

# Overview of UCRP July 1, 2024 Valuation Report Prepared by Segal

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**DRAFT**

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# Highlights of 2024 Actuarial Valuation

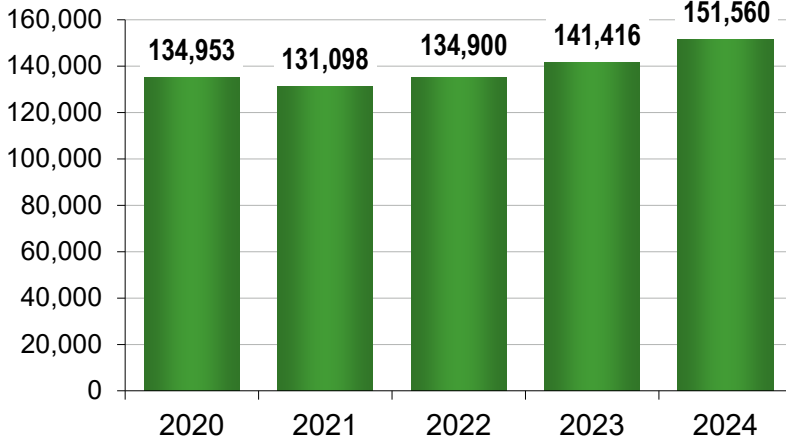
- Approximately 12.9% market value return for 2023/24
  - Actuarial value return of 7.7% due to five-year smoothing of gains/losses
  - Market value of \$98.7 billion is greater than actuarial value by \$2.6 billion
- Changes in key valuation results (on AVA basis):
  - Increase in funded ratio (81.8% to 82.5%)
  - Increase in UAAL (\$20.0 to \$20.4 billion)
  - Decrease in total funding policy contribution rate (32.88% to 32.13% of pay)

# Highlights of 2024 Actuarial Valuation

- Changes in funded ratio and UAAL primarily due to:
  - Actual individual salary increases greater than assumed
  - Actual contributions less than expected under funding policy
  - Investment gain after smoothing
- \$500 million STIP to UCRP transfer during 2023/24 is reflected in valuation results
  - \$800 million STIP transfer approved for 2024/25
  - Total approved contributions are projected to fall short of the total funding policy contribution by ~\$900 million in 2024/25
  - Annual shortfall projected to decrease to around \$250 million in ten years
  - During the 10-year projection period, approved contributions meet the Normal Cost plus interest on UAAL in all years after 2024/25

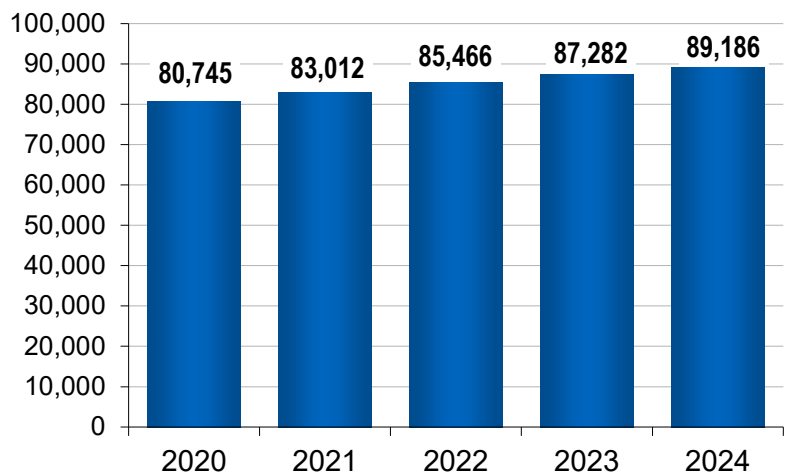
# UCRP Demographics

## ACTIVE MEMBERS



	2024	2023
<b>Active Members</b>	<b>151,560</b>	<b>141,416</b>
● Average Age	44.8	44.8
● Average Service	9.0	9.3
● Average Compensation	\$123,075	\$118,052

