

# ANNUAL FINANCIAL REPORT

## *of the University of California Retirement System*

DEFINED CONTRIBUTION PLAN AND TAX-DEFERRED 403(b) PLAN  
YEAR ENDED JUNE 30, 1999

UCRS Plan Administration

## SUMMARY STATEMENT

This report contains information about the University of California Defined Contribution Plan and Tax-Deferred 403(b) Plan for the fiscal year ended June 30, 1999, and includes audited

financial statements. Significant statistics relating to both plans and their participants as of the 1998–99 fiscal year end are as follows:

Net assets	\$5,954,672,000
Total contributions	\$420,178,000
Net dividend and interest income	\$228,203,000
Plan administrative expenses	\$8,101,000

### DEFINED CONTRIBUTION PLAN

#### Active Plan Participation

##### Pretax Account

Senate Faculty and Non-Faculty Academics	12,902 participants
Management/Senior Professional	32,845 participants
Professional/Support Staff	51,166 participants
Hastings College of the Law	249 participants
• Average Pretax Account monthly contribution	\$71
• Average Pretax Account value	\$6,049
Safe Harbor:	
UC	25,903 participants
Hastings College of the Law	55 participants
California State University	1,319 participants
• Average Safe Harbor monthly contribution	\$115
• Average Safe Harbor Pretax Account value	\$2,231
<b>After-Tax Account</b>	
Senate Faculty and Non-Faculty Academics	368 participants
Management/Senior Professional	770 participants
Professional/Support Staff	326 participants
• Average After-Tax Account monthly contribution	\$599
• Average After-Tax Account value	\$28,968

#### Inactive Plan Participation

155,218 participants

### TAX-DEFERRED 403(b) PLAN

#### Active Plan Participation

Senate Faculty and Non-Faculty Academics	5,985 participants
Management/Senior Professional	20,670 participants
Professional/Support Staff	13,138 participants
Hastings College of the Law	85 participants
• Average percent of salary contributed	9%
• Average monthly contribution	\$422
• Average Plan account value	\$46,893
• Outstanding Loan Program loans	9,696
• Average outstanding loan balance	\$7,114
• Aggregate outstanding loan principal	\$68.9 million

#### Inactive Plan Participation

40,559 participants

## PLAN OVERVIEW AND ADMINISTRATION

The University established the Defined Contribution Plan (the DC Plan) and the Tax-Deferred 403(b) Plan (the 403(b) Plan) to complement employees' University of California Retirement Plan (UCRP) pension benefits. The plans cover virtually all employees of the University of California, its affiliate, Hastings College of the Law, and Associated Students of UCLA. The plans are defined contribution plans described under §401(a) and §403(b) of the Internal Revenue Code (IRC).

Benefits from the DC and 403(b) plans are based on participants' mandatory and voluntary contributions, plus earnings, and vesting is immediate. While their savings accumulate, employees enjoy significant reductions in their personal income taxes due to the plans' tax-deferred design.

A defined contribution plan was first made available to University employees through the Supplemental Retirement Program in 1967, in which employees could invest after-tax contributions in two University-managed annuity funds. Two years later, the 403(b) Plan was added for voluntary pretax savings. Over the years, Plan features have been expanded to include:

- six University-managed investment fund options for building retirement savings;
- externally managed mutual fund investment options;
- a Loan Program, through which participants can borrow their 403(b) Plan savings; and
- money management flexibility in line with ERISA §404(c) regulations.

Currently, all contributions are deducted from participants' wages; there are no matching employer contributions.

The President of the University of California is the Plan Administrator of the plans and delegates the responsibility for the day-to-day management and operation of the plans to the University of California Human Resources and Benefits

department. This department conducts policy research, implements regulations to preserve the plans' qualification and/or tax-deferred status with the Internal Revenue Service, and provides participant recordkeeping, accounting, reporting, and receipt and disbursement of Plan assets to eligible participants.

### PLAN PROGRESSION

1967	Supplemental Retirement Program established with Fixed (Savings) and Variable (Equity) annuity investment options.
1969	Tax-Deferred Annuity Plan (aka the 403(b) Plan) established for investment of pretax contributions in Fixed and Variable annuities.
1978	Variable Bond Fund added to annuity investment options.
1985	Money Market and Insurance Company Contract funds added as University-managed investment fund options.
1986–87	Mutual fund investment options offered through Fidelity Investments and Calvert Social Investment Fund to 403(b) Plan participants. 403(b) Plan Loan Program established under IRC §72(p).
1990	Multi-Asset Fund added as sixth University-managed investment fund option. DC Plan expanded to accept mandatory pretax contributions from UCRP members.
1991	Part-time employees at UC and at California State University (CSU) not otherwise covered by a retirement system contribute to the DC Plan in lieu of paying Social Security taxes.
1994–95	DC Plan investment options expanded to include Fidelity Investments mutual funds. Plan participation extended to non-exempt student employees in lieu of paying Social Security taxes.

For services rendered in connection with the plans, an administrative fee equal to .0125% of the net assets is charged to the investment funds each month, based on the previous month's net assets. The fee is deducted before calculating the unit values and interest factors. Included in the administrative fee are charges for investment management.

Twice a year, UC Human Resources and Benefits sends each participant a personalized statement of account activity, showing contributions and earnings/losses in each investment fund and summarizing transactions during the period. Separate statements are sent to participants who have loans from the 403(b) Plan with details of loan and repayment transactions. Summary plan descriptions are updated periodically to reflect legislative, Plan, and administrative changes. These booklets are available through local Benefits Offices and are mailed directly to active participants once every five years, in line with ERISA disclosure requirements.

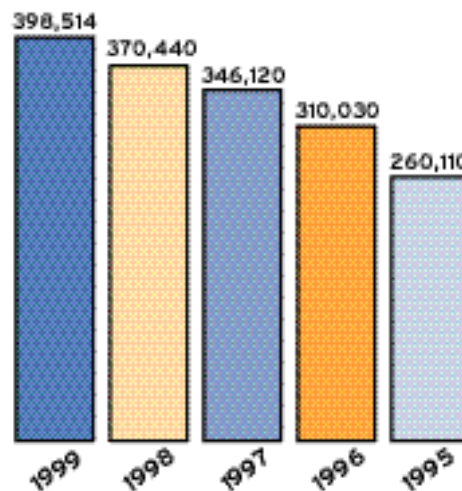
To help participants better understand the plans' benefits and effectively manage their accounts, UC maintains two electronic sources for participants to use to obtain direct information about the plans.

(1) bencom.fone is an interactive, toll-free telephone service that is available 24 hours a day, 7 days a week, through which participants can retrieve personal financial information about their accounts and make certain Plan transactions. Brochures with complete information about bencom.fone are available from the UC Customer Service Center and local Benefits Offices.

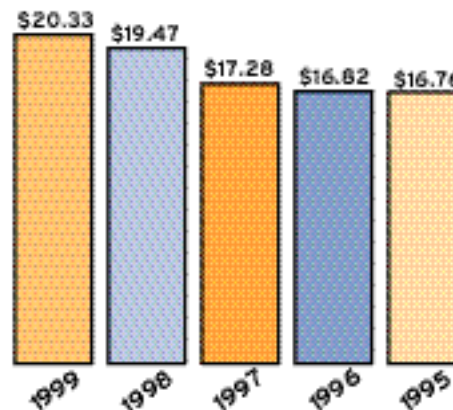
(2) Participants who have access to the Internet can find current, comprehensive information about the plans on the UCbencom website at [www.ucop.edu/bencom](http://www.ucop.edu/bencom). Certain Plan transactions may also be made online on UCbencom.

## PLAN ADMINISTRATION COSTS

Number of Accounts (Plan Balances)



Per Capita Plan Administrative Costs



# CHANGES IN THE PLANS

The following Plan changes occurred during fiscal year 1998 – 99. The changes were mandated by legislation or recommended by the President of the University and approved by The Regents.

