This document reflects the result of analyses, discussions and review by UCOP staff and PricewaterhouseCoopers (PwC) to date. The document is subject to change pending additional discussions with PwC; however, it represents the best information available to date.

University of California
Governmental Accounting Standards Board (GASB) Statement No. 27, *Accounting for Pensions by State and Local Government Employers*

Issues Resolution Memo No. 27.3.2

(Issued May 21, 2007)

Legal Financial Responsibility of the Department of Energy (DOE) for all Pension Costs Associated with Current or Former University of California Employees Who Work, or Worked, at the Lawrence Livermore National (LLNL) Laboratory

Background

UC provides pension benefits to retired UC employees. Employees working at the DOE laboratories are technically UC employees as long as the Prime UC/DOE contract is in place.

Retired employees who worked at LLNL while managed by UC receive pension benefits under the University of California Retirement Plan (UCRP), a defined benefit plan. When the UCRP previously required contributions, the DOE provided funding to UC on a monthly basis for the cost incurred to provide these benefits using the identical contribution rate established for all of the UC.

The University currently manages the LLNL for the DOE through the Prime contract. However, at the end of September 2007, the DOE will terminate the Prime Contract with the University as a result of an RFP issued late in 2006. In accordance with the current contract with the DOE, the UCRP will retain all of the pension obligations associated with all former LLNL employees who were either inactive or retired as of September 30, 2007, the date the Prime Contract will expire (LLNL segment liabilities). All pension obligations associated with active employees who accept employment beginning October 1, 2007 will be the responsibility of the successor contractor.

Under the terms of the current contract, UCRP will also retain assets equivalent to the retained LLNL segment liabilities to satisfy the future obligations to the LLNL retirees. The assets will remain within the UCRP, although the portfolio will be unitized so the assets and operating activities (income, realized or unrealized gains and losses, beneficiary payments and expenses) within the UCRP associated with LLNL retirees are tracked separately (LLNL segment assets).

An actuarial report will be prepared annually to track the status of the LLNL segment of the UCRP, separate from the actuarial report prepared for the total UCRP. The separate LLNL segment actuarial report will provide the basis for the measurement of the funded status of the LLNL segment, for which the DOE remains financially responsible, and will be the foundation for any DOE contributions to the UCRP required by the results of the contract termination negotiations.

Define Issues

The Governmental Accounting Standards Board (GASB) requires the UC to record the Annual Pension Cost (APC) as an expense and also a liability to UCRP, under certain circumstances. In the future, UC's financial statements may, depending on the level of annual funding and actuarial reports, include an APC and NPO for the UCRP. The financial accounting and reporting of the University's application of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* is dependent on a determination of whether the DOE is ultimately the financially responsible party for all pension costs specifically related to former employees who worked at LLNL.

Conclusion

UC's conclusion is, under the terms of the Prime Contract, the DOE is legally the ultimate financially responsible party for all pension costs specifically related to former employees who worked at LLNL based upon the following:

- The UC/DOE Prime Contract 48 obligates the DOE to pay for UCRP pension benefits incurred prior to contract termination, and

- DOE/NNSA's obligation under the contract's pension provisions is not, and should not be thought to be, ambiguous; what is ambiguous is the methodology for anticipating and minimizing any shortfall before the last LLNL segment beneficiary dies and the actual total cost is known (Note: Similar to the LANL contract termination negotiations, future contract termination negotiations will clarify the timing of required DOE contributions in support of the their ongoing financial responsibility for the LLNL laboratory segment.), and

- The DOE policies state they are obligated to provide future funding for pension liabilities associated with retired employees who worked at DOE laboratories. The DOE's internal regulations require contracting officers to assure that subsequent to any contract termination or expiration, benefit continuation will be continued for those who have earned such benefits, and

- The DOE acknowledges their obligation to provide future funding for contractor's postemployment benefits liabilities in their audited (KPMG) financial statements by recording the liability to the contractor and through related footnote disclosures, and

- GAO Audit Report 04-539 issued in April 2004 reinforces the obligation of the DOE to contractors regarding postemployment benefits, and

- UC's financial statements would be misleading to a user if they included any APC and NPO associated with this specific group of retired LLNL employees without including the offsetting receivable from the DOE to satisfy these future liabilities.

Recommended Approach

This IRM concludes on the legal financial responsibility and is not a discussion of the financial accounting and reporting that results from this conclusion.

See IRM 27.3 for a further discussion of the accounting and reporting for the contract termination agreement and the DOE's legal responsibility for any pension shortfalls associated with the LLNL segment of the UCRP.

Authoritative Guidance

The UCRP is a defined pension plan and therefore UC should follow the requirements outlined in GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers.* However, circumstances are complicated by the unique nature of the DOE's contractual responsibility to the University for the financial obligations for a certain segment of the UCRP. The University is the plan sponsor of the UCRP.

Supporting Documentation

Prime Contract 48 Between the DOE and UC

The UC/DOE contract 48 related to LLNL establishes the financial responsibility for the continuing pension benefit obligations associated with former LLNL employees. The prime contracts can be located on the web at: http://labs.ucop.edu/internet/comix/ and the pertinent section H.008 – Pension Plan is shown in Appendix 1.

Paragraph (c) 1 of section H.008 of the Prime Contract states, "Contributions to the plan will be based on the actuarial valuation for the Plan and will be approved by the Contractor's Plan Trustees (The Regents of the University of California)."

Paragraph (c) 2 of section H.008 of the Prime Contract states, "DOE agrees to continue to fund for the Contract terms, as extended, the employer cost of UCRP for Contract employees at the contribution rates established from time to time by the Contractor, subject to the following restriction: The DOE funded contribution shall not exceed the full funding limit as defined in the Internal Revenue Code, Section 412."

Paragraph (b) (7) of section H.008 of the Prime Contract states, "All plan provisions of the UCRP are applicable to all eligible employees of the Contractor, including those employees at a DOE Laboratory and, as such, a single contribution rate, expressed as a percentage of covered compensation, is calculated for the Plan. This single rate is to be applied to all members of the Plan in order to determine the contribution, if any. For purposes of assessing the liabilities of the DOE segment of the Plan as described in paragraphs (e), (f) and (g), the DOE will have no liabilities to the Plan beyond that associated with Laboratory employees who are members of the Plan."

Subsection (f) of section H.008 of the Prime Contract discusses contract termination and selection of a successor contractor within the context of transferring assets and liabilities to a successor plan. In paragraph (f) (3) (ii)…. "Under a successor pension plan acceptable to the DOE and which fulfills all of the Contractor's fiduciary responsibilities under UCRP, and which further assumes UCRP liabilities for transferred Contract employees, the Contractor agrees to transfer to the trustees of such successor plan an amount equal to the contract service assets as determined in subparagraph (f) (2) above."

Subsection (g) of section H.008 of the Prime Contract discusses UCRP plan termination. In paragraph (g) (2) "The Contractor may satisfy plan liabilities to plan members by the purchase of annuities through competitive bidding on the open annuity market or through the payment of lump sums. Any competitive annuity bid process must include at least five bidders, if possible, who satisfy the criteria listed in United States Department of Labor Interpretive Bulletin 95-1. The final selection of insurance company(ies) shall be based upon the bids of the qualifying companies, in conjunction with the assessed quality of the annuity provider(s). Lump sums shall be calculated using the same mortality table and actuarial assumptions which the UCRP uses for purposes of defining actuarially equivalent. <u>Otherwise, the Parties to the contract shall negotiate the assumptions and methods for determining DOE's liability pursuant to paragraph (h) below</u>."

Subsection (h) on the topic of Financial Requirements is as follows:

1. Funds to be paid or transferred to any party as a result of settlements relating to pension plan termination under paragraph (g) above shall accrue interest from the effective date of termination until the date of payment or transfer.

2. Terminating Operations. <u>The Contractor shall calculate pension liabilities attributable to DOE contract work.</u> For this purpose, DOE and the Contractor shall use the same mortality table as used for funding purposes, and an applicable 30-year Treasury rate of interest as the basis for the frozen liability calculation.

DOE/NNSA's obligation under the contract's pension provisions is not, and should not be thought to be, ambiguous; what is ambiguous is the methodology for anticipating and minimizing any shortfall before the last LLNL segment beneficiary dies and the actual total cost is known.

There are two very separate issues associated with the payment of a pension shortfall:

1. The legal obligation to pay, and

2. The process for determining the timing of payments.

The subject of this document is focused on the former for purposes of supporting documentation for a receivable from the DOE/NNSA for any pension shortfall.

The contract clearly gives the University a receivable; whether the assets on hand make that receivable $0 or $x is what we are defining with DOE/NNSA. We are not negotiating an obligation with DOE - all of the circumstances giving rise to the obligation existed on September 30, 2007 when the contract expired. DOE/NNSA agreed in the contract that allowable costs incurred in termination of the contract (including pension costs) which had not been previously paid under the contract were:

1. Payable by DOE without regard to the funds obligated to the contract prior to expiration,

2. Payable from any funds appropriated to DOE which could be lawfully used to make such payments, and

3. If no funds were currently available, DOE would make its best efforts to obtain appropriated funds for that purpose.

(See I.093 (b) “Obligation of Funds” in Appendix 2)

[Note: The general allowability of cost rules for the University prime contract are found in I.091 (j) ”Payments and Advances” in Appendix 4, and H.026 (b) “Advance Understanding of Costs and Expenses” in Appendix 5. Costs which are presented after contract termination relating back to obligations incurred during contract performance are also allowable costs of the contract under I.043(b)(2) “Termination” in Appendix 3, and under I.093 (b) cited above and are payable without regard to whether funds are currently obligated to the prime contract.]

The DOE policies state that they are responsible for providing future funding. The DOE’s internal regulations require contracting officers to assure that subsequent to any contract termination or expiration, benefit continuation will be continued for those who have earned such benefits.

DOE policies demonstrate the continuing obligation of the DOE to the UC to provide future funding sufficient to offset the related liability.

The DOE issues “Directives” that provide for how DOE contracting officers must view contracts with ME contractors, such as UC. There is a DOE Order 350.1 issued on September 30, 1996 titled “Contractor Human Resource Management ME Programs.”

The objective of DOE Order 350.1 is to “ensure that contractors that perform work under cost reimbursement contracts develop employee benefit programs that will attract and retain competent and productive employees and that facilitate the achievement of objectives and business strategies in support of DOE missions in a cost effective manner.” Contracting Officers must approve of contractor’s employee benefit programs as an ongoing part of their responsibility. UC’s employee benefit programs, including pensions, have been approved by the DOE.

Under section 4 (b) (14) of DOE Order 350.1, describing the responsibilities of contracting officers, it states that they must, “assure that subsequent to contract termination or expiration, benefit continuation will be provided for those who earned such benefits, according to the approved benefit plans, on a funding basis most reasonable to the department (DOE). Among acceptable arrangements for these provisions are paying a sum to the outgoing contractor to continue its liability, paying a third party such as an insurer or other contractor, to guarantee benefit payments, or continuing benefit payment obligation with the replacement contractor.”

The Department Of Energy’s Order 350.1 can be found on the web at http://www.directives.doe.gov/pdfs/doe/doetext/neword/350/o3501c1.pdf

The DOE acknowledges their obligation to provide future funding in their audited (KPMG) financial statements by recording the liability to the contractor and through related footnote disclosures

The DOE's September 30, 2006 financial statements, audited by KPMG, includes a liability to contractors for pension benefits associated with the contractor's employees working at DOE laboratories.

In addition, there is footnote language that states,

- "Most of the department's contractors have defined benefit pension plans under which they promise to pay specified benefits to their employees, such as a percentage of the final average pay for each year of service. The Department's costs under the contracts includes reimbursement of annual contractor contributions to these pension plans….Since the Department approves the contractor's pension and postretirement benefit plans and is ultimately responsible for the plans, the responsibility for any related liabilities rests with the Department."

- "The Department follows SFAS No. 87, Employers' Accounting for Pensions, for contractor employees for whom the Department has a continuing pension obligation."

The Department of Energy financial statements can be found on the web at (http://www.cfo.doe.gov/progliaison/par2006fr2.pdf). Refer to the consolidated balance sheet on page154 and footnote 15, shown on pages 27 through 30 (financial report pages are 175 through178).

GAO Audit Report 04-539 issued in April 2004 reinforces the obligation of the DOE to contractors regarding postemployment benefits

The GAO audit report reinforces that "the DOE reimburses contractor payments for employee compensation, including postretirement benefits as authorized by applicable regulations and each contractor's operating agreement." The applicable regulation is DOE Order 350.1 as discussed above. Employee benefit programs are approved as part of the operating agreement with the DOE.

DOE officials are on record stating that the continuation of postretirement health benefits is necessary to reward former contractor employees and to attract and retain future contractors and contractor employees. Therefore, in this regard, DOE Order 350.1 provides that "when operations at the DOE facility are terminated and no further work is to be completed, pension and postretirement health benefit continuation will be provided for those contractor employees who earned retirement benefits in these plans." Further, according to the audit report, "it is the DOE's policy in these situations that future postretirement benefits earned by contractor employees may be satisfied by the outgoing contractor in one of two ways. Under the first option, the contractor can request reimbursement from the DOE for the immediate settlement of outstanding benefit obligations, such as through the purchase of insurance contracts. Under the second option, the contractor may facilitate the continuation of the current benefit program and seek DOE reimbursement as postretirement benefit payments are made to retirees. The outgoing contractor can achieve the latter option through continuing to sponsor current postretirement benefit plans or through the transfer of plan administration to another party.

GAO Report 04-539 can be found on the web at http://www.gao.gov/ Enter "04-539" in the *Key Word or Report Number* field in the upper right hand corner.

UC's financial statements would be misleading to a user if they included a liability for the postemployment liabilities associated this specific group of retired employees without including the offsetting receivable from the DOE to satisfy these future liabilities

Finally, it is reasonable to take the view that a receivable from the DOE to offset a LLNL segment NPO should be recorded from the perspective of whether UC's financial position would be "presented fairly."

The discussion above describes the fact that the contract requires and DOE policies state they are obligated to provide continuing funding for pension benefits. A receivable that represents that obligation for a LLNL segment NPO would result in UC financial position being presented fairly.

Next Steps—Required Actions

Responsibility (C, OP)	Required Completion Date	Action Item/Task
OP	April, 2007	Discuss UC's approach with PwC.
OP	April, 2007	Finalize UC's approach
OP	April, 2007	Complete IRM outlining UC's accounting and reporting.
OP	Fall, 2007	Incorporate results of discussions in contract termination negotiations.

Appendix 1: H.008 Pension Plan

(a) Adoption of the principles and procedures in this clause shall not be deemed nor be intended to neither create rights in third parties nor abrogate existing rights of pension plan members performing services under this Contract. All assets and liabilities associated with employee contributions to the Contractor's Defined Contribution Plan and the Tax-Deferred 403(b) Plan shall be excluded from these principles and procedures. The following stipulations apply, as appropriate, to the defined benefit pension plan, the University of California Retirement Plan (UCRP), covering University of California employees working under contracts at DOE-owned and Contractor-operated facilities.

(b) Basic requirements.

(1) DOE shall be notified prospectively of each change to the UCRP that could have a significant impact on current or future Departmental funding or liabilities.

(i) Changes covered by this provision include any change to a benefit, right or feature of the Plan and any change to a funding method or assumption.

(ii) A significant impact is a change that requires the approval of the Regents of the University of California.

(2) Prospective notice will be provided to the DOE for each newly adopted pension plan or change requiring prospective notice as described in subparagraph (b)(1)(i) above, including any changes to non-DOE-reimbursed segments of commingled pension plans.

(3) For purposes of this clause, prospective notice shall mean written notice, including a copy of the proposed change, at least thirty (30) days in advance of approval of each change to the URCP by the Regents of the University as trustees of the pension plan.

(4) The pension plan shall be submitted to an annual, full-scope audit by an outside independent auditor. The Contractor shall provide a report of such audit to DOE within seven months after the end of the plan year to which the audit applies.

(5) The Contractor shall maintain a separate annual accounting of liabilities and assets attributable to each Laboratory. Market value of assets on an accrual basis at the beginning of a plan year shall equal the assets at market value on an accrual basis at the end of the prior year based on the separate annual accounting of the prior plan year. The procedures for annual accounting of contributions to UCRP are for each plan year (July 1 through June 30), the Contractor will provide an annual accounting of assets associated with DOE-funded employer contributions and employee contributions under Contract No. W-7405-ENG-36 as follows:

(i) Market value of assets at the beginning of a plan year;

(ii) (A) Employer contributions made during a plan year, less the employer contributions transferred to the Social Security Administration on behalf of Contract employee members of UCRP who elected Social Security coverage in 1976 or 1977; and

(B) Employee contributions made during a plan year, less the employee contributions transferred to the Social Security Administration on behalf of Contract employee members of UCRP who elected Social Security coverage in 1976 or 1977;

(iii) The dollar amount of investment income from applying the rate of return on the accrual-basis market value of UCRP assets to subparagraphs (b)(5)(i), (ii), (iv) and (v);

(iv) Benefits disbursed on account of Contract employees during the plan year, including return of accumulated employee contributions;

(v) Administrative expenses paid from the trust shall be allocated to the Laboratories in the same proportion that the market value of assets assigned to the Laboratory segment bears to the market value of the total asset fund as of the beginning of the plan year. However, there may be situations agreed to by the DOE where specific expenses would directly be charged to each Laboratory in addition to the proportionate share of expenses; and

(vi) Market value of assets at the end of the plan year = [subparagraphs (b)(5)(i) + (ii) + (iii) - (iv) - (v)]. The annual accounting shall include the market value of such assets as of June 30, 1991, and as of the end of each plan year thereafter.

(6) "Contract service assets" means the accrual basis market value given by the accounting which is referred to in subparagraph (b)(5).

(7) All plan provisions of the UCRP are applicable to all eligible employees of the Contractor, including those employed at a DOE Laboratory and, as such, a single contribution rate, expressed as a percentage of covered compensation, is calculated for the Plan. This single rate is to be applied to all members of the Plan in order to determine the contribution, if any. For purposes of assessing the liabilities of the DOE segment of the Plan as described in paragraphs (e), (f), and (g), the DOE will have no liabilities to the Plan beyond that associated with Laboratory employees who are members of the Plan.

(8) The DOE will be given prospective notice of any changes in the scope of the administration of the DOE-reimbursed pension plans that require a change in administration cost of five percent or more. Changes in administration cost resulting directly from normal inflation in administration costs or per specific DOE requests do not require notice.

(9) If and when the funded status (measured by dividing the actuarial value of assets by the entry age liability of UCRP), reaches 150 percent, the President of the University will initiate a review of the surplus situation and provide to DOE a copy of the Contractor's recommendations to bring the fund into conformity with the long-term needs of the Plan. Any recommendation by the Contractor for the disposition of the Plan assets in connection with a Plan termination or spin-off will be consistent with the then applicable federal and state laws relating to qualified pension plans and ensure equitable distribution of excess Plan assets to DOE and the University-reimbursed Plan segments as provided in this clause.

(10) The DOE will pay costs for any special retirement and/or actuarial analysis that it requests during the period of the contract.

(11) DOE has the right to take any action it deems appropriate and consistent with applicable law with reference to the pension plan.

(c) Funding requirements.

(1) Contributions to the Plan will be based on the actuarial valuation for the Plan and will be approved by the Contractor's Plan Trustees (The Regents of the University of California).

(2) DOE agrees to continue to fund for the Contract term(s), as extended, the employer cost of UCRP for Contract employees at the contribution rates established from time to time by Contractor, subject to the following restriction: The DOE funded contribution shall not exceed the full funding limit as defined in the Internal Revenue Code, Section 412.

(3) The DOE funding policy is intended to be congruent with the basic objectives of the cost accounting standards (CAS) and will generally result in funding consistent with the CAS. If this policy causes a temporary, technical inconsistency with the CAS, the Contractor shall immediately notify the cognizant Contracting Officer and Chief Financial Officer. Contractors have recourse to the cost principles found at FAR 31.203, 31.205-6 and 31.205-10 and shall avoid penalties on that basis.

(4) If more than five percent of the members of each Laboratory transfer from the Contractor's private operations to the DOE Laboratories annually, or vice versa, appropriate adjustments shall be made to the pension fund or segments' assets and liabilities.

(d) Reporting requirements for designated contracts. The following reports shall be submitted by the last day of the plan year to DOE for each Laboratory.

(1) The annual actuarial valuation report includes information in the annual separate actuarial valuations for each Laboratory which DOE may reasonably request. DOE shall pay the cost of all separate valuations. At a minimum, these reports shall include: an itemized cashflow; the aggregate covered compensation; a distribution of active members by age, service, and salary; separate distributions of retirees and terminated vested members by age and benefit amount; a brief description of each amortization base, if any, and its date, original amount, and

annual payment; an itemization of the changes in the numbers of actives, retirees and terminated vested members during the plan year; the rate of interest currently credited to employee contributions; a statement of the Financial Accounting Standards (FAS) 35 liabilities; a statement of the current liability under Internal Revenue Code Section 412; a development of the total actuarial gain or loss; a statement of actuarial assumptions and methods; calculation of the assets of each Laboratory; calculation of the actuarial asset value; calculation of contribution requirements; and a statement of the changes, if any, in benefits, assumptions or methods since the last report.

(2) A copy of the Financial Accounting Standards Board Statement 87 report prepared each year to satisfy the expense-reporting requirement of the Office of Management and Budget.

(3) In order to report the funded status (surplus or deficit) of each Laboratory's portion of UCRP to the DOE, the Contractor will measure the liabilities using the Entry Age Normal actuarial method and the Actuarial Value of Assets as defined in the valuation report indicated in subparagraph (d)(1) above.

(e) <u>Terminating operations</u>. When operations at a DOE Laboratory are terminated and no further work is to occur under this contract, the following rules shall apply:

(1) No further benefits for service shall accrue after the Contract termination date, or such earlier date as agreed to by the DOE and the Contractor.

(2) The Contractor shall take steps to return to the DOE a portion of the UCRP assets attributable to the Contract employees through a spin-off-reversion transaction. Such a transaction shall be accomplished by the Contractor's (i) establishing a Spin-off Plan for certain Contract employees and transferring the assets to the Spin-off Plan as set forth below, (ii) terminating the Spin-off Plan and receiving back any assets in excess of those needed to provide benefits to the members in the Spin-off Plan, and (iii) transferring the reverted assets (less any tax or other liabilities imposed upon the Contractor because of the receipt of the assets) to the DOE. The Contractor's participation in the transactions described in the preceding sentence is conditioned upon its receiving satisfactory rulings from the Internal Revenue Service and any other appropriate Government agencies that the transactions contemplated by the sentence will have no adverse effect on the Contractor, the UCRP, or the members of the UCRP.

(3) Procedures with respect to the spin-off and reversion.

(i) The liabilities as of the effective date of the Spin-off Plan for members to be covered by the Spin-off Plan shall be calculated by using the UCRP Plan provisions, actuarial assumptions, and actuarial cost methods as then in effect. The only members to be covered by the Spin-off Plan (the "Spin-off Members") are members of the UCRP as of the Spin-off date who are terminated active and inactive Laboratory members, excluding pensioners, survivors, and members receiving disability income under the UCRP.

(ii) Assets to be transferred to the Spin-off Plan shall be determined by a formula to be negotiated between the Parties, subject to an IRS ruling and in compliance with the laws of the State of California as to permitted agreements that may be contained in the aforementioned formula. If permitted, assets for the Spin-off Plan shall be determined generally in accordance with the following formula.