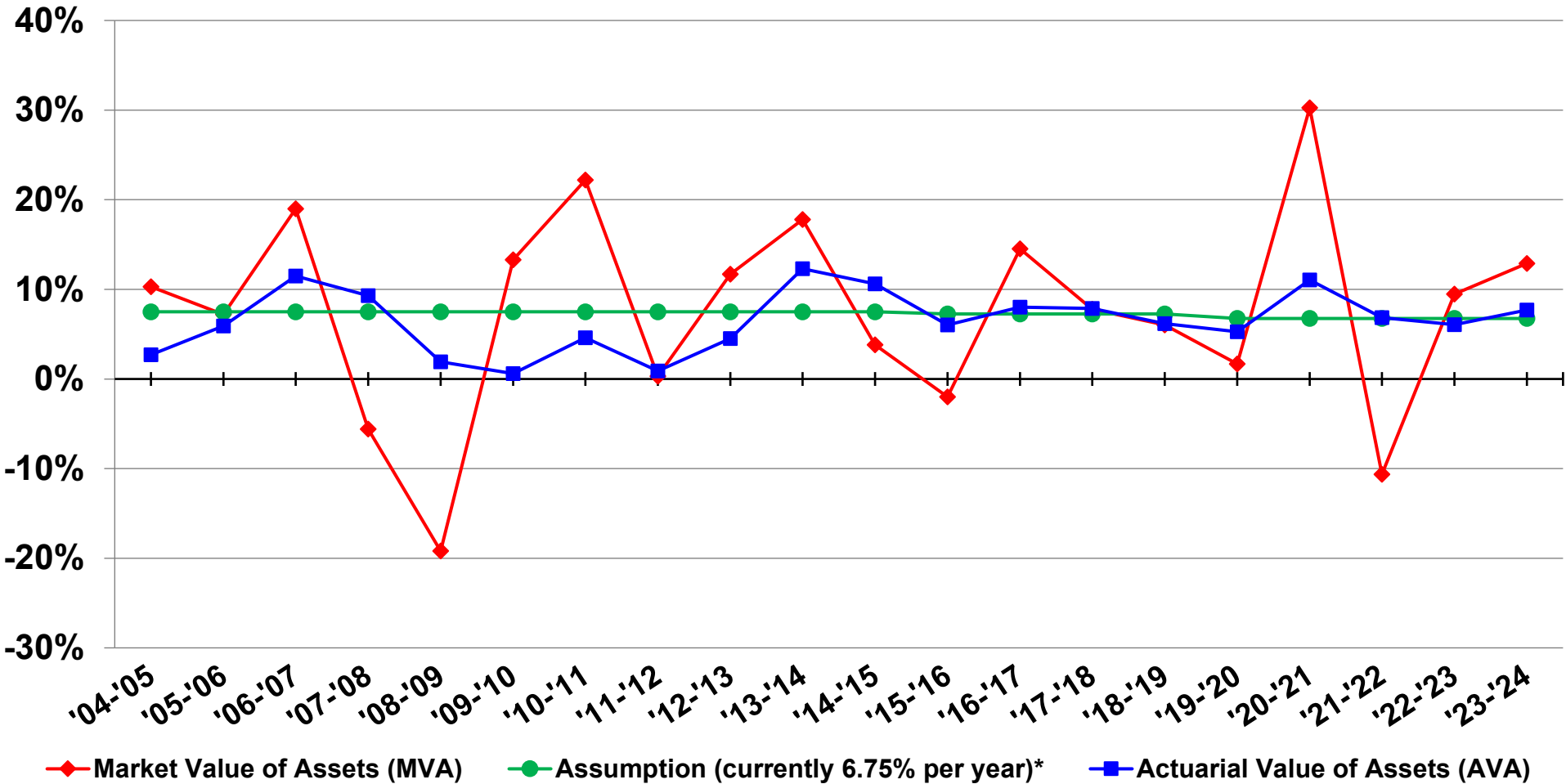
## RETIRED MEMBERS



	2024	2023
<b>Retired Members (in Pay Status)</b>	<b>89,186</b>	<b>87,282</b>
● Average Age	73.5	73.2
● Average Annual Benefit	\$52,572	\$51,120

