



# UCRS Advisory Board

**MINUTES**  
**UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)**  
**ADVISORY BOARD MEETING**  
**FRIDAY, NOVEMBER 3, 2006**  
**OFFICE OF THE PRESIDENT**  
**1111 FRANKLIN STREET, ROOM 5320**  
**OAKLAND, CALIFORNIA**  
**10:00 AM**  
*(Executive Session from 10:00am -11:30 am)*

**BOARD MEMBERS PRESENT:** Executive Vice President Darling, Vice Chair Paden, Senior Vice Chancellor Barclay, Professor Anderson, Chief Investment Officer Berggren, Professor Wolk.

**BOARD MEMBERS ABSENT:** Chair McGraw, Assistant Dean Stein.

**STAFF PRESENT:** Deputy to the Associate Vice President Ackerhalt, Executive Director Miller, Executive Director Scott, University Counsel Clark, Director Klompus, Director Olson, Director Schlinggen, Coordinator Townsend, Coordinator Fox, Principal Analyst West, Specialist Fujisaka, Assistant De Leon.

**OTHERS PRESENT:** CUCRA Representative Harris (via telephone), CUCRA Chair Jensen (via telephone), CUCEA Chair Taylor, UCB Retiree Association Representative Sweet, AFSCME Representative Rosenfeld, UCRS Actuary Moehle, UCRS Actuary Monroe.

The meeting officially opened at 11:36 a.m.

**APPROVAL OF THE MINUTES:** The minutes of the June 30, 2006 meeting were approved.

**COMMENTS FROM THE CHAIR:** Vice Chair Paden and Executive Director Scott explained that Chair McGraw regretted not being able to attend the meeting due to a visit by the Department of Energy (DOE) to the Lawrence Berkeley Lab because of a fatality that occurred there. Vice Chair Paden then noted that Assistant Vice Chancellor Brooks, who was to be Manager Edwards' UCRS Advisory Board replacement, had accepted a position at the California State University system and that possible replacements were being considered. Lastly, she noted that since the actuarial valuation results and the annual reports were not yet posted to the Regents website and therefore not yet public, the discussion of these items would be delayed until the January meeting.

**EXECUTIVE VICE PRESIDENT, UNIVERSITY AFFAIRS - UPDATE:** Executive Vice President Darling affirmed that maintaining the financial health of UC's retirement programs was vital and that the resumption of UCRP contributions would be given top priority, noting that

the contribution restart on July 1, 2007 is subject to the availability of funding, completion of the budget process and collective bargaining for represented employees. He noted that the State budget process had started and that \$60 million in funding for University contributions to UCRP would be included in the proposed UC budget request and that a more formal announcement would be made at the November Regents meeting concerning the level of University contributions to UCRP. He discussed that coordinated collective bargaining had begun, with the first session held on October 25, 2006. Executive Director Scott added that HR/Benefits has received information requests from the unions and is working quickly to respond to them.

**CHIEF INVESTMENT OFFICER - ANNUAL REPORT:** Chief Investment Officer Berggren provided highlights of the Treasurer's Annual Report. She distributed a handout representing the previous fiscal year performance returns and asset allocations, noting that the overall UCRP fiscal year return of 7.10% exceeded its benchmark by 26 basis points. She highlighted an annual return of 26.5% and for the Non-U.S. Equity Developed asset class and 31.3% for the Non U.S. Equity Emerging Market asset class.

**ITEM A. UCRP – UPDATE ON TRANSFER OF UCRP LIABILITIES AND ASSETS TO THE LOS ALAMOS NATIONAL SECURITY, LLC DEFINED BENEFIT PLAN:**

Coordinator Townsend presented an update on the transfer of assets and liabilities from UCRP to the Los Alamos National Security, LLC (LANS) defined benefit plan (the LANS Plan). He summarized the new interim funding methodology and provided an update on the process to determine and transfer final UCRP assets and liabilities to the LANS Plan, including a description of the high level team from UC and the DOE that has been assembled to work on these complex issues.