A – B, where

A = Market value of assets assigned to the DOE Laboratories as determined from paragraph (b)(5) as of the last business day of the calendar quarter which ends coincident with, or next preceding, the effective date of the spin-off. From the effective date of spin-off to the date of transfer of the assets, interest will be credited at the rate established for a one year Treasury bill as published by the Federal Reserve.

B = Liabilities associated with pensioners, survivors, members receiving disability income (including projected benefit increases), and active members (contract employees) who are retained by the Contractor determined as of the last business day of the calendar quarter which ends coincident with, or next preceding, the effective date of the spin-off. In determining these liabilities, the present value of future ad hoc benefit improvements shall be included based on past practices.

If, for technical, administrative, or regulatory reasons, the preceding formula proves inapplicable, the Contractor and DOE shall bargain in good faith to produce a result which would be as equitable to both parties as the preceding formula and in compliance with applicable law.

(iii) The Parties agree that any disposition of Contract service assets or transfer of liabilities upon a spin-off shall be consistent with the then applicable federal and state laws relating to qualified defined benefit pension plans and shall be subject to obtaining such rulings and/or approvals from cognizant federal and state agencies as may be required by law or deemed prudent by the Contractor or DOE.

(A) When a Spin-off Plan has been established, UCRP shall retain the liabilities associated with pensioners, members receiving UCRP disability income, and survivors and Contract employees who are retained by the Contractor.

(B) Under a Spin-off Plan acceptable to the DOE and which fulfills all of the Contractor's fiduciary responsibilities under UCRP, and which further assumes UCRP liabilities for transferred Contract employees, the Contractor agrees to transfer to the trustees of the Spin-off Plan an amount equal to the Contract service assets to be transferred as determined above. Such amount shall be transferred as investment holdings of the UCRP, plus any necessary United States Currency, or, by mutual agreement of the Parties, the total amount may be transferred as United States Currency. Agreement by the DOE and Contractor will not be unreasonably withheld.

1. If the asset transfer to the Spin-off Plan is made in the form of investment holdings, such holdings shall include cash, equity, securities, and fixed income securities, but shall exclude any investment holding (and earnings thereon) acquired from the effective date of the spin-off. Such assets shall be allocated on a pro-rated basis, with proration for fixed income assets based on rating and classification. The pro-rata allocation shall be the ratio of (A) and (B) where, (A) is the Contract service assets referred to in subparagraph (e)(3)(ii) above; and (B) is the total assets of the Retirement Fund of UCRP at market value as of the effective date of the spin-off. Such assets shall be transferred within 36 months of the creation of the Spin-off Plan and shall include actual investment earnings (gains or losses) of such assets less expenses and benefit disbursements from the effective date of the spin-off to the date of transfer.

2. The Contractor will transfer assets at a rate at least sufficient to meet the cashflow requirement of transferred employees who go into benefit status under the Spin-off Plan.

3. If the transfer is made as United States Currency, the transfer shall be increased to include interest credited at the rate established for a one year Treasury bill as published by the Federal Reserve. This rate will be in effect from the first day following the effective date of spin-off through the day of payment.

(iv) Subsequent to the spin-off, UCRP shall, subject to obtaining all necessary IRS and other appropriate governmental approvals, terminate the Spin-off Plan, purchase annuities for the Spin-off Members with the assets of the Spin-off Plan, receive the remaining assets of the Spin-off Plan as a reversion and transfer the remaining assets (less any tax or other liabilities imposed upon the Contractor because of the receipt of such assets) to the DOE.

(f) <u>Contract termination and selection of a successor contractor</u>. Should another contractor replace the Contractor, the following become requirements:

(1) Liabilities for present and future benefits of Contract employees in the event there is a successor plan. The liabilities as of the effective date of disaffiliation for members to be covered by a successor pension plan shall be calculated by using the UCRP Plan provisions, actuarial assumptions, and actuarial cost methods as then in effect. Active members not retained by the Contractor are the only members to be covered by a successor pension plan.

(2) (i) Contract service assets in the event there is a successor pension plan. Contract service assets shall be determined by a formula to be negotiated between the Parties, subject to an IRS ruling and in compliance with the laws of the State of California as to permitted agreements that may be contained in the aforementioned formula. If permitted, contract service assets for a successor contractor shall be determined generally in accordance with the following formula:

A - B, where

A = Market value of assets assigned to the DOE Laboratories as determined from subparagraph (b)(5), as of the last business day of the calendar quarter which ends coincident with, or next preceding, the effective date of disaffiliation. From the effective date of spin-off to the date of transfer of the assets, interest will be credited at the rate established for a one year Treasury bill as published by the Federal Reserve.

B = Liabilities associated with pensioners, survivors, terminated vested and nonvested inactive members, members receiving disability income under the UCRP and active members (contract employees) who are retained by the Contractor as determined pursuant to subparagraph (f)(1) above.

If, for technical, administrative, or regulatory reasons, the preceding formula proves inapplicable, the Contractor and DOE shall bargain in good faith to produce a result which would be as equitable to both parties as the preceding formula and in compliance with applicable law.

(ii) In no event, however, shall the UCRP retain an amount less than the liabilities for benefits of members whose liabilities are retained by the UCRP. Notwithstanding the provisions of this paragraph (f), the Parties further agree to consider the desirability of covering pensioners, survivors, UCRP disability recipients, and terminated vested and nonvested members under a successor plan.

(3) Disposition of contract service assets and liabilities. The Parties agree that any disposition of contract service assets or transfer of liabilities upon Contract termination shall be consistent with the then applicable federal and state laws relating to qualified defined benefit pension plans and shall be subject to obtaining such rulings and/or approvals from cognizant Federal and State agencies as may be required by law or deemed prudent by the Contractor or DOE.

(i) Retention of assets and liabilities. When a successor pension plan has been established by a successor contractor, UCRP shall retain the liabilities associated with pensioners, survivors, UCRP disability recipients, and terminated vested and nonvested members and active members who are retained by the Contractor as determined in subparagraph (f)(1) above. In the event that there is no successor plan, UCRP shall retain the liabilities associated with all members (contract employees).

(ii) Transfer of assets and liabilities to successor pension plan. Under a successor pension plan acceptable to the DOE and which fulfills all of the Contractor's fiduciary responsibilities under UCRP, and which further assumes UCRP liabilities for transferred Contract employees, the

Contractor agrees to transfer to the trustees of such successor plan an amount equal to the contract service assets as determined in subparagraph (f)(2) above. Such amount shall be transferred as investment holdings of the UCRP, plus any necessary United States Currency, or, by mutual agreement of the Parties, the total amount may be transferred as United States Currency. Agreement by the DOE and Contractor will not be unreasonably withheld.

(A) If the asset transfer to the successor contractor's trust is made in the form of investment holdings, such holdings shall include cash, equity securities and fixed income securities, but shall exclude investment holdings (and earnings thereon) acquired after the effective date of disaffiliation. Such assets shall be allocated on a pro-rated basis, with proration for fixed income assets based on rating and classification. The pro-rata allocation shall be the ratio of (A) and (B) where, (A) is the contract service assets referred to in subparagraph (f)(2) above and (B) is the total assets of the Retirement Fund of UCRP at market value as of the effective date of disaffiliation. Such assets shall be transferred within 36 months of the effective date of disaffiliation, and shall include actual investment earnings(gains or losses) of such assets less expenses and benefit disbursements from the effective date of disaffiliation to the date of transfer.

(B) The Contractor will transfer assets at a rate at least sufficient to meet the cashflow requirement of transferred employees who go into benefit status under the successor plan.

(C) If the transfer is made as United States Currency, the transfer shall be increased to include interest on the amount at the rate established for a one year Treasury bill as published by the Federal Reserve, from the first day following the effective date of disaffiliation through the day of payment.

(4) DOE agrees to require that, in the event of termination of work under the contract, a successor contractor shall permanently maintain the benefit accrual terms and conditions of UCRP for the Contractor employees transferred to the successor contractor insofar as UCRP is consistent with the provisions of applicable law.

(5) In the event that there is no successor plan, a reconciliation of funding obligations shall be done. A separate accounting of assets and liabilities for contract employees shall be maintained by the Contractor. The Contractor shall assure that accrued obligations to contract employees are met and that the fund is being prudently managed. If, pursuant to approval by the Regents of the University of California, all UCRP obligations to contract employees are fulfilled through a plan spin-off and termination under the process outlined in subparagraphs (e)(3) above and (g)(2) below, as applicable, the Contractor shall return any net excess assets attributable to contract employees to DOE, if approved by the Internal Revenue Service. If a funding shortfall arises as a result of economic conditions beyond the Contractor's direct control, the DOE agrees to contribute funds necessary to fully fund liabilities to cover obligations to contract employees, not

including active employees who continue to be permanently employed by the Contractor.

(g) UCRP plan termination.

(1) In the unlikely event of plan termination, the Contractor shall not terminate any pension plan (commingled or site-specific) without notifying the Department at least 60 days prior to the scheduled date of plan termination, or if earlier, 60 days before plan members are notified of the plan termination.

(2) The Contractor may satisfy plan liabilities to plan members by the purchase of annuities through competitive bidding on the open annuity market or through the payment of lump sums. Any competitive annuity bid process must include at least five bidders, if possible, who satisfy the criteria listed in United States Department of Labor Interpretive Bulletin 95-1. The final selection of insurance company(ies) shall be based upon the bids of the qualifying companies, in conjunction with the assessed quality of the annuity provider(s). Lump sums shall be calculated using the same mortality table and actuarial assumptions which the UCRP uses for purposes of defining actuarially equivalent. Otherwise, the Parties to the contract shall negotiate the assumptions and methods for determining DOE's liability pursuant to paragraph (h) below.

(3) DOE-reimbursed assets which are in excess of the DOE liability shall revert to DOE with interest. Interest shall accrue from the date of the event (defined in paragraph (h) below as the date of pension plan termination) at the rate established for a one-year Treasury bill as published by the Federal Reserve.

(h) Financial requirement.

(1) Funds to be paid or transferred to any party as a result of settlements relating to pension plan termination under paragraph (g) above shall accrue interest from the effective date of termination until the date of payment or transfer.

(2) Terminating Operations. The Contractor shall calculate pension liabilities attributable to DOE contract work. For this purpose, DOE and the Contractor shall use the same mortality table as used for funding purposes, and an applicable 30-year Treasury rate of interest as the basis for the frozen liability calculation.

(i) Special programs. The Contractor shall advise DOE in advance of each early-out program, window benefit, disability program, plan-loan feature, employee contribution refund, asset reversion, or incidental benefit. Any UCRP retirement system programs proposal that is Laboratory specific which would increase the cost of the Contract beyond that approved by Contractor for Contractor employees shall be approved in advance by the Contracting Officer and the Contractor.

Appendix 2: I.093 DEAR 970.5232-4 Obligation of Funds (Dec 2000) Alternate 1 (DEC 2000)

(a) Obligation of funds. The amount presently obligated by the Government with respect to this contract is $24,331,637,621.79. Such amount may be increased unilaterally by DOE by written notice to the Contractor and may be increased or decreased by written agreement of the parties (whether or not by formal modification of this contract). Estimated collections from others for work and services to be performed under this contract are not included in the amount presently obligated. Such collections, to the extent actually received by the contractor, shall be processed and accounted for in accordance with applicable requirements imposed by the Contracting Officer pursuant to the Laws, Regulations, and DOE Directives clause of this Contract. Nothing in this paragraph is to be construed as authorizing the Contractor to exceed limitations stated in financial plans established by DOE and furnished to the Contractor from time to time under this contract.

(b) Limitation on payment by the Government. Except as otherwise provided in this contract and except for costs which may be incurred by the Contractor pursuant to the Termination clause of this contract or costs of claims allowable under the contract occurring after completion or termination and not released by the Contractor at the time of financial settlement of the contract in accordance with the Section I clause entitled "Payments and Advances," payment by the Government under this contract on account of allowable costs shall not, in the aggregate, exceed the amount obligated with respect to this contract, less the contractor's fee and any negotiated fixed amount. Unless expressly negated in this contract, payment on account of those costs excepted in the preceding sentence which are in excess of the amount obligated with respect to this contract shall be subject to the availability of:

(1) collections accruing to the Contractor in connection with the work under this contract and processed and accounted for in accordance with applicable requirements imposed by the Contracting Officer pursuant to the Laws, regulations, and DOE directives clause of this contract, and

(2) other funds which DOE may legally use for such purpose, provided DOE will use its best efforts to obtain the appropriation of funds for this purpose if not otherwise available.

(c) Notices--Contractor excused from further performance. The Contractor shall notify DOE in writing whenever the unexpended balance of available funds (including collections available under paragraph (a) of this clause), plus the contractor's best estimate of collections to be received and available during the forty-five (45)-day period hereinafter specified, is in the contractor's best judgment sufficient to continue contract operations at the programmed rate for only forty-five (45) days and to cover the contractor's unpaid fee and any negotiated fixed amounts, and outstanding encumbrances and liabilities on account of costs allowable under the contract at the end of such period. Whenever the unexpended balance of available funds (including collections available under paragraph (a) of this clause), less the amount of the contractor's fee then earned but not paid and any negotiated fixed amounts, is in the contractor's best judgment sufficient only to liquidate outstanding encumbrances and liabilities on account of costs allowable under this contract, the Contractor shall immediately notify DOE and shall make no further encumbrances or expenditures (except to liquidate existing encumbrances and liabilities), and, unless the parties otherwise agree, the Contractor shall be excused from further performance (except such performance as may become necessary in connection with termination by the Government) and the performance of all work hereunder will be deemed to have been terminated for the convenience of the Government in accordance with the provisions of the Termination clause of this contract.

(d) Financial plans; cost and encumbrance limitations. In addition to the limitations provided for elsewhere in this contract, DOE may, through financial plans, such as Approved Funding Programs, or other directives issued to the contractor, establish controls on the costs to be incurred and encumbrances to be made in the performance of the contract work. Such plans and directives may be amended or supplemented from time to time by DOE. The Contractor agrees

(1) to comply with the specific limitations (ceilings) on costs and encumbrances set forth in such plans and directives,

(2) to comply with other requirements of such plans and directives, and

(3) to notify DOE promptly, in writing, whenever it has reason to believe that any limitation on costs and encumbrances will be exceeded or substantially underrun.

(e) Government's right to terminate not affected. The giving of any notice under this clause shall not be construed to waive or impair any right of the Government to terminate the contract under the provisions of the Termination clause of this contract.

Appendix 3: I.043FAR 52.249-6 Termination (Cost-Reimbursement) (Sep 1996) (DEVIATION)

(a) Termination of this contract shall be in accordance with the provisions as follows:

(1) The performance of work under this contract may be terminated by the Government in whole, or from time to time in part,

(i) whenever the Contracting Officer makes a determination that the Contractor has violated:

(A) Section I Clause ,entitled Foreign Ownership, Control, or Influence Over Contracts;

(B) Section I Clause, entitled Organizational Conflicts of Interest; or

(C) Section I Clause entitled, Workplace Substance Abuse Programs at DOE Sites; and

the Contractor fails to cure the fault or failure within such period as the Contracting Officer may allow after receipt by the Contractor of a notice from the Contracting Officer specifying the fault or failure; or

(ii) whenever the Contracting Officer determines that there has been an action which gives the Government a right to terminate under:

(A) Section I Clause, entitled Gratuities; or

(B) Section I Clause, entitled Price or Fee for Illegal or Improper Activity; or

(iii) whenever, for any reason, the Contracting Officer shall determine any such termination is for the best interest of the Government.

(2) Termination of the work hereunder shall be effected by delivery of a notice of termination specifying the reason for termination, the extent to which performance of work under the Contract shall be terminated, and the date upon which such termination shall become effective. Any such termination shall be without prejudice to any claim which either Party may have against the other.

(3) If, after notice of termination under the provisions of (a)(1)(i) or (ii) above, it is determined for any reason that termination was not appropriate under the above-cited provisions, such notice shall be deemed to have been issued pursuant to (a)(1)(iii) above, and the rights and obligations of the Parties hereto shall in such event be governed accordingly.

(4) Upon receipt of notice of termination, in accordance with (a)(1) above, the Contractor shall, to the extent directed, in writing, by the Contracting Officer, discontinue the terminated work and the placing of orders for materials, facilities, supplies, and services in connection therewith, and shall proceed, if, and to the

extent required by the Contracting Officer, to cancel promptly and settle with the approval of the Contracting Officer, existing orders, subcontracts, and commitments insofar as such orders, subcontracts, and commitments pertain to this contract.

(b) Upon the termination of this Contract, full and complete settlement of all claims of the Contractor and of DOE arising out of this Contract shall be made as follows:

(1) The Government shall have the right in its discretion to assume sole responsibility for any or all obligations, commitments, and claims that the Contractor may have undertaken or incurred, the cost of which are allowable in accordance with the provisions of this Contract; and the Contractor shall, as a condition of receiving the payments mentioned in this clause, execute and deliver all such papers and; take all such steps as the Contracting Officer may require for the purpose of fully vesting in the Government any rights and benefits the Contractor may have under or in connection with such obligations, commitments, or claims.

(2) The Government shall treat as allowable costs all expenditures made in accordance with and allowable under Section I Clause entitled, Payments and Advances and Section H Clause entitled, Advance Understanding of Cost and Expenses, not previously so allowed or otherwise credited for work performed prior to the effective date of termination, together with expenditures as may be incurred for a reasonable time thereafter with the approval of, or as directed by, the Contracting Officer.

(3) The Government shall treat as allowable costs, to the extent not included in (b)(2) above, the costs of settling and paying claims arising out of the termination of work under orders, subcontracts, and commitments as provided in (a)(2) above.

(4) The Government shall treat as allowable costs the reasonable costs of settlement, including accounting, legal, clerical, and other expenses reasonably necessary for the preparation of settlement claims and supporting data with respect to the termination of the contract and for the termination and settlement of orders and subcontracts thereunder, together with such further expenditures made by the Contractor after the date of termination for the protection or disposition of Government property as are approved or required by the Contracting Officer; provided, however, that if the termination is pursuant to (a)(1)(i) or (ii), or if at the time of termination pursuant to (a)(1)(iii) the latest aggregate Appendix F rating is less than a "good" gradient, the first $700,000 (LLNL) $875,000 (LANL) of any amount for preparation of the Contractor’s settlement proposal shall be unallowable.

(5) The obligation of the Government to make any of the payments required by this clause or any other provisions of this contract shall be subject to any unsettled claims in connection with this contract which the Government may have against the Contractor.

(c) Prior to final settlement, the Contractor shall furnish a release as required in Section I Clause entitled, Payments and Advances, and account for Government-owned property as may be required by the Contracting Officer; provided, however, that unless the Contracting Officer requires an inventory, the maintenance and disposition of the records of Government-owned property in accordance with Section I Clause entitled, Accounts, Records, and Inspection, shall be accepted by the Contracting Officer as full compliance with all requirements of this contract pertaining to an accounting for such property.

Appendix 4: I.091DEAR 970.5232-2 Payments and Advances (Dec 2000) Alternate II (Dec 2000), Alternate III (Dec 2000)

(a) Payment of Total available fee: Base Fee and Performance Fee. The base fee amount, if any, is payable in equal monthly installments. Total available fee amount earned is payable following the Government's Determination of Total Available Fee Amount Earned in accordance with the section H clause entitled "Program Performance Fee." Base fee amount and total available fee amount earned payments shall be made by direct payment or withdrawn from funds advanced or available under this contract, as determined by the Contracting Officer. The Contracting Officer may offset against any such fee payment the amounts owed to the Government by the contractor, including any amounts owed for disallowed costs under this Contract. No base fee amount or total available fee amount earned payment may be withdrawn against the payments cleared financing arrangement without the prior written approval of the Contracting Officer.

(b) Payments on Account of Allowable Costs. The Contracting Officer and the Contractor shall agree as to the extent to which payment for allowable costs or payments for other items specifically approved in writing by the Contracting Officer (for example, negotiated fixed amounts) shall be made from advances of Government funds. When pension contributions are paid by the Contractor to the retirement fund less frequently than quarterly, accrued costs therefor shall be excluded from costs for payment purposes until such costs are paid. If pension contribution are paid on a quarterly or more frequent basis, accrual therefor may be included in costs for payment purposes, provided that they are paid to the fund within 30 days after the close of the period covered. If payments are not made to the fund within such 30-day period, pension contribution costs shall be excluded from cost for payment purposes until payment has been made.

(c) Special financial institution account--use. All advances of Government funds shall be withdrawn pursuant to a payments cleared financing arrangement prescribed by DOE in favor of the financial institution or, at the option of the Government, shall be made by direct payment or other payment mechanism to the contractor, and shall be deposited only in the special financial institution account referred to in the Special Financial Institution Account Agreement, which is incorporated into this contract as Appendix B. No part of the funds in the special financial institution account shall be commingled with any funds of the Contractor or used for a purpose other than that of making payments for costs allowable and, if applicable, fees earned under this contract, negotiated fixed amounts, or payments for other items specifically approved in writing by the Contracting Officer. If the Contracting Officer determines that the balance of such special financial institution account exceeds the contractor's current needs, the Contractor shall promptly make such disposition of the excess as the Contracting Officer may direct.

(d) Title to funds advanced. Title to the unexpended balance of any funds advanced and of any special financial institution account established pursuant to this clause shall remain in the Government and be superior to any claim or lien of the financial institution of deposit or others. It is understood that an advance to the Contractor hereunder is not a loan to the contractor, and will not require the payment of interest by the contractor, and that the Contractor acquires no right, title or interest in or to such advance other than the right to make expenditures therefrom, as provided in this clause.

(e) Financial settlement. The Government shall promptly pay to the Contractor the unpaid balance of allowable costs (or other items specifically approved in writing by the Contracting Officer) and fee upon termination of the work, expiration of the term of the contract, or completion of the work and its acceptance by the Government after:

(1) Compliance by the Contractor with DOE's patent clearance requirements, and

(2) The furnishing by the Contractor of:

(i) An assignment of the contractor's rights to any refunds, rebates, allowances, accounts receivable, collections accruing to the Contractor in connection with the work under this contract, or other credits applicable to allowable costs under the contract;

(ii) A closing financial statement;

(iii) The accounting for Government-owned property required by the clause entitled "Property"; and

(iv) A release discharging the Government, its officers, agents, and employees from all liabilities, obligations, and claims arising out of or under this contract subject only to the following exceptions:

(A) Specified claims in stated amounts or in estimated amounts where the amounts are not susceptible to exact statement by the contractor;

(B) Claims, together with reasonable expenses incidental thereto, based upon liabilities of the Contractor to third parties arising out of the performance of this contract; provided that such claims are not known to the Contractor on the date of the execution of the release; and provided further that the Contractor gives notice of such claims in writing to the Contracting Officer promptly, but not more than one (1) year after the contractor’s right of action first accrues. In addition, the Contractor shall provide prompt notice to the Contracting Officer of all potential claims under this clause, whether in litigation or not (see also Contract Clause I.092, DEAR 970.5228-1, "Insurance--Litigation and Claims");

(C) Claims for reimbursement of costs (other than expenses of the Contractor by reason of any indemnification of the Government against patent liability), including reasonable expenses incidental thereto, incurred by the Contractor under the provisions of this contract relating to patents; and

(D) Claims recognizable under the clause entitled, Nuclear Hazards Indemnity Agreement.

(3) In arriving at the amount due the Contractor under this clause, there shall be deducted,

(i) any claim which the Government may have against the Contractor in connection with this contract, and

(ii) deductions due under the terms of this contract, and not otherwise recovered by or credited to the Government. The unliquidated balance of the special financial institution account may be applied to the amount due and any balance shall be returned to the Government forthwith.

(f) Claims. Claims for credit against funds advanced for payment shall be accompanied by such supporting documents and justification as the Contracting Officer shall prescribe.