	2024	2023
<b>Terminated Vested Members</b>	<b>38,951</b>	<b>39,149</b>

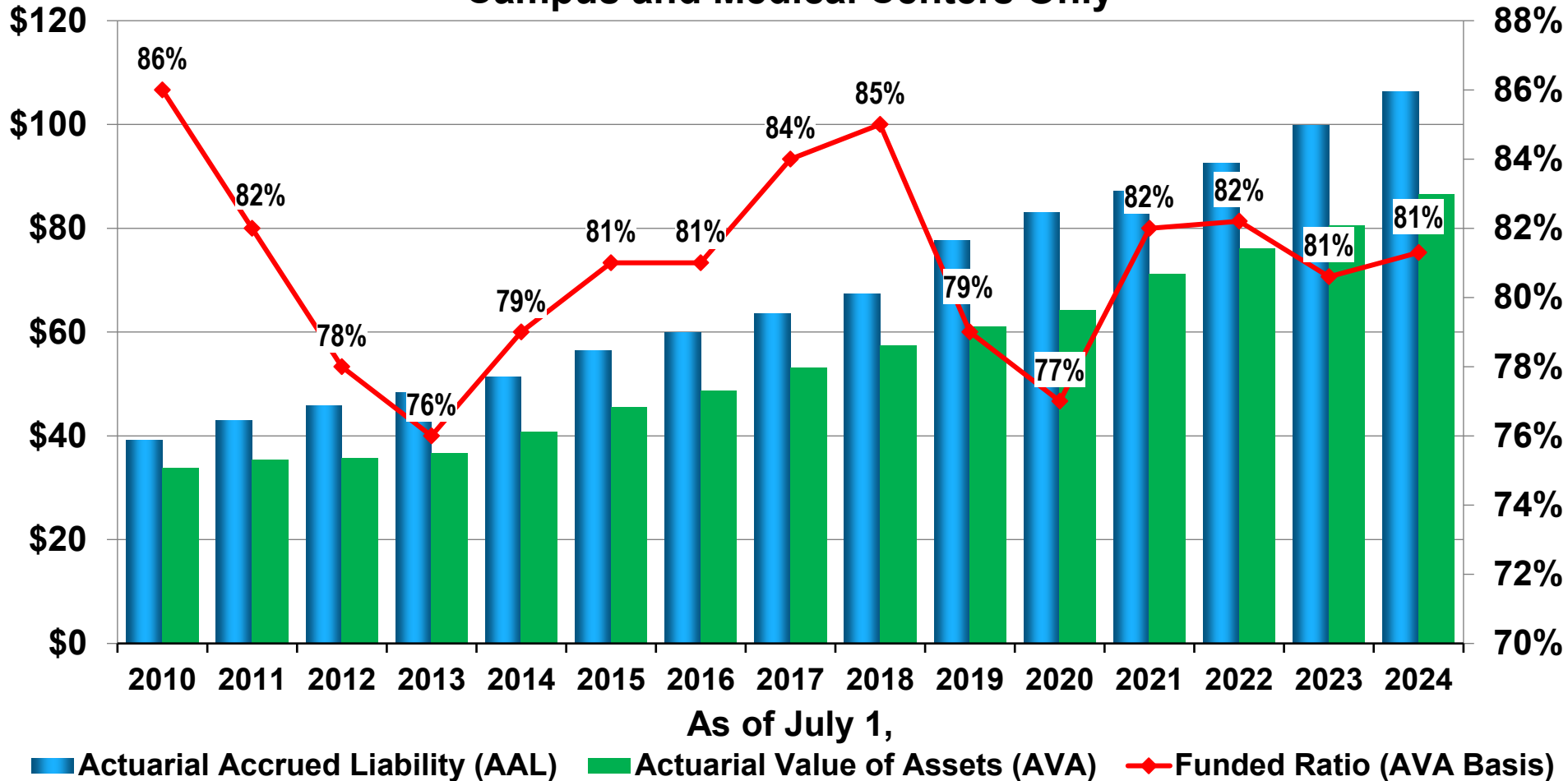
# UCRP Investment Rates of Return



\*The investment rate of return assumption was 7.50% starting July 1, 1994, decreased to 7.25% on July 1, 2015 and decreased to 6.75% on July 1, 2019.

