

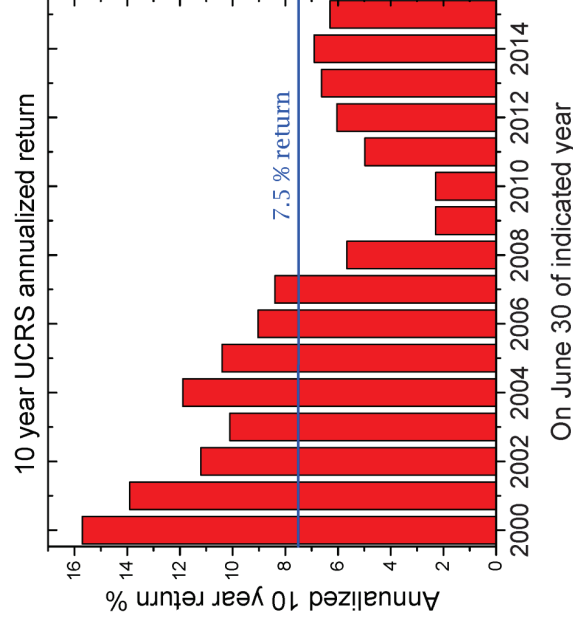
CUCEA Chair's report, October 29, 2015

Roger Anderson

- UCERS
 - Tiers pre-1976, 1976, 2013
 - Pension options: 2016 Tier
 - PEPRAs capped Defined Benefit
 - Supplemental Defined Contribution plan
 - Stand alone DC plan
- Health Plans
 - Equity of Access
 - Plans for 2016 and 2017
 - After 2017

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Low investment yield environment



CIO valuation report: <http://regents.universityofcalifornia.edu/regmeet/sept15/i1.pdf>
Segal Actuarial (6/30/2014): <http://regents.universityofcalifornia.edu/regmeet/nov14/f4attach1.pdf>
Segal Experience study: <http://regents.universityofcalifornia.edu/regmeet/sept15/f8.pdf>

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Results of Experience Study

- Decrease current 7.5 percent investment return assumption to 7.25 percent;
- Decrease current 3.5 percent rate of price inflation assumption to 3.0 percent;
- Change in mortality assumptions, longer life expectancies for UCRP members;
- Changes, in assumed age at retirement and disability incidence rates; and
- Maintain the rate of real “across the board” salary increases while adjusting the rates for promotional and merit increases.

The net financial impact of proposed changes in assumptions:

- Plan’s Normal Cost – \$15.37 million (or 0.9 percent) increase;
- Plan’s Actuarial Accrued Liability – \$2.12 billion (or 3.5 percent) increase; and
- Plan’s total funding policy contribution rate – increase from 28.79 percent to 30.88 percent based on the current amortization period for changes in actuarial assumptions of 15 years.

Based on 6/30/2014, numbers the AAL increase causes the Actuarial Unfunded Liability to increase to \$14.2 billion from \$12.1 billion! This is a 17.5% increase.

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Pension Options: 2016 Tier

See Chair’s letter in October 2015 CUCEA Newsletter

- PEPRA Defined Benefit (Public Employees’ Pension Reform Act)
 - Presently limit on covered compensation is \$118,000 per year.
 - Parameters (employee and employer contribution rates, service credit, age factors , health, ..) are the same as the 2013 Tier.
- Supplemental Defined Contribution plan
 - Designed for employees with compensation higher than PEPRA limit.
 - No specified parameters, and not yet clear to whom it would be offered.
- Stand alone DC plan
 - Transfers all risk (investment and longevity) to the employee
 - Will be an inferior plan compared to DB.
 - Definitely will be greatly inferior for people with only a few years of high salaries for activities such as administrative appointments.
 - Excel model is available for your own exploration.
- Will there be cost savings for UC???
 - Apparently differences of opinion. Some estimates of 25% savings?
 - Watch this space.

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Health Plans

- Equity of Access
 - Samsun Clinic and Cottage Hospital will be in Tier I for UC Care in Santa Barbara!
- Plans for 2016 and 2017
 - No changes are expected at this time other than cost.
 - In 2016: For two Medicare Adults:
 - » High Option price monthly increase of \$67 (+32%)
 - » Health Net Seniority Plus increase of \$36 (+99%)
 - » For Household income > \$170,000, Part B increase of \$54 per person (+52%) (See Joel Dimsdale's report previously circulated.)
 - Health Net has been purchased by Centene.
- After 2017
 - Plans will be rebid during 2017.
 - Apparently Kaiser is coming to Santa Cruz