(g) Discounts. The Contractor shall take and afford the Government the advantage of all known and available cash and trade discounts, rebates, allowances, credits, salvage, and commissions unless the Contracting Officer finds that action is not in the best interest of the Government.

(h) Collections. All collections accruing to the Contractor in connection with the work under this contract, except for the contractor's fee and royalties or other income accruing to the Contractor from technology transfer activities in accordance with this contract, shall be Government property and shall be processed and accounted for in accordance with applicable requirements imposed by the Contracting Officer pursuant to the Laws, regulations, and DOE directives clause of this contract and, to the extent consistent with those requirements, shall be deposited in the special financial institution account or otherwise made available for payment of allowable costs under this contract, unless otherwise directed by the Contracting Officer.

(i) Direct payment of charges. The Government reserves the right, upon ten days written notice from the Contracting Officer to the contractor, to pay directly to the persons concerned, all amounts due which otherwise would be allowable under this Contract. Any payment so made shall discharge the Government of all liability to the Contractor therefor.

(j) Determining allowable costs. The Contracting Officer shall determine allowable costs in accordance with the Federal Acquisition Regulation subpart 31.2 and the DOE Acquisition Regulation subpart 48 CFR 970.31 in effect on the date of this contract and other provisions of this contract.

(k) Review and approval of costs incurred. The Contractor shall prepare and submit annually as of September 30, a "Statement of Costs Incurred and Claimed" (Cost Statement) for the total of net expenditures accrued (i.e., net costs incurred) for the period covered by the Cost Statement. The Contractor shall certify the Cost Statement subject to the penalty provisions for unallowable costs as stated in sections 306(b) and (i) of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 256), as amended. DOE, after audit and appropriate adjustment, will approve such Cost Statement. This approval by DOE will constitute an acknowledgment by DOE that the net costs incurred are allowable under the contract and that they have been recorded in the accounts maintained by the Contractor in accordance with DOE accounting policies, but will not relieve the Contractor of responsibility for DOE's assets in its care, for appropriate subsequent adjustments, or for errors later becoming known to DOE.

Appendix 5: H.026Advance Understanding of Costs and Expenses

(a) Compensation for Contractor's Services. Payment for the allowable costs and the Contractor's indirect costs as hereinafter defined, and of the fees as described in Section H Clause entitled, Program Performance Fee, shall constitute full and complete compensation for the performance of the work under this Contract. Furthermore, costs incurred or expenditures made by the Contractor during the FY 2001 in the performance of Appendices F and O will be accomplished within the authorized FY 2001 budget levels.

(b) Allowable costs. The allowable cost of performing the work under this Contract shall be the costs and expenses that are actually incurred by the Contractor in the performance of the Contract work in accordance with its terms, that are necessary or incident thereto, and that are determined to be allowable as set forth in paragraph (c).

(c) Determination of Allowability. The determination of the allowability of cost shall be based on FAR 31.2 as supplemented by DEAR 970.31 and as further described herein.

(d) Examples of items of allowable cost. Subject to the other provisions of this clause, the following examples of items of cost of work done under this Contract shall be allowable to the extent indicated:

(1) Costs incurred or expenditures made by the Contractor, as directed, approved or ratified by the Contracting Officer and not unallowable under any other provisions of this contract.

(2) Litigation expenses (including reasonable counsel fees and the premium for bail bond) necessary to defend adequately an on-site uniformed guard against whom a civil or criminal action is brought based upon an act or acts of the guard undertaken within the course and scope of employment, subject to the approval or ratification, in writing, of the Contracting Officer.

(3) Losses and related expenses (including settlements made with the consent of the Contracting Officer) sustained by the Contractor in the performance of this Contract and certified, in writing, by the Contracting Officer to be reasonable, except the losses and expenses expressly made unallowable under other provisions of this contract. Such certification will not be unreasonably withheld.

(4) Personnel costs and related expenses incurred in accordance with the Personnel Appendix (Appendix A).

(5) Subcontracts and purchase orders, including procurements from Contractor-controlled sources, subject to approvals required by other provisions of this Contract.

(6) Utility services, including electricity, gas, water and sewage.

(7) Indirect costs. DOE will pay the Contractor a fixed amount for indirect costs for each annual period, or portion thereof as set forth below:

During the Period:	The Amount will be:
10/01/97 - 9/30/98	$4,400,000
10/01/98 - 9/30/99	$4,400,000
10/01/99 – 9/30/00	$4,400,000
10/01/00 - 9/30/01	$4,400,000
10/01/01 - 9/30/02	$4,135,200
10/01/02 – 9/30/03	$4,289,200
10/01/03 – 9/30/04	$4,448,700
10/01/04 – 9/30/05	$4,613,600
10/01/05 – 9/30/06	$4,118,498
10/01/06 – 9/30/07	$4,118,498

The University utilizes an integrated system of accounts for the collection of all general and administrative costs associated with University Government contracts, including this contract, calculated in accordance with OMB Circular A-21 for allowability. The University shall allocate costs in accordance with the DEAR Part 970.3102-3-70 cost principle entitled "Home Office Expenses."

Indirect costs shall be paid to the Contractor in equal monthly installments and shall not be subject to adjustment except as provided in the Section I Clause entitled, Termination (Cost Reimbursement).

(8) Division of Laboratory Management Costs. DOE will pay the Contractor the costs of the Division of Laboratory Management (VPLM) within the University of the Office of the President (UCOP) in the annual amounts for the period set forth below:

During the Period:	The Not to Exceed Amount will be:
10/01/97 – 9/30/98	$1,800,000
10/01/98 – 9/30/99	$1,800,000
10/01/99 – 9/30/00	$1,800,000
10/01/00 – 9/30/01	$2,030,600
10/01/01 - 9/30/02	$2,666,000
10/01/02 - 9/30/05	$3,010,500
10/01/05 – 9/30/06	$3,010,500
10/01/06 – 9/30/07	$3,010,500

These costs shall be a direct charge to Laboratory General and Administrative cost pool and shall be paid to the University in equal monthly installments of 1/12th the annual amount. The Contractor shall notify the Contracting Officer, in writing, if at any time during the period the VPLM costs it expects to incur are projected to exceed 75 percent of the total not to exceed amount in this clause. The Contractor will continue to advise the Contracting Officer of the status of costs at appropriate intervals through the end of the period. The requirements of the contract clause entitled "Obligation of Funds", paragraph (c) will be complied with for the not to exceed VPLM amount in this clause. All funds not required shall be refunded to the Laboratory and applied to reduce Laboratory overhead unless otherwise approved for carry forward in the next fiscal year by the Contracting Officer. The allowability of costs charged shall be determined in accordance with OMB Circular A-21 and University policy and shall be subject to an annual audit of costs. The Contractor shall notify the Contracting Officer of the total VPLM costs incurred no later than 90 days after fiscal year end.

(e) Examples of items of unallowable costs. The following examples of items of costs are unallowable under this Contract to the extent indicated:

(1) Advertising and public relations costs made unallowable by FAR 31.205-1(f)(1) except those allowed therein and those approved, in advance, by the Contracting Officer where the primary purpose of the activity is to facilitate Contract performance in support of the DOE mission.

(2) Salary or other compensation (and expenses related thereto) of any individual employed under this Contract as a consultant or in another comparable employment capacity who is an employee of another organization and concurrently performing work on a full-time annual basis for that organization under a cost-type contract with DOE, except to the extent that the other contractor is reimbursed for the services of the individual.

Appendix 6: Appendix T to Prime Contract

See the scanned document on the following pages.

EXCEPTION TO SF 30, APPROVED BY NARS 5/79

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

1. CONTRACT ID CODE

2. AMENDMENT/MODIFICATION NO.	3. EFFECTIVE DATE	4. REQUISITION/PURCHASE REQ. NO.	5. PROJECT NO. *(If applicable)*
M613	March 27, 2008		

6. ISSUED BY CODE		7. ADMINISTERED BY *(If other than Item 6)*	
U.S. Department of Energy/NNSA Livermore Site Office M/S L-293 7000 East Avenue Livermore, CA 94550			

8. NAME AND ADDRESS OF CONTRACTOR *(No., street, country, State, and ZIP Code)*

The Regents of the University of California
Office of the President, Laboratory Management
1111 Franklin Street, 5th Floor
Oakland, CA 94607-5206

9A. AMENDMENT OF SOLICITATION NO.

9B. DATED *(SEE ITEM 11)*

X 10A. MODIFICATION OF CONTRACT/ORDER NO.
W-7405-ENG-48/M320/A390

10B. DATED *(SEE ITEM 13)*
October 1, 1997/ January 18, 2001

CODE | FACILITY CODE

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers is extended. is not extended. Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods: (a) By completing Items 8 and 25, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA *(If required)*

see attached

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS, IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: *(Specify authority)* THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN CONTRACT/ORDER NO. IN ITEM 10A.
	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES *(such as changes in paying office, appropriation data, etc.)* SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103 (b).
X	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF: Clause H.013 CONTRACT MODIFICATIONS
	D. OTHER *(Specify type of modification and authority)*

E. IMPORTANT: Contractor __ is not, XX is required to sign this document and return ___2____ copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION *(Organized by UCF section headings, including solicitation/contract subject matter where feasible.)*

The contract is hereby modified to rescind M612 and to substitute therefore a new Appendix T, DOE/NNSA Funding Obligation to the University of California with Respect to Reimbursement of Contributions to the University Of California Retirement Plan (UCRP). All other terms, conditions, total estimate cost and fees remain unchanged.

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER *(Type or print)*		16A. NAME AND TITLE OF CONTRACTING OFFICER *(Type or print)*	
Ronald A. Nelson Executive Director, Contracts and Administration		Ronna Promani, Contracting Officer U.S. Department of Energy/NNSA	
15B. CONTRACTOR/OFFEROR	15C. DATE SIGNED	16B. UNITED STATES OF AMERICA	16C. DATE SIGNED
Ronald A. Nelson *(Signature of person authorized to sign)*	3/27/08	By Ronna Promani *(Signature of Contracting Officer)*	3/27/2008

APPENDIX T

DOE/NNSA FUNDING OBLIGATION TO THE UNIVERSITY OF CALIFORNIA WITH RESPECT TO REIMBURSEMENT OF CONTRIBUTIONS TO THE UNIVERSITY OF CALIFORNIA RETIREMENT PLAN (UCRP)

Section 1 – Purpose

(a) This Appendix –

(1) sets forth the terms and conditions under which DOE/NNSA may be required to reimburse the Regents of the University of California (UC) (Parties) for Required Contributions and establishes a basis to calculate any amount that DOE/NNSA may be required to reimburse UC as a Required Contribution; and

(2) provides a mechanism for UC to make certain changes to the UCRP with respect to the Retained Segment with the consent of DOE/NNSA.

(b) This Appendix is incorporated into the Contract and in turn incorporates into the Contract the following Attachment, including its Exhibits:

"Agreement Between the Department of Energy/National Nuclear Security Administration and the Regents of the University of California Concerning the Transfer of Assets and Liabilities From the University of California Retirement Plan to the LLNS Defined Benefit Pension Plan," which specifically provides for the values called for in the A minus B formula of Clause H.008 paragraph (f) (2) plus a Contribution Reserve Amount (Attachment 1) (Asset Transfer Agreement).

(i) October 1, 2007 Lawrence Livermore National Laboratory Special Addendum Report (Exhibit 1) (Actuarial Valuation).

(ii) Revised pages to October 1, 2007 Lawrence Livermore National Laboratory Special Addendum Report (Exhibit 1A)

(iii) Proposed Approach for Asset Allocation for Transfer to the LLNS Plan (Exhibit 2) (Asset Allocation).

(iv) Pricing Procedures for Asset Classes Held in the UCRP (Exhibit 3) (Pricing Procedures).

(v) Estimated Asset Transfer Amount as of March 25, 2008, to be modified upon determination of the actual value at the Asset Transfer Date (Exhibit 4) (Estimation).

(c) Except as specifically set out herein, this Appendix does not make changes to pre-existing rights and obligations between the Parties as set forth in Clause H.008 or any other provisions of the Contract; however, any conflict between the requirements of Clause H.008 or any other provision of the Contract and this Appendix will be resolved in favor of this Appendix.

(d) Subject to subparagraph (d) (5) of the Asset Transfer Agreement, this Appendix, including its Attachment and the Exhibits thereto, is for the exclusive benefit and convenience of the Parties hereto. Nothing contained herein shall be construed as granting, vesting, creating or conferring any right of action or any other right or benefit upon past, present or future employees of UC, upon any participants or beneficiaries of the University of California Retirement Plan (UCRP), as amended from time to time, or upon any other third party.

(e) This Appendix is not intended to limit or impair or add to the rights which any person may have under applicable Federal statutes.

(f) All assets and liabilities associated with UC's Defined Contribution Plan**,** 415(m) Restoration Plan, 457(b) Deferred Compensation Plan, and the Tax-Deferred 403(b) Plan are not covered by this Appendix and remain covered by Clause H.008.

Section 2 – <u>Definitions</u>

These definitions apply to this Appendix T and its Attachment, including all of its Exhibits, unless otherwise specified.

(a) "Actuarial Value of Assets" means the dollar amount of assets attributable to the Retained Segment for purposes of calculating the Required Contribution determined under the actuarial asset valuation method adopted by the Regents for the Retained Segment for the Plan Year reduced by the Contribution Reserve Amount at the beginning of such Plan Year.

(b) "Beneficiary" means (A) the eligible survivors and beneficiaries of Retained Members and (B) alternate payees of LLNL employees under qualified domestic relations orders (QDROs) who are eligible, and elect, on or before [date], to retain their interests under the QDROs in the UCRP.

(c) "Contribution Reserve Amount" means the initial amount of $140,000,000 retained under the Retained Segment of UCRP beyond the amount of "A-B" as calculated under the Contract to be applied against any future DOE/NNSA funding obligation for the Retained Segment, as such amount is adjusted in section 4(a) below.

(d) "Contract Service Assets" means the accrual basis market value of assets attributable to the Retained Segment given by the accounting referred to in subsection (4)(b), below.

(e) "Funding Shortfall" means the excess, if any, of the Funding Target over the Actuarial Value of Assets of the Retained Segment, determined as of the first day of the Plan Year.

(f) "Funding Target" means, with respect to a Plan Year, 100% of the present value of all benefits accrued or earned as of the beginning of the Plan Year that are allocated to the Retained Segment. The present value shall be determined using the actuarial assumptions adopted by the Regents as in effect for the Retained Segment for the Plan Year subject to subsections (d), (e), and (f) of Section 5 of this Appendix T and to the other provisions of this Contract.

(g) "LLNL" means the Lawrence Livermore National Laboratory.

(h) "LLNS Plan" means the Lawrence Livermore National Security Defined Benefit Pension Plan.

(i) "Plan Year" is the Plan Year as defined and adopted by the Regents for the UCRP.

(j) "Required Contribution" means the greater of (1) the Shortfall Amortization Charge allocable to the Retained Segment for a Plan Year, or (2) the amount necessary to meet the UCRP's current obligations to Retained Members and Beneficiaries when the remaining market value of assets of the Retained Segment as of the beginning of the Plan Year is insufficient to meet current obligations. For purposes of this provision, "current obligations" means an amount equal to three times the benefit payments and expenses for the 12 months prior to the beginning of the Plan Year. The Required Contribution is fixed as calculated and not subject to either positive or negative adjustment based on changes in market conditions or other actuarial experience between the calculation date and the payment date.

(k) "Retained Member" means an individual who satisfies the following two conditions: (A) on September 30, 2007, was (i) a retiree of the UCRP from LLNL, (ii) a terminated vested participant of the UCRP from LLNL, (iii) a disability income recipient under UCRP from LLNL, or a deceased participant with respect to any survivor entitled to benefits under UCRP from LLNL, or (iv) an employee in good standing of UC at LLNL and either an active or reinstated and rehired member of UCRP with a vested interest in the UCRP, and (B) did not elect to become a participant in the LLNS Plan. "Retained Member" shall also include an individual with an account under the Capital Accumulation Provisions (CAP), and who elected to become a participant in the LLNS Plan; provided, however, that such inclusion as a Retained Member shall be limited to such member's CAP benefit for purposes of calculating benefits and liabilities under the Retained Segment.

(l) "Retained Segment" means the portion of UCRP represented by the assets, including the Contribution Reserve Amount, and liabilities accrued through September 30, 2007 and associated with the benefits of Retained Members and Beneficiaries.

(m) "Shortfall Amortization Base" means, with respect to a Plan Year, the Funding Shortfall (if any) for the Plan Year reduced by the present value of any remaining future Shortfall Amortization Installments from prior Plan Years.

(n) "Shortfall Amortization Charge" means, with respect to a Plan Year, the sum of the Shortfall Amortization Installments with respect to the Shortfall Amortization Bases for such Plan Year and for each of the six preceding Plan Years, based on the Funding Shortfall for each of those years. For any Plan Year when the Funding Shortfall is zero, all prior Shortfall Amortization Bases will be considered fully amortized, no new Shortfall Amortization Base will be established for that year, and the Shortfall Amortization Charge will be zero for that year.

(o) "Shortfall Amortization Installment" means the amount necessary to amortize the Shortfall Amortization Base in level annual installments over a seven-year period using the interest rate assumption adopted by the Regents as in effect for the Retained Segment for the Plan Year.

(p) "The Regents" means the Regents of the University of California.

Section 3 –Future Required Contribution

(a) Any Required Contribution shall first be funded by the Contribution Reserve Amount to the extent any such Amount is available as of the beginning of the Plan Year, starting with the Plan Year beginning July 1, 2008 and ending June 30, 2009.

(b) Any remaining Required Contribution for a Plan Year not funded by the Contribution Reserve Amount, if greater than zero, shall, subject to the availability of appropriations and the other provisions of this Contract, be reimbursed by DOE/NNSA to UC, within eight months of the close of the Plan Year, starting with the Plan Year beginning July 1, 2008 and ending June 30, 2009.

(i) Immediately upon reimbursement by DOE/NNSA, the Regents will pay the Required Contribution to the extent not funded by the Contribution Reserve Amount into the UCRP for the Retained Segment and add it to the Contract Service Assets.

(ii) DOE/NNSA will make any reimbursement required in Section 3(b) from any funds which DOE/NNSA may legally use for such purpose, provided that DOE/NNSA will use its best efforts to request that sufficient funds for this purpose be included in the President's Budget if not otherwise available.

(c) In the event the Retained Segment is materially and consistently overfunded, the parties agree to engage in meaningful and good faith discussions at the request of either party to evaluate alternatives regarding such status, including discussions of material changes to this Contract, in an effort to take reasonable steps to address such overfunding, including, but not limited to, a spin off or transfer of all or a portion of the Retained Segment , or merger with another qualified retirement plan, provided that any such action complies with applicable legal constraints on the use and transfer of Retained Segment assets, UC's counsel provides a legal opinion that such a spin off, merger, transfer or other action is consistent with the fiduciary duty of the Regents' of UC, and the parties obtain all appropriate governmental approvals. If any such actions are taken to address the overfunding, including the transfer of Retained Segment assets to the LLNS Defined Benefit Pension Plan or its successor plan referenced in Section 4(a)(iii) below, the future agreement to effectuate such action will include a provision under which DOE/NNSA agrees that, subject to the other provisions of this Contract, including the cost principles contained in this Contract, the reasonable costs (including reasonable legal costs) or liabilities reasonably incurred by UC or UCRP as a direct result of taking such action will be reimbursed to UC through a charge to the Retained Segment to the extent legally permissible; provided, however, that any losses or penalties which cannot be charged to the Retained Segment and which are the direct result of taking such action will be separately invoiced to and reimbursed by DOE/NNSA.

Section 4 – Accounting and Reporting Requirements for the Retained Segment

(a) Contribution Reserve Amount

(i) UC shall maintain a separate nominal account for the Contribution Reserve Amount, which shall reflect the initial amount of $ 140,000,000, reduced at the beginning of each Plan Year by any amounts used to fund any Required Contribution as described in Section 3(a) and increased or decreased at the end of each Plan Year with a credit or debit for earnings or losses at the rate of return earned on UCRP assets for the Plan Year. The Contribution Reserve Amount shall be included in the annual actuarial valuation of UCRP but shall be deducted from the Actuarial Value of Assets for the Retained Segment assets for purposes of determining the Funding Shortfall.

(ii) DOE/NNSA may request that all or a specified part of any cash contribution made anytime by UC to UCRP and reimbursed by DOE/NNSA be allocated by UC to increase the balance of the Contribution Reserve Amount so long as the cumulative amounts reimbursed under this Section 4(a) (ii) do not exceed the cumulative amount deducted from the Contribution Reserve Amount under subparagraph (i). Any such allocation shall be added to the Contribution Reserve Amount as of the first day of the Plan Year following the Plan Year in which such allocation is made.

(iii) Under the circumstances described in Section 3(c), in the case where the parties agree to discuss a possible transfer of assets from UCRP to the LLNS Defined Benefit Pension Plan or a successor plan, such transfer will be limited to an amount of assets not exceeding the Contribution Reserve Amount, subject to the same terms and conditions provided in Section 3(c) above. The balance of the Contract Service Assets under Section 4(b) and the balance of the Contribution Reserve Amount under Section 4(a) (i) shall be reduced by the amount of any such transfer.

(b) Contract Service Assets

UC shall maintain a separate annual accounting of liabilities and assets attributable to the Retained Segment, including any Contribution Reserve Amount. The accounting for the Retained Segment will reflect the effects of any transactions covered by the Asset Transfer Agreement. Market value of assets in the Retained Segment on an accrual basis at the beginning of a Plan Year shall equal the assets at market value on an accrual basis at the end of the prior Plan Year based on the separate annual accounting of the prior Plan Year. The annual accounting of the assets in the Retained Segment under the Contract will incorporate the following:

(i) Market value of assets in the Retained Segment at the beginning of a Plan Year, determined in accordance with the Pricing Procedures;

(ii) (A) Contributions reimbursed by DOE/NNSA that are accounted for on a monthly basis during a Plan Year; and

(B) Employee contributions in the form of after-tax service credit buybacks made to UCRP that are accounted for on a monthly basis during a Plan Year, if any;

(iii) The dollar amount of total investment rate of return from the market value of the Retained Segment assets as invested in the UCRP portfolio accrued on a monthly basis during the Plan Year;

(iv) Benefits disbursed on a monthly basis from the Retained Segment during the Plan Year, including return of accumulated employee contributions;

(v) Administrative expenses, excluding any expense specifically allocated to a segment, paid from the trust allocated to the Retained Segment in the same proportion that the market value of assets assigned to the Retained Segment bears to the market value of the total UCRP on a monthly basis during the Plan Year. Specific expenses will be directly charged to the Retained Segment as provided for in subsection 5(h) of Appendix T in addition to the proportionate share of expenses; and

(vi) Market value of assets at the end of the Plan Year = [subparagraphs (i) + (ii) + (iii) - (iv) - (v)]. The annual accounting shall commence as of October 1, 2007 with the Contract Service Assets priced as of September 30, 2007, and as provided in the Pricing Procedures, and thereafter as of the end of each Plan Year.

(c) Reporting requirements for Retained Segment.