# UCRP Historical Funded Status

## Campus and Medical Centers Only



*Dollars shown in billions*

# UCRP Valuation Results

	07/01/2024	07/01/2023
Market Value of Assets (MVA)	\$98.7	\$88.2
Actuarial Value of Assets (AVA)	\$96.1	\$90.0
Actuarial Accrued Liability (AAL)	\$116.5	\$110.1
Unfunded AAL – AVA Basis (AAL less AVA)	\$20.4	\$20.0
Unfunded AAL – MVA Basis (AAL less MVA)	\$17.8	\$21.9
Funded Percentage (AVA Basis)	82.5%	81.8%
Funded Percentage (MVA Basis)	84.7%	80.1%
Normal Cost (beginning of year)	\$3.4	\$3.1
Normal Cost (% of pay, middle of year)	20.02%	20.04%
Funding Policy Contributions (% of pay)*	32.13%	32.88%

\* Campus and Medical Centers Segment only

*Dollars shown in billions*

# Future Expectations

- Current schedule of approved contribution rates:

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
UCRP Employer Contribution Rate	14.5%	15.0%	15.5%	16.0%	16.5%	17.0%	17.5%	18.0%
Savings Choice UAAL Surcharge Rate	6.5%	7.0%	7.5%	8.0%	8.5%	9.0%	9.5%	10.0%

- Various projections prepared by Segal are included in Appendix A of the valuation report
  - Compares Approved and Total Funding Policy Contributions
  - Shows how current shortfall increases future Funding Policy Contributions
- Projected funded status
  - Funded ratio and UAAL
  - Assumes only Approved Contributions are made

