAAL (as opposed to a continuation of the current surplus condition), the calculation of the UAAL would be maintained by source (as listed below) and each new portion of or change in UAAL would be amortized as a level dollar amount over a fixed amortization period.
  - a. Any initial UAAL (after a period of surplus) or change in UAAL due to actuarial gains and losses (including contribution gains and losses) would be amortized over 15 years.
  - b. Any change in UAAL due to a change in actuarial assumptions, cost method or asset smoothing method would be amortized over 15 years.
  - c. Any change in UAAL due to a Plan amendment would be amortized over 15 years, unless a shorter period is adopted by the Regents reflecting the nature of the Plan amendment.
- (10) For any future year in which UCRP has a surplus (other than a continuation of the current surplus condition), such surplus would be amortized as a level dollar amount over 30 years, and all prior UAAL amortization bases would be considered fully amortized.
- (11) This funding policy supersedes any previous funding policies.

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

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### EXHIBIT VII

#### Information for the University of California Annual Financial Report

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The following tables are for the University of California Annual Financial Report and satisfy the reporting requirements of Statement No. 27 of the Governmental Accounting Standards Board (GAS 27). There is also a table that contains various other information needed for the University of California Annual Financial Report. The information shown in these tables excludes Hastings College of Law.

Table 1 shows the Annual Required Contribution (ARC), Annual Pension Cost (APC) and the Net Pension Obligation (NPO) for the fiscal years ending June 30, 2008 and June 30, 2009. The ARC shown for the year ending June 30, 2008 is from various contributions made during that year. Any preliminary ARC shown for the year ending June 30, 2009 is due to the normal cost exceeding the remaining surplus. As in prior years, there is no NPO at the end of the 2008 fiscal year. However, it is expected that there will be an NPO at the end of the current fiscal year unless contributions are made for the 2008-2009 Plan Year.

Table 2 is a three-year history of the APC, the percentage of APC contributed, and the NPO at the end of the year.

Table 3 is a schedule of funding progress for the prior three fiscal years.

Table 4 contains the notes to the trend data. For the current fiscal year, these notes summarize the actuarial cost method used to measure the liabilities and normal cost, the amortization method and period used to calculate the ARC, the asset valuation method, and the actuarial assumptions.

Table 5 contains various other information needed to complete the UC Annual Financial Report.

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

**Table 1**  
**University of California Retirement Plan**  
**July 1, 2008 Actuarial Valuation**  
**Annual Pension Cost and Net Pension Obligation**  
**(\$ in 000s)**

	<b>Campus and Medical Centers</b>		<b>DOE National Laboratories</b>		<b>University of California Subtotal</b>	
	<b>Year Ended June 30</b>		<b>Year Ended June 30</b>		<b>Year Ended June 30</b>	
	2009	2008	2009	2008	2009	2008
1. Annual required contribution (ARC)	\$69,131	\$2,646	\$0	\$11	\$69,131	\$2,657
2. Interest on net pension obligation	0	0	0	0	0	0
3. Adjustment to ARC	0	0	0	0	0	0
4. Annual Pension Cost (APC), 1+2-3	69,131	2,646	0	11	69,131	2,657
5. Contributions made		2,646		11		2,657
6. Increase/(decrease) in NPO, 4-5		0		0		0
7. NPO at beginning of year		0		0		0
8. NPO at end of year, 6+7		0		0		0

**Notes:**

1. The results shown for the year ended June 30, 2009 are preliminary and will be updated in the July 1, 2009 valuation.

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

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**Table 2**  
**University of California Retirement Plan**  
**July 1, 2008 Actuarial Valuation**  
**Three-Year Trend Information**  
**Total UCRP**  
**(\$ in 000s)**

<b>Fiscal Year Ending</b>	<b>Campuses and Medical Centers</b>	<b>DOE National Laboratories</b>	<b>University of California Subtotal</b>
<b>Annual Pension Cost:</b>			
June 30, 2008	\$2,646	\$11	\$2,657
June 30, 2007	6,359	17,575	23,934
June 30, 2006	0	0	0
<b>Percentage of APC Contributed:</b>			
June 30, 2008	100.00%	100.00%	100.00%
June 30, 2007	100.00%	100.00%	100.00%
June 30, 2006	100.00%	100.00%	100.00%
<b>Net Pension Obligation:</b>			
June 30, 2008	\$0	\$0	\$0
June 30, 2007	0	0	0
June 30, 2006	0	0	0