All currently effective Plan provisions are contained in the Defined Contribution Plan and Tax-Deferred 403(b) Plan documents.

## DATE

## CHANGE

January 1999

- Expanded the Plan Administrator’s authority to make technical changes to the plans to more accurately reflect operational procedures.

May 1999

- Clarified DC Plan language addressing cost-of-living increases, which can be applied to annual IRC §401(a)(17) compensation limits for employees who became active UCRP members before July 1, 1994.

## CONTRIBUTIONS

Nearly all employees (except student employees who satisfy certain courseload requirements) participate in the DC Plan as a condition of employment. Mandatory and voluntary contributions are held in two separate accounts – the Pretax Account and the After-Tax Account. Mandatory contributions to the Pretax Account are based on covered compensation at rates specified by The Regents, and vary depending on whether the employee is a member of UCRP and, if so, the membership classification (see chart). Pretax Account contributions, which are deducted from gross salary and thereby reduce taxable income, may be invested in and transferred among any of the six University-managed investment funds, as well as among Fidelity Investments mutual funds.

### PRETAX ACCOUNT CONTRIBUTION RATES

<b>UCRP Membership Classification</b>	<b>Contribution Rate</b>
With Social Security	2% to 4% less \$19 a month*
Without Social Security	3% less \$19 a month
Safety	3% less \$19 a month
Tier Two	0%
Safe Harbor (Non-UCRP members; i.e., part-time employees and non-exempt students)	7.5%

\*The contribution rate is 2% of annual earnings up to the Social Security wage base (\$72,600), then 4% on any subsequent earnings.

Voluntary DC Plan contributions, which employees make on an after-tax basis, are held in the Plan's After-Tax Account. The maximum amount employees may contribute annually to the After-Tax Account is determined by the IRC §415(c) limit. Generally, this amount is the least of 25% of the participant's adjusted gross University salary or \$30,000. This limit applies to all annual additions as defined in IRC §415(c). These contributions are deducted from net income and also may be invested in and transferred among any of the University-managed funds and the Fidelity funds. Also in the After-Tax Account are direct and 60-day rollovers of UCRP accumulations from members who have left University employment, as well as rollovers from other employer-sponsored 401(a) and 401(k) plans.

The 403(b) Plan houses voluntary contributions that are made on a pretax basis only. Within certain IRC limits, which vary depending on the employee's salary, length of University employment, and prior contribution history, 403(b) Plan participants may make voluntary contributions as a percentage of their salary or in flat dollar amounts. 403(b) Plan contributions may be invested in and transferred among any of the University-managed funds, as well as among Fidelity Investments mutual funds and the Calvert Social Investment Fund.

The 403(b) Plan also accepts rollovers from other employer-sponsored 403(b) plans.

Participants' contributions to the UC-managed investment funds during the fiscal years ended June 30, 1990, through June 30, 1999, are listed in *Revenues By Source*, beginning on page 28.

# PARTICIPATION

At 1998–99 fiscal year end, 124,439 active employees (including 1,319 CSU employees) were making mandatory contributions to the DC Plan Pretax Account and 1,464 employees were also

contributing voluntarily to the Plan’s After-Tax Account. Participants contributing to the 403(b) Plan numbered 39,878 at fiscal year end.

DC PLAN ACTIVE PARTICIPATION  
JUNE 30, 1999



403(b) PLAN ACTIVE PARTICIPATION  
JUNE 30, 1999



- Pretax Account
- After-Tax Account
- CSU Safe Harbor

- 403(b) Plan

The following table shows the number of participant accounts in each investment fund as of June 30 of the fiscal years shown.

The numbers reflect participants who may have Plan accumulations in more than one investment fund.

### PARTICIPANT ACCOUNTS BY FUND

Year Ended June 30	Equity	Bond	Multi-Asset	Savings	Insurance Company Contract	Money Market
1999	81,030	25,184	30,385	332,709	10,831	6,923
1998	72,180	22,544	28,183	313,341	10,363	6,546
1997	59,455	19,611	24,693	301,222	10,455	6,400
1996	49,172	18,469	21,331	274,224	10,040	6,030
1995	37,982	16,484	17,900	233,203	9,831	5,892
1994	34,121	17,330	16,167	208,765	7,461	5,479
1993	29,845	14,337	11,647	190,363	6,963	5,598
1992	25,156	12,078	7,086	174,778	6,557	5,768
1991	19,412	10,347	2,087	149,453	6,658	5,769
1990	17,890	9,387	N/A	57,133	6,070	5,022

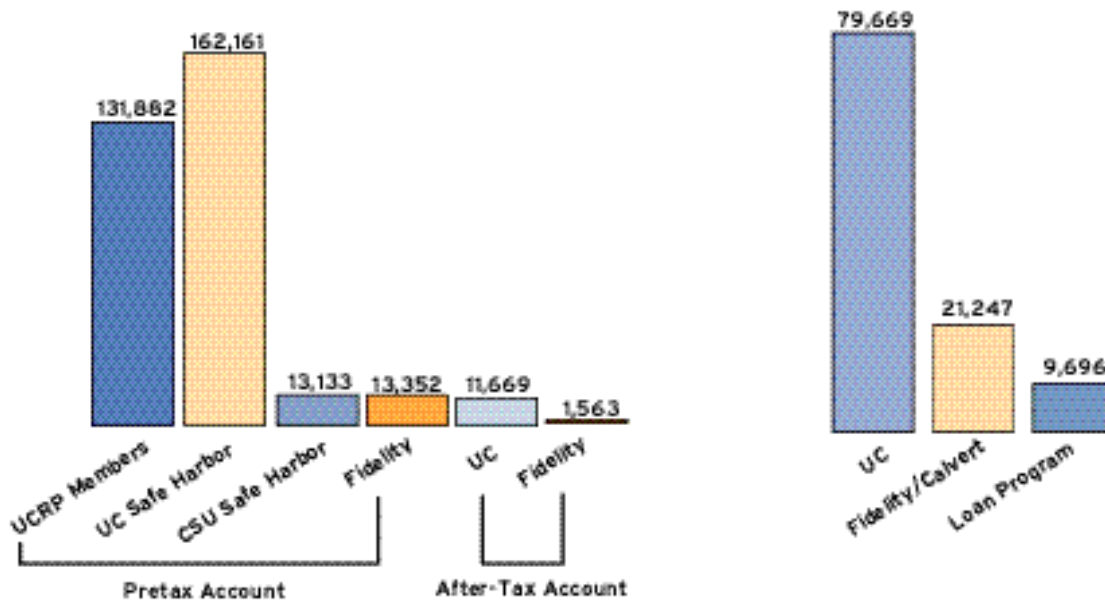
### NET ASSETS AND TOTAL ACCOUNTS BY PLAN

#### DC PLAN – \$1.5 BILLION

- Six University investment funds
- Fidelity Investments mutual funds

#### 403(b) PLAN – \$5.7 BILLION

- Six University investment funds
- Fidelity Investments mutual funds
- Calvert Social Investment Fund



## INVESTMENTS

### INVESTMENT MANAGEMENT

The plans' assets are held in commingled investment funds under a master trust arrangement. As Plan Trustees, The Board of Regents is responsible for the investment management of the six University-managed investment funds, consistent with fiduciary laws of the State of California. The Treasurer of The Regents is the investment manager and custodian for all of the trust's assets, exclusive of assets held in accounts through custodial agreements with mutual fund companies. The Treasurer's function is executed under the policies established by The Regents' Committee on Investments to protect the interests of all participants and their beneficiaries.

Trust assets are held separately under a custodial agreement with State Street Bank & Trust Co. The bank carries insurance against loss of property caused by employee dishonesty, theft, misplacement, damage, distribution, or mysterious disappearance.