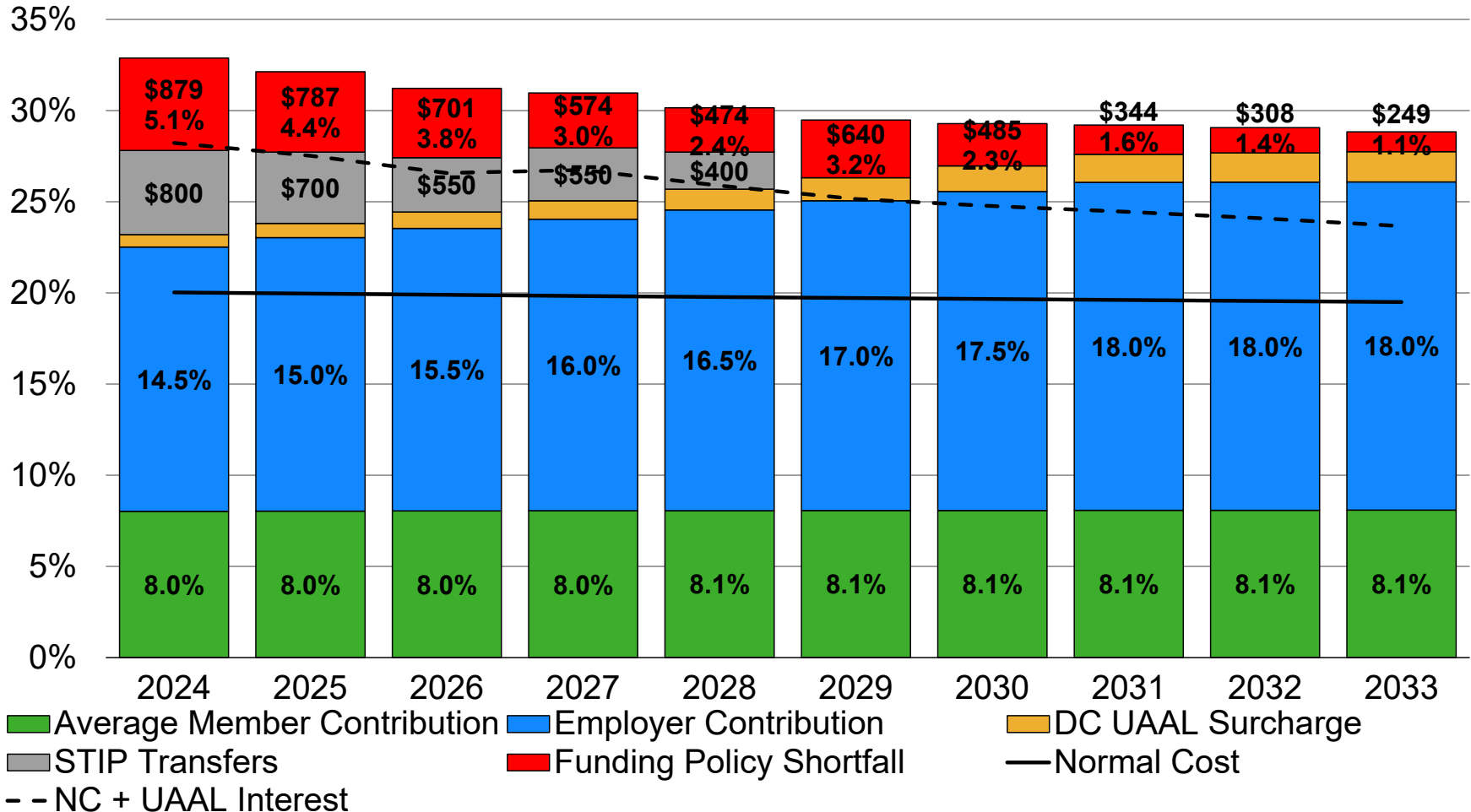


# Baseline Scenario

- The following slide shows the baseline projection from the July 1, 2024 Valuation
  - Reflects demographic and economic experience through July 1, 2024
  - Reflects current schedule of approved contributions
  - Reflects approved STIP transfers through 2028/29
- The red bars represent the shortfall between approved contributions and the Total Funding Policy Contribution
- The dotted line shows the Modified ADC (Normal Cost plus interest on UAAL)
  - If actual contributions are less than the Modified ADC, the UAAL will continue to increase
  - During the 10-year projection period, approved contributions meet the Modified ADC in all years after 2024/25

