

COMMITTEE ON INVESTMENTS  
May 7, 2009

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

1. **UNIVERSITY OF CALIFORNIA RETIREMENT PLAN ASSET LIABILITY STUDY: RESULTS AND RECOMMENDATIONS**

The Committee recommends that the following changes to the University of California Retirement Plan (UCRP) Investment Policy Statement be adopted with an effective date of June 1, 2009.

- A. Long-Term Policy asset class targets and “Current Policy” asset class targets are as follows:

UCRP Asset Liability Study, May 2009

Asset Class	Recommended Weights		Ranges vs. Current Policy Weights			
	Long-Term Policy	Current Policy	Lower Bound	Upper Bound	Lower Bound	Upper Bound
US Equity	23.0%	32.0%	27.0%	37.0%	-5%	5%
Non US Eq Devel	22.0%	22.0%	17.0%	27.0%	-5%	5%
EM Equity	5.0%	4.0%	2.0%	6.0%	-2%	2%
Global Equity	2.0%	2.0%	1.0%	3.0%	-1%	1%
Mkt Bonds	12.0%	12.0%	9.0%	15.0%	-3%	3%
High Yield Debt	2.5%	2.5%	1.5%	3.5%	-1%	1%
EM Debt	2.5%	2.5%	1.5%	3.5%	-1%	1%
TIPS	8.0%	8.0%	6.0%	10.0%	-2%	2%
Real Estate	7.0%	4.0%	1.0%	7.0%	-3%	3%
Private Eq	6.0%	6.0%	3.0%	9.0%	-3%	3%
Hedge Funds	10.0%	5.0%	0.0%	10.0%	-5%	5%
Cash	0.0%	0.0%	0.0%	10.0%	0%	10%
Other	0.0%	0.0%				
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>				

Asset Class	Recommended Weights		Ranges vs. Current Policy Weights			
	Long-Term Policy	Current Policy	Lower Bound	Upper Bound	Lower Bound	Upper Bound
Equity	52.0%	60.0%	50.0%	70.0%	-10%	10%
Fixed Income	25.0%	25.0%	20.0%	30.0%	-5%	5%
Alternatives	23.0%	15.0%	8.0%	22.0%	-7%	7%
	100.0%	100.0%				

- B. The performance benchmark for Core Fixed Income is the Barclays Capital Aggregate Bond Index (effective July 1, 2009).
- C. The investment guidelines for Treasury Inflation Protected Securities (TIPS) are modified to allow active management of this asset class, with an active risk budget of 200 basis points (annualized standard deviation).

2. **ADOPTION OF EXPENDITURE RATE FOR THE GENERAL ENDOWMENT POOL FOR FISCAL YEAR 2009-10**

The Committee, with the concurrence of the Committee on Finance, recommends that the expenditure rate per unit of the General Endowment Pool (GEP) for expenditure in the 2009-10 fiscal year shall remain at a rate of 4.75 percent of a 60-month moving average of the market value of a unit invested in the GEP.