The following reports will be submitted by UC to DOE/NNSA:

(i) The annual actuarial valuation for the UCRP and an addendum report including such information for the Retained Segment that the DOE/NNSA may reasonably request will be submitted within six months of the end of the Plan Year. At a minimum, the addendum report will include: a statement of the Actuarial Accrued Liability (Funding Target) for the Retained Segment; calculation of the Required Contribution for the subsequent Plan Year (including the Shortfall Amortization Charge and the amount necessary to meet “current obligations”); the amount, if any, of the Required Contribution that will be funded from the Contribution Reserve Amount; the cumulative amount of any deductions from the Contribution Reserve Amount under Section 4(a) (i); the cumulative amount of any increase to the Contribution Reserve Amount due to DOE/NNSA requests under Section 4(a) (ii) for prior years; the amount of any remaining Contribution Reserve Amount; a schedule of each Shortfall Amortization Base, if any, and its date, original amount and Shortfall Amortization Installment; a demographic summary of data for the members in the Retained Segment; an itemization of the changes in the numbers of members in the Retained Segment during the Plan Year; a development of the Funding Shortfall for the Plan Year, if any; a statement of the market value of assets for the Retained Segment; an itemized cash flow for the assets of the Retained Segment; calculation of the Actuarial Value Assets; definition of pension terms used in the addendum report; a statement of actuarial assumptions and methods; a summary of UCRP provisions; and a statement of the changes, if any, in benefits, assumptions or methods since the last report.

(ii) A copy of the Financial Accounting Standards Board Statement 87 report prepared each year to satisfy the expense-reporting requirement of the Office of Management and Budget. The report will be provided by the date requested by DOE/NNSA.

(iii) UC shall provide a report of an annual, full-scope audit of UCRP by an outside independent auditor within seven months after the end of the Plan Year to which the audit applies.

Section 5 – Administration of the Retained Segment

(a) Any disputes that may arise under this Appendix T, including its Attachment and the Exhibits thereto, are subject to the DISPUTES Clause of the Contract.

(b) The Retained Segment will remain within UCRP, consistent with the terms of the Contract.

(c) UC will continue to provide an annual addendum report on the Retained Segment as described in subsection (4) (c). As part of that report, the Regents' actuary will calculate any Required Contribution.

(d) Subject to subsections (e) and (f) below, DOE/NNSA acknowledges and agrees that the Regents are authorized and expected to administer the UCRP and its trust fund as fiduciaries of the UCRP.

(e) <u>Notice</u>

(i) In addition to the advance notice and approval from DOE/NNSA required pursuant to subsection (5) (f), UC will notify DOE/NNSA prospectively of each change to the UCRP that could have a significant impact on current or future DOE/NNSA funding or liabilities. Changes covered by this provision include any change to a benefit, right or feature of the UCRP and any change to a funding method or assumption. A significant impact is a change that requires the approval of the

Regents. DOE/NNSA will also be given prospective notice of any changes in the scope of the administration of the Retained Segment that requires a change in the administration costs of five percent or more. Changes in administration costs resulting directly from normal inflation in administration costs or pursuant to specific requests from DOE/NNSA do not require notice.

(ii) Prospective notice will be provided to DOE/NNSA for each change requiring prospective notice as described in this section, including any changes to non-DOE/NNSA-reimbursed segments of UCRP. For purposes of this section, prospective notice on a change that requires prior regental approval shall mean written notice, including a copy of the proposed change by the Regents as trustees of UCRP, at least thirty (30) days in advance of approval of each change to UCRP. With respect to changes in the scope of administration of the Retained Segment, notice shall also be included in the annual addendum report for the Retained Segment.

(f) Any UCRP proposal that:

(i) is specific to the Retained Segment, or specific to the Retained Segment and the retained segment associated with the Los Alamos National Laboratory; or

(ii) would increase pension liabilities for the Retained Segment beyond what is approved for UCRP members generally or would have a significant and differential impact on the Retained Segment than on the UCRP generally; or

(iii) changes an asset allocation or adopts actuarial assumptions or methods for the Retained Segment differently than for UCRP members generally; or

(iv) involves ad hoc adjustments to the benefits of Retained Members or Beneficiaries, even if proposed for all UCRP members and beneficiaries

is subject to approval in advance by the DOE/NNSA Contracting Officer, which approval for subsections (i)-(iii) will not be unreasonably withheld. In addition, the DOE/NNSA Contracting Officer shall not withhold approval for changes under subsections (ii) and (iii) above resulting from a court order requiring or directing UC to make such change. DOE/NNSA shall make a good faith effort to respond to a request by UC under this section within 90 days after receipt of such request.

(g) The provisions of Clause H.008 (b) (1)-(5) and (b) (8) and (d) are replaced by Section 4 and subsections (5) (e) and (f) of this Appendix T.

(h) Subject to the other provisions of this Contract, including the cost principles contained in this Contract, the reasonable costs of planning for and implementing the division of assets between UCRP and the LLNS Plan, and administering the Retained Segment will be reimbursed to UC through a charge to the Retained Segment to the extent legally permissible; provided, however, that any losses or penalties which cannot be charged to the Retained Segment and which DOE/NNSA is required to reimburse UC pursuant to the Asset Transfer Agreement, Clause (b) (6), will be separately invoiced.

(i) As the size of the Retained Segment begins to significantly decline, if requested by DOE/NNSA and legally permissible, the Retained Segment will be spun off from UCRP to be terminated after the death of the last Retained Member or Beneficiary. An amount equivalent to any Contract Service Assets remaining after satisfaction of all liabilities and obligations of the Retained Segment, less costs of liquidation, plus interest at the then-current rate established for a one-year Treasury bill as published by the Federal Reserve calculated from the date of plan termination to the payment date, will be paid to DOE/NNSA or as directed by DOE/NNSA, if approved by the Internal Revenue Service.

(j) Contract W-7405-ENG-48 ended on September 30, 2007 and is in contract close out status. Based on contract close out status, the costs of any liabilities (and reasonable expenses incidental to such liabilities, including litigation costs) arising from a claim brought by a third party (including an employee or former employee of the University) against either the University or UCRP based on the University's creation and administration of the Retained Segment (including but not limited to elections to participate in Total Compensation Package 1 or Total Compensation Package 2 at LLNL), is a “claim after completion” as that term is used in Clause I.093 Obligation of Funds, and is reimbursable to the University pursuant to the Clause I.087 Insurance--Litigation and Claims, of the Contract. Further the parties agree that for purposes of this paragraph (j) –

(i) The Contractor is not required to maintain insurance for claims under this paragraph due to contract close out status;
(ii) “managerial personnel” as referenced in paragraph (h) of Clause I.087 Insurance–Litigation and Claims has been limited after expiration of the Contract to corporate officers of the corporation The Regents of the University of California; and
(iii) the reimbursement will be made in accordance with paragraph (h) of this section.

Appendix T - DOE/NNSA Funding Obligation to the University of California with respect to Reimbursement of Contributions to the University of California Retirement Plan (UCRP)

IN WITNESS WHEREOF, the Parties have executed this Appendix T as of the date(s) indicated below.

DEPARTMENT OF ENERGY/NATIONAL NUCLEAR SECURITY ADMINISTRATION

By: Ronna Promani
Ronna Promani

Title: Contracting Officer
Livermore Site Office

Date: 3/27/2008

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

By: Judith W. Boyette
Judith W. Boyette

Title: Associate Vice President
Human Resources and Benefits

Date: 3/27/08

Attachment:

"Agreement Between the Department of Energy/National Nuclear Security Administration and the Regents of the University of California Concerning the Transfer of Assets and Liabilities From the University of California Retirement Plan to the LLNS Defined Benefit Pension Plan" (Attachment 1) (Asset Transfer Agreement), with the following exhibits:

(i) October 1, 2007 Lawrence Livermore National Laboratory Special Addendum Report (Exhibit 1) (Actuarial Valuation).

(ii) Revised pages to October 1, 2007 Lawrence Livermore National Laboratory Special Addendum Report (Exhibit 1A)

(iii) Proposed Approach for Asset Allocation for Transfer to the LLNS Plan (Exhibit 2) (Asset Allocation).

(iv) Pricing Procedures for Asset Classes Held in the UCRP (Exhibit 3) (Pricing Procedures).

(v) Estimated Asset Transfer Amount as of March 25, 2008, to be modified upon determination of the actual value at the Asset Transfer Date (Exhibit 4) (Estimation).

Attachment 1 to Appendix T – Asset Transfer Agreement

**AGREEMENT BETWEEN
THE DEPARTMENT OF ENERGY/NATIONAL NUCLEAR SECURITY ADMINISTRATION AND
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
CONCERNING
THE TRANSFER OF ASSETS AND LIABILITIES
FROM THE UNIVERSITY OF CALIFORNIA RETIREMENT PLAN
TO THE LLNS DEFINED BENEFIT PENSION PLAN**

(a) **General.**

(1) The "Parties" means the Department of Energy, through the National Nuclear Security Administration (DOE/NNSA), and the Regents of the University of California (UC).

(2) The "Asset Transfer Agreement" means this Agreement between the Department of Energy/National Nuclear Security Administration and the Regents of the University of California concerning the Transfer of Assets and Liabilities from the University of California Retirement Plan to the LLNS Defined Benefit Pension Plan.

(3) Pursuant to Clause H.008 of the Contract, the assets and liabilities associated with the Lawrence Livermore National Laboratory Segment (LLNL Segment) of the University of California Retirement Plan (UCRP) have been accounted for separately each year by the Regents' actuary since the early 1990s at the request of DOE/NNSA.

(4) During the transition to management of Lawrence Livermore National Laboratory (LLNL) by Lawrence Livermore National Security, LLC (LLNS), employees of UC at LLNL on September 30, 2007, who were either active, or rehired and reinstated as members of the UCRP could elect to participate in the LLNS Defined Benefit Pension Plan (LLNS Plan) so that benefit liabilities under the UCRP attributable to service prior to October 1, 2007, would be transferred from the UCRP to the LLNS Plan effective October 1, 2007. Such individuals are collectively referred to as "Transferring Employees." The benefit liabilities transferred exclude any liabilities for Capital Accumulation Provision (CAP) accounts. The benefit liabilities transferred also exclude liabilities for benefits assigned by a qualified domestic relations order (QDRO) to a former spouse of an employee who elected to participate in the LLNS Plan if the former spouse elected on or before February 29, 2008, pursuant to procedures established by LLNS and UC, to retain his or her interest in UCRP. Collectively the excluded liabilities for CAP accounts and for alternate payees under

QDROs who themselves elect to retain their interest in the UCRP shall be referred to as "Excluded Liabilities."

(5) Under the terms of the LLNS Plan, as adopted by LLNS on December 20, 2007, Transferring Employees began accruing benefits under the terms of the LLNS Plan starting October 1, 2007. As provided in the LLNS Plan, these individuals are also eligible to receive benefits under the LLNS Plan attributable to service credited under the UCRP for employment prior to October 1, 2007, based upon the benefit provisions, payment options, and other terms of the LLNS Plan. Transferring Employees waived any rights they might have had to benefits under the UCRP, except the Excluded Liabilities, which remain payable from the UCRP.

(6) The definitions set forth in Section 2 of Appendix T are applicable to this Asset Transfer Agreement, except as may be specifically provided in this Asset Transfer Agreement.

(b) **<u>For and in consideration of the mutual understandings expressed herein, DOE/NNSA agrees and represents as follows</u>**:

(1) The date of the transfer of assets and liabilities pursuant to this Asset Transfer Agreement from the UCRP to the LLNS Plan will be on or about April 1, 2008 (Asset Transfer Date), provided that DOE/NNSA provides UC with executed copies of this Asset Transfer Agreement and the agreement set forth in Appendix T to the Contract between UC and DOE/NNSA to define DOE/NNSA's ongoing obligation to reimburse UC for contributions to the UCRP attributable to the Retained Segment no later than March 27, 2008.

(2) DOE/NNSA will work with the Internal Revenue Service (IRS) to facilitate regulatory approval for the transfer of assets and liabilities described below from the UCRP to the LLNS Plan.

(3) DOE/NNSA will provide UC with the following –

(i) As agreed to by LLNS, a copy of the application submitted by LLNS on November 8, 2007, to the IRS for a Favorable Determination Letter that the LLNS Plan satisfies the requirements of Section 401(a) of the Internal Revenue Code of 1986 (Code), including the requirements of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) and all other applicable requirements, including those documented in the Cumulative List in Notice 2007-3. In that application, LLNS also requested a determination that the LLNS Plan's associated trust is tax-qualified within the meaning of Code section 501(a).

(ii) LLNS' agreement to make any modifications requested by the IRS as required to obtain a Favorable Determination as to the qualified status of the LLNS Plan, and an opinion provided by LLNS to DOE/NNSA from counsel for LLNS that the LLNS Plan is qualified under Section 401(a) of the Internal Revenue Code (Code) as to form, that its trust is exempt from taxation under Section 501(a) of the Code.

(iii) LLNS' agreement to return the Asset Transfer Amount (as defined in clause (d)(2) below) and the remaining liabilities for service under the UCRP prior to October 1, 2007, to the UCRP to the extent legally permissible (a) if LLNS is unable to obtain a Favorable Determination from the IRS on the form of the LLNS Plan; (b) if LLNS, with the facilitation of DOE/NNSA, as described above, is unable to obtain IRS approval for the asset and liability transfer to the LLNS Plan; or (c) if so ordered by a court of competent jurisdiction. To the extent legally permissible, such agreement will provide that:

A. The assets so returned to the UCRP shall be the Asset Transfer Amount adjusted by benefit distributions from the LLNS Plan attributable to service credit earned prior to October 1, 2007, to the extent transferred to the LLNS Plan, and an allocable share of the investment return and expenses incurred during the period from the Asset Transfer Date to the date the assets are returned to the UCRP.

B. The allocable share of expenses to be offset against the assets returned to UCRP shall be an amount equal to the administrative expenses, excluding investment expenses, incurred during the period from the Asset Transfer Date to the date the assets are returned to the UCRP, multiplied by the ratio of the liability of the Transferring Employees to the total liability of the LLNS Plan on the Asset Transfer Date.

C. Solely for the purpose of calculating the ratio in B. above, the liability shall be based on the funding target under Code section 430(d) (1) using the LLNS Plan assumptions for funding target for the LLNS plan year containing the Asset Transfer Date.

D. The allocable share of the investment return added to (or subtracted from) the assets returned to UCRP shall be determined in accordance with applicable fiduciary duties by applying the total rate of investment return, net of investment expenses, of the LLNS Plan (during the period from the Asset Transfer Date to the date the assets are so returned to the UCRP) to the Asset Transfer Amount adjusted by benefit distributions attributable to service credit earned prior to October 1, 2007 and the allocable share of expenses determined above.

E. The liabilities so returned to the UCRP shall be adjusted by benefit distributions attributable to service credit earned prior to October 1, 2007, to the extent of the liabilities transferred to the LLNS Plan and the obligations incurred by LLNS on behalf of members of the LLNS Plan under the LLNS Defined Benefit Eligible Survivor Income Program and the LLNS Defined Benefit Eligible Disability Program.

(iv) LLNS' agreement to cooperate with DOE/NNSA and UC in finalizing the data and reconciliations to support any adjustments in the amount of assets transferred from the UCRP to the LLNS Plan that may be necessary after the Asset Transfer Date and to assume full responsibility for payment of premiums to the Pension Benefit Guaranty Corporation for the LLNS Plan and the LLNS Plan's compliance with the requirements of the Code.

(v) LLNS' agreement that it has been given an adequate opportunity to review the proposed allocation of assets to be transferred from the UCRP to the LLNS Plan, that it agrees that the valuation approach to be used with respect to the assets transferred is reasonable, and that it agrees to direct the trustee of the LLNS Plan to accept the Asset Transfer Amount into the LLNS Plan as of the Asset Transfer Date.

(vi) LLNS' agreement that it will maintain the special schedule (or the data necessary to create the special schedule) as required by Code section 414(l), and that it will file IRS Form 5310-A to this effect for the merger of the assets and liabilities into the LLNS Plan.

(vii) LLNS' agreement that, upon transfer of the Asset Transfer Amount from the UCRP to the LLNS Plan in accordance with this Asset Transfer Agreement, all liabilities of the UCRP, UC and the Regents for the benefits under the UCRP attributable to service prior to October 1, 2007, associated with the Transferring

Employees – with the exception of Excluded Liabilities retained in the UCRP – will be extinguished.

(4) Based upon representations made by UC and its actuaries as set forth in subparagraph (c) of this Asset Transfer Agreement, DOE/NNSA accepts that the difference between the Contract Service Assets for the LLNL Segment (priced as of September 30, 2007 as provided in the Pricing Procedures, Exhibit 3, to this Attachment) ($5,600,667,264) as provided in the Actuarial Valuation (Exhibit 1 and Exhibit 1A) and the value as of September 30, 2007, of the liabilities retained in the Retained Segment ($3,780,314,849) as provided in the Actuarial Valuation, minus the Contribution Reserve Amount equal to $140,000,000 provided for in Section 4(a) of Appendix T was $1,680,352,415 (Adjusted Formula Amount).

(5) DOE/NNSA agrees that upon transfer of the Asset Transfer Amount from the UCRP to the LLNS Plan and subject to any adjustments made pursuant to the terms of subparagraphs (d) (3) and (4) of this Asset Transfer Agreement, UC will have satisfied its responsibilities to transfer assets and liabilities from the UCRP to the LLNS Plan pursuant to Clause H.008 paragraph (f).

(6) The costs, expenses, losses and penalties that the UCRP or UC reasonably incurs, as a direct result of the transfer of assets and liabilities from the UCRP to the LLNS Plan as provided for in this Asset Transfer Agreement, including transaction costs associated with rebalancing the investments in the UCRP, will be assessed as costs of the Retained Segment to the extent permissible or, if not, separately invoiced. “Costs” for these purposes do not include losses on the value of assets sold in the rebalancing of investments. "Penalties" for these purposes are limited to those assessed to the UCRP, UC or one or more of the fiduciaries of the UCRP as a direct result of performing those acts in conformance with the terms of this Asset Transfer Agreement.

(7) If LLNS returns the Asset Transfer Amount pursuant to the LLNS agreement described in subparagraph (b) (3) (iii) of this Asset Transfer Agreement, and the rate of return on investments in the LLNS Plan is less than the rate of return on investments in the UCRP for the period beginning on the Asset Transfer Date and ending on the date assets are returned to the UCRP, an amount equal to the excess of the UCRP rate of return over the LLNS Plan rate of return times the Asset Transfer Amount will be treated as a reimbursable cost to the extent that if, after taking into account the assets and the liabilities returning to the Retained Segment, such transfer would leave the Retained Segment with a Funding Shortfall.

(c) **<u>For and in consideration of the mutual understandings expressed herein, UC agrees and represents as follows</u>**:

(1) UC received a Favorable Determination Letter dated November 8, 2007 from the IRS stating that the UCRP, as amended through December 11, 2002, continues to satisfy the requirements of Code section 401(a), taking into account changes in qualification requirements made by the Uruguay Round Agreements, the Small Business Job Protection Act of 1996, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Taxpayer Relief Act of 1997, the Internal Revenue Service Restructuring and Reform Act of 1998, and the Community Renewal Tax Relief Act of 2000 as well as other amendments adopted as of December 11, 2002, but excluding amendments required by the Economic Growth and Tax Relief Reconciliation Act of 2001.

(2) UC will submit a request for an updated Favorable Determination Letter on the UCRP to the IRS within Cycle C, the remedial amendment cycle established for governmental plans in IRS Revenue Procedure 2007-44, stating that the form of the UCRP, as amended subsequent to December 11, 2002, continues to be qualified under Section 401(a) of the Code. Prior to the execution of this Asset Transfer Agreement, UC will provide an opinion from counsel for UC that the UCRP, as amended subsequent to December 11, 2002, continues to be qualified under Section 401(a) of the Code as to form, the UCRP's trust is exempt from taxation under Section 501(a) of the Code, and UC has confirmed its intent to make any amendments requested by the IRS as required to obtain an updated determination that the form of the UCRP, as amended subsequent to December 11, 2002, continues to satisfy the requirements of Code section 401(a).

(3) In accordance with Clause H.008 paragraph (f) (2) (i) as modified by subparagraph (d) (1) (ii) of this Asset Transfer Agreement, UC has determined that, priced as of September 30, 2007, as provided in the Pricing Procedures, the total market value of the assets allocated to the LLNL Segment was $5,600,667,264 on September 30, 2007.

(4) In accordance with Clause H.008 paragraph (f) (2) (i), UC has determined that, as of midnight Pacific time on September 30, 2007, the liabilities associated with the LLNL Segment for benefits under the UCRP attributable to service at LLNL prior to October 1, 2007, that are retained in the LLNL Segment, including the Excluded Liabilities, were $3,780,314,849.

(5) In accordance with Clause H.008 paragraphs (f) (2) and (3) as modified by subparagraph (d) (1) (ii) of this Asset Transfer Agreement, UC has determined that, priced as of September 30, 2007, and as provided in the Pricing Procedures, the difference between the Contract Service Assets of the LLNL Segment as reflected in the Actuarial Valuation and the value of the liabilities of the Retained Segment as reflected in the Actuarial Valuation, minus the Contribution Reserve Amount equal to $140,000,000 provided for in Section 4(a) of Appendix T, was $1,680,352,415 (Adjusted Formula Amount).

(6) UC represents that the Asset Transfer Amount will be calculated and determined as provided in subparagraph (d) (2) of this Asset Transfer Agreement.

(7) UC agrees that, upon the transfer to the LLNS Plan of the Asset Transfer Amount and the liabilities under the UCRP associated with the benefits of the Transferring Employees, the liabilities under the UCRP associated with the benefits of such individuals (with the exception of the Excluded Liabilities retained in the UCRP) and the liabilities and responsibilities of DOE/NNSA for reimbursement of such liabilities under the UCRP will be extinguished except to the extent that such liabilities may be returned to the UCRP as described in subparagraph (b) (3) (iii) above.

(8) Prior to the Asset Transfer Date, UC's enrolled actuaries will certify that, although the UCRP is not subject to the requirements of Code sections 401(a) (12) and 414(l) because the UCRP is a governmental plan as defined in Code section 414(d), if Code section 414(l) did apply to the spin off of assets and liabilities from the UCRP to the LLNS Plan, the transfer of the Asset Transfer Amount as defined in subparagraph (d) (2) would comply with Code section 414(l) regarding the minimum level of assets to be transferred to the LLNS Plan to cover the liabilities transferred and that UC will submit an IRS Form 5310-A to that effect for the spin off of assets and liabilities from the UCRP.

(9) In accordance with Clause H.008, paragraph (f) and upon UC's receipt of the documents and representations set out in subparagraph (b) of this Asset Transfer Agreement, UC agrees to transfer the Asset Transfer Amount from the UCRP to the LLNS Plan as of a date no later than the Asset Transfer Date; provided, however, that the transfer will be accomplished with an allocation of cash and an allocation of securities mutually agreed upon by the DOE/NNSA, LLNS, and UC as set forth in Exhibit 2 attached to and made a part of this Asset Transfer Agreement.

(10) UC will cooperate with DOE/NNSA and LLNS to determine and reconcile the Final Transfer Amount and the final liability transfer amount from the UCRP to the LLNS Plan in accordance with the terms of this Asset Transfer Agreement and applicable law. UC further agrees to cooperate with DOE/NNSA and LLNS in finalizing the data and reconciliation to support any adjustments in the amount of assets and liabilities transferred from the UCRP to the LLNS Plan that may be necessary after the Asset Transfer Date.

(11) UC hereby agrees to provide data, documentation, and records reasonably requested for and on behalf of the LLNS Plan for the proper establishment, maintenance and administration of the LLNS Plan.

(12) UC hereby agrees that, if – in accordance with paragraph (b) (3) (iii) of this Asset Transfer Agreement – LLNS returns the Asset Transfer Amount (as adjusted pursuant to paragraphs (b) (3) (iii) and (d) (3) of this Asset Transfer Agreement) and the remaining liabilities for service under the UCRP prior to October 1, 2007, to the UCRP, the UCRP will accept those assets and liabilities to the extent legally permissible.