# Projected UCRP Contribution Amounts: Baseline

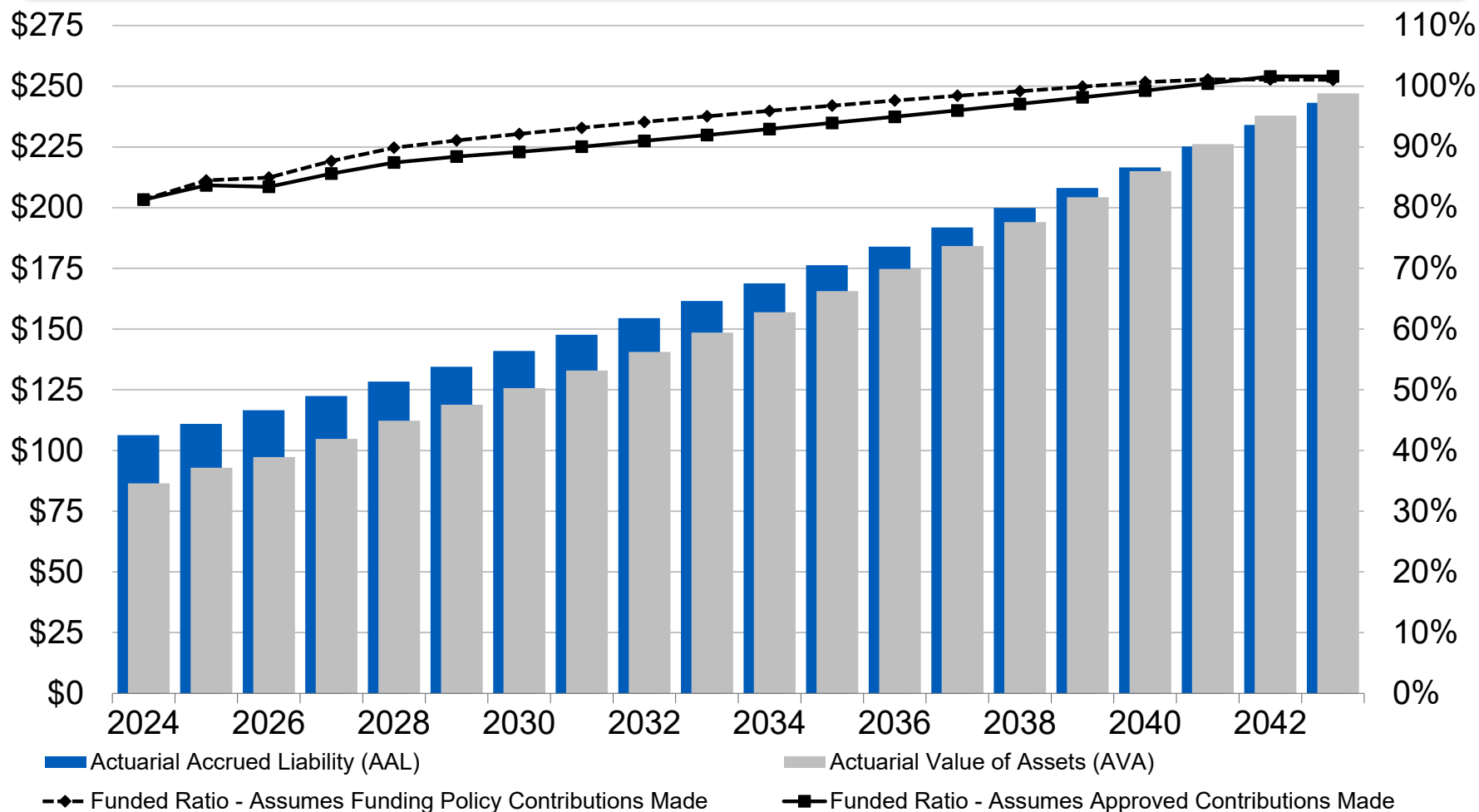
6.75% Market Return Per Year Beginning July 1, 2024



*Dollars shown in millions; Shortfalls are shown in future dollars*

# Projected UCRP Funded Status: Baseline

## 6.75% Market Return Per Year Beginning July 1, 2024



*Dollars shown in billions*

# Assumptions / Methods Used in Projections

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- Unless otherwise noted, projections are based on July 1, 2024 actuarial valuation results.
  - Includes participant data, actuarial assumptions, methods and models on which that valuation was based.
- Some of the important assumptions used in the projections:
  - Includes campus and medical center segment only
  - Assumes a market value return of 6.75% per year beginning July 1, 2024
  - Reflects current contribution rate schedule shown earlier
  - Reflects approved STIP transfers through 2028/29

# Assumptions / Methods Used in Projections

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- Employer contribution rate can be no less than the member contribution rate
- Demographics for future new entrants are assumed to be the same as those for members hired during the two years prior to July 1, 2024
- Reflects choice of UCRP 2016 Tier or Savings Choice for new hires after July 1, 2024, except for new hires under CNA, AFSCME and UPTTE who enter the Modified 2013 Tier.
  - Assumes election rate of 35% Savings Choice (65% UCRP 2016 Tier)
  - Cost of choice of 0.6% of payroll for all new hires added to normal cost
- Assumes total (UCRP and Savings Choice) active member population growth of 0.7% per year

# Other Information

- The projections included herein were made using generally accepted actuarial practices
- Projections, by their nature, are not a guarantee of future results. The modeling projections are intended to serve as illustrations of future financial outcomes that are based on the information available to Segal at the time the modeling is undertaken and completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.
- All calculations were completed under the supervision of Eva Yum, FSA, MAAA, Enrolled Actuary who is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

