

### History of UCRP Investment Returns

There are two different measurements of a pension plan’s assets, market value and actuarial value. The market value fluctuates with investment returns, reflecting investment results immediately. The actuarial value “smoothes” or spreads investment gains/losses above or below the actuarial assumed earnings rate (currently 7.5% for UCRP) over a period of years to dampen the volatility of the market value returns. UCRP uses a five-year “smoothing” period.

Market returns in the last 20 years have been highly volatile, ranging from a 1994 high of over 26% to a 2008 low of around -19% (about 27% short of the assumption of a positive 7.5%). The FY 08/09 loss will not be fully recognized in the actuarial value of assets until the 2013 actuarial valuation. However, over the 20-year period ending 12/31/2009, UCRP’s average return on investments was 8.97%, which is higher than the 7.5% assumption for UCRP.

Investment returns are the largest driver of assets available to pay benefits. The University Treasurer’s Office investment performance has been consistently above its benchmark and the UCRP assumed rate of return, but **investments alone cannot overcome a 20-year lack of contributions**. Without restarting contributions, it has been estimated that earnings would have to be more than 15% per year over the next 10 years to return UCRP to 100% funded status. In addition, contributions equal to the Normal Cost, along with investment earnings of 7.5% per year would still be needed after returning to 100% funded status.

### UCRP Investment Rates of Return