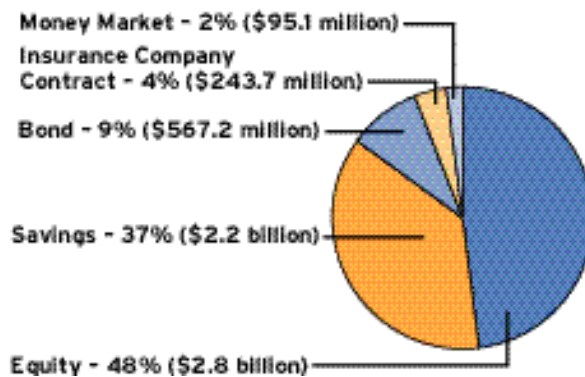
### PROXY VOTING POLICY

The following summarizes Regents' policy on proxy voting.

The Regents, as shareholder, have instructed the Treasurer to vote with management recommendations on most proxy issues that are of a routine business management nature. When the proxy issue is controversial or relates to social matters, it is submitted by the Treasurer to be voted upon by all members of The Regents.

## INVESTMENTS BY FUND

Of the six University-managed funds, the Equity and Savings funds comprise the bulk of the trust's \$5.9 billion investment base. The chart below illustrates the percentages of investments held and the market value of the investments in each investment fund as of June 30, 1999. The Multi-Asset Fund is not represented in the chart because it consists exclusively of assets held in the Equity,



Savings, Bond, and Money Market funds. At June 30, 1999, the market value of the Multi-Asset Fund's investments totaled \$499,907,000, and investments were allocated among the four funds as follows: 38% Equity, 34% Savings, 20% Bond, and 8% Money Market.

## INVESTMENT PERFORMANCE

The Equity, Bond, and Multi-Asset funds generate returns (gain or loss) through increases or decreases in the unit values. Similar to mutual fund share prices, unit values change each month based on the current fair value of the investment portfolio and are determined by dividing the net assets of the funds by the number of units outstanding. Earnings, as well as market fluctuations, are reflected in the unit values.

The Savings, Insurance Company Contract (ICC), and Money Market funds generate returns primarily through interest earnings, and interest factors represent the percentage earned for each dollar invested. Interest is calculated monthly on the net earnings of the respective fund and then allocated to participants' accounts on a pro rata basis.

## UNIT VALUES AND INTEREST FACTORS – FISCAL YEAR 1998–99

Effective Date	Unit Values			Interest Factors		
	Equity	Bond	Multi-Asset	Savings	Insurance Company Contract	Money Market
06/30/99	\$283.207	\$109.266	\$27.067	.4774%	.5523%	.3974%
05/31/99	\$271.529	\$110.440	\$26.630	.4914%	.5704%	.4127%
04/30/99	\$273.438	\$113.645	\$26.797	.4832%	.5514%	.3992%
03/31/99	\$260.443	\$112.580	\$26.203	.5043%	.5731%	.4137%
02/28/99	\$249.300	\$111.143	\$25.659	.4581%	.5210%	.3752%
01/31/99	\$254.341	\$116.407	\$26.047	.5075%	.5771%	.4370%
12/31/98	\$243.417	\$114.552	\$25.489	.5095%	.6062%	.4486%
11/30/98	\$233.962	\$113.734	\$25.034	.4974%	.5841%	.4324%
10/31/98	\$219.540	\$109.998	\$24.252	.5039%	.6002%	.4621%
09/30/98	\$202.704	\$111.866	\$23.635	.4863%	.5854%	.4498%
08/31/98	\$193.870	\$106.285	\$22.908	.4984%	.6062%	.4692%
07/31/98	\$222.526	\$108.994	\$24.170	.5011%	.6042%	.4661%

# HISTORICAL INVESTMENT PERFORMANCE

## ANNUALIZED RATES OF RETURN AT JUNE 30, 1999

	1-Year	5-Year	10-Year	20-Year
<b>Total Return Funds:</b>				
Equity	25.0%	23.9%	17.2%	16.7%
Bond	(1.1)	13.9	11.2	12.3
Multi-Asset	11.2	13.6	N/A	N/A
<b>Income Funds:</b>				
Savings	6.1	6.3	7.2	8.7
Insurance Company Contract	7.2	7.6	8.2	N/A
Money Market	5.3	5.6	5.7	N/A
<b>Benchmark Indices:</b>				
S&P 500 Stock Index*	22.8%	27.9%	18.8%	17.9%
Lehman Gov't/Corp/Yankee Bond Index	2.7	7.8	8.1	9.7
2-Year T-Notes	4.9	5.8	5.9	8.1

## CUMULATIVE RATES OF RETURN AT JUNE 30, 1999

	1-Year	5-Year	10-Year	20-Year
<b>Total Return Funds:</b>				
Equity	25.0%	191.5%	387.3%	2,079.3%
Bond	(1.1)	91.9	190.1	910.9
Multi-Asset	11.2	89.2	N/A	N/A
<b>Income Funds:</b>				
Savings	6.1	35.7	99.5	429.6
Insurance Company Contract	7.2	44.3	119.0	N/A
Money Market	5.3	31.1	73.4	N/A
<b>Benchmark Indices:</b>				
S&P 500 Stock Index*	22.8%	241.9%	458.2%	2,581.1%
Lehman Gov't/Corp/Yankee Bond Index	2.7	45.3	118.4	536.2
2-Year T-Notes	4.9	32.6	77.4	374.8

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## FUND OBJECTIVES

### UC-MANAGED INVESTMENT FUNDS

**Equity Fund** – Seeks to maximize long-term capital appreciation with moderate risk. Invests in common stock from high-quality, mostly large-capitalization, growth-oriented global companies; small representation in alternative equities.

**Bond Fund** – Seeks to maximize long-term total return through a combination of interest income and price appreciation. Invests in high-quality, long-term government (U.S. and foreign) and corporate bonds from global companies.

**Multi-Asset Fund** – Seeks diversified total return with emphasis on interest income. Contributions to this Fund are invested in fixed percentages in the existing Equity, Savings, Bond, and Money Market funds.

**Savings Fund** – Seeks to maximize interest income while protecting principal. Invests in insured deposits and government-guaranteed securities with maturities of five years or less.

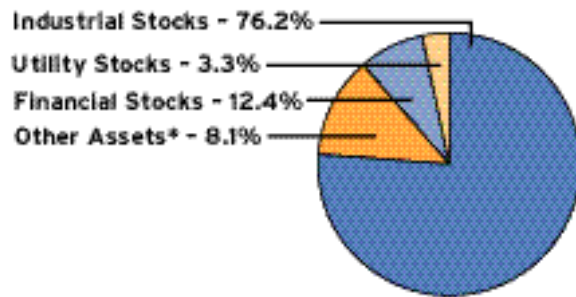
**Insurance Company Contract Fund** – Seeks to maximize interest income while protecting principal. Invests in pooled insurance contracts issued by select, highly rated insurance companies.

**Money Market Fund** – Seeks to maximize interest income while protecting principal. Invests in short-term securities with a weighted average maturity no longer than 90 days.

All of the funds are diversified among strategic asset classes or economic sectors, appropriate to the funds' individual investment objectives.

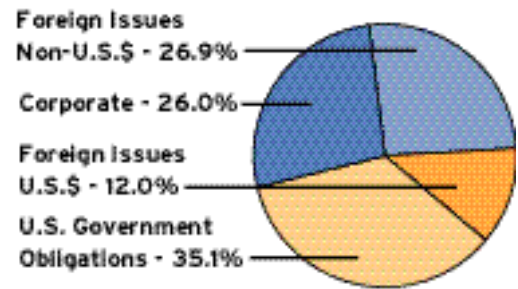
The charts below illustrate the diversity of the holdings within each Fund (excluding investments of cash collateral) at June 30, 1999.