The prior interim transfer process provided for the monthly transfer of UCRP assets to LANS Plan to the extent necessary to fund its cash flow requirements, for which UC was contractually obligated. Following subsequent discussions between UC and the DOE, and at the DOE's request, a new interim funding methodology was presented to and approved by The Regents in September 2006. The new funding methodology provides for an initial \$10 million transfer of UCRP assets to the LANS Plan along with interim transfers as necessary, but not to exceed a combined total of \$50million. To date, no assets have been transferred.

He stated that UC and the DOE are actively discussing ongoing obligations, responsibilities and the determination of liabilities resulting from the transition. Prior to any transfer of assets, UC must receive 1) an assertion that the LANS Plan will receive a favorable determination from the IRS, 2) reasonable indemnification from the DOE for any penalties, taxes or costs related to transfers and 3) assurance from the DOE that any interim assets transferred will be accounted for in the final transfer and that if a final transfer can't take place, any interim assets transferred will be returned to UCRP with interest. Any agreement reached will require approval by The Regents and will be presented to the Advisory Board.

**ITEM B. UCRS – Management Contract for the Lawrence Livermore National Laboratory**

Coordinator Townsend summarized the bid process for managing the Lawrence Livermore National Laboratory (LLNL). The DOE initiated a competitive bid process in January resulting

in a final Request for Proposals (RFP) in July 2006. At that time, the Regents authorized UC to form a limited liability corporation (LLC), as required under the RFP, and UC again chose to partner with Bechtel. In September, The Regents formally agreed compete for LLNL and a proposal was submitted by the October 2006 deadline. The contract is expected to be awarded by March 2007 with an effective date of October 1, 2007.

The LLNL RFP includes provisions that are similar to the Los Alamos National Laboratory (LANL) RFP. It requires that the new contractor offer at least two pension plans. Pension Plan 1 must provide substantially equivalent benefits to those of UCRP and recognize UCRP age factors, service credit and accrued benefits. Pension Plan 2 would be a totally separate, market driven plan.

As part of the LLNL contract close-out process, an action item will be submitted to the Regents in November to modify UCRP buyback rules for LLNL employees. If approved, LLNL employees will be able to pay for an eligible buyback with an after-tax lump sum instead of the required monthly payroll deductions which they may not have time to complete as a result of the transition. This arrangement for LLNL employees is the same as that approved for LANL employees by the Regents in January 2006. Approximately 100 LANL employees took advantage of the modified buyback rules.

**ITEM C. UCRS – Federal Legislation – Pension Protection Act of 2006:** Principal Analyst West discussed highlights of the Pension Protection Act of 2006 that affect UCRS, noting that many of the provisions of the legislation will need clarifying regulations for implementation by Plan sponsors and that some of the provisions are optional and others are required. Major provisions impacting UCRS are that the higher contribution limits under EGTRRA are now permanent and that non-spouse beneficiaries are permitted to roll over eligible distributions.

**ITEM D. RETIREMENT SAVINGS PROGRAM – VENDOR MANAGER’S REPORT:** Director Klompus presented highlights of the vendor management report, a summary of the relationship that UC has with the Fidelity Investment Tax-Exempt Services Company (FITSCO) which provides account and recordkeeping services for the UC Retirement Savings Program. The Vendor Management Unit oversees: 1) the cooperative relationship between UC and FITSCO, 2) performance management, 3) compliance and 4) communication and education.

As a follow-up on communication and education, Coordinator Fox discussed a new consolidated statement of future retirement benefits that will be rolled out in early 2007. The statement will frame communication in terms of total compensation to emphasize the entire benefits package, not separate independent benefits. In addition to including a projection of benefits, it will point participants to web tools as a source of information and an approach for achieving their retirement goals. Additionally, a UC-customized newsletter will accompany quarterly statements. Coordinator Fox mentioned that the effectiveness of FITSCO’s communications will be measured by tracking activity and surveying members.

**The meeting was adjourned at 1:25 p.m.**