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

**Table 3**  
**University of California Retirement Plan**  
**July 1, 2008 Actuarial Valuation**  
**Schedule of Funding Progress**  
**(\$ in 000s)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Excess Assets (1) – (2)	Funded Ratio (1) / (2)	Annual Covered Payroll	Ratio of Excess to Annual Covered Payroll (3) / (5)
<b>Total University</b>						
July 1, 2008	\$43,727,521	\$42,467,742	\$1,259,779	103.0%	\$7,449,796	16.9%
July 1, 2007	43,328,050	41,335,935	1,992,115	104.8%	7,595,421	26.2%
July 1, 2006	41,872,844	40,207,322	1,665,522	104.1%	8,241,706	20.2%
<b>Campuses and Medical Centers</b>						
July 1, 2008	\$35,496,354	\$34,340,516	\$1,155,838	103.4%	\$7,245,447	16.0%
July 1, 2007	33,581,431	31,917,954	1,663,477	105.2%	6,720,789	24.8%
July 1, 2006	31,380,900	29,728,524	1,652,376	105.6%	6,731,201	24.5%
<b>DOE National Laboratories</b>						
July 1, 2008	\$8,231,167	\$8,127,226	\$103,941	101.3%	\$204,349	50.9%
July 1, 2007	9,746,619	9,417,981	328,638	103.5%	874,632	37.6%
July 1, 2006	10,491,944	10,478,798	13,146	100.1%	1,510,505	0.9%

**Notes:**

July 1, 2007 information includes changes in actuarial assumptions that decreased the July 1, 2007 Actuarial Accrued Liability. A change in actuarial method for projecting covered payroll is also included. Covered payroll is now reduced to anticipate members who leave active status during the year. The table below summarizes these decreases.

	Campuses and Medical Centers	DOE National Laboratories	Total University
Actuarial accrued liability	\$481,130	\$52,068	\$533,198
Annual covered payroll	726,004	86,220	812,224

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

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**Table 4**  
**University of California Retirement Plan**  
**July 1, 2008 Actuarial Valuation**  
**Notes to Trend Data**

	<u>Campuses and Medical Centers</u>	<u>DOE National Laboratories</u>
Valuation Date	July 1, 2008	July 1, 2008
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent, Open	Level Percent, Open
Remaining amortization period	1 Year	3.21 Years
Asset valuation method	5-year smoothed market	5-year smoothed market
 <u>Actuarial Assumptions</u>		
Investment rate of return*	7.50%	7.50%
Projected salary increases*	4.35-7.00%	4.35-7.00%
Cost-of-living adjustments	2.00%	2.00%
*Includes Inflation at	3.50%	3.50%

**Notes:**

The remaining amortization period at July 1, 2008 is preliminary and will be updated in the July 1, 2009 valuation.

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

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**Table 5**  
**University of California Retirement Plan**  
**July 1, 2008 Actuarial Valuation**  
**Various Information for**  
**University of California**  
**Annual Financial Report**

<b>University of California Retirement Plan</b>	<u>Campuses and Medical Centers</u>	<u>DOE National Laboratories</u>	<u>University of California Subtotal</u>
Retirees and beneficiaries receiving benefits	37,722	12,329	50,051
Inactive members entitled to, but not yet receiving benefits*	49,599	14,875	64,474
Active members:			
Vested	62,234	1,663	63,897
Nonvested	<u>49,458</u>	<u>670</u>	<u>50,128</u>
Total	111,692	2,333	114,025
<b>Total membership</b>	<b>199,013</b>	<b>29,537</b>	<b>228,550</b>
University of California PERS Plus 5 Plan Retirees and Beneficiaries			733

\* *Includes terminated nonvested members due a refund of contributions or CAP balance payment from UCRP after they separate from employment with LANS or LLNS.*

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