### EQUITY FUND

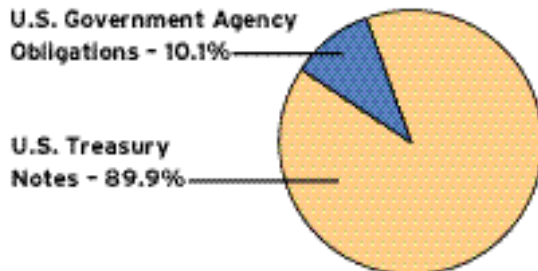


\* Other assets include alternative equity holdings.

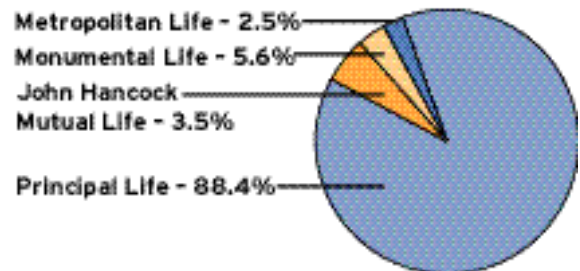
### BOND FUND



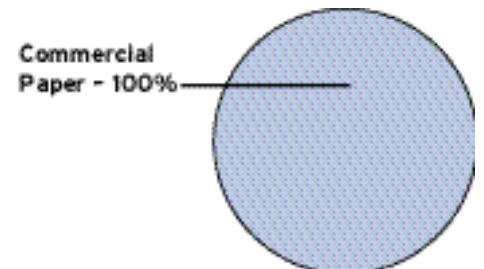
### SAVINGS FUND



### INSURANCE COMPANY CONTRACT FUND



### MONEY MARKET FUND



## EXTERNALLY MANAGED MUTUAL FUNDS

In addition to the UC-managed investment funds, Plan participants may invest DC and 403(b) Plan contributions in externally managed mutual funds through Fidelity Investments. Participants in the 403(b) Plan may also invest in the Calvert Social Investment Fund Balanced Portfolio.

Participant accounts at the 1999 fiscal year end and contributions and transfers to these externally managed funds during fiscal 1998 – 99 were as follows:

### DC PLAN MUTUAL FUND PARTICIPATION

*(\$ in thousands)*

	DC Plan – Pretax	DC Plan – After Tax
	Fidelity	Fidelity
Participant accounts at 6/30/99	13,352	1,563
Assets at 6/30/99	\$101,102	\$33,365
Contributions in fiscal 1998 – 99	\$9,789	\$3,673
Transfers from UC in fiscal 1998 – 99	\$18,477	\$6,622

### 403(b) PLAN MUTUAL FUND PARTICIPATION

*(\$ in thousands)*

	403(b) Plan	
	Fidelity	Calvert
Participant accounts at 6/30/99	20,375	872
Assets at 6/30/99	\$1,074,319	\$18,921
Contributions in fiscal 1998 – 99	\$71,719	\$1,383
Transfers from UC in fiscal 1998 – 99	\$74,268	\$123

## TAX-DEFERRED 403(B) PLAN LOAN PROGRAM

As permitted by IRC §72(p), 403(b) Plan participants with at least \$1,000 in the University-managed investment funds can borrow their money in the Plan without incurring taxes or penalties. The Loan Program offers short-term loans with terms of five years or less, and long-term loans, available only for the purchase of a principal residence, with terms of up to 15 years. Monthly repayments of principal and interest, minus a servicing fee, are credited proportionately to the investment fund(s) from which the participant borrowed the money. The interest rate is fixed at the time the loan is granted and equals the most recent four-quarter average rate of return of the University's Short-Term Investment Pool. During fiscal 1998 – 99, short-term interest rates ranged from 6.65% to 6.85%; interest rates on long-term loans ranged from 6.55% to 6.75%. The loan processing fee is \$50 per loan request; the servicing fee is 0.60% for short-term loans and 0.50% for long-term loans.

The table below reflects Loan Program activity during the past 10 fiscal years.

### LOANS FUNDED

Year Ended June 30	Number	(in thousands)
1999	3,534	\$32,552
1998	3,971	\$33,348
1997	3,567	\$32,561
1996	3,471	\$28,569
1995	3,136	\$24,687
1994	3,175	\$25,625
1993	2,784	\$21,277
1992	2,465	\$18,750
1991	1,933	\$16,619
1990	1,719	\$14,694

At June 30, 1999, the aggregate outstanding balance of 9,696 active loans was \$68,982,000.

**INDEPENDENT AUDITORS' REPORT**

To the Board of Regents  
University of California  
Oakland, California

We have audited the accompanying statements of plan net assets available for benefits of the University of California Defined Contribution Plan and Tax Deferred 403(b) Plan (Plan) as of June 30, 1999 and 1998, and the related statements of changes in plan net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plans' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets held in trust for pension benefits of the Plan as of June 30, 1999 and 1998, and the changes in net assets held in trust for pension benefits for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary combining schedules of (1) Plan Net Assets and (2) Changes in Plan Net Assets and the Supplementary Schedules by Fund of (1) Revenues by Source and Expenses by Type, and (2) Units and Unit Values for the Equity, Bond, and Multi-Asset Funds, are presented for the purpose of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of the Plan's management. The information included in the supplemental schedules for the fiscal years ended June 30, 1999, 1998, 1997 and 1996 has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole. The information included in these supplemental schedules for other fiscal years presented was audited by other auditors.

The year 2000 supplementary information on Page 23 is not a required part of the basic combined financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the Plan is or will become year 2000 compliant, that the Plan's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Plan does business are or will become year 2000 compliant.

September 17, 1999

# FINANCIAL STATEMENTS

## STATEMENTS OF PLAN NET ASSETS

(\$ in thousands)

June 30	1999	1998
<b>Assets</b>		
Investments, at fair value:		
Equity securities:		
Domestic	\$2,285,703	\$1,818,712
Foreign	177,276	141,027
Alternative	217,445	138,659
Fixed income securities:		
U.S. government	2,319,515	2,020,316
Other U.S. dollar denominated	283,676	430,776
Foreign	164,389	200,831
Insurance company contracts (at contract value)	236,446	205,398
Short-Term Investment Pool	185,692	127,198
Investment of cash collateral	1,415,795	1,245,375
Participant 403(b) Plan loans	68,982	65,406
<b>Total Investments</b>	<b>7,354,919</b>	<b>6,393,698</b>
Receivables:		
Contributions	23,508	2,347
Interest and dividends	36,342	32,380
Securities sales and other	3,307	6,601
<b>Total Receivables</b>	<b>63,157</b>	<b>61,328</b>
<b>Total Assets</b>	<b>7,418,076</b>	<b>6,455,026</b>
<b>Liabilities</b>		
Payable for securities purchased	2,758	1,945
Participant withdrawals and other payables	247	15
Collateral held for securities lending	1,460,399	1,269,972
<b>Total Liabilities</b>	<b>1,463,404</b>	<b>1,271,932</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$5,954,672</b>	<b>\$5,183,094</b>

See Notes to Financial Statements.

## FINANCIAL STATEMENTS

### STATEMENTS OF CHANGES IN PLAN NET ASSETS

(\$ in thousands)

Years Ended June 30	1999	1998
<b>Additions</b>		
Participant contributions	\$ 420,178	\$ 383,131
Investment Income:		
Net appreciation in fair value of investments and foreign currency exchange contracts	443,877	351,971
Interest, dividends, and other investment income	224,987	198,534
Securities lending income	69,301	79,029
Less investment expenses	(66,085)	(76,226)
Total Investment Income	672,080	553,308
<b>Total Additions</b>	<b>1,092,258</b>	<b>936,439</b>
<b>Deductions</b>		
Benefit Payments:		
Plan(s) benefit payments	694	805
Participant withdrawals and loan transactions	311,885	261,058
Total Benefit Payments	312,579	261,863
Administrative Expenses	8,101	7,214
<b>Total Deductions</b>	<b>320,680</b>	<b>269,077</b>
Increase in Net Assets Held in Trust for Pension Benefits	771,578	667,362
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	5,183,094	4,515,732
<b>End of Year</b>	<b>\$5,954,672</b>	<b>\$5,183,094</b>

See Notes to Financial Statements.

# NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 1999 and 1998

## NOTE 1 – DESCRIPTION OF THE PLANS AND SIGNIFICANT ACCOUNTING POLICIES.

**GENERAL**— The plans consist of two defined contribution plans structured under §401(a) and §403(b) of the Internal Revenue Code (IRC) of 1986, as amended. The plans were created to provide savings incentives and additional retirement security for all eligible University of California employees. The Defined Contribution Plan (the DC Plan) was established by resolution of The Regents of the University of California (The Regents) to accept after-tax contributions, effective July 1, 1967, and pretax contributions, effective November 1, 1990. The Tax-Deferred 403(b) Plan (the 403(b) Plan), also established by Regental resolution, became effective July 1, 1969. The Office of the Treasurer of The Regents of the University of California (the Treasurer) manages six investment funds to which participants may direct the investment of their contributions, as follows: the Savings Fund, Insurance Company Contract Fund, Money Market Fund, Equity Fund, Bond Fund, and Multi-Asset Fund. Participants in the 403(b) Plan may also invest contributions in and transfer Plan accumulations to mutual funds offered through Fidelity Investments and the Calvert Group on a custodial-plan basis. DC Plan investment options were expanded effective November 1, 1994 to include contributions and transfers of Plan accumulations to Fidelity Investments mutual funds. Such investments, however, are not included in the accompanying financial statements. Participants' interests in the plans are fully and immediately vested and are distributable at death, retirement, or termination of employment. Participants may also elect to defer distribution of the account until age 70½ or separation from service after age 70½, whichever is later, in accordance with IRC minimum distribution requirements. In-service withdrawals are permitted in conformance with applicable IRC regulations. The plans also accept rollover contributions from other 401(a), 401(k), and 403(b) plans.

**BASIS OF ACCOUNTING**— The financial statements have been prepared on the accrual basis of accounting.

**DEFINED CONTRIBUTION PLAN**— Defined Contribution Plan Pretax Account contributions are required for all employees who are members of the University's defined benefit plan, the University of California Retirement Plan (UCRP). As a condition of employment, UCRP members are required to contribute a percentage of their gross monthly compensation on a pretax basis, dependent upon their UCRP membership status, as follows:

- i) For the 88,723 members with Social Security benefits: 2% of covered compensation up to the Social Security wage base, plus 4% of covered compensation in excess of the wage base, if any, less \$19 per month;
- ii) For the 8,923 members without Social Security benefits: 3% of covered compensation less \$19 per month;
- iii) For the 395 members with Safety benefits: 3% of covered compensation less \$19 per month.

There are currently 82 UCRP members who elected Tier Two membership status, in which they do not contribute to UCRP and, therefore, are not required to contribute to the Defined Contribution Plan Pretax Account.

The DC Plan Pretax Account also includes mandatory contributions from part-time, seasonal, or temporary employees at UC and the California State University who do not currently contribute to a retirement system (Safe Harbor participants). Effective April 1, 1995, Safe Harbor participation was expanded to include certain UC student employees and resident aliens with F-1 and J-1 visa status. Safe Harbor participants contribute 7.5% of gross salary (up to the Social Security wage base) to the Plan in lieu of deductions for Social Security taxes.

All University employees, except students who normally work fewer than 20 hours per week, are eligible to make voluntary contributions to the Defined Contribution Plan After-Tax Account and defer taxation on the earnings until the accumulations are withdrawn. The maximum amount participants may contribute annually to the After-Tax Account is determined by the IRC §415(c) limit.

**TAX-DEFERRED 403(b) PLAN**— The Tax-Deferred 403(b) Plan is available to all University employees except students who normally work fewer than 20 hours per week. Participants may generally contribute annually, on a pretax basis, the lesser of \$10,000 (for 1999), 25% of their adjusted gross University salary (up to \$30,000), or their maximum exclusion allowance. Taxes on contributions and earnings thereon are deferred until the accumulations are withdrawn.

**VALUATION OF INVESTMENTS**— Investments are stated at fair value. Securities are valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or an industry standard pricing service. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted market price of a dealer who regularly trades in the security being valued. Interests in venture capital partnerships are valued based upon the valuations determined by the general partners of the respective partnerships. Investments in registered investment companies are valued based upon the net asset value of those companies. Insurance contracts, which are considered non-participating, have fixed rates and are non-negotiable, are valued at contract value, plus reinvested interest.

**ACCOUNTING FOR INVESTMENTS**— Investment transactions are accounted for on the date the securities are purchased or sold (trade date). Dividend income is recorded on ex-dividend date, and interest income is accrued as earned. Contributions to the Equity, Bond, and Multi-Asset funds are credited to participant accounts as units. The value of a unit changes each month

based on the current fair value of the investment portfolio. Earnings of each fund, as well as market fluctuations, are reflected in the unit values.

**ADMINISTRATIVE EXPENSES**— An administrative fee equal to .0125% of the net asset balance is charged to the funds each month, based upon the previous month's net assets. Administrative fees for the fiscal years ended June 30, 1999 and 1998, totaled \$8,101,000, and \$ 7,214,000, respectively.

**INCOME TAX STATUS**— The Internal Revenue Service has determined and informed the University by letter dated January 9, 1997, that the DC Plan and related trust are designed in accordance with sections of the IRC of 1986, as amended, applicable to defined contribution plans. The DC Plan has been amended since receiving the determination letter. However, the Plan Administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC, and is therefore qualified under §401(a) and the related trust tax exemption under §501(a). The Plan Administrator and the Plan's tax counsel believe that the 403(b) Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC, including the amendments resulting from the Tax Reform Act of 1986 and subsequent legislation. Therefore, no provision has been made in the financial statements for federal income taxes.

Under current federal and state income tax laws, a participating employee is not subject to income taxes on contributions to and income from the plans until such participating employee's account is distributed. In the case of a partial or full withdrawal, the participating employee will be subject to income taxes on any amount withdrawn that exceeds their own after-tax contributions, unless the amount is directly rolled over to an IRA or other employer plan.

**USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS**— The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at the date of the financial statements and the reported amounts of changes in net assets held in trust for pension benefits during the reporting period. Actual results could differ from those estimates.

**RECLASSIFICATION**— Certain amounts in 1998 have been reclassified to conform with the 1999 financial statement presentation.

#### **NOTE 2 – INVESTMENTS AND SECURITIES LENDING TRANSACTIONS.**

The Regents are responsible for the management of the University's investments and establish investment policy that is carried out by the Treasurer.

The equity portion of the investment portfolio may include both domestic and foreign common stocks and preferred stocks, along with alternative equities. Alternative equities include venture capital partnerships, buy-out funds, and emerging market funds.

The plans participate in the University's Short Term Investment Pool (STIP). Investments authorized by The Regents for the STIP include fixed income securities with a maximum maturity of five years. Current funds for benefits and administrative expenses are invested in the STIP until expended.

The plans participate in a securities lending program as a means to augment income. Securities are lent to select brokerage firms for which collateral is received in excess of the fair value of such investments during the period of the loan. Collateral may be cash or securities issued by the U.S. government or its agencies, or the sovereign or provincial debt of foreign countries. Any collateral securities cannot be pledged or sold by the plans unless the borrower defaults. Loans of

domestic equities and all fixed income securities are initially collateralized at 102% of the fair value of securities lent. Loans of foreign equities are initially collateralized at 105%. All borrowers are required to provide additional collateral by the next business day if the value falls to less than 100% of the fair value of securities lent. The plans receive interest and dividends during the loan period, as well as a fee from the brokerage firm. Securities on loan for cash collateral are not required to be categorized. At June 30, 1999, the plans had no credit risk exposure to borrowers because the amounts the plans owe the borrowers exceed the amounts the borrowers owe the plans. The plans are fully indemnified by their custodial bank against any losses incurred as a result of borrower default.