(d) For and in consideration of the mutual understandings expressed herein, UC and DOE/NNSA agree as follows:

(1) Adjusted Formula Amount

(i) The Parties are mutually relying upon obtaining approval from the IRS for the Adjusted Formula Amount.

(ii) The Adjusted Formula Amount ($1,680,352,415) was determined based upon the Actuarial Valuation as of September 30, 2007, the effective date of disaffiliation - the last business day of the calendar quarter which ended coincident with, or next preceding, the effective date of disaffiliation as had been provided in Clause H.008 Paragraph (f) (2) of the Contract.

(2) Asset Transfer Amount

The Asset Transfer Amount is the Adjusted Formula Amount as further adjusted to the Asset Transfer Date to reflect the following factors occurring during the period beginning October 1, 2007, and ending on or near the Asset Transfer Date: the portion of the total return earned by the UCRP portfolio allocable to the Adjusted Formula Amount of the LLNL Segment; administrative expenses allocable to the Adjusted Formula Amount of the LLNL Segment; buybacks for the UCRP service credit attributable to the Adjusted Formula Amount of the UCRP benefits of Transferring Employees (apart from the CAP accounts); and any interim distributions agreed to by DOE/NNSA from the UCRP made to the LLNS Plan and/or to LLNS Plan members or their beneficiaries or alternate payees pursuant to a QDRO. See Exhibit 4 estimating the Asset Transfer Amount, based upon preliminary accounting through March 25, 2008, to be modified on or about April 15, 2008, upon determination of the actual value at the Asset Transfer Date. Any losses or penalties that cannot be charged to the Retained Segment and which DOE/NNSA is required to reimburse UC pursuant to this Asset Transfer Agreement or Appendix T will be separately invoiced.

(3) Final Transfer Amount

UC and DOE/NNSA acknowledge and agree that the Asset Transfer Amount transferred on the Asset Transfer Date may need to be subsequently adjusted to reflect – with respect to certain assets – final earnings figures and other final performance numbers that may be received by UC after the Asset Transfer Date, other investment-related adjustments and any data corrections related to the calculations supporting the Asset Transfer Amount but not available on the Asset Transfer Date as well as to make any adjustments necessary to obtain appropriate regulatory approval. Any additional transfers of assets between the UCRP and the LLNS Plan as may be needed to make such adjustments will be made as soon as practicable following the Asset Transfer Date.

(4) Corrections

The Parties agree that UC will provide prompt notice of any errors or omissions in data used to calculate the Asset Transfer Amount discovered after the Asset Transfer Date that would have had an effect on the Asset Transfer Amount had such error or omission been recognized prior to the Asset Transfer Date. The Parties shall determine how to correct the error or omission with as minimum an administrative burden on the Parties as possible.

(5) Third Party Beneficiaries

This Attachment, including its Exhibits, is for the exclusive benefit and convenience of the Parties hereto. Nothing contained herein shall be construed as granting, vesting, creating or conferring any right of action or any other right or benefit upon past, present or future employees of the Contractor, upon any participants or beneficiaries of the UCRP, as amended from time to time, or upon any other third party.

Notwithstanding the foregoing and Section 1(d) of Appendix T, LLNS may rely on the representations made by UC in subparagraph (c) of this Asset Transfer Agreement provided that LLNS has entered into an enforceable agreement with the DOE/NNSA providing that UC may rely on the representations provided by LLNS described in subparagraph (b) (3) of this Asset Transfer Agreement.

IN WITNESS WHEREOF, the Parties have executed this Asset Transfer Agreement as of the date(s) indicated below.

DEPARTMENT OF ENERGY/NATIONAL NUCLEAR SECURITY ADMINISTRATION

By: Ronna Promani
Ronna Promani

Title: Contracting Officer
Livermore Site Office

Date: 3/27/2008

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

By: Judith W. Boyette
Judith W. Boyette

Title: Associate Vice President
Human Resources and Benefits

Date: 3/27/08

Exhibits:

(i) October 1, 2007 Lawrence Livermore National Laboratory Special Addendum Report (Exhibit 1) (Actuarial Valuation).

(ii) Revised pages to October 1, 2007 Lawrence Livermore National Laboratory Special Addendum Report (Exhibit 1A)

(iii) Proposed Approach for Asset Allocation for Transfer to the LLNS Plan (Exhibit 2) (Asset Allocation).

(iv) Pricing Procedures for Asset Classes Held in the UCRP (Exhibit 3) (Pricing Procedures).

(v) Estimated Asset Transfer Amount as of March 25, 2008, to be modified upon determination of the actual value at the Asset Transfer Date (Exhibit 4) (Estimation).

University of California Retirement Plan
Special Interim Addendum Report

Actuarial Valuation Results for
Lawrence Livermore National Laboratory
as of October 1, 2007

SEGAL

The Segal Company
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December 20, 2007

Ms. Judith W. Boyette
Associate Vice President, Human Resources and Benefits
University of California
1111 Franklin Street, 7th Floor
Oakland, California 94607-5200

Dear Associate Vice President Boyette:

We are pleased to submit this Actuarial Valuation Report as of October 1, 2007 for the University of California Retirement Plan ("UCRP" or "Plan"). It summarizes the actuarial data used in the valuation, includes results both before and after reflecting the transfer elections and analyzes the preceding quarter's experience for the Lawrence Livermore National Laboratory Segment within UCRP.

The census and financial information on which our calculations were based was provided by the UC HR/Benefits Staff. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion the assumptions as approved by the Regents are reasonably related to the experience of and future expectations for the Plan.

We look forward to reviewing this report and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By: Paul Angelo John Monroe

Paul Angelo, FSA, EA, MAAA	*John Monroe, ASA, EA, MAAA*
Senior Vice President and Actuary	*Vice President and Associate Actuary*

JHK/hy

SECTION 1

EXECUTIVE SUMMARY

SECTION 2

SUPPLEMENTAL INFORMATION

SECTION 3

REPORTING INFORMATION

Purpose

This special addendum report presents the results for Lawrence Livermore National Laboratory (LLNL) of the October 1, 2007 actuarial valuation of the University of California Retirement Plan (UCRP). Results from the prior valuation are shown for comparison. The report is published solely for the purpose of complying with the requirements of Contract No. W-7405-ENG-48 (Contract 48), Modification No. M534. The report is based on the procedures specified in Modification No. M534.

Contributions

The Department of Energy (DOE) has agreed to fund the employer cost of UCRP at the contribution rates established from time to time by the Regents, as long as the contributions do not exceed the full funding limit defined in the Internal Revenue Code, Section 412. This interim valuation report does not calculate recommended contributions.

Significant Issues In Valuation

LAWRENCE LIVERMORE NATIONAL LABORATORY TRANSFER OF ASSETS AND LIABILITIES

- On September 30, 2007, the University's contract to operate and manage the Lawrence Livermore National Laboratory (LLNL) for the National Nuclear Security Administration of the Department of Energy (DOE/NNSA) expired. The DOE/NNSA awarded the contract to a separate legal entity, Lawrence Livermore National Security, LLC (LLNS), who assumed operations at the LLNL on October 1, 2007.
- Under the terms of the LLNS contract, LLNS is required to sponsor a defined benefit pension plan that is designed to be substantially equivalent to the provisions of the UCRP. The Plan assets and liabilities attributable to certain transitioning employees who elect employment with LLNS are expected to be transferred to the successor pension plan at a future date provided all required and advisable regulatory rulings and approvals are obtained.
- There are 3,943 members who elected to transfer to the LLNS defined benefit plan. Their actuarial accrued liability as of October 1, 2007 is approximately $1.2 billion, excluding the liability for their CAP benefits that will be retained by UCRP. This liability is reflected in our valuation results and is based on the current UCRP actuarial assumptions, methods and plan provisions. The liability for these members as determined for the LLNS defined benefit plan will almost certainly be different, as it will be based on the LLNS benefit provisions and the actuarial assumptions and methods used by the LLNS actuary.

Significant Issues in Valuation (continued)

- The LLNL transfer elections reflected in this valuation are based on the transfer election data provided by the University as of November 6, 2007.
- We have calculated the amount of assets to be retained in UCRP for LLNL members who have retired or are inactive, and the amount of the assets that will be transferred to the LLNS defined benefit plan for the transitioning employees who elected to participate in the LLNS defined benefit plan based on the "A – B" formula listed in Contract 48, Clause H.008. "A" represents the market value of UCRP assets associated with UCRP members' LLNL service during the performance of Contract 48 and is $5.601 billion. "B" represents the liability associated with those LLNL members who are retired or inactive and retained by UCRP and is $3.780 billion. Under this calculation, the amount of assets as of October 1, 2007 to be transferred from UCRP to the LLNS defined benefit plan would be "A – B", or $1.820 billion (rounded). The DOE/NNSA has elected to leave an additional $75 million of this transfer amount in UCRP as a contribution reserve amount. Therefore, $1.745 billion (rounded) is the amount to be transferred to the LLNS defined benefit plan as of October 1, 2007. The amount to be transferred will be adjusted for investment return, allocable expenses and any other appropriate adjustments through the anticipated transfer date of early April 2008.
- While this valuation includes results reflecting the LLNL transfer elections, it does not reflect the actual transfer of assets and liabilities to the LLNS defined benefit plan. This means that the results of this valuation include liabilities even for members who have elected to transfer to the LLNS defined benefit plan. As noted above, we have continued to value these members as UCRP members and their liabilities are shown in the results. LLNL employees **who elected not** to participate in the LLNS defined benefit plan are included in the valuation results either as retired, terminated vested, or nonvested members.

ASSETS

- During the July 1, 2007 through September 30, 2007 period, the rate of return on the unaudited market value of assets was 2.5%. Due to the recognition of prior investment gains, the rate of return on the actuarial value of assets was 3.1%, which is above the expected annual return of 7.5% (1.8% for a 3-month period).

Significant Issues in Valuation (continued)

FUNDED RATIO

- The funded ratio for LLNL's portion of the Plan on an actuarial basis increased from 98.7% as of July 1, 2007 to 98.9% as of September 30, 2007 before reflecting elections and was 102.8% as of September 30, 2007 after reflecting elections. Before reflecting elections, the LLNL portion of the Plan remains in an underfunded position as the actuarial accrued liability exceeds the actuarial value of assets by $55 million. After reflecting the elections, the LLNL portion of the Plan shifts to an overfunded position as the actuarial value of assets exceeds the actuarial accrued liability by $136 million as of October 1, 2007.

FUTURE EXPECTATIONS

- No contributions were recommended for the 2007-2008 Plan Year. This was due to the application of the full funding policy that the Regents adopted in 1990. Member contributions are all currently being redirected to the UC Defined Contribution Plan.

DEMOGRAPHIC EXPERIENCE

- Prior to reflecting the LLNL transfer elections, the number of UCRP active members considered LLNL employees for valuation purposes decreased by 9.1% from 7,264 as of July 1, 2007 to 6,602 as of October 1, 2007. Total covered compensation decreased by 8.6%, to a level of $682.9 million. As of October 1, 2007, LLNL has 5,402 members currently receiving benefits, an increase of 13.3% from July 1, 2007. Total annual benefits in pay status increased by 19.7%, to a level of $217.9 million. There are also 1,764 terminated members who are entitled to future benefits. Within this group of terminated members, there are 1,212 terminated vested members who are entitled to a deferred or immediate vested benefit and 552 terminated nonvested members who are entitled to a refund of member contributions or payment of their Capital Accumulation Provision (CAP) balance.
- The LLNL transfer elections showed the following:
  - There were 3,907 active members who elected to transfer to the LLNS defined benefit plan. As described earlier, we have continued to value these members as active UCRP members.
  - There were 146 active members who elected inactive status in UCRP and are at least age 59. Consistent with current practice, we have assumed immediate commencement of their retirement benefits.

  - There were 1,801 active members who elected inactive status and were vested in UCRP, but not yet assumed to retire. These members were valued as terminated vested members in this valuation.
  - There were 748 active members who were not vested in UCRP and did not elect to transfer to the LLNS defined benefit plan. Of these members, only 73 have a member contribution or CAP balance. These members were valued as terminated nonvested members in this valuation due a refund of member contributions or CAP balance payment.
  - There were also 36 members who were on a leave of absence as of September 30, 2007, and elected to transfer to the LLNS defined benefit plan. These members were valued as either terminated vested or nonvested members in this valuation, depending on each member's circumstance.

- Alternate payees of members that transferred to the LLNS defined benefit plan were allowed to make an election either to have their benefit retained in UCRP or to have their benefit transferred to the LLNS defined benefit plan. This report does not reflect the impact of these elections. Once these elections are made, then they will be reflected in the calculation of the assets to be retained in UCRP.

Summary of Key Valuation Results

	October 1, 2007	October 1, 2007	July 1, 2007
Contributions for year beginning:	After Elections	Before Elections	
Recommended	N/A	N/A	$ 0
Percentage of payroll	N/A	N/A	0.00%
Funding elements for year beginning:			
Market value of assets allocated to LLNL*	$5,600,667,264	$5,600,667,264	$5,527,473,271
Actuarial value of assets (AVA)	5,080,611,591	5,080,611,591	4,990,733,032
Actuarial accrued liability (AAL)**	4,944,487,581	5,136,000,205	5,057,081,148
Unfunded/(Overfunded) actuarial accrued liability	(136,124,010)	55,388,614	66,348,116
Funded ratio (AVA / AAL)	102.8%	98.9%	98.7%
Current liability	4,520,270,128	4,415,771,170	4,274,605,775
Covered payroll	376,910,829	628,908,187	681,953,976
Demographic data for year beginning:			
Number of retired members and beneficiaries	5,402	5,402	4,767
Number of vested terminated members***	3,784	1,764	1,763
Number of active members****	3,907	6,602	7,264
Average compensation (average dollars)	$103,877	$103,440	$102,900

* *The October 1, 2007 value represents the market value of UCRP assets associated with UCRP members' LLNL service during the performance of Contract 48 ("A").*

** *As of October 1, 2007, after elections, the liability associated with those LLNL members who are retired or inactive and retained by UCRP is $3,780,314,849 ("B"). Following the Contract 48 formula of "A-B" yields $1,820,352,415 as the amount to be transferred to the LLNS defined benefit plan as of October 1, 2007. The DOE/NNSA has elected to retain an additional $75,000,000 of this transfer amount in UCRP as a contribution reserve amount. Therefore, $1,745,352,415 is the amount to be transferred to the LLNS defined benefit plan as of October 1, 2007. This amount will be adjusted for investment return, allocable expenses, benefit payments and any other appropriate adjustments through the anticipated transfer date of early April 2008.*

*** *Includes terminated nonvested members due a refund of member contributions or CAP balance payment, and for October 1, 2007, includes 36 members who were on a leave of absence as of September 30, 2007, and elected to transfer to the LLNS defined benefit plan.*

**** *After elections, this represents the active members transferring to the LLNS defined benefit plan.*

EXHIBIT A

Table of Plan Coverage
i. Active Members

Category	Year Beginning After Elections October 1, 2007	Year Beginning Before Elections October 1, 2007	Year Beginning July 1, 2007	Change From Prior Year*
Active members with Social Security:				
Number	3,870	6,440	6,979	-7.7%
Average age	45.8	45.4	46.3	N/A
Average service credit	11.3	11.8	12.5	-5.6%
Total compensation	$401,735,397	$665,110,190	$714,673,974	-6.9%
Average compensation	103,808	103,278	102,403	0.9%
Active members without Social Security:				
Number	37	127	242	-47.5%
Average age	54.4	54.8	56.9	N/A
Average service credit	27.1	27.5	28.9	-4.8%
Total compensation	$4,110,358	$14,125,132	$28,266,752	-50.0%
Average compensation	111,091	111,222	116,805	-4.8%
Safety members:				
Number	0	35	43	-18.6%
Average age	N/A	40.9	43.2	N/A
Average service credit	N/A	13.0	14.7	-11.6%
Total compensation	N/A	$3,675,194	$4,523,681	-18.8%
Average compensation	N/A	105,006	105,202	-0.2%
All active members:				
Number**	3,907	6,602	7,264	-9.1%
Average age	45.9	45.5	46.6	N/A
Average service credit	11.4	12.1	13.1	-7.6%
Total compensation	$405,845,755	$682,910,516	$747,464,407	-8.6%
Average compensation	103,877	103,440	102,900	0.5%

* *Represents change between "Before Elections" and prior year columns.*

** *After elections, this represents the active members transferring to the LLNS defined benefit plan.*

EXHIBIT A

Table of Plan Coverage
ii. Nonactive Members

Category	Year Beginning After Elections October 1, 2007	Year Beginning Before Elections October 1, 2007	Year Beginning July 1, 2007	Change From Prior Year*
Terminated vested members:**				
Number	3,159	1,212	1,210	0.2%
Average age	48.3	48.1	48.4	N/A
Total monthly benefit***	$10,285,361	$2,335,478	$2,384,370	-2.1%
Average monthly benefit	3,256	1,927	1,971	-2.2%
Terminated nonvested members:**				
Number	625	552	553	-0.2%
Average member refund and CAP balance	$4,124	$4,371	$4,266	2.5%
Retired members:				
Number in pay status	4,528	4,528	3,905	16.0%
Average age	67.3	67.3	68.3	N/A
Total monthly benefit	$16,719,566	$16,719,566	$13,771,745	21.4%
Average monthly benefit	3,692	3,692	3,527	4.7%
Disabled members:				
Number in pay status	184	184	179	2.8%
Average age	56.3	56.3	56.6	N/A
Total monthly benefit	$372,772	$372,772	$359,616	3.7%
Average monthly benefit	2,026	2,026	2,009	0.8%
Beneficiaries (includes Eligible Survivors, Contingent Annuitants, and Spouses/Domestic Partners):				
Number in pay status	690	690	683	1.0%
Average age	72.2	72.2	72.1	N/A
Total monthly benefit	$1,065,138	$1,065,138	$1,037,936	2.6%
Average monthly benefit	1,544	1,544	1,520	1.6%

* *Represents change between "Before Elections" and prior year columns.*

** *There are 24 vested members and 12 nonvested members who were on a leave of absence as of September 30, 2007, and elected to transfer to the LLNS defined benefit plan.*

*** *Benefit is calculated based on assumed retirement age (age 59).*

EXHIBIT B

Members in Active Service and Average Compensation as of October 1, 2007*
By Age and Service Credit

i. All Active Members

		Service Credit								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	48	48	- -	- -	- -	- -	- -	- -	- -	- -
	$66,715	$66,715	- -	- -	- -	- -	- -	- -	- -	- -
25 – 29	408	325	82	1	- -	- -	- -	- -	- -	- -
	77,673	77,333	$78,992	$79,846	- -	- -	- -	- -	- -	- -
30 - 34	596	322	252	22	- -	- -	- -	- -	- -	- -
	88,833	86,961	90,515	96,950	- -	- -	- -	- -	- -	- -
35 - 39	755	264	363	100	26	2	- -	- -	- -	- -
	97,385	88,116	101,122	110,001	$91,710	$85,707	- -	- -	- -	- -
40 - 44	1,049	231	362	204	185	62	5	- -	- -	- -
	102,007	93,181	96,905	113,482	110,992	101,661	$82,740	- -	- -	- -
45 - 49	1,386	175	300	183	316	302	107	3	- -	- -
	108,480	92,813	99,121	115,892	113,466	117,738	107,953	$73,305	- -	- -
50 - 54	1,440	140	238	148	200	313	289	110	2	- -
	110,417	98,779	97,000	110,485	108,009	123,313	114,367	112,145	$73,432	- -
55 - 59	698	84	110	60	99	129	135	73	8	- -
	114,415	104,081	99,002	104,546	113,535	119,299	128,656	125,532	99,235	- -
60 - 64	161	50	52	13	10	14	14	6	- -	2
	113,671	114,481	102,904	127,551	108,177	121,477	119,943	163,492	- -	$62,610
65 - 69	46	17	16	3	5	2	1	2	- -	- -
	111,729	104,683	109,542	108,872	123,129	139,524	117,031	134,464	- -	- -
70 & over	15	10	2	- -	- -	1	1	1	- -	- -
	125,769	118,493	164,044	- -	- -	58,994	151,115	163,410	- -	- -
Total	6,602	1,666	1,777	734	841	825	552	195	10	2
	$103,440	$89,212	$96,915	$111,940	$110,954	$118,856	$116,545	$118,631	$94,075	$62,610

Average Age: 45.5

Average Service Credit: 12.1

** Reflects data before LLNL transfer elections are recognized*

EXHIBIT B

Members in Active Service and Average Compensation as of October 1, 2007*
By Age and Service Credit

ii. Members with Social Security

		Service Credit								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	48	48	- -	- -	- -	- -	- -	- -	- -	- -
	$66,715	$66,715	- -	- -	- -	- -	- -	- -	- -	- -
25 – 29	402	319	82	1	- -	- -	- -	- -	- -	- -
	77,590	77,223	$78,992	$79,846	- -	- -	- -	- -	- -	- -
30 - 34	590	319	249	22	- -	- -	- -	- -	- -	- -
	88,819	86,967	90,474	96,950	- -	- -	- -	- -	- -	- -
35 - 39	748	263	360	97	26	2	- -	- -	- -	- -
	97,346	88,013	101,141	110,321	$91,710	$85,707	- -	- -	- -	- -
40 - 44	1,037	227	360	203	182	60	5	- -	- -	- -
	101,987	93,238	96,748	113,445	111,119	101,593	$82,740	- -	- -	- -
45 - 49	1,375	174	300	181	313	299	105	3	- -	- -
	108,432	92,819	99,332	115,953	113,567	117,537	107,716	$73,305	- -	- -
50 - 54	1,388	140	238	147	199	310	283	71	- -	- -
	110,543	98,779	97,210	110,655	108,210	123,664	114,500	112,390	- -	- -
55 - 59	642	83	110	60	98	123	128	39	1	- -
	114,296	104,612	99,002	104,546	113,429	118,964	129,697	130,257	$102,380	- -
60 - 64	155	49	52	13	10	14	12	4	- -	1
	113,191	115,625	102,904	127,551	108,177	121,477	118,052	150,364	- -	$62,610
65 - 69	40	14	13	3	5	2	1	2	- -	- -
	110,404	108,635	99,077	108,872	123,129	139,524	117,031	134,464	- -	- -
70 & over	15	10	2	- -	- -	1	1	1	- -	- -
	125,769	118,493	164,044	- -	- -	58,994	151,115	163,410	- -	- -
Total	6,440	1,646	1,766	727	833	811	535	120	1	1
	$103,278	$89,262	$96,783	$112,042	$111,046	$118,888	$116,661	$119,278	$102,380	$62,610

Average Age: 45.4

Average Service Credit: 11.8

** Reflects data before LLNL transfer elections are recognized*

EXHIBIT B

Members in Active Service and Average Compensation as of October 1, 2007*
By Age and Service Credit

iii. Members without Social Security

		Service Credit								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
25 – 29	3	3	- -	- -	- -	- -	- -	- -	- -	- -
	$73,559	$73,559	- -	- -	- -	- -	- -	- -	- -	- -
30 - 34	2	2	- -	- -	- -	- -	- -	- -	- -	- -
	81,510	81,510	- -	- -	- -	- -	- -	- -	- -	- -
35 - 39	1	1	- -	- -	- -	- -	- -	- -	- -	- -
	115,290	115,290	- -	- -	- -	- -	- -	- -	- -	- -
40 - 44	2	1	1	- -	- -	- -	- -	- -	- -	- -
	111,779	70,620	$152,937	- -	- -	- -	- -	- -	- -	- -
45 - 49	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
50 - 54	51	- -	- -	1	1	3	6	38	2	- -
	106,521	- -	- -	$85,528	$68,122	$87,014	$108,106	$111,116	$73,432	- -
55 - 59	56	1	- -	- -	1	6	7	34	7	- -
	115,777	60,000	- -	- -	123,902	126,159	109,620	120,111	98,786	- -
60 - 64	6	1	- -	- -	- -	- -	2	2	- -	1
	127,188	58,433	- -	- -	- -	- -	131,294	189,747	- -	$62,610
65 - 69	6	3	3	- -	- -	- -	- -	- -	- -	- -
	120,566	86,243	154,888	- -	- -	- -	- -	- -	- -	- -
70 & over	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total	127	12	4	1	2	9	15	74	9	1
	$111,222	$78,898	$154,400	$85,528	$96,012	$113,111	$111,904	$117,374	$93,152	$62,610

