



# UCRS Advisory Board

**MINUTES**  
**UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)**  
**ADVISORY BOARD CONFERENCE CALL**  
**FRIDAY, APRIL 28, 2006**  
**10:00 AM**  
*(Executive Session from 10:00am -10:30 am)*

**BOARD MEMBERS PARTICIPATING:** Senior Vice President Darling, Chair Edwards, Vice Chair Wolk, Interim Treasurer Berggren, Vice Chancellor Barclay, Professor Anderson, Associate Laboratory Director McGraw, Assistant Dean Stein and Principal Analyst Paden.

**STAFF PRESENT:** Deputy to the Associate Vice President Ackerhalt, Executive Director Miller, Executive Director Scott, University Counsel Dana, Director Olson, Director Schlimgen, Coordinator Fox, Coordinator Reicher, Coordinator Townsend and Principal Analyst Semple.

**OTHERS PRESENT:** CUCRA Chair Jensen, CUCEA Chair Brinkerhoff, CUCRA Representative Harris, UCB Retiree Association Representative Sweet, AFSCME Representative McDonald, Mercer Consultant McEvoy, Mercer Consultant Miller, and UCRS Actuary Angelo.

The meeting officially opened at 10:33 a.m.

**APPROVAL OF THE MINUTES:** The minutes of the January 27, 2006 meeting were approved.

**COMMENTS FROM THE CHAIR:** Chair Edwards began the meeting by welcoming Bruce Darling, the Senior Vice President for University Affairs, who will serve as the Officer of the University on the UCRS Advisory Board on an interim basis as a replacement for former Senior Vice President Mullinix. She then mentioned that guests had recently expressed interest in attending UCRS Advisory Board meetings and added that they are welcome, but that they should follow established attendance procedures. As an example, Chair Edwards noted that Jane McDonald, a representative from the American Federation of State, County and Municipal Employees (AFSCME) was in attendance and would be reading a prepared statement on behalf of the AFSCME 3299 President (Lakesha Harrison). The statement read, in part, that AFSCME 3299 “opposes UC’s plans to cut worker pay up to 8% to fund the pension and to make pension plan changes for new workers”.

Chair Edwards then noted that there had been some discussions at recent Benefit Managers meetings concerning counseling on the inactive cost-of-living allowance (COLA) for UCRP members who retire shortly following separation from UC employment. At Chair Edwards’ request, Executive Director Miller explained that covered earnings used for calculating a member’s UCRP retirement benefit are updated at retirement with a COLA for each July 1 from the date of the member’s separation, provided that the member had a period of inactive status.

While the historical intent of this Plan provision was to prevent inflation from eroding the salary used in the retirement calculation for long-term inactive UCRP members, it also provides benefits to those who retire on July 1 following any period of time off pay status. Executive Director Miller summarized recent counseling communications on this issue, including a letter recently sent advising all Benefit Managers and Chief Human Resources Officers to address the inactive COLA and all other relevant facts as part of their retirement counseling process.

**SENIOR VICE PRESIDENT'S UPDATE:** Senior Vice President Darling stated that he looked forward to working on the Board and thanked the members for helping protect and preserve the UCRS plans, which he stated were precious assets for UC employees. He spoke briefly regarding the executive compensation issue that UC is currently facing, citing again the role of the UCRS plans as an effective recruiting tool. He concluded by noting that the Department of Energy (DOE) had just announced a new policy for the reimbursement of contractor pension and medical benefit plan costs based on market-based benchmarks as a way of mitigating long-term liabilities for the DOE. Although the DOE would still reimburse for allowable costs associated with existing employees in non-market based defined benefit plans, it would not pay for costs associated with new employees enrolled in such plans. He concluded by noting that an analysis of the new DOE policy was under review.

