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# UCRS Advisory Board

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**MINUTES**  
**UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)**  
**ADVISORY BOARD CONFERENCE CALL**  
**FRIDAY, JUNE 30, 2006**  
**10:00 AM**  
*(Executive Session from 10:00am -11:30 am)*

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**BOARD MEMBERS PARTICIPATING:** Vice Chair Wolk, Vice Chancellor Barclay, Professor Anderson, Associate Laboratory Director McGraw, Assistant Dean Stein and Principal Analyst Paden.

**BOARD MEMBERS ABSENT:** Senior Vice President Darling, Acting Treasurer Berggren, Chair Edwards.

**STAFF PRESENT:** Deputy to the Associate Vice President Ackerhalt, Executive Director Miller, Executive Director Scott, University Counsel Clark, Director Olson, Director Schlimgen, Coordinator Chester, Coordinator Fox, Coordinator Townsend, Principal Analyst Pilker, Principal Analyst Semple and Assistant De Leon.

**OTHERS PRESENT:** CUCRA Chair Jensen, CUCEA Chair Brinkerhoff, CUCRA Representative Harris (via telephone), UCB Retiree Association Representative Manza, AFSCME Representative Harrison (via telephone), Mercer Consultant Jerome, Mercer Consultant Dell, UCRS Actuary Angelo and UC employee Higgins.

The regular session meeting officially opened at 11:38 a.m.

**APPROVAL OF THE MINUTES:** The minutes of the April 28, 2006 meeting were approved.

**COMMENTS FROM THE CHAIR:** Vice Chair Wolk began the meeting by announcing that Chair Edwards would not be able to attend the meeting, which is her last as a UCRS Advisory Board member. He relayed Chair Edwards' words of appreciation to all the members of the Board and noted that Gail Brooks, the Assistant Vice Chancellor and Chief Human Resources Officer at UCI will join the Board as the new Presidential appointee. Ms. Brook's appointment will run to June 30, 2010.

He concluded by noting that Lakesha Harrison, the President of AFSCME Local 3299 would be participating in the meeting via telephone and would be reading a prepared statement questioning the conclusion by the Plan's Actuary regarding the necessity to resume UCRP contributions. Copies of Ms. Harrison's statement and an independent study performed by an outside actuarial firm hired by the University of California Union Coalition were distributed to the Board members in advance of the meeting.

**TREASURER'S REPORT:** Jesse Phillips, the Managing Director-Investment Risk Management, participated on behalf of Acting Treasurer Marie Berggren. Director Phillips began by announcing that Ms. Berggren had recently been appointed as the Chief Investment Officer (CIO) for the Treasurer's Office, a position which she had been doing on an interim basis for the past year. He then noted that the Treasurer's Office would be adding staff and was specifically looking for a new Director of Private Equity.

With respect to investment returns, Director Phillips noted that a recent market downturn had resulted in a negative return for UCRP during the fourth quarter of the fiscal year, but that the returns as of the quarter's close would not be available until mid-July 2006. He attributed UCRP's quarterly return as of May 31<sup>st</sup> to negative performance of both U.S. and non-U.S. equity markets. However, he also noted that UCRP's fiscal year-to-date return was 7.1%, which is close to its 7.5% assumed rate of return. Based on the volatility of the equity markets, which had a 13% return over a 3-year period but only a 3% return over a 5-year period, he indicated that a UCRP assumed rate of return of 7.5% was an appropriate rate when viewed from a long-term perspective. He concluded by noting that the new asset allocation, which was approved by The Regents last November and became effective on July 1, 2006, was available on the Treasurer's website.