Securities loans immediately terminate upon notice by either the plans or the borrower. Cash collateral is invested by the plans' lending agent, as an agent for the plans, in a short-term investment fund in the plans' name, with guidelines approved by the Treasurer. At June 30, 1999, the securities in this fund had weighted average maturity of 164 days.

The plans' investment portfolio includes certain mortgage-backed securities. These mortgage-backed securities are used to diversify the portfolio and reduce market risk exposure.

The composition of investments and securities lending transactions at June 30, 1999, is as follows:

**INVESTMENTS AND SECURITIES LENDING TRANSACTIONS**

(\$ in thousands)

	Investments			Total Owned	Investment Of Cash Collateral	
	Owned Not Lent	Lent for Cash Collateral	Lent for Securities Collateral		Total	Total
Investments, at fair value:						
Equity securities:						
Domestic	\$2,212,850	\$ 72,853		\$2,285,703		\$2,285,703
Foreign	177,276			177,276		177,276
Alternative	217,445			217,445		217,445
Fixed income securities:						
U.S. government	675,943	1,295,861	\$347,711	2,319,515		2,319,515
Other U.S. dollar denominated	278,734	4,942		283,676	\$1,415,795	1,699,471
Foreign	131,418	20,937	12,034	164,389		164,389
Insurance Contracts	236,446			236,446		236,446
Short-Term Investment Pool	185,692			185,692		185,692
	\$4,115,804	\$1,394,593	\$359,745	\$5,870,142	\$1,415,795	\$7,285,937

The investments that are owned and not lent, or owned and lent for securities collateral, are insured, registered or held in the plans' custodial bank as an agent for the plans. Investments of cash collateral are held by the plans' custodian and designated as Plan investments in the records of

the custodian. Investments that are not categorized include venture capital/private equity funds, mortgage loans, insurance contracts, other investments, and investments owned and lent for cash collateral.

Net appreciation (depreciation) in fair value of investments and foreign currency exchange contracts includes both realized and unrealized gains and losses on investments and foreign currency exchange contracts. During the year ended June 30, 1999, the plans realized a net gain of \$185 million from the sale of investments and foreign currency exchange contracts. The calculation of realized gains and losses is independent of the net appreciation (depreciation) in the fair value of investments held at year end. Realized gains and losses on investments and foreign currency exchange contracts that have

been held in more than one fiscal year and sold in the current year may include the net appreciation (depreciation) of these investments and foreign currency exchange contracts reported in the prior year. The net appreciation in the fair value of investments and foreign currency exchange contracts during the year ended June 30, 1999 was \$444 million. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year. The unrealized appreciation during the year on investments and foreign currency exchange contracts held at fiscal year end was \$259 million.

The components of the net appreciation of investments and foreign currency exchange contracts are as follows:

<b>NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS AND FOREIGN CURRENCY EXCHANGE CONTRACTS</b>	<i>(\$ in thousands)</i>	
	<b>1999</b>	<b>1998</b>
Unrealized Appreciation (Depreciation)		
Equity and alternative equity securities	\$307,992	\$160,166
Fixed income securities	(52,826)	46,278
U.S. Treasury and Federal Agency obligations	(27,520)	4,298
Multi-Asset Fund	38,019	37,450
Foreign currency exchange contracts	(12)	(329)
Short-Term Investment Pool	(1,236)	(214)
Investment of cash collateral	(5,623)	2,315
<b>Total</b>	<b>\$258,794</b>	<b>\$249,964</b>
Realized Gains		
Sales of securities	\$185,083	\$102,007
<b>Net Appreciation</b>	<b>\$443,877</b>	<b>\$351,971</b>

<b>UNREALIZED APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS AND FOREIGN CURRENCY EXCHANGE CONTRACTS</b>	<i>(\$ in thousands)</i>	
	<b>1999</b>	<b>1998</b>
Investments at fair value as determined by quoted market price:		
Equity and alternative equity securities	\$341,074	\$198,777
Fixed income securities	(81,420)	66,027
Short-Term Investment Pool	(1,236)	(214)
Investment of cash collateral	(5,623)	2,315
Investments at estimated fair value:		
Alternative equity securities	6,011	16,612
Foreign currency exchange contracts	(12)	329
<b>Total</b>	<b>\$258,794</b>	<b>\$249,964</b>

The plans' investment portfolio includes certain foreign denominated securities. To reduce the exposure to foreign currency fluctuations inherent in such investments, the plans may enter into foreign currency forward contracts and options. Under the plans' investment policies, such instruments are not permitted for speculative use or to create leverage. The plans do not have significant foreign currency investments or foreign currency forward contracts and options at June 30, 1999.

The total investment return on a units-of-participation basis, representing investment income minus administrative fees and appreciation on investments, where applicable, for the years ended June 30, 1999 and 1998 was as follows:

#### TOTAL INVESTMENT RETURN – UNITS-OF-PARTICIPATION BASIS

	Equity	Bond	Multi-Asset	Savings	ICC	Money Market
1999	25.0%	(1.1)%	11.2%	6.1%	7.2%	5.3%
1998	17.2%	21.9%	13.2%	6.2%	7.5%	5.7%

#### REQUIRED SUPPLEMENTARY INFORMATION

##### YEAR 2000

The year 2000 issue is the result of various electronic systems, including computer systems, not properly processing dates in the year 2000 and beyond. Because the University depends heavily on such electronic and computer systems, the year 2000 issue has the potential for causing disruption to some University operations.

As of June 30, 1999, the University has completed the awareness and assessment stages for its mission critical systems and has substantially completed the remediation stage. Both completing the remediation and validation/testing are currently underway. The University anticipates completing all stages of remediation for mission critical systems prior to December 31, 1999.

#### NOTE 3 – PLAN TERMINATION

The Regents intend and expect to continue the plans indefinitely, but reserve the right to amend or discontinue the plans at any time by Regental action. In the event of a full or partial termination, or upon complete discontinuance of contributions under the plans, the rights of all affected participants to the value of their accounts will be nonforfeitable.

## SUPPLEMENTARY SCHEDULES

### SUPPLEMENTARY COMBINING SCHEDULE OF PLAN NET ASSETS

June 30, 1999 (\$ in thousands)	Equity Fund	Bond Fund
<b>Assets</b>		
Investments, at fair value:		
Equity securities		
Domestic	\$2,285,703	
Foreign	177,276	
Alternative	217,445	
Fixed income securities:		
U.S. government		\$193,693
Other U.S. dollar denominated		209,877
Foreign		147,927
Short-Term Investment Pool	152,390	3,797
Insurance company contracts (at contract value)		
Multi-Asset Fund		
Investment of cash collateral	73,960	136,159
Participant 403(b) Plan loans	22,709	5,216
<b>Total Investments</b>	<b>2,929,483</b>	<b>696,669</b>
Receivables:		
Contributions	9,417	1,507
Interest and dividends	2,234	6,385
Securities sales and other	1,475	1,832
<b>Total Receivables</b>	<b>13,126</b>	<b>9,724</b>
<b>Total Assets</b>	<b>2,942,609</b>	<b>706,393</b>
<b>Liabilities</b>		
Allocable to Multi-Asset Fund	196,965	93,739
Payable for securities purchased	967	1,791
Participant withdrawals and other payables		232
Collateral held for securities lending	109,584	137,167
<b>Total Liabilities</b>	<b>307,516</b>	<b>232,929</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$2,635,093</b>	<b>\$473,464</b>

