FACT SHEET

REGENTS TO CONSIDER UC/DOE AGREEMENTS ON ONGOING OBLIGATIONS REGARDING LLNL PORTION OF UNIVERSITY OF CALIFORNIA RETIREMENT PLAN (UCRP) AND THE TRANSFER OF ASSETS AND LIABILITIES TO LLNS PENSION PLAN

- Agreement to funding formula requires DOE to reimburse UC for contributions made to fund any shortfall in the Retained LLNL Segment of UCRP
- The Regents continue their fiduciary duties over UCRP
- The asset transfer agreement has no adverse effect on current, future or retained UCRP members or those who transitioned to the LLNS Pension Plan.

At the January 2008 meeting of the University of California Board of Regents, UC will seek authorization to enter into two agreements with the Department of Energy/ National Nuclear Security Administration (DOE/ NNSA) regarding the transfer of UCRP assets and liabilities associated with Lawrence Livermore National Laboratory (LLNL) UCRP service and DOE/NNSA's ongoing obligation to reimburse UC if a shortfall occurs in the Retained LLNL Segment of UCRP.

These actions are similar to those taken by the University in its closeout activities associated with Los Alamos National Laboratory and the Department of Energy.

The agreements include (l) an asset transfer agreement that formally articulates rules for the transfer of assets and liabilities from UCRP to the Lawrence Livermore National Security, LLC (LLNS) defined benefit pension plan (LLNS Pension Plan), and (2) an agreement between UC and DOE/NNSA that clarifies DOE's ongoing obligation to reimburse UC for contributions made to UCRP to maintain a target funding ratio of 100% in the Retained LLNL Segment. The segment includes the assets and liabilities allocated to the benefits of LLNL employees who became retired, disabled or vested inactive UCRP members prior to October 1, 2007, or their beneficiaries. Both agreements must be signed by both UC and DOE/NNSA officials before either will become effective. If both agreements are approved, the asset and liability transfer is planned to occur on or before April 1, 2008.

Background

In May of 2007, the DOE/ NNSA awarded the management and operations contract for LLNL to LLNS. The new contract began October 1, 2007. As part of the transition process to the new management team, and consistent with the requirement set forth in the University's contract with the Department of Energy, UC is required to transfer UCRP assets to fund the prior service pension benefits of those LLNL employees who elected to participate in the LLNS Pension Plan.

Funded Status of LLNL Segment Retained within UCRP

- The Retained LLNL Segment will remain within UCRP, provided DOE/NNSA satisfies its obligations under the funding formula described in the funding agreement.
- The DOE/NNSA has agreed to a target funded ratio of 100% for the Retained LLNL Segment. If the funding of the Retained LLNL Segment falls below 100%, DOE/NNSA will begin seven years of level payments in an amount projected to restore full funding by the end of the seven-year term. This

seven-year payment approach, which is based on the new federal funding rules that will generally apply at other DOE sites that offer corporate pension plans, clarifies DOE/NNSA's obligations and provides a high degree of protection for UCRP.

- The Regents retain fiduciary responsibility to oversee the management ofof UCRP as in the past, but will continue, as in the past, to provide notice to DOE/NNSA of changes to UCRP. DOE/ NNSA will have approval authority over any ad hoc inflation-based increases in benefits for the Retained LLNL Segment and over changes that would raise costs, change actuarial assumptions or methods or change asset allocation for the Retained LLNL Segment to be different from those used generally for UCRP.

UCRP Asset Transfer to LLNS Plan

- As of October 1, 2007, the total market value of UCRP assets associated with UCRP members' LLNL service during the performance of the management contract between UC and the DOE/NNSA ("Contract Service Assets") was $5.601 billion. This is based on analysis provided by The Regents' actuary, the Segal Company, and accepted by DOE/ NNSA.
- As of October 1, 2007, the liabilities for the Retained LLNL Segment were $3.780 billion. The UC-DOE/NNSA contract formula requires that an equal amount of assets be retained in the Retained LLNL Segment in order to fund 100% of the segment liabilities.
- The UC-DOE/NNSA contract also requires that the remaining Contract service Assets be transferred to the LLNS Pension Plan. As of October 1, 2007, the market value of the remaining Contract Service Assets was $1.820 billion (rounded).
- The DOE/NNSA has requested that UC agree to modify the contract so that an additional $75 million is retained in the Retained LLNL Segment to provide DOE/NNSA with an identified funding source to apply against any future funding obligations to the Retained LLNL Segment. Under the DOE/NNSA proposal, $1.745 billion (rounded) in assets will be transferred from UCRP to the LLNS Pension Plan ("Asset Transfer Amount").
- The Asset Transfer Amount will be adjusted for the total return earned by the UCRP portfolio since September 30, 2007, allocable expenses, buybacks for UCRP service credit, and distributions to the small number of LLNS retirees who may commence benefit payments attributable to their UC service from UCRP, as authorized by The Regents in September 2007.
- The IRS has been requested to provide approval that the proposed transfer of assets and liabilities meets any requirements of the Internal Revenue Code that may apply.
- No assets will be transferred for the Capital Accumulation Payment (CAP) benefits of any LLNS employee. All CAP benefits will be paid from UCRP.

Other UCRP issues

- These agreements will not affect the benefits of any UCRP retired and inactive members, including LLNL retired and inactive members retained in UCRP, who will receive the benefits to which they are entitled under UCRP.

- These agreements have no relationship to or effect on The Regents' decisions regarding the restart of employer and employee contributions to UCRP. The UCRP assets and liabilities associated with the Retained LLNL Segment will be carefully tracked and accounted for, and any underfunding will be addressed by the funding formula under the agreement with the DOE/NNSA.