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*Chair of the Assembly of the Academic Senate
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November 3, 2015

**NATHAN BROSTROM
EXECUTIVE VICE PRESIDENT - CHIEF FINANCIAL OFFICER
UNIVERSITY OF CALIFORNIA**

Re: UCRP Borrowing Plan

Dear Nathan,

I am pleased to report that the Academic Council on October 28, 2015, unanimously endorsed your upcoming proposal to the Regents to increase the contribution to UCRP through internal borrowing from the Short-Term Investment Pool (STIP). The proposed borrowing will permit the University to make its Actuarially Determined Contribution (ADC) to UCRP. The Academic Council understands that the ADC is comprised of the normal cost of the plan plus the interest on the unfunded liability, plus a payment of principal on the liability to amortize the debt. Currently, the ADC is equal to somewhat less than 30% of payroll.

The Academic Council agrees that the quickest and least-expensive way to pay down UCRP's unfunded liability and reduce the burden on campus budgets is to contribute the ADC to UCRP, if not more. For as long as the sum of employee and employer contributions remains below the ADC, internal borrowing by the University from STIP remains a financially sound means to meet the ADC.

The Academic Council was also pleased that the current proposal is a multi-year proposal to borrow to meet the ADC for the next three years, in contrast to past annual proposals. The addition of \$436 M in funds from Proposition 2 is also welcome, because this helps reduce the total amount of borrowing. Relevant Senate committees have reviewed the proposal in detail and provided their strong support to the Academic Council.

The Senate is pleased to continue to support your efforts to improve the funding status of UCRP through borrowing from STIP, as we have in the pastⁱ, ⁱⁱ. The reduction and elimination of the unfunded liability will allow contributions to drop, thereby freeing up funds for the primary research, teaching, and service missions of the University. We appreciate the opportunity to opine and the opportunity to review the proposal in detail with you.

Sincerely,

J. Daniel Hare

J. Daniel Hare, Chair
Academic Council

Cc: Academic Council
Executive Director Baxter

ⁱ http://senate.universityofcalifornia.edu/reports/DS_MGYrePEBpplandSTIP.pdf

ⁱⁱ http://senate.universityofcalifornia.edu/reports/BJ2NB_UCRPFunding.pdf