Average Age: 54.8

Average Service Credit: 27.5

** Reflects data before LLNL transfer elections are recognized*

EXHIBIT B

Members in Active Service and Average Compensation as of October 1, 2007*
By Age and Service Credit

iv. Safety Members

		Service Credit								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
25 – 29	3	3	- -	- -	- -	- -	- -	- -	- -	- -
	$92,916	$92,916	- -	- -	- -	- -	- -	- -	- -	- -
30 - 34	4	1	3	- -	- -	- -	- -	- -	- -	- -
	94,472	95,936	$93,984	- -	- -	- -	- -	- -	- -	- -
35 - 39	6	- -	3	3	- -	- -	- -	- -	- -	- -
	99,266	- -	98,875	$99,657	- -	- -	- -	- -	- -	- -
40 - 44	10	3	1	1	3	2	- -	- -	- -	- -
	103,038	96,429	102,738	120,949	$103,329	$103,711	- -	- -	- -	- -
45 - 49	11	1	- -	2	3	3	2	- -	- -	- -
	114,423	91,664	- -	102,057	102,954	137,754	$120,373	- -	- -	- -
50 - 54	1	- -	- -	- -	- -	- -	- -	1	- -	- -
	133,931	- -	- -	- -	- -	- -	- -	$133,931	- -	- -
55 - 59	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
60 - 64	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
65 - 69	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
70 & over	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total	35	8	7	6	6	5	2	1	- -	- -
	$105,006	$94,454	$97,331	$104,005	$103,142	$124,137	$120,373	$133,931	- -	- -

Average Age: 40.9

Average Service Credit: 13.0

** Reflects data before LLNL transfer elections are recognized*

EXHIBIT C

Members and Beneficiaries in Pay Status and Average Monthly Benefit as of October 1, 2007*

		Years Since Retirement					
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25 & Over**
0 – 49	54	16	30	6	2	- -	- -
	$1,598	$2,244	$1,469	$1,012	$119	- -	- -
50 – 59	1,028	842	149	26	10	1	- -
	3,432	3,821	1,800	1,273	920	$629	- -
60 – 61	513	400	79	31	3	- -	- -
	4,214	4,870	2,261	994	1,547	- -	- -
62 – 63	456	316	83	52	4	1	- -
	4,393	5,322	2,806	1,606	1,064	745	- -
64 – 65	554	282	178	80	12	1	1
	4,209	4,839	4,531	1,795	1,272	273	$1,797
66 – 67	494	137	207	128	20	2	- -
	3,723	4,455	4,507	2,141	995	895	- -
68 – 69	420	73	177	123	43	2	2
	3,470	4,551	4,153	2,668	1,378	889	403
70 – 71	320	38	67	167	46	2	- -
	3,560	5,028	2,768	4,086	1,678	1,619	- -
72 – 73	349	12	35	196	99	6	1
	2,924	3,773	2,338	3,570	1,864	1,248	1,572
74 & over	1,214	8	68	256	365	337	180
	2,047	2,446	1,652	3,345	2,434	1,425	709
Total	5,402	2,124	1,073	1,065	604	352	184
	$3,341	$4,446	$3,335	$2,946	$2,091	$1,409	$716

Average Age: 67.6

Average Years Since Retirement: 8.8

* *Excludes temporary Social Security Supplement.*

EXHIBIT D

Members with Deferred Benefits and Average Monthly Benefit as of October 1, 2007*

	Years Since Termination						
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25 & Over**
20 - 24	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -
25 – 29	7	7	- -	- -	- -	- -	- -
	$1,552	$1,552	- -	- -	- -	- -	- -
30 – 34	49	41	7	1	- -	- -	- -
	1,611	1,575	$1,596	$3,191	- -	- -	- -
35 – 39	101	67	28	5	1	- -	- -
	1,918	2,231	1,406	792	$855	- -	- -
40 - 44	205	67	79	59	- -	- -	- -
	1,885	2,426	1,979	1,143	- -	- -	- -
45 – 49	361	91	135	116	18	1	- -
	1,902	2,711	1,914	1,411	944	$851	- -
50 - 54	286	48	115	93	22	6	2
	1,952	3,431	1,692	1,698	1,273	1,702	$1,485
55 – 59	170	21	64	58	10	16	1
	1,969	3,693	1,975	1,752	1,242	992	887
60 – 64	29	4	11	8	2	4	- -
	1,560	4,523	945	1,369	789	1,055	- -
65 – 69	4	- -	1	2	- -	1	- -
	1,105	- -	1,234	984	- -	1,217	- -
70 – 74	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -
75 & over	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -
Total	1,212	346	440	342	53	28	3
	$1,897	$2,585	$1,813	$1,493	$1,129	$1,156	$1,286

Average Age: 48.1

Average Years Since Termination: 7.6

** Reflects data before LLNL transfer elections are recognized. Excludes temporary Social Security Supplement.*

EXHIBIT E

Reconciliation of Member Data*

	Active Members	Terminated Vested Members**	Retired Members	Disabled Members	Beneficiaries	Total
Number as of July 1, 2007	7,264	1,763	3,905	179	683	13,794
New members	114	N/A	N/A	N/A	N/A	114
Terminations – with vested rights	(67)	67	0	0	0	0
Terminations – without vested rights***	(43)	(5)	0	0	0	(48)
Retirements	(619)	(22)	633	8	0	0
Lump Sum Cashouts	(54)	(9)	0	(1)	0	(64)
Return to work	25	(25)	0	0	0	0
Died with or without beneficiary	(2)	0	(9)	(2)	7	(6)
Transfers from or to another location	(17)	0	0	0	0	(17)
Data adjustments	1	(5)	(1)	(0)	0	(5)
Number as of October 1, 2007	6,602	1,764	4,528	184	690	13,768

* *Reflects data before LLNL transfer elections are recognized.*

** *Includes terminated nonvested members due a refund of member contributions or CAP balance payment.*

*** *Includes those members who terminated and received a refund of member contributions or a distribution of their CAP balance.*

EXHIBIT F

Allocation of Administrative Expenses and Investment Return

	Period Ended September 30, 2007	Year Ended June 30, 2007
Administrative cost:*		
Total UCRP administrative expenses for the defined benefit plan	$9,189,083	$38,918,057
Total UCRP market value of assets at beginning of period	48,105,347,875	43,362,224,850
Administrative expenses as a percent of assets	0.0191%	0.0898%
Market value allocated to LLNL as of beginning of period	5,527,473,271	4,842,337,797
Multiplied by administrative expenses ratio	0.000191	0.000898
Administrative expenses allocated to LLNL	$1,055,747	$4,348,419
Investment return:**		
Compound total return for UCRP	2.5%	19.0%
Investment return allocated to LLNL	$137,384,451	$899,663,974

* *Administrative expenses are allocated in proportion to the market value of assets at the beginning of the period as specified by Modification No. M534.*

** *The compound total return for UCRP is applied to the market value of assets at the beginning of the year and to employer contributions, member contributions, benefit payments and administrative expenses assuming all payments are made in the middle of the period.*

EXHIBIT G
Asset Values

	Period Ended September 30, 2007	Year Ended June 30, 2007
Market value of assets:		
Market value at beginning of period	$5,527,473,271	$4,842,337,797
Employer contributions	0	134,204
Member contributions	52,412	135,516
Benefit payments	(63,187,123)	(210,449,801)
Administrative expenses	(1,055,747)	(4,348,419)
Investment return	137,384,451	899,663,974
Market value at end of period	$5,600,667,264	$5,527,473,271
Actuarial value of assets allocation:		
Total UCRP market value at end of period	$48,773,602,919	$48,105,347,875
Market value allocated to LLNL at end of period	5,600,667,264	5,527,473,271
Ratio of LLNL allocation to total	0.114830	0.114904
Total UCRP actuarial value at end of period	44,244,636,337	43,433,936,437
Multiplied by market value ratio	0.114830	0.114904
Actuarial value allocated to LLNL at end of period	$5,080,611,591	$4,990,733,032

EXHIBIT H

Development of the Fund Through September 30, 2007

Period Ended June 30	Employer Contributions	Member Contributions	Investment Income	Benefit Payments	Administrative Expenses	Market Value of Assets at End of Period
1991	N/A	N/A	N/A	N/A	N/A	$1,492,556,111
1992	$50,433	$1,776,914	$226,048,932	$(24,135,564)	$(2,020,921)	1,694,275,905
1993	5,873	1,751,589	286,866,763	(26,496,313)	(2,451,617)	1,953,952,200
1994	0	734,046	(49,968,148)	(61,943,281)	(2,571,401)	1,840,203,416
1995	0	271,845	473,426,099	(54,180,201)	(1,946,935)	2,257,774,224
1996	0	185,027	475,055,109	(56,321,451)	(1,584,958)	2,675,107,951
1997	4,153	257,727	681,598,328	(69,366,462)	(1,447,233)	3,286,154,464
1998	17,029	308,143	702,310,047	(71,712,987)	(1,616,788)	3,915,459,908
1999	0	275,140	476,484,089	(83,695,870)	(2,274,882)	4,306,248,385
2000	0	417,428	540,506,916	(102,223,243)	(1,868,912)	4,743,080,574
2001	0	418,392	(257,593,824)	(115,252,242)	(2,618,180)	4,368,034,720
2002	0	255,392	(387,762,369)	(113,691,316)	(2,948,423)	3,863,888,004
2003	0	275,161	212,998,048	(119,476,460)	(3,168,388)	3,954,516,365
2004	0	327,705	563,922,975	(128,419,480)	(2,693,026)	4,387,654,539
2005	0	144,149	444,407,394	(143,805,333)	(2,378,109)	4,686,022,640
2006	0	135,723	331,101,328	(171,112,158)	(3,809,736)	4,842,337,797
2007	134,204	135,516	899,663,974	(210,449,801)	(4,348,419)	5,527,473,271
2007*	0	52,412	137,384,451	(63,187,123)	(1,055,747)	5,600,667,264

** As of September 30, 2007*

EXHIBIT I

Actuarial Liabilities

Actuarial Accrued Liability	After Elections October 1, 2007	Before Elections October 1, 2007	July 1, 2007
Members in pay status:			
Retirees*	$2,574,081,117	$2,574,081,117	$2,057,292,692
Beneficiaries	131,198,665	131,198,665	128,153,719
Disableds	74,009,366	74,009,366	70,383,688
Total in pay status	$2,779,289,148	$2,779,289,148	$2,255,830,099
Active members**			
Non safety	$1,158,375,691	$2,137,536,322	$2,566,607,525
Safety	0	17,146,187	24,514,263
Total Actives	$1,158,375,691	$2,154,682,509	$2,591,121,788
Terminated members***			
Vested	$1,004,244,954	$199,615,692	$207,769,774
Nonvested	2,577,788	2,412,856	2,359,487
Total terminated	$1,006,822,742	$202,028,548	$210,129,261
Total actuarial accrued liability	$4,944,487,581	$5,136,000,205	$5,057,081,148
Current Liability			
Members in pay status*	$2,779,289,148	$2,779,289,148	$2,255,830,099
Active members**	734,158,238	1,434,192,874	1,808,646,415
Terminated members***	1,006,822,742	202,289,148	210,129,261
Total current liability	$4,520,270,128	$4,415,771,170	$4,274,605,775
Actuarial Present Value of Projected Benefits			
Members in pay status*	$2,779,289,148	$2,779,289,148	$2,255,830,099
Active members**	1,624,998,115	2,902,688,996	3,373,446,950
Terminated Members***	1,006,822,742	202,028,548	210,129,261
Total	$5,411,110,005	$5,884,006,692	$5,839,406,310

* *For October 1, 2007, includes a liability of $42.5 million for Lump Sum Cashouts, CAP balance payments and refunds of member contributions that were paid on or after October 1, 2007. For July 1, 2007, includes a liability of $18.0 million for Lump Sum Cashouts, CAP balance payments and refunds of member contributions that were paid on or after July 1, 2007.*

** *In the "After Elections" column, the active members' liability represents the non-CAP liability for those active members transferring to the LLNS defined benefit plan.*

*** *In the "After Elections" column, the terminated members' liability includes a CAP liability of $45,769,059 for members transferring to the LLNS defined benefit plan. The non-CAP liability for members who were on a leave of absence as of September 30, 2007, and are transferring to the LLNS defined benefit plan is $5,797,041.*

EXHIBIT J

Funded Status

Funded Status (Contribution Basis)	**After Elections October 1, 2007**	**Before Elections October 1, 2007**	**July 1, 2007**
Actuarial accrued liability (AAL)	$4,944,487,581	$5,136,000,205	$5,057,081,148
Actuarial value of assets (AVA)	5,080,611,591	5,080,611,591	4,990,733,032
Unfunded/(Overfunded) actuarial accrued liability	($136,124,010)	$55,388,614	$66,348,116
Funded ratio (AVA/AAL)	102.8%	98.9%	98.7%
Funded Status (Full Funding Basis)*			
Actuarial accrued liability (including normal cost)	$5,003,889,314	$5,232,134,155	$5,162,199,683
150% of current liability (including normal cost)	6,900,191,658	6,829,295,603	6,653,128,560
Full funding liabilities (lesser of above liabilities)	5,003,889,314	5,232,134,155	5,162,199,683
Assets (lesser of actuarial value, market value)	5,080,611,591	5,080,611,591	4,990,733,032
Surplus/(deficit)	$76,722,277	($151,522,564)	($171,466,651)

** Shown for illustration only. Recommended contributions reflect the full funding status of UCRP.*

EXHIBIT K

Development of Unfunded/(Overfunded) Actuarial Accrued Liability

		Period Ended September 30, 2007*
1. Unfunded/(Overfunded) actuarial accrued liability as of July 1, 2007		$66,348,116
2. Normal cost at beginning of period		26,279,634
3. Total contributions (employer and member)		(52,412)
4. Interest		
(a) For whole period on (1) + (2)	$1,736,770	
(b) For half period on (3)	(491)	
(c) Total interest		1,736,279
5. Expected unfunded/(overfunded) actuarial accrued liability		$94,311,617
6. Changes due to:		
(a) Actuarial gain	($38,923,003)	
(b) Total changes		(38,923,003)
7. Unfunded/(Overfunded) actuarial accrued liability at end of period, before reflecting LLNL transfer elections		$55,388,614
8. Effect of reflecting LLNL transfer elections		(191,512,624)
9. Unfunded/(Overfunded) actuarial accrued liability at end of period, after reflecting LLNL transfer elections		($136,124,010)

** Results have been adjusted for the three month period as necessary.*

EXHIBIT L

Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit indexed for inflation. That limit is $180,000 for 2007 and $185,000 for 2008. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, form of benefits chosen and after tax contributions.

The University pays benefits in excess of the limits through a 415(m) Restoration Plan.

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

EXHIBIT M

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions: The estimates on which the cost of the Plan is calculated including:

(a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;

(b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates — the rate or probability of retirement at a given age;

(d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost: The amount required to fund the level cost allocated to the current year of service.

Actuarial Accrued Liability for Actives: The accumulated value of normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability for Pensioners: The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and of the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded (Overfunded) Actuarial Accrued Liability: The extent to which the actuarial accrued liability of the Plan exceeds (or is exceeded by) the assets of the Plan. There are many approaches to recognizing the unfunded or overfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

Amortization of the Unfunded (Overfunded) Actuarial Accrued Liability:	Payments made over a period of years equal in value to the Plan's unfunded or overfunded actuarial accrued liability.
Investment Return:	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return reflects a smoothing of market gains and losses to avoid significant swings in the value of assets from one year to the next.
Current Liability:	The actuarial present value of accumulated plan benefits.
Beneficiary:	Used for statistical purposes only; includes Eligible Survivors, Contingent Annuitants and Spouses/Domestic Partners

EXHIBIT I

Actuarial Assumptions and Methods

Demographic Assumptions

Post – Retirement Mortality Rates:

Healthy: 1994 Group Annuity Reserving Mortality Table unloaded, projected with scale AA to 2002. Ages are set back two years for males (from the male table) and set back one year for females (from the female table).

Disabled: RP-2000 Disabled Retiree Mortality Table. Ages are set back two years for males (from the male table) and set back one year for females (from the female table).

Sample Termination Rates Before Retirement:

	Rate (%)					
	Healthy Mortality		Disabled Mortality*		Disability Incidence	
Age	Male	Female	Male	Female	Male	Female
20	0.04	0.03	2.26	0.75	0.10	0.06
25	0.06	0.03	2.26	0.75	0.10	0.08
30	0.08	0.03	2.26	0.75	0.12	0.10
35	0.09	0.04	2.26	0.75	0.17	0.16
40	0.10	0.06	2.26	0.75	0.22	0.25
45	0.13	0.09	2.26	0.75	0.28	0.36
50	0.20	0.12	2.64	1.06	0.36	0.53
55	0.33	0.21	3.29	1.55	0.47	0.75
60	0.60	0.40	3.93	2.08	0.54	0.86
65	1.10	0.79	4.66	2.66	0.54	0.86

***** *Assumed to apply only while receiving a disability benefit.*

Sample Termination Rates Before Retirement (continued):

Rate (%)

Withdrawal – Faculty

Age	Less than one Year of Service Unisex	At least one, but less than two Years of Service Unisex	At least two, but less than three Years of Service Unisex	At least three, but less than four Years of Service Unisex	At least four, but less than five Years of Service Unisex	Five or more Years of Service Unisex
20	24.00	22.00	21.00	21.00	13.00	9.00
25	23.00	20.00	19.00	17.00	11.00	8.00
30	22.00	14.00	12.00	11.00	10.00	7.00
35	19.00	11.00	9.00	7.00	7.00	6.00
40	16.00	10.00	8.00	6.00	5.00	4.00
45	15.00	8.00	6.00	5.00	4.00	3.00
50	14.00	6.00	5.00	4.00	3.00	2.00
55	13.00	5.00	4.00	3.00	3.00	1.00
60	12.00	4.00	3.00	3.00	2.00	1.00
65	11.00	3.00	2.00	2.00	1.00	1.00

Sample Termination Rates Before Retirement (continued):

	Rate (%)					
	Withdrawal – Staff and Safety					
	Less than one Year of Service	At least one, but less than two Years of Service	At least two, but less than three Years of Service	At least three, but less than four Years of Service	At least four, but less than five Years of Service	Five or more Years of Service
Age	**Unisex**	**Unisex**	**Unisex**	**Unisex**	**Unisex**	**Unisex**
20	27.00	24.00	21.00	16.00	15.00	13.00
25	26.00	23.00	20.00	15.00	14.00	12.00
30	24.00	21.00	17.00	14.00	13.00	10.00
35	22.00	17.00	14.00	11.00	10.00	8.00
40	19.00	14.00	11.00	8.00	7.00	6.00
45	17.00	11.00	9.00	6.00	5.00	4.00
50	14.00	9.00	7.00	5.00	4.00	2.00
55	12.00	7.00	6.00	4.00	3.00	2.00
60	11.00	6.00	5.00	3.00	2.00	1.00
65	10.00	5.00	4.00	2.00	1.00	1.00

Retirement Rates:

	Retirement Probability – Unisex		
Age	**Faculty**	**Staff**	**Safety**
50	2.00%	4.00%	15.00%
51	1.00	4.00	10.00
52	1.00	4.00	10.00
53	1.00	4.00	10.00
54	1.00	5.00	10.00
55	2.00	5.00	25.00
56	2.00	6.00	25.00
57	2.00	6.00	25.00
58	2.00	8.00	25.00
59	3.00	14.00	25.00
60	5.00	20.00	25.00
61	5.00	20.00	25.00
62	5.00	20.00	50.00
63	5.00	20.00	50.00
64	7.00	25.00	75.00
65	8.00	30.00	100.00
66	9.00	25.00	100.00
67	10.00	25.00	100.00
68	12.00	25.00	100.00
69	15.00	25.00	100.00
70	15.00	20.00	100.00
71	12.00	20.00	100.00
72	12.00	20.00	100.00
73	12.00	20.00	100.00
74	12.00	20.00	100.00
75	100.00	100.00	100.00

Retirement Age and Benefit for Deferred Vested Members:	Deferred vested members are assumed to retire at age 59.
Form of Payment:	For those members not electing a Lump Sum Cashout:
	Life annuity for members without a survivor;
	25% contingent annuity for members with Social Security who have a survivor;
	50% contingent annuity for members without Social Security who have a survivor;
	50% contingent annuity for Safety members who have a survivor.
	It is also assumed that some members elect a Lump Sum Cashout (see Lump Sum Assumptions).
Future Benefit Accruals:	1.0 year of service per year for the full-time employees. Part-time employees are assumed to earn full-time service for all future years.
Definition of Active Members:	All members of UCRP who are not separated from active employment as of the valuation date or have not started receiving a monthly pension on or before the valuation date.
	The results of this valuation include liabilities even for members who have elected to transfer to the LLNS defined benefit plan. These members are still valued as UCRP members and their liabilities are shown in these results.
Percent with Survivors:	85% of male members and 65% of female members are assumed to have survivors at time of decrement.
Survivor Ages:	Members assumed to have an opposite sex spouse or domestic partner, with females three years younger than males.

Number of Survivors (Samples):

	Number of Survivors per Active Member with Survivors	
Age	**Male**	**Female**
20	1.0	1.0
25	1.8	2.1
30	2.2	2.7
35	2.7	2.8
40	3.0	2.4
45	2.8	2.1
50	2.5	1.7
55	2.0	1.4
60	1.5	1.2
65	1.3	1.1

Economic Assumptions

Net Investment Return: 7.50% (including 3.50% for inflation)

Consumer Price Index: Increase of 3.50% per year.

Administrative Expenses: 0.50% of payroll added to normal cost.

Salary Increases:

Annual Rate of Compensation Increase

Inflation: 3.50% per year, plus "across the board" salary increases of 0.25% per year, plus the following merit and promotional increases:

Years of Service	Faculty	Staff and Safety
Less than 1	3.25%	3.25%
1	3.25	3.00
2	3.25	2.80
3	3.25	2.50
4	3.25	2.20
5	3.25	2.00
6	3.20	1.80
7	3.10	1.70
8	3.00	1.60
9	2.90	1.50
10	2.80	1.40
11	2.70	1.30
12	2.60	1.20
13	2.50	1.10
14	2.40	1.00
15	2.30	0.90
16	2.20	0.80
17	2.10	0.75
18	2.00	0.70
19	1.75	0.65
20 & over	1.50	0.60

<u>Actuarial Methods</u>	
Actuarial Value of Assets:	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and the expected returns on a market value basis and is recognized over a five-year period. For assets allocated to LLNL, this is approximated as the total UCRP actuarial value multiplied by the ratio of market value of LLNL allocated assets to the total UCRP market value.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Entry Age is calculated as the valuation date minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salaries, as if the current benefit accrual rate has always been in effect.
Covered Payroll:	Covered payroll for a Plan Year is determined by annualizing actual payroll for the prior Plan Year increased by the assumed rate of salary growth. Covered payroll is then reduced to anticipate members who leave active status during the year.