**TREASURER'S REPORT:** Interim Treasurer Berggren stated that the UCRP returns for the quarter ending on March 31, 2006 were not yet available but would be posted to the Treasurer's website early in the following week. She distributed the UCRP returns for the quarter ending December 31, 2005 noting that UCRP had a fiscal year-to-date (YTD) return of 4.87%, mainly due to the strong performances by domestic and international equity holdings, which had fiscal YTD returns of 6.48% and 16.08%, respectively. She indicated that the UCRP returns for the quarter ending March 31, 2006 would be positive based on the continuing strong performance of the Plan's equity holdings. She also distributed a progress report on the new UCRP asset allocation policy that The Regents had approved in November 2005, advising that the planned transactions were nearly complete and that the progress report would be presented to The Regents Committee on Investments on May 2, 2006.

**ITEM A. UCRS – UPDATE ON THE TRANSITION OF THE LOS ALAMOS NATIONAL LABORATORY TO THE LOS ALAMOS NATIONAL SECURITY, LLC:** Principal Analyst Semple provided an update on the transition of the Los Alamos National Laboratory (LANL) to the Los Alamos National Security, LLC (LANS), which becomes effective June 1, 2006. He advised that in March 2006 the National Nuclear Security Administration (NNSA) had formally approved the LANS defined benefit plan and defined contribution plan and that both UC and LANS had distributed comprehensive decision guides to assist LANL employees in making their LANS employment and retirement plan decisions by the May 15, 2006 deadline. He then briefly summarized the LANL-related UCRP amendments that would be presented to The Regents for approval in May 2006 and noted that a draft copy of this Regents item had recently been distributed to the UCRS Advisory Board. The Regents item includes UCRP amendments necessary to facilitate the transition, such as allowing LANL employees to voluntarily transfer their UCRP accrued benefits and service credit to the LANS defined benefit plan. He stressed, however, that the Regents item did not address the final

transfer of UCRP assets and liabilities to LANS, since such action will require further consultation with The Regents, the DOE, internal and external legal counsel and the UC actuaries. Following this consultation process, UC administration will go back to The Regents later in the year to seek authority to transfer applicable UCRP assets and liabilities to the LANS defined benefit plan.

**ITEM B. UCRP – REGENTS’ CONSIDERATION OF FUTURE REINSTATEMENT OF PLAN CONTRIBUTIONS:** Coordinator Fox provided an update on a new UCRP funding policy, which The Regents approved at their meeting of March 16, 2006. The new funding policy provides for: (1) a UCRP targeted funding level of 100% over the long term and for reinstatement of employer and employee contributions at rates necessary to maintain UCRP’s funding level within a range of 95 to 110 percent; (2) a multi-year contribution strategy under which rates will gradually increase to 16 percent of covered earnings, based on UCRP’s current normal cost, and (3) the resumption of contributions effective July 1, 2007, subject to funding and completion of the budget process. He indicated that the recommendation regarding the initial and subsequent rate for such contributions would be presented to The Regents at an upcoming meeting. He concluded by noting that the implementation of contributions is also subject to collective bargaining.

**ITEM C. UCRS – COST-OF-LIVING ADJUSTMENT FOR JULY 2006 AND MEASUREMENT OF ANNUITANT PURCHASING POWER:** Coordinator Reicher advised that the 2006 COLA on UCRP benefits would either be 2.01 percent or 2.29 percent, depending upon the member’s retirement date. After briefly discussing the COLA methodology, he advised that the purchasing power for all UCRP and PERS Plus 5 Plan annuitants remained above 80 percent as of July 1, 2006.

**ITEM D. UCRS ADVISORY BOARD – ELECTION OF OFFICERS:** Director Schlimgen advised that the UCRS Advisory Board will need to elect a Chair and a Vice Chair at their last meeting of the fiscal year on June 30, 2006. He noted that potential candidates must have a remaining UCRS Advisory Board term of at least one year. He concluded by asking that nominations for Chair and Vice Chair be submitted to Principal Analyst Semple by May 19, 2006.

**ITEM E. UCRS ADVISORY BOARD – PROPOSED 2006-2007 MEETING SCHEDULE:** Director Schlimgen presented the proposed meeting dates for the UCRS Advisory Board for fiscal year 2006-2007. He noted that the meeting schedule will need to be finalized at the June 2006 meeting and asked members to review the proposed dates and their respective schedules and to report any potential conflict to Principal Analyst Semple as soon as possible so that alternative dates could be suggested.

**The meeting was adjourned at 12:03 p.m.**