Multi-Asset Fund	Savings Fund	Insurance Company Contract Fund	Money Market Fund
	\$2,125,822		\$73,799
	24,521	\$ 3,294	16,462
\$499,907		236,446	1,690
8,869	1,205,676		
	26,008	4,012	2,168
508,776	3,382,027	243,752	94,119
2,623	8,961	698	302
	26,629		1,094
2,623	35,590	698	1,396
<b>511,399</b>	<b>3,417,617</b>	<b>244,450</b>	<b>95,515</b>
	168,430		40,773
	15		
	1,212,486	768	394
	<b>1,380,931</b>	<b>768</b>	<b>41,167</b>
<b>\$511,399</b>	<b>\$2,036,686</b>	<b>\$243,682</b>	<b>\$54,348</b>

## SUPPLEMENTARY SCHEDULES

### SUPPLEMENTARY COMBINING SCHEDULE OF CHANGES IN PLAN NET ASSETS

Year Ended	Equity Fund	Bond Fund
<b>June 30, 1999</b> ( <i>\$ in thousands</i> )		
<b>Additions</b>		
Participant contributions	\$ 156,793	\$ 28,129
Investment Income:		
Net appreciation in fair value of investments and foreign currency exchange contracts	479,372	(40,876)
Interest, dividends, and other investment income	39,148	35,740
Securities lending income	6,651	6,528
Less investment expenses	(6,422)	(6,221)
Total Investment Income	518,749	(4,829)
<b>Total Additions</b>	<b>675,542</b>	<b>23,300</b>
<b>Deductions</b>		
Benefit Payments:		
Plan(s) benefit payments	617	75
Participant withdrawals and loan transactions	119,595	19,913
Total Benefit Payments	120,212	19,988
Administrative Expenses	3,617	846
<b>Total Deductions</b>	<b>123,829</b>	<b>20,834</b>
Transfers from (to) other funds	13,508	18,068
Increase in Net Assets Held in Trust for Pension Benefits	565,221	20,534
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	2,069,871	452,931
<b>End of Year</b>	<b>\$2,635,092</b>	<b>\$473,465</b>

Multi-Asset Fund	Savings Fund	Insurance Company	
		Contract Fund	Money Market Fund
\$ 50,276	\$ 158,442	\$ 18,615	\$ 7,924
38,019	(32,621)	(11)	(6)
11,202	119,673	15,588	3,635
	56,085	25	13
	(53,403)	(26)	(13)
49,221	89,734	15,576	3,629
<b>99,497</b>	<b>248,176</b>	<b>34,191</b>	<b>11,553</b>
	2		
28,324	125,581	13,394	5,077
28,324	125,583	13,394	5,077
	3,176	330	132
<b>28,324</b>	<b>128,759</b>	<b>13,724</b>	<b>5,209</b>
2,769	(45,502)	12,919	(1,762)
73,942	73,915	33,386	4,582
437,457	1,962,771	210,296	49,766
<b>\$511,399</b>	<b>\$2,036,686</b>	<b>\$243,682</b>	<b>\$54,348</b>

## EQUITY FUND

### REVENUES BY SOURCE AND EXPENSES BY TYPE FOR THE PAST TEN YEARS

#### REVENUES BY SOURCE

Fiscal Year	Participant Contributions	Investment & Other Income*	Total
1999	\$156,793,013	\$211,915,936	\$368,708,949
1998	134,238,811	135,454,568	269,693,379
1997	104,870,494	96,593,943	201,464,437
1996	82,239,563	53,653,830	135,893,393
1995	65,878,260	29,535,145	95,413,405
1994	61,513,618	34,727,984	96,241,602
1993	55,893,771	21,358,796	77,252,567
1992	48,237,947	20,792,681	69,030,628
1991	39,834,656	25,666,911	65,501,567
1990	35,312,788	31,059,535	66,372,323

#### EXPENSES BY TYPE

Fiscal Year	Benefits	Administrative Expenses	Refunds, Transfers & Other Activity	Total
1999	\$617,024	\$3,616,682	\$106,087,558	\$110,321,264
1998	665,021	3,047,331	34,098,053	37,810,405
1997	725,690	2,206,222	4,414,738	7,346,650
1996	766,096	1,717,907	(27,120,817)	(24,636,814)
1995	677,524	1,242,542	24,915,180	26,835,246
1994	705,513	1,063,750	21,756,997	23,526,260
1993	650,998	887,878	8,115,323	9,654,199
1992	581,751	696,793	(2,420,159)	(1,141,615)
1991	544,190	524,116	16,647,403	17,715,709
1990	504,139	457,396	15,065,970	16,027,505

\* This includes investment income, realized gains or losses from the sales of investments, and miscellaneous income. It does not include unrealized gains or losses in the fair value of investments.

## BOND FUND

### REVENUES BY SOURCE AND EXPENSES BY TYPE FOR THE PAST TEN YEARS

#### REVENUES BY SOURCE

Fiscal Year	Participant Contributions	Investment & Other Income*	Total
1999	\$28,129,393	\$48,591,754	\$76,721,147
1998	23,212,163	30,834,267	54,046,430
1997	18,240,547	28,971,252	47,211,799
1996	17,769,554	24,349,821	42,119,375
1995	18,100,906	21,513,815	39,614,721
1994	21,376,194	22,117,678	43,493,872
1993	18,273,886	21,707,890	39,981,776
1992	16,040,820	13,232,066	29,272,886
1991	14,934,903	13,115,372	28,050,275
1990	13,804,373	10,473,596	24,277,969

#### EXPENSES BY TYPE

Fiscal Year	Benefits	Administrative Expenses	Refunds, Transfers & Other Activity	Total
1999	\$ 75,515	\$845,701	\$ 1,845,543	\$ 2,766,759
1998	136,802	713,874	(11,917,024)	(11,066,348)
1997	159,744	550,757	7,846,249	8,556,750
1996	155,970	469,110	4,850,286	5,475,366
1995	130,777	382,872	28,350,611	28,864,260
1994	150,442	420,150	8,738,583	9,309,175
1993	123,835	333,326	4,282,411	4,739,572
1992	110,398	235,582	2,428,834	2,774,814
1991	90,294	172,921	3,607,775	3,870,990
1990	77,319	139,012	(2,687,832)	(2,471,501)

\* This includes investment income, realized gains or losses from the sales of investments, and miscellaneous income. It does not include unrealized gains or losses in the fair value of investments.

## MULTI-ASSET FUND

### REVENUES BY SOURCE AND EXPENSES BY TYPE SINCE INCEPTION

#### REVENUES BY SOURCE

Fiscal Year	Participant Contributions	Investment & Other Income*	Total
1999	\$50,275,697	\$11,201,766	\$61,477,463
1998	47,538,858	9,630,994	57,169,852
1997	39,221,625	7,858,276	47,079,901
1996	34,669,080	6,474,289	41,143,369
1995	32,646,210	5,449,843	38,096,053
1994	29,907,781	4,123,061	34,030,842
1993	24,133,501	2,780,621	26,914,122
1992	13,092,325	3,454,641	16,546,966
1991	4,061,611	279,971	4,341,582

#### EXPENSES BY TYPE

Fiscal Year	Benefits	Administrative Expenses	Refunds, Transfers & Other Activity	Total
1999	\$0	\$0	\$25,554,324	\$25,554,324
1998	0	0	1,444,408	1,444,408
1997	0	0	4,352,010	4,352,010
1996	0	0	(3,710,316)	(3,710,316)
1995	0	0	20,056,321	20,056,321
1994	0	0	(14,402,096)	(14,402,096)
1993	0	0	(18,144,538)	(18,144,538)
1992	0	0	(31,221,193)	(31,221,193)
1991	0	0	(10,959,895)	(10,959,895)

\* This includes investment income, realized gains or losses from the sales of investments, and miscellaneous income. It does not include unrealized gains or losses in the fair value of investments.