<u>Other Actuarial Assumptions</u>	
Lump Sum Assumptions:	
Discount Rate:	7.50%
COLA:	2.00%
Mortality:	1994 Group Annuity Reserving Mortality Table unloaded for males set back three years, projected with scale AA to 2002.
Take-rate:	For those members retiring from active employment and for those who were receiving a disability income and now retiring, we are assuming that 12% elect a Lump Sum Cashout. For those members retiring from inactive (deferred vested) status, we are assuming that 45% elect a Lump Sum Cashout.

Approximations:	
Sick Leave	Service has been increased by 0.15% for Faculty, 1.40% for Staff, and 2.25% for Safety members to account for unused sick leave. This assumption applies only for members retiring from active employment and not electing a Lump Sum Cashout. For all other benefits there is assumed to be no conversion of unused sick leave to service credit.
Changes in Actuarial Assumptions:	There have been no changes in actuarial assumptions since the previous valuation.

EXHIBIT II

Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Effective Date:	April 24, 1954. Includes amendments through October 1, 2007.
Covered Employees:	Generally all employees who are not members of another retirement system to which the Regents contribute, and who: a. Are appointed to work 50% time or more for one year or longer or b. Have generally accumulated at least 1,000 hours in a 12-month period.
Highest Average Plan Compensation (HAPC):	Highest average monthly full-time-equivalent base compensation rate received during any period of 36 consecutive months.

Age Factor: Percentage of HAPC per year of service credit (interpolated for fractional ages).

Nonsafety Members

Age	Factor	Age	Factor
50	1.10%	56	1.94%
51	1.24	57	2.08
52	1.38	58	2.22
53	1.52	59	2.36
54	1.66	60+	2.50
55	1.80		

Safety Members 3.0% at all ages 50 and above.

Tier II Members Equal to one-half of the Age Factor for Nonsafety Members.

Benefit Percentage: Age Factor multiplied by years of service credit; not to exceed 100%.

Basic Retirement Income (BRI):

Members without Social Security Benefit Percentage x HAPC.

Members with Social Security Benefit Percentage x HAPC in excess of $133 per month.

Safety Members Benefit Percentage x HAPC.

Service Retirement:	
Eligibility	Age 50 with 5 years of service credit, or Age 62 regardless of service credit if membership began on or before July 1, 1989, or Retirement on Normal Retirement Date.
Benefit	BRI.
Form of Payment	Single Life Annuity.
Payment Options	Full continuance to contingent annuitant; two-thirds continuance to contingent annuitant; one-half continuance to contingent annuitant; one-half continuance (including postretirement survivor continuance) to surviving spouse or domestic partner (for members with Social Security only).
Lump Sum Cashout	May be elected in lieu of monthly retirement income.
Temporary Social Security Supplement:	
Eligibility	For members with Social Security only and retirement must occur before age 65.
Benefit	Temporary annuity payable to age 65 in the amount of $133 per month multiplied by Benefit Percentage.
Form of Payment	Single Life Annuity.
Payment Options	None.

Disability:

Eligibility	Disablement after five years of service credit; safety members are eligible for duty disability without regard to years of service credit. Service credit continues to accrue during disabled period.
Benefit	
Member without Social Security	25% of final salary, plus 5% of final salary per year of service credit greater than two, total not to exceed 40% of final salary, plus 5% of final salary for each eligible child, total not to exceed 20% of final salary.
Member with Social Security	15% of final salary, plus 2.5% of final salary per year of service credit greater than two, total not to exceed 40% of final salary, less $106.40 per month.
Safety Members(Non-duty)	Same as for members without Social Security; includes eligible child's benefit.
Safety Members(Duty)	50% of HAPC, or non-duty disability benefit if greater.
Form of Payment	Single life annuity payable until end of disability income period or retirement date if earlier.
Disability Income Period	
Members disabled before November 5, 1990	To earliest of: Date member is eligible to retire and retirement income equals or exceeds disability income; Age 62 (age 67 for members without Social Security); or Date member retires.
Members disabled on or after November 5, 1990	If under age 65 at disablement: Members with Social Security: to age 65 or five years if longer. Members without Social Security: to age 67 or five years if longer. If age 65 or older at disablement: to age 70 or 12 months if longer. Disability income ends if member is no longer disabled.

Vested Termination:

Eligibility	Five years of service credit, or age 62 regardless of service credit if membership began on or before July 1, 1989.
Benefit	BRI beginning at age 50 or later, calculated using HAPC at termination date, adjusting for CPI changes (see Cost-of-Living Adjustment), and benefit formula in effect when benefits commence.
Form of Payment	As for retirement.
Payment Options	As for retirement.
Refund Option	Member may elect a refund of contributions with interest, thereby forfeiting all other benefits.
Lump Sum Cashout	May be elected in lieu of retirement income, available only if at least age 50 with five years service credit at date of termination.

Preretirement Survivor Income:

Eligibility

Eligible survivor of deceased active or disabled member with two or more years of service credit; no service requirement for duty-related death of Safety member.

Benefit

Member without Social Security

Percent of final salary as follows:

Eligible Survivors	Percent	Minimum Benefit
1	25%	$200
2	35	$300
3	40	$300 plus 5% of final salary
4	45	$300 plus 10% of final salary
5+	50	$300 plus 15% of final salary

Member with Social Security

25% of final salary less $106.40 per month.

Safety Members, non-duty death

As for members without Social Security.

Safety Members, duty death

Percentage of HAPC as follows, but not less than benefit for non-duty death.

Eligible Survivors	Percent of HAPC
1	50.0%
2	62.5
3	70.0
4+	75.0

Death while eligible to retire

Eligibility

Surviving spouse or surviving domestic partner of active, disabled or inactive member who dies while eligible to retire.

Benefit

Greater of benefit described above or monthly benefit to eligible spouse or eligible domestic partner assuming member had retired on date of death and elected full continuance option with spouse or domestic partner as contingent annuitant.

Postretirement Survivor Continuance:	
Eligibility	Eligible surviving spouse, eligible surviving domestic partner, eligible children or eligible dependent parent of deceased retired member.
Benefit	
Member without Social Security	50% of BRI including COLA.
Member with Social Security	25% of BRI including COLA, plus 25% of Temporary Social Security Supplement (ends when member would have reached age 65).
Safety Members	50% of BRI including COLA.
Lump Sum Death Benefit:	
Eligibility	Beneficiary of deceased active, inactive, disabled, or retired member.
Basic Benefit	
Active member who became a member before October 1, 1990	Greater of :
	$1,500 plus one month's final salary, or $7,500.
All others	$7,500
Residual Benefit	Refund of member contributions plus interest, reduced by a portion of benefits received (100% of retirement income, 50% of preretirement survivor income or disability income) payable to beneficiary if no survivor, surviving spouse, domestic partner, or contingent annuitant.
Normal Retirement Date:	Attainment of age 60 with five years of service credit.

Eligible Survivor:	
Eligible Spouse or Domestic Partner	Spouse or domestic partner of deceased active or disabled member in relationship for at least one year before date of death and who is:
	Responsible for care of eligible child, disabled, or age 60 (age 50 if spouse of member without Social Security and in Plan prior to October 19, 1973).
Eligible Child	Child that is either under age 18, under age 22 and a full-time student, or disabled, if disability occurred prior to age 18 or age 22 if a full-time student.
Eligible Dependent Parent	Parent of deceased active, disabled or retired member, supported by 50% or more by member for one year prior to earliest of death, disablement or retirement.
Inactive Member:	Former UCRP member who retains right to vested benefits.
Cost-of-Living Adjustment:	
Basic	100% of annual Consumer Price Index (CPI) increase up to 2% per year.
Supplemental	Generally 75% of annual CPI increase above 4%.
	The sum of the Basic and Supplemental COLA's cannot exceed 6% in a year.
COLA applies to:	
Retired members, survivors, disabled members, and contingent annuitants receiving retirement income	Benefits in pay status one or more years on July 1.
Inactive members	HAPC (used to calculate retirement income) adjusted for COLA up to 2% per year from separation date to retirement date; retirement income adjusted using COLA formula.
Disabled members receiving disability income since before November 5, 1990	HAPC (used to calculate retirement income) adjusted for COLA up to COLA formula above for years from disablement to retirement date.

Capital Accumulation Provision (CAP):	
Eligibility	Active member on specified date; benefits immediately vested.
Allocation Dates	
April 1, 1992	Active member from December 31, 1991 through April 1, 1992: 5.0% of 1991 calendar year covered compensation.
July 1, 1992	Active member on July 1, 1992: 2.5% of 1991-1992 fiscal year covered compensation.
July 1, 1993	Active member on July 1, 1993: 2.5% of 1992-1993 fiscal year covered compensation.
November 1, 1993	Active member on October 1, 1993 and subject to 1993-1994 salary plan: 5.26% of July through October 1993 covered compensation. Not applicable for laboratory members.
July 1, 1994	Active member on June 1, 1994 and subject to 1993-1994 salary plan: 2.67% of November 1993 through June 1994 covered compensation. Not applicable for laboratory members.
May 1, 2002	Active member on April 1, 2002: 3.0% of April 2001 through March 2002 covered compensation.
May 1, 2003	Active member on April 1, 2003: 5.0% of April 2002 through March 2003 covered compensation.
Interest Credit	Regent's approved interest rate; currently 8.5% per year for pre-2002 CAPs and 7.5% for 2002 and later CAPs (CAP II).
Payment	Lump sum payment upon termination, retirement or death.
University Contributions:	Determined by the Entry-Age Normal Cost method. Beginning with the 1990 plan year, the Regents adopted a full funding policy. Under that policy, the University will suspend contributions when the smaller of the market value or the actuarial value of plan assets exceeds the lesser of: The actuarial accrued liability (including normal cost), or 150% of the estimated current liability (including normal cost).

Member Contributions:	Member contributions are currently being redirected to the UC Defined Contribution Plan.
Members without Social Security	3.0% of covered compensation, less $19 per month.
Members with Social Security	2.0% of covered compensation up to the Social Security wage base, plus 4.0% of excess covered compensation, minus $19 per month.
Safety Members	3.0% of covered compensation, less $19 per month.
Interest Credit	Regents' approved interest rate; currently 6.0% per year.
Changes in Plan Provisions:	There have been no changes in plan provisions since the last valuation that have a material impact on Plan liabilities and normal cost. Active members at the Lawrence Livermore National Laboratory made an election to either become inactive in UCRP or to transfer to a defined benefit plan that begins effective October 1, 2007 for the Lawrence Livermore National Security LLC (LLNS). This valuation includes results reflecting the LLNL transfer elections. However, it does not reflect the actual transfer of assets and liabilities to the LLNS defined benefit plan. This means that the results of this valuation include liabilities even for members who have elected to transfer to the LLNS defined benefit plan. These members are still valued as UCRP members and their UCRP liabilities are shown in the results. LLNL members **who elected not** to transfer to the LLNS defined benefit plan are included in the valuation results either as retired, terminated vested or nonvested members.

Exhibit 1A

Summary of Changes to October 1, 2007 Lawrence Livermore National Laboratory Special Interim Addendum Report

Page ii, Second Bullet – Change $75 million to $140 million. Change $1.745 billion to $1.680 billion.

Page v, Second Footnote – Change $75 million to $140 million. Change $1,745,352,415 to $1,680,352,415.

Changed pages attached.

Significant Issues in Valuation (continued)

- The LLNL transfer elections reflected in this valuation are based on the transfer election data provided by the University as of November 6, 2007.
- We have calculated the amount of assets to be retained in UCRP for LLNL members who have retired or are inactive, and the amount of the assets that will be transferred to the LLNS defined benefit plan for the transitioning employees who elected to participate in the LLNS defined benefit plan based on the "A – B" formula listed in Contract 48, Clause H.008. "A" represents the market value of UCRP assets associated with UCRP members' LLNL service during the performance of Contract 48 and is $5.601 billion. "B" represents the liability associated with those LLNL members who are retired or inactive and retained by UCRP and is $3.780 billion. Under this calculation, the amount of assets as of October 1, 2007 to be transferred from UCRP to the LLNS defined benefit plan would be "A – B", or $1.820 billion (rounded). The DOE/NNSA has elected to leave an additional $140 million of this transfer amount in UCRP as a contribution reserve amount. Therefore, $1.680 billion (rounded) is the amount to be transferred to the LLNS defined benefit plan as of October 1, 2007. The amount to be transferred will be adjusted for investment return, allocable expenses and any other appropriate adjustments through the anticipated transfer date of early April 2008.
- While this valuation includes results reflecting the LLNL transfer elections, it does not reflect the actual transfer of assets and liabilities to the LLNS defined benefit plan. This means that the results of this valuation include liabilities even for members who have elected to transfer to the LLNS defined benefit plan. As noted above, we have continued to value these members as UCRP members and their liabilities are shown in the results. LLNL employees **who elected not** to participate in the LLNS defined benefit plan are included in the valuation results either as retired, terminated vested, or nonvested members.

ASSETS

- During the July 1, 2007 through September 30, 2007 period, the rate of return on the unaudited market value of assets was 2.5%. Due to the recognition of prior investment gains, the rate of return on the actuarial value of assets was 3.1%, which is above the expected annual return of 7.5% (1.8% for a 3-month period).

Summary of Key Valuation Results

	October 1, 2007	October 1, 2007	July 1, 2007
Contributions for year beginning:	After Elections	Before Elections	
Recommended	N/A	N/A	$ 0
Percentage of payroll	N/A	N/A	0.00%
Funding elements for year beginning:			
Market value of assets allocated to LLNL*	$5,600,667,264	$5,600,667,264	$5,527,473,271
Actuarial value of assets (AVA)	5,080,611,591	5,080,611,591	4,990,733,032
Actuarial accrued liability (AAL)**	4,944,487,581	5,136,000,205	5,057,081,148
Unfunded/(Overfunded) actuarial accrued liability	(136,124,010)	55,388,614	66,348,116
Funded ratio (AVA / AAL)	102.8%	98.9%	98.7%
Current liability	4,520,270,128	4,415,771,170	4,274,605,775
Covered payroll	376,910,829	628,908,187	681,953,976
Demographic data for year beginning:			
Number of retired members and beneficiaries	5,402	5,402	4,767
Number of vested terminated members***	3,784	1,764	1,763
Number of active members****	3,907	6,602	7,264
Average compensation (average dollars)	$103,877	$103,440	$102,900

* *The October 1, 2007 value represents the market value of UCRP assets associated with UCRP members' LLNL service during the performance of Contract 48 ("A").*

** *As of October 1, 2007, after elections, the liability associated with those LLNL members who are retired or inactive and retained by UCRP is $3,780,314,849 ("B"). Following the Contract 48 formula of "A-B" yields $1,820,352,415 as the amount to be transferred to the LLNS defined benefit plan as of October 1, 2007. The DOE/NNSA has elected to retain an additional $140,000,000 of this transfer amount in UCRP as a contribution reserve amount. Therefore, $1,680,352,415 is the amount to be transferred to the LLNS defined benefit plan as of October 1, 2007. This amount will be adjusted for investment return, allocable expenses, benefit payments and any other appropriate adjustments through the anticipated transfer date of early April 2008.*

*** *Includes terminated nonvested members due a refund of member contributions or CAP balance payment, and for October 1, 2007, includes 36 members who were on a leave of absence as of September 30, 2007, and elected to transfer to the LLNS defined benefit plan.*

**** *After elections, this represents the active members transferring to the LLNS defined benefit plan.*

Exhibit 2--Proposed Approach for Asset Allocation for Transfer to the LLNS Plan

The following is an illustration of the approach to determine the amount of each investment to be transferred from the University of California Retirement Plan (UCRP) to the Lawrence Livermore National Security, LLC, Defined Benefit Pension Plan (LLNS Plan) based on an estimated transfer amount of $1.745 billion on a hypothetical transfer date of September 30, 2007. Amounts will be changed when actual transfer is determined.

UCRP Summary		LLNL $ value of assets	
		1,745,352,415.00	% 0f UCRP
	Pricing		3.566%
Asset Class	Hierarchy	Market value 9/30/07	(All asset classes)
Small Cap	1	1,013,577,834.71	36,144,814.14
Large Cap	1	9,563,906,316.96	341,054,830.14
Non US	1	3,561,792,168.29	127,015,717.50
Emrg Markt (NAV)	1	1,993,258,529.68	71,080,835.25
Equitization Port	1	83,550,226.31	2,979,452.88
Russell 3000 TF Index	1	8,834,616,397.73	315,047,899.36
Russell 1000 TF Index	1	3,292,193,072.68	117,401,646.56
MSCI EAFE + Canada TF	1	5,472,093,301.52	195,138,240.55
Core Fixed Income	1	6,154,996,126.78	219,490,978.79
Tips	1	3,005,133,858.96	107,164,936.99
FI Transition	1	1,829.30	65.23
FI High Yield Internal Mgmt	2	459,630,263.56	16,390,700.23
FI High Yield External Mgmt	2	911,503,064.98	32,504,764.55
FI Emrg Mrkt	2	980,375,925.89	34,960,813.48
		-	
WGBI index	1	1,419,126,272.28	50,606,922.91
Liquidity	1	19,716,056.26	703,086.79
Real estate	1	776,400,958.80	27,686,939.66
Private Equity and Equity Distributions	1	1,282,671,566.20	45,740,863.48
Absolute Return	1	118,867,997.79	4,238,906.51
	Total	**48,943,411,768.68**	**1,745,352,415.00**

Ultimate Funding Source		
Russell 3000 Tobacco Free Index	876,451,882.90	Small Cap
		Large Cap
		Russell 3000 TF
		Equitizatioon Portfolio
		1/2 Real Estate
		Priv Equity & Eq Dist
		Absolute Return
		Russell 1000 TF Index
MSCI EAFE + Canada Tobacco Free Index	393,234,793.30	MSCI Eafe+ Canada TF Index
		Non US Eq
		Emrg Market
TIPS	118,753,221.03	TIPS + "Other"
Core FI	243,225,715.40	Core FI + "Other"
FI High Yield - Internal Mgmt	18,163,109.15	FI High Yield - Int + "Other"
	-	
FI Emrg Mrkt	38,741,302.21	FI Emrg Mrkt + "Other"
WGBI Index	56,079,304.21	WGBI Index + "Other"
Liquidity Portfolio	703,086.79	Liquidity Portfolio
	1,745,352,415.00	

"Other" is the weighted % of both the FI High Yield Ext and 1/2 of the Real Estate fundings allocated among the 5 Fixed Income classifications.

Exhibit 3

Pricing Procedures for Asset Classes
Held in the
University of California Retirement Plan

The asset classes held in the University of California Retirement Plan (UCRP) will be priced according to the Pricing Procedures described in the chart attached hereto as Attachment 1. The Pricing Procedures are used by State Street Investor Services (State Street), the custodian of the UCRP trust, to price the assets of UCRP generally. The procedures are subject to State Street's internal controls that are regularly tested and evaluated by an independent auditor.

Attached hereto as Attachment 2 is the Report of Independent Service Auditors (Report) on State Street's internal controls related to its recordkeeping and custody services. The Report was prepared by PriceWatehouseCoopers for the period April 1, 2007 through September 30, 2007 in accordance with standards established by the American Institute of Contribution Public Accountants (Statement on Auditing Standards No. 70, as amended).

Attached hereto as Attachment 3 are the relevant pages from Section V of the Report that address controls providing reasonable assurance that securities are valued completely and in accordance with client instructions.

ATTACHMENT 1 TO EXHIBIT 3

CHART–Pricing Procedures
for Asset Classes
Held in UCRP

Exhibit 3 - Pricing Procedures for Asset Classes Held in UCRP - Hierarchy 1

Security Type	Primary Automated Source	Second Automated Source	Third Automated Source	Other Available Automated Sources	Non-Automated Source	Secondary Non-Automated Source
US Equities	1-Reuters, Last Trade for Primary Market	2-Reuters, Last Bid for Primary Market			Bloomberg / Thompson One	Investment Manager
International Equities	1-Reuters, Last Trade for Primary Market	2-Reuters, Last Bid for Primary Market			Bloomberg / Thompson One	Investment Manager
Listed US and International Options	1-Reuters, Settle				Bloomberg / Thompson One	Investment Manager
Listed US and International Futures	1-Reuters, Settle				Bloomberg / Thompson One	Investment Manager
Listed US Warrants and Rights	1-Reuters, Settle				Bloomberg / Thompson One	Investment Manager
FOREIGN EXCHANGE RATES	Reuters/WM Company - Rate as of London Close 11 am Eastern	Reuters - Rates as of 12 pm Eastern time				
Preferred Stock	3-FT Interactive (IDC) Bid				Bloomberg	Investment Manager
US Mutual Funds	1-Reuters, NASDAQ Close				Bloomberg / Thompson One	Mutual Fund House
US Government Bonds	1-Lehman Brothers	2-Bear Sterns	3-FT Interactive (IDC) Bid	Reuters/Bridge Fixed Income, Standard & Poors/J.J. Kenny Securities Data and Evaluation Services	Bloomberg	Investment Manager
US Mortgage Backed (GNMA, FNMA, FHLMC)	1-Lehman Brothers	2-Bear Sterns	3-FT Interactive (IDC) Bid	Reuters/Bridge Fixed Income, Standard & Poors/J.J. Kenny Securities Data and Evaluation Services	Bloomberg	Investment Manager
US Corporate Bonds (including High Yield)	1-Lehman Brothers	2-Bear Sterns	3-FT Interactive (IDC) Bid	Reuters/Bridge Fixed Income, Standard & Poors/J.J. Kenny Securities Data and Evaluation Services	Bloomberg	Investment Manager
US Convertible Bonds	1-Bear Sterns	3-FT Interactive (IDC) Bid	3-Reuters/Bridge Fixed Income	Standard & Poors/J.J. Kenny Securities Data and Evaluation Services	Bloomberg	Investment Manager
US Municipal Bonds	1-FT Interactive (IDC)	2- Standard & Poors/J.J. Kenny Securities Data and Evaluation Services			Bloomberg	Investment Manager
US CMO & Asset Backed Securities	1-Lehman Brothers	2-Bear Sterns	3-FT Interactive (IDC) Bid	Reuters/Bridge Fixed Income, Standard & Poors/J.J. Kenny Securities Data and Evaluation Services	Bloomberg	Investment Manager
International Corporate Bonds	3-FT Interactive (IDC) Bid	2- FRI Corporation			Bloomberg	Investment Manager
International Govt Issues	3-FT Interactive (IDC) Bid	2- FRI Corporation	3- CIBC World Markets		Bloomberg	Investment Manager

Equities
Mutual Funds
Derivatives
Fixed Income

Pricing Heirarchy 1:
Lehman as primary source
Bear Stearns as secondary source
IDC as third source

Additional sources:
Bloomberg
Reuters
JJ Kenney / Standard & Poors
Data & Evaluation services
FRI Corporation
CIBC world Markets

Fixed Income Funds Included:

EB5I	GEP FIXED INCOME TRANSITION
EB6A	UCRP TRANSITION FIX INC
EB6H	SSgA WGBI EX US
EBA8	GEP TIPS
EBJ4	UCRP Fixed Income
EBJ7	High Income Pool (HIP)
EBJ9	UCRP TIPS
EBK4	GEP Fixed Income
EBL6	403B Fixed Income
EBN7	UCRP Dollar Rolls (TBA's)
EBN8	GEP Dollar Rolls (TBA's)
EBN9	403B Dollar Rolls (TBA's)
EBP9	403B TIPS
EBT1	CAM GEP Fixed Income