**ITEM A. UCRS – TRANSITION OF THE LOS ALAMOS NATIONAL LABORATORY TO THE LOS ALAMOS NATIONAL SECURITY, LLC – UPDATE:** Principal Analyst Semple noted that previously, for the meeting of April 28, 2006, the members of the UCRS Advisory Board had been provided with an advance draft of an item for the May 2006 Regents' meeting requesting authority to amend UCRP as necessary to facilitate the Los Alamos National Laboratory (LANL) transition. He indicated that The Regents had approved the UCRP amendments in May and that the final item as presented to The Regents was included as an attachment to Item A. He pointed out that while authority was granted to transfer preliminary UCRP assets to the Los Alamos National Security, LLC (LANS) defined benefit plan on a monthly basis as necessary to fund its benefit plan claims, The Regents were not asked to grant authority for the final transfer of UCRP liabilities and assets, since this transfer was subject to further review and discussion. He then provided an update on the results of the LANS retirement election process, advising that nearly 10,200 LANL employees participated and that approximately 6,600 (65%) elected to participate in the LANS defined benefit plan and 3,600 (35%) elected or were required to participate in the LANS defined contribution plan.

**ITEM B. UCRS – RFP FOR FINANCIAL AND INVESTMENT EDUCATION SERVICES – UPDATE:** Coordinator Fox provided an update on the request for proposals for financial and education services, which was last presented to the Board in January 2006. Potential vendors were asked how they would increase (1) UC employee awareness and importance of retirement savings, (2) understanding of UC's retirement programs, and (3) access to general financial services. The four firms selected as semi-finalists provided varied approaches, including a dedicated, fee-for-service telephone service center and managed account approach focusing on web-based financial tools. Based on its call center's effectiveness, familiarity with the UC Retirement Savings Program and access to UC data, Fidelity was

selected as the vendor. UC HR/Benefits and The Office of the Treasurer will continue to monitor the financial services marketplace and consider the future possibility of engaging providers to supplement FITSCO's service or to provide specific services on a short-term, project basis.

He indicated that Fidelity had already begun to develop a series of targeted campaigns to promote investment in the UC Core Funds, particularly the Pathways Funds and is planning to send personalized, comprehensive retirement assessments to all active participants by early 2007. Executive Director Miller then distributed a one-page summary of a new Faculty Pre-Retirement Planning Program being developed. The program would be offered at least annually at all locations by in-house experts and/or external representatives and would touch on such aspects as UCRP retirement income, retiree medical, Social Security benefits, recall appointments, etc.

**ITEM C. UCRS ADVISORY BOARD – ELECTION OF OFFICERS FOR FISCAL YEAR 2006-2007:** Director Schlimgen noted that the candidates nominated for the UCRS Advisory Board Chair and Vice Chair were David McGraw and Anne Paden, respectively, and that both were endorsed by outgoing Chair Edwards. As there was only one candidate per position, Vice Chair Wolk called for a voice vote and David McGraw was elected as Chair and Anne Paden as Vice Chair for the 2006-2007 fiscal year.

**ITEM D. UCRS ADVISORY BOARD – MEETING SCHEDULE FOR FISCAL YEAR 2006-2007:** Director Schlimgen confirmed that there were no conflicts with the Board's proposed meeting schedule for the upcoming fiscal year and the meeting dates were adopted.

**ITEM E. UCRP – CONSIDERATION OF EQUITY ISSUES FOR UC LADDER RANK FACULTY WITH AFFILIATE AGENCY AGREEMENTS AT THE HOWARD HUGHES MEDICAL INSTITUTE AND THE LUDWIG INSTITUTE:** Director Schlimgen summarized retirement benefit issues raised by ladder rank faculty working under affiliate agreements with the Howard Hughes Medical Institute and the Ludwig Institute, both private agencies. He explained that current UC faculty with joint appointments at these agencies are given leaves without pay (LWOP) from UC and receive their salary and benefits from the affiliated agencies. Since UC salary and benefits for these faculty members are discontinued while they are on leave, they stop accruing UCRP Service Credit even though they may continue to perform academic functions for UC. He noted that that some of these faculty members feel that they are disadvantaged by the arrangement. One solution, with an estimated cost to UCRP of approximately \$14 million, would be to treat service at these agencies similar to that performed with CalPERS under the UC/CalPERS reciprocal agreement. Service at either agency would be used only for vesting in UCRP while the LWOP could be used in the actual calculation of the faculty member's UCRP benefits. Any proposal must be presented to the University Committee on Faculty Welfare (UCFW) for consideration prior to being submitted to The Regents for consideration.

**The meeting was adjourned at 1:42 p.m.**