## SAVINGS FUND

### REVENUES BY SOURCE AND EXPENSES BY TYPE FOR THE PAST TEN YEARS

#### REVENUES BY SOURCE

Fiscal Year	Participant Contributions*	Investment & Other Income**	Total
1999	\$158,442,065	\$122,354,910	\$280,796,975
1998	157,246,876	111,340,342	268,587,218
1997	160,097,381	110,703,577	270,800,958
1996	163,422,838	107,847,818	271,270,656
1995	176,870,167	103,431,402	280,301,569
1994	200,458,162	93,626,743	294,084,905
1993	154,885,160	90,265,328	245,150,488
1992	153,087,694	84,945,460	238,033,154
1991	115,376,492	76,953,756	192,330,248
1990	71,432,390	61,643,127	133,075,517

#### EXPENSES BY TYPE

Fiscal Year	Benefits	Administrative Expenses	Refunds, Transfers & Other Activity	Total
1999	\$1,951	\$3,175,724	\$171,083,195	\$174,260,870
1998	2,869	3,042,937	221,839,448	224,885,254
1997	3,528	2,862,006	129,308,968	132,174,502
1996	3,607	2,712,778	186,200,935	188,917,320
1995	3,718	2,473,890	83,284,597	85,762,205
1994	3,796	2,167,962	115,362,087	117,533,845
1993	5,841	1,876,705	82,258,551	84,141,097
1992	7,311	1,620,953	83,377,299	85,005,563
1991	7,372	1,343,876	43,628,137	44,979,385
1990	7,460	1,183,972	56,888,446	58,079,878

\* The increase in participant contributions since fiscal year 1991 reflects UCRP member and Safe Harbor contributions to the Defined Contribution Plan, which are automatically invested in the Savings Fund.

\*\* This includes investment income, realized gains or losses from the sales of investments, and miscellaneous income. It does not include unrealized gains or losses in the fair value of investments.

## INSURANCE COMPANY CONTRACT FUND

### REVENUES BY SOURCE AND EXPENSES BY TYPE FOR THE PAST TEN YEARS

#### REVENUES BY SOURCE

Fiscal Year	Participant Contributions	Investment & Other Income*	Total
1999	\$18,614,732	\$15,587,083	\$34,201,815
1998	13,998,957	14,324,978	28,323,935
1997	14,959,615	12,872,440	27,832,055
1996	16,215,596	11,571,231	27,786,827
1995	13,980,946	9,331,955	23,312,901
1994	9,914,100	7,645,307	17,559,407
1993	10,671,042	6,796,709	17,467,751
1992	11,245,774	6,006,679	17,252,453
1991	13,499,183	5,293,101	18,792,284
1990	12,314,646	4,055,757	16,370,403

#### EXPENSES BY TYPE

Fiscal Year	Benefits	Administrative Expenses	Refunds, Transfers & Other Activity	Total
1999	\$0	\$329,988	\$ 474,390	\$ 804,378
1998	0	291,702	8,655,166	8,946,868
1997	0	257,158	(4,234,047)	(3,976,889)
1996	0	224,613	8,608,033	8,832,646
1995	0	178,709	(12,569,383)	(12,390,674)
1994	0	144,204	2,786,967	2,931,171
1993	0	122,772	2,563,556	2,686,328
1992	0	104,732	9,983,505	10,088,237
1991	0	91,003	3,941,024	4,032,027
1990	0	68,609	2,688,600	2,757,209

\* This includes investment and miscellaneous income. Insurance Company Contract Fund investments are valued at contract value; consequently, there are no realized gains or losses from investment activity.

## MONEY MARKET FUND

### REVENUES BY SOURCE AND EXPENSES BY TYPE FOR THE PAST TEN YEARS

#### REVENUES BY SOURCE

Fiscal Year	Participant Contributions	Investment & Other Income*	Total
1999	\$7,924,089	\$3,634,788	\$11,558,877
1998	6,895,437	1,758,857	8,654,294
1997	6,315,743	2,462,705	8,778,448
1996	5,759,976	2,311,922	8,071,898
1995	5,786,838	2,051,300	7,838,138
1994	5,642,518	1,285,890	6,928,408
1993	6,768,144	1,313,908	8,082,052
1992	8,163,012	2,103,704	10,266,716
1991	9,006,400	2,926,581	11,932,981
1990	7,948,509	2,443,604	10,392,113

#### EXPENSES BY TYPE

Fiscal Year	Benefits	Administrative Expenses	Refunds, Transfers & Other Activity	Total
1999	\$0	\$132,303	\$ 6,838,549	\$ 6,970,852
1998	0	118,246	6,937,598	7,055,844
1997	0	104,278	1,892,786	1,997,064
1996	0	91,185	5,284,875	5,376,060
1995	0	81,056	4,759,453	4,840,509
1994	0	74,093	7,530,172	7,604,265
1993	0	69,400	9,987,027	10,056,427
1992	0	65,755	12,160,348	12,226,103
1991	0	57,776	5,471,284	5,529,060
1990	0	43,269	79,830	123,099

\* This includes investment and miscellaneous income. Money Market Fund investments are carried at fair value; consequently, there are no realized gains or losses from investment activity.

## EQUITY, BOND, AND MULTI-ASSET FUNDS

### UNITS AND UNIT VALUES FOR THE PAST TEN YEARS

As of June 30	Equity		Bond		Multi-Asset	
	Total Units	Unit Value	Total Units	Unit Value	Total Units	Unit Value
1999	9,224,750	\$283.207	4,288,083	\$109.266	18,565,937	\$27.067
1998	9,045,834	226.597	4,050,164	110.476	17,657,440	\$24.347
1997	8,582,150	193.444	3,712,522	90.607	15,687,097	21.506
1996	8,084,111	151.944	3,653,348	75.645	14,283,878	18.552
1995	7,310,298	123.293	3,487,598	69.627	12,130,314	16.534
1994	6,948,242	97.146	3,669,258	56.934	11,322,518	14.304
1993	6,552,236	94.845	3,480,372	61.597	8,263,969	14.001
1992	6,036,229	82.746	3,237,700	51.230	5,085,728	12.510
1991	5,414,349	73.669	2,956,727	43.279	1,409,780	11.245
1990	5,091,511	67.024	2,686,944	39.264	N/A	N/A

## UCRS ADVISORY BOARD

<b>Member</b>	<b>Location</b>	<b>Term</b>
Robert H. Drake (Chair)	Los Alamos National Laboratory	July 1995 – June 1999
Julia Armstrong-Zwart	UC Santa Cruz	July 1997 – June 2001
Stephen Barclay	UC San Francisco	July 1996 – June 2000
Jacqueline Edwards	UC San Diego	July 1998 – June 2002
Patricia E. Erickson	Lawrence Livermore National Laboratory	July 1996 – June 2000
V. Wayne Kennedy	Office of the President	Permanent
Duncan A. Mellichamp	UC Santa Barbara	July 1996 – June 2000
Patricia A. Small	Office of the Treasurer	Permanent
Steve Sugarman	UC Berkeley	July 1998 – June 2002

None of the UCRS Board members received any compensation from the plans for services rendered during fiscal year 1998–99.

## INVESTMENT MANAGEMENT

Treasurer

Patricia A. Small

## PLAN ADMINISTRATION

Plan Administrator	Richard C. Atkinson
Senior Vice President	V. Wayne Kennedy
UCRS Associate Vice President	Judith W. Boyette
UCRS Internal Counsel	Dorothy E. Dana
UCRS Retirement Planning and Administration	Judy F. Ackerhalt
UCRS Health and Welfare Benefits Planning and Analysis	Michele E. French
UCRS Health and Welfare Benefits Support Services	Judy McConnell
UCRS Retirement Services	Kay Miller
UCRS Financial Services and Plan Disbursements	David L. Olson
UCRS Communications and Training Services	Barbara J. Facey
UCRS Systems Administration	Myrna Walton
Plan Actuary	Towers Perrin
Plan Auditor	Deloitte & Touche LLP
Plan Counsel	O'Melveny & Myers

