



1111 Franklin Street
Oakland, California 94607-5200
Phone: (510) 987-9074
Fax: (510) 987-9086
<http://www.ucop.edu>

November 10, 2008

MEMBERS, UNIVERSITY OF CALIFORNIA COMMUNITY

Dear Colleagues:

I write to bring you up to date on the UC Retirement Plan (UCRP) and pension benefits for both active UC employees not yet drawing benefit payments and past employees or surviving spouses currently receiving benefits from UCRP.

Media reports of recent weeks have discussed the impact of the recent stock market declines on defined benefit retirement plans, such as the UC Retirement Plan and CalPERS. The historic volatility of and significant declines in the financial markets are a concern for all of us, since investment performance affects a pension plan's funded status significantly. Specifically, as of October 31, 2008, the UCRP investment portfolio has experienced an estimated decline of approximately 24 percent for the current fiscal year, and an overall decline of 28.3 percent since June 30, 2007. As of June 30, 2007, UCRP was estimated to be nearly 105 percent funded, compared to 103 percent on June 30, 2008, and as of October 8, 2008, UCRP's funded status was estimated to be approximately 100 percent.

Although the current situation is disconcerting to both active employees and benefit recipients alike, I want to assure you that your UCRP benefits are secure and to remind you that UCRP investments are well diversified. The Plan's investment portfolio is distributed between stocks, fixed-income investments, alternative investments and cash, which helps ensure that the overall portfolio can weather bad performance patches in any one investment area. It's also important to remember that investment performance will rise and fall over time, and that one must view the markets with a long-term perspective. For example, before 2007-2008, UCRP had posted positive investment returns for five consecutive years (2003-2007) and for 16 of the previous 20 years (1988-2007). These factors are easily overlooked during short periods of financial concern.

The immediate situation only underscores, however, that for the long-term financial health of UCRP, contributions must resume in 2009, both from employees and from the University. As part of the restart, we will continue to stress to the State, even in the face of its own funding difficulties, that it must honor its traditional obligation of helping fund contributions to UCRP, just as the State has continued to do for years for CalPERS.

Members, University of California Community
November 10, 2008
Page 2

UCRP has had an extraordinary record of management by the UC Board of Regents for nearly the past half-century. This achievement is particularly impressive in light of the fact that, as a result of an unprecedented 18-year contribution holiday, nearly 80 percent of the current UC workforce has not contributed a single dollar to their individual UCRP accounts from which their future guaranteed benefit payments will be drawn. At the same time it is clear there are many long-term challenges regarding UCRP, and it is critical that we continue to evaluate options for achieving two equally important goals: keeping the Plan financially sound and offering retirement benefits that help us to attract and retain the caliber of personnel needed to maintain UC's quality and competitiveness. This type of evaluation will necessarily span many months, include an analysis of UCRP membership trends and actuarial assumptions, and require extensive consultation with members of the University community, including the Academic Council, the campuses and medical centers, emeriti and retirees, and our union colleagues.

The Board of Regents' Committee on Investments will receive the 2007-2008 UCRP annual report at its November 18-20 meeting (www.universityofcalifornia.edu/regents/meetings.html). Those interested can listen to the Board discussion via the Webcast or review the report online after the meeting at: http://atyourservice.ucop.edu/forms_pubs/categorical/annual_reports.html. Detailed quarterly investment performance reports from the Office of the Treasurer can also be found at: http://www.ucop.edu/treasurer/invinfo/investment_info.html.

In closing, let me say that the UC Retirement Plan has been and must continue to be one of the University's s greatest strengths for all employees. I will work closely with The Regents, the Chancellors, the members of the Academic Council, the UC Retirement Advisory Board, and other members of the University community to ensure that any decisions about UCRP support the goal of preserving good benefits and the Plan's long-term financial health.

Sincerely,



Mark G. Yudof
President