Exhibit 3 - Pricing Procedures for Asset Classes Held in UCRP - Hierarchy 2

Security Type	Primary Automated Source	Second Automated Source	Third Automated Source	Other Available Automated Sources	Non-Automated Source	Secondary Non-Automated Source
US Equities	1-Reuters, Last Trade for Primary Market	2-Reuters, Last Bid for Primary Market			Bloomberg / Thompson One	Investment Manager
International Equities	1-Reuters, Last Trade for Primary Market	2-Reuters, Last Bid for Primary Market			Bloomberg / Thompson One	Investment Manager
Listed US and International Options	1-Reuters, Settle				Bloomberg / Thompson One	Investment Manager
Listed US and International Futures	1-Reuters, Settle				Bloomberg / Thompson One	Investment Manager
Listed US Warrants and Rights	1-Reuters, Settle				Bloomberg / Thompson One	Investment Manager
FOREIGN EXCHANGE RATES	Reuters/WM Company - Rate as of London Close 11 am Eastern	Reuters - Rates as of 12 pm Eastern time				
Preferred Stock	3-FT Interactive (IDC) Bid				Bloomberg	Investment Manager
US Mutual Funds	1-Reuters, NASDAQ Close				Bloomberg / Thompson One	Mutual Fund House
US Government Bonds	3-FT Interactive (IDC) Bid	1-Lehman Brothers	2-Bear Sterns	Reuters/Bridge Fixed Income, Standard & Poors/J.J. Kenny Securities Data and Evaluation Services	Bloomberg	Investment Manager
US Mortgage Backed (GNMA, FNMA, FHLMC)	3-FT Interactive (IDC) Bid	1-Lehman Brothers	2-Bear Sterns	Reuters/Bridge Fixed Income, Standard & Poors/J.J. Kenny Securities Data and Evaluation Services	Bloomberg	Investment Manager
US Corporate Bonds (including High Yield)	3-FT Interactive (IDC) Bid	1-Lehman Brothers	2-Bear Sterns	Reuters/Bridge Fixed Income, Standard & Poors/J.J. Kenny Securities Data and Evaluation Services	Bloomberg	Investment Manager
US Convertible Bonds	3-FT Interactive (IDC) Bid	2-Bear Sterns	3-Reuters/Bridge Fixed Income	Standard & Poors/J.J. Kenny Securities Data and Evaluation Services	Bloomberg	Investment Manager
US Municipal Bonds	3-FT Interactive (IDC) Bid	2- Standard & Poors/J.J. Kenny Securities Data and Evaluation Services			Bloomberg	Investment Manager
US CMO & Asset Backed Securities	3-FT Interactive (IDC) Bid	2-Bear Sterns	3-Reuters/Bridge Fixed Income	Reuters/Bridge Fixed Income, Standard & Poors/J.J. Kenny Securities Data and Evaluation Services	Bloomberg	Investment Manager
International Corporate Bonds	3-FT Interactive (IDC) Bid	2- FRI Corporation			Bloomberg	Investment Manager
International Govt Issues	3-FT Interactive (IDC) Bid	2- FRI Corporation	3- CIBC World Markets		Bloomberg	Investment Manager

Equities
Mutual Funds
Derivatives
Fixed Income

Pricing Heirarchy 2:
IDC as primary source
Lehman as secondary source
Bear Stearns as third

Additional sources:
Bloomberg
Reuters
JJ Kenney / Standard & Poors
Data & Evaluation services
FRI Corporation
CIBC world Markets

Fixed Income Funds Included:

EB6G	FI INT MGMT EMERGING MARKET
EB6P	FI INT MGMT EMERGING MKT GEP
EB6F	FI INT MGMT HIGH YIELD
EB6J	NOMURA HIGH YIELD
EB6N	FI INT MGMT HIGH YIELD GEP
EB6Q	GOLDMAN SACHS HIGH YIELD
EB6U	EATON VANCE HIGH YIELD
EB6U	STONE HARBOR HIGH YIELD

ATTACHMENT 2 TO EXHIBIT 3

Report of Independent Service Auditors
on State Street Investor Services Global Controls
Related to Recordkeeping and Custody Services
April 1, 2007 through September 30, 2007

GLOBAL CONTROLS EXAMINATION
APRIL 1, 2007 THROUGH SEPTEMBER 30, 2007

Report on the Controls of State Street Investor Services as a Service Organization

STATE STREET CORPORATION
INVESTOR SERVICES

PRICEWATERHOUSECOOPERS

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125 High Street
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Report of Independent Auditors

To the Management and the Board of Directors of State Street Corporation:

We have examined the accompanying description of the controls related to the custody and recordkeeping functions of State Street Corporation ("State Street") applicable to the processing of transactions and the safekeeping of assets for customers of State Street's Investor Services ("Investor Services"), including its operations and related support areas in Australia, Canada, Germany, Hong Kong, India, Ireland, Japan, Luxembourg, the Netherlands, Singapore, South Africa, the United Kingdom and the United States of America, as described in Section II A. Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description in Sections II through V presents fairly, in all material respects, the aspects of State Street's controls that may be relevant to a user organization's internal control related to recordkeeping and custody of the assets of customers of Investor Services as it relates to an audit of financial statements; (2) the controls included in the description in Section V were suitably designed to achieve the control objectives specified in the description in Section V, if those controls were complied with satisfactorily and customers and subservicers of Investor Services applied the controls contemplated in the design of State Street's controls, as described in Section II F; and (3) such controls had been placed in operation as of September 30, 2007. The control objectives were specified by the management of State Street. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

Investor Services uses various third-party service organizations to obtain information and to perform various functions related to the recordkeeping for and the custody of assets. The accompanying description includes only those controls and related control objectives of State Street's Investor Services and supporting areas, and does not include controls and related control objectives at the subservice organizations described in Section II F. Our examination did not extend to controls of these subservice organizations.

In our opinion, the accompanying description of the aforementioned controls presents fairly, in all material respects, the relevant aspects of State Street's controls that had been placed in operation as of September 30, 2007. Also, in our opinion, the controls, as described in Section V of this report, are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily, and the customers and subservicers of Investor Services applied the controls contemplated in the design of State Street's controls.

In addition to the procedures we considered necessary to render our opinion as expressed in the previous paragraph, we applied tests to specific controls, listed in Section V, to obtain evidence about their effectiveness in meeting the control objectives, during the period from April 1, 2007 to September 30, 2007. The specific control objectives and controls, and the nature, timing, extent, and results of the tests are listed in Section V and VI. This information has been provided to customers of Investor Services and to their auditors to be taken into consideration, along with information about the internal control at customer organizations, when making assessments of control risk for customer organizations. In our opinion, the controls that were tested, as described in Section V, were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the specified control objectives were achieved during the period from April 1, 2007 to September 30, 2007. However, as described in Section II, the scope of our engagement did not include tests of operating effectiveness of certain control activities in every location and accordingly, State Street anticipates that user auditors will evaluate the operating effectiveness of such controls outlined in Section V.

The relative effectiveness and significance of specific controls at State Street and their effect on assessments of control risk at customers of Investor Services are dependent on their interaction with the controls and other factors present at individual customer organizations. We have performed no procedures to evaluate the effectiveness of controls at individual customers of Investor Services.

The description of controls at State Street is as of September 30, 2007, and the information about tests of the operating effectiveness of specific controls covers the period from April 1, 2007 to September 30, 2007. Any projection of such information to the future is subject to the risk that, because of change, the description may no longer portray the controls in existence. The potential effectiveness of specific controls at State Street is subject to inherent limitations and accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that changes made to the system or controls or the failure to make needed changes to the system or controls, may alter the validity of such conclusions.

The information included in Section VII is presented by State Street to provide additional information and is not part of State Street's description of controls that may be relevant to user organizations' internal control as it relates to an audit of financial statements. The information in Section VII has not been subjected to the procedures applied in the examination of the description of the controls of Investor Services, and accordingly, we express no opinion on it.

This report is intended solely for use by the management of State Street, customers of Investor Services, and the independent auditors of its customers.

PricewaterhouseCoopers LLP

December 12, 2007

ATTACHMENT 3 TO EXHIBIT 3

Relevant Pages from Section V–State Street Investor Services Global Controls Examination Control Objective 8

Control Objective 8

Controls provide reasonable assurance that securities are valued completely and in accordance with client instructions.

STATE STREET CONTROLS	PwC TESTS	PwC TEST RESULTS
Global Pricing Services ("GPS") located in the U.K. and the U.S. provides pricing support services for NAVigator and MCH to State Street's global client base. Clients requiring daily pricing primarily use the NAVigator system. Clients requiring less time-critical, non-daily valuations primarily use MCH. GPS in the U.S. provides exchange rates to State Street's global client base for both MCH and NAVigator priced funds.		
GLOBAL PRICING SERVICES Securities price data is electronically obtained daily using third-party pricing vendors. Vendor pricing feeds are monitored for completeness and accuracy through record counts and date checks. Pricing administration and data center operations personnel also monitor the daily vendor transmission process for timeliness and completeness.	Utilized on-line testing to test that vendor pricing feeds contain completeness and accuracy checks through record counts and date comparisons.	No relevant exceptions noted.
	Observed the receipt and processing of portfolio pricing data.	No relevant exceptions noted.
Pricing data obtained from third-party vendors automatically populates the pricing database. NAVigator electronically retrieves prices from the pricing database based on the unique asset identifier and the associated NAVigator price source code. Priced holdings on MCH are available to users once the overnight batch job update has been completed.	Utilized an ITF to test the NAVigator pricing process by transmitting test fund positions to the NAVigator system for pricing.	No relevant exceptions noted.
	Utilized an ITF to test that fund positions on MCH are priced.	No relevant exceptions noted.
NAVigator pricing parameters (i.e., pricing sources, pricing methods, foreign exchange sources, tolerance levels and market indices) are based on the client's instructions. MCH pricing parameters (i.e., pricing sources, pricing methods, foreign exchange sources, tolerance levels and market indices) use a standard MCH pricing hierarchy unless instructed otherwise by the client.	*In all of the locations, State Street anticipates that the user auditor will evaluate the operating effectiveness of the set-up of pricing sources on NAVigator in accordance with client instructions.*	

Control Objective 8

Controls provide reasonable assurance that securities are valued completely and in accordance with client instructions.

STATE STREET CONTROLS	PwC TESTS	PwC TEST RESULTS
GPS personnel set up new funds in NAVigator upon receipt of the NAVigator User Request Form from authorized personnel in the portfolio administration group. A review is performed to compare the information posted to NAVigator to the NAVigator User Request Form. Exceptions are followed up on and resolved.	Observed the procedures performed by GPS personnel to set up a new fund on NAVigator based on the NAVigator User Request Form.	No relevant exceptions noted.
	For a selection of new funds set up or changes made during the period, inspected the NAVigator User Request Form received by GPS for evidence of signed authorization by appropriate personnel in the portfolio administration group.	No relevant exceptions noted.
	Inspected a selection of new funds set up and changes made during the period, to verify accuracy of the new fund set-up and changes made, and evidence of review.	No relevant exceptions noted.
GPS performs second source data quality checks on listed equity securities for which there are two prices available. Exceptions are researched and prices are updated in NAVigator, if required, for both NAVigator and MCH users.	Observed the procedures performed by GPS personnel to review and research exceptions resulting from second source data quality checks for equity securities.	No relevant exceptions noted.
	Inspected a selection of data quality reports for evidence of proper research and review of exceptions from second source quality checks.	No relevant exceptions noted.
Tolerance failures on fixed-income securities may be verified to a second source; however, exceptions are generally returned to the original vendor in the form of a price challenge.	Observed the process performed by GPS personnel to review and research fixed-income securities which exceed day-to-day State Street tolerance levels.	No relevant exceptions noted.
EXCHANGE RATES Currency exchange rates are obtained at specific intervals throughout the day from Reuters and WM Company.	Observed the receipt and processing of currency exchange rates.	No relevant exceptions noted.

Control Objective 8

Controls provide reasonable assurance that securities are valued completely and in accordance with client instructions.

STATE STREET CONTROLS	PwC TESTS	PwC TEST RESULTS
For rates provided by Reuters only, MCH compares the prior day's exchange rate to the current day's exchange rate. Out-of-tolerance (exceed predetermined threshold) exchange rate reports for Reuters are reviewed daily by the Global Pricing Services' staff. The out-of-tolerance exchange rates including stale and missing exchange rates are checked to another independent source. Following verification and management review, exchange rates are approved and made available to users through MCH.	Inspected a selection of out-of-tolerance, missing and stale exchange rates for evidence of proper verification and review.	No relevant exceptions noted.
	Utilized CAAT to reperform the automated out-of-tolerance report for WM and Reuters exchange rates to assess its completeness and accuracy.	No relevant exceptions noted.
	Utilized an ITF to test the mark-to-market of foreign currency denominated payable and receivable balances on MCH.	No relevant exceptions noted.
NAVigator PRICING Australia, Canada, Ireland, Luxembourg and the U.K. have centralized processing units (e.g., centralized valuation groups) that are responsible for performing review of manual pricing and/or rejected prices. The centralized processing unit in Luxembourg performs these controls on behalf of Germany and the Netherlands. In the U.S. these controls are performed by the individual portfolio administration groups. Hong Kong and Singapore do not price on NAVigator.		
NAVigator alerts the centralized processing unit personnel or portfolio administrator if the pricing data is not the most recent data.	Utilized an ITF to test on-line edit controls surrounding non-current pricing data.	No relevant exceptions noted.
NAVigator calculates security price and foreign exchange rate tolerance limits that are determined by the customer.	Utilized an ITF to test the mathematical accuracy of the NAVigator tolerance check function.	No relevant exceptions noted.
As the price sources become available (portfolio administrators monitor price source receipt on-line), prices rejected by the system edit checks are retrieved and reviewed.	Utilized an ITF to test reporting of rejected reason and status codes for out-of-tolerance pricing data.	No relevant exceptions noted.

Control Objective 8

Controls provide reasonable assurance that securities are valued completely and in accordance with client instructions.

STATE STREET CONTROLS	PwC TESTS	PwC TEST RESULTS
The portfolio administration groups or centralized processing units review manual source pricing data, price overrides and other price adjustments (including Fair Value received directly from the client) for authorization and completeness then manually enter the information in NAVigator.	Observed the review of manual source pricing data performed for completeness and accuracy.	No relevant exceptions noted.
	Inspected a selection of pricing reports, and supporting documentation for evidence of review of prices manually input to NAVigator (i.e., manual source pricing, price overrides, price adjustments).	For one of 248 funds selected for testing, PwC noted there was no evidence of review of the pricing report. MANAGEMENT RESPONSE The above fund is serviced by U.S. Investment Services. Management has reviewed the exception noted, and has reinforced with staff the requirement for proper evidence of review of the pricing report.
The Rejected Pricing Report or equivalent (detailing the securities previous and current day prices, percentage change, reject reason code and status) is reviewed daily by the portfolio administration group or centralized processing units supervisory personnel. Price reject reasons include manually input prices, tolerance failure, no price or stale price.	Observed the review of the Rejected Pricing Report (or equivalent) by the pricing coordinator or supervisory personnel.	No relevant exceptions noted.
	Inspected a selection of pricing reports and supporting documentation, as applicable, for evidence of review of unpriced, stale, and out-of-tolerance prices.	No relevant exceptions noted.
Once exceptions have been resolved, NAVigator electronically calculates the portfolio's market value and net asset value.	Utilized an ITF to test the calculation and summarization of market values for individual securities and portfolios in total.	No relevant exceptions noted.
	Utilized an ITF to test that NAVigator requires verification of share totals prior to the net asset value calculation.	No relevant exceptions noted.
	Utilized an ITF to test the completeness and mathematical accuracy of the NAV Check Report.	No relevant exceptions noted.
A report to identify stale prices within the fixed-income security vendor feed files is run centrally for Investor Services within GPS. Prices that have not changed in 10 business days are researched via GPS personnel contacting the pricing vendor source monthly and then updating the pricing database as applicable.	Observed GPS personnel identify stale prices and then contact the pricing vendor or other independent source for resolution.	No relevant exceptions noted.
	Inspected a selection of stale price reports for evidence of proper follow up with vendors by GPS personnel.	No relevant exceptions noted.

Control Objective 8

Controls provide reasonable assurance that securities are valued completely and in accordance with client instructions.

STATE STREET CONTROLS	PwC TESTS	PwC TEST RESULTS
LUXEMBOURG NAVigator PRICING Certain vendor pricing feeds are received directly by the Luxembourg Pricing Team to meet specific client requests and for intraday pricing purposes. These feeds are monitored in Luxembourg and transmitted to NAVigator when received.	Luxembourg – For a selection of dates, reviewed the monitoring controls over vendor pricing feeds received by the Luxembourg Pricing Team and transmitted to NAVigator.	No relevant exceptions noted.
INTERNATIONAL FAIR VALUE PRICING Fair value pricing is performed in Canada, Luxembourg and the U.S. Fair value pricing is performed via the Fair Value Application ("FVA") or via NAVigator. Upon receipt of the Fair Value Application Set Up Form or the NAVigator Fund Add Form, Global Pricing Services sets the fund up for fair value pricing (e.g., vendor, trigger, exchanges, confidence level/significant measure, as applicable) within FVA or NAVigator after verifying that the set-up is approved by an authorized individual.	For a selection of Fair Valuation clients, inspected Fair Valuation Authorization Forms to test that the client was accurately set up on NAVigator and approved by an authorized individual.	No relevant exceptions noted.
Receipt of the vendor feeds are monitored by GPS. Neither NAVigator nor the FVA will accept a file from a day other than the current day.	Utilized an ITF to test that vendor factor feeds must be complete and not from a day other than the current day to be accepted by the FVA and NAVigator.	No relevant exceptions noted.
State Street will apply fair value pricing based upon client instructions (i.e., daily or predefined market trigger), which may include standing instructions.	Inquired of management concerning fair valuation triggers and procedures. *In Canada, Luxembourg and the United States, State Street anticipates that the user auditor will evaluate the operating effectiveness of the controls surrounding the review of market movements in order to determine to use fair value pricing.*	No relevant exceptions noted.

Control Objective 8

Controls provide reasonable assurance that securities are valued completely and in accordance with client instructions.

STATE STREET CONTROLS	PwC TESTS	PwC TEST RESULTS
Fair Value Application Only After pricing securities on NAVigator and reviewing local prices for reasonability and accuracy, individual portfolio administration groups download a holdings file from NAVigator and upload into State Street's FVA. The number of records in the holdings file is validated when files are uploaded into the FVA. Upon completion of the upload the portfolio administrator receives an "upload successful" message.	Inquired of management with respect to the controls surrounding the transmission of pricing files between NAVigator and the Fair Value Application.	No relevant exceptions noted.
	Utilized an ITF to test controls over the completeness of the holdings file transmission into the FVA and the fair valuations sent back to NAVigator.	No relevant exceptions noted.
	Utilized on-line testing to test that the NAVigator Fair Value Price File cannot be generated and loaded into NAVigator until fair value factors have been received into the FVA.	No relevant exceptions noted.
	Utilized an ITF to observe that Fair Value Pricing feeds are automatically updated in NAVigator.	No relevant exceptions noted.
Fair Value Application Only Once the Fair Value factors have been received, the portfolio administration group will select the client authorized confidence interval, if applicable, and create the NAVigator Fair Value Price File, a list of the securities which were fair valued.	Utilized an ITF to select different confidence levels within the FVA and NAVigator and test that fair value factors from the vendor feeds are applied completely and accurately to the security prices based on the selected confidence levels and reported on the FV Comparison File appropriately.	No relevant exceptions noted.
Fair Value Application Only The portfolio administrator then creates and reviews the FV Comparison File showing securities fair valued and securities not fair valued. The portfolio administration group will upload the Fair Value Price File into NAVigator and will receive a message indicating the upload was successful along with the number of records processed and not processed.	Canada, Luxembourg and the U.S. – Inspected a selection of FV comparison files for appropriate selection of client specified confidence interval, if applicable.	No relevant exceptions noted.
	Canada, Luxembourg and the U.S. – Inspected a selection of FV comparison files for evidence of generation and review by the portfolio administration groups.	For four out of 75 funds selected for testing, PwC noted there was no evidence of review of the comparison file. MANAGEMENT RESPONSE The above funds are serviced by U.S. Investment Services. Management agrees that review was not properly evidenced and has reinforced with appropriate staff the need for evidence of review. Based on review of supporting documentation management believes that the control was correctly performed.

Control Objective 8

Controls provide reasonable assurance that securities are valued completely and in accordance with client instructions.

STATE STREET CONTROLS	PwC TESTS	PwC TEST RESULTS
(See previous page.)	(See previous page.)	In addition, management has reviewed the fair value pricing documents and verified that all securities that should have been fair valued were fair valued.
MCH PRICING Centralized processing units in Australia, Canada, Germany, India, Luxembourg and South Africa are responsible for performing review of out-of-tolerance reports. Centralized processing units in Australia, Canada, Germany, Luxembourg and South Africa are responsible for performing review of manual prices. In Germany, Hong Kong, Singapore, the U.K. and the U.S., portfolio administration groups are responsible for performing review of out-of-tolerance reports and manual prices. Ireland and the Netherlands do not use MCH pricing.		
Price requests for unpriced securities are submitted by the portfolio administrators or centralized processing unit to either GPS or the advisor.	Inquired of management concerning controls performed surrounding the periodic review and price request process for unpriced securities. *In Hong Kong and Singapore, State Street anticipates that the user auditor will evaluate the operating effectiveness of the controls surrounding the review of unpriced securities.*	No relevant exceptions noted.
For securities priced on MCH, an automated application periodically retrieves unpriced securities from MCH. Global Pricing Services generates unpriced security reports from the daily holding files, which are researched throughout the month, such that an alternative/tertiary pricing source may be obtained for month-end pricing on MCH. At month end, GPS retrieves prices from the previously identified sources recorded in the unpriced security database and updates these prices to MCH for application to client holdings.	Observed the process performed by GPS personnel to research securities listed on the MCH unpriced securities report and to update the price in MCH.	No relevant exceptions noted.

Control Objective 8

Controls provide reasonable assurance that securities are valued completely and in accordance with client instructions.

STATE STREET CONTROLS	PwC TESTS	PwC TEST RESULTS
Once securities are priced, exception reports are generated from either MCH or Open System Accounting ("OSA"). The OSA price tolerance audit performed by the portfolio administrator identifies prices requiring further review, including manual, out-of-tolerance, new buys and no tolerance securities.	Inquired of management concerning controls performed surrounding the price tolerance audit.	No relevant exceptions noted.
	In Hong Kong and Singapore, State Street anticipates that the user auditor will evaluate the operating effectiveness of the controls surrounding the review of prices manually input and review of significant price movements and rejected or out-of-tolerance prices.	
Manual price updates are required to have written documentation. Portfolio administration group or centralized processing unit supervisory personnel review manual prices to source documentation.	*PwC's tests did not include controls around pricing that utilize spreadsheets requiring manual input of the unrealized appreciation/depreciation to MCH.* Inspected a selection of pricing reports and supporting documentation for evidence of review of prices manually input (i.e., manual source pricing data, price overrides, price adjustments).	No relevant exceptions noted.
Out-of-tolerance prices are reviewed using Bloomberg. If the difference is more than a predetermined threshold, a price challenge is submitted to GPS by the portfolio administration groups or centralized processing unit. Supervisory personnel review the resolution of price tolerance.	Inspected a selection of pricing exception reports for evidence of supervisory review of significant price movements and rejected or out-of-tolerance prices.	For two out of 210 funds selected for testing, out-of-tolerance prices were not appropriately researched. MANAGEMENT RESPONSE The above funds are serviced by Investor Services Canada. Management acknowledges that a second source verification on variances over 30% was not performed on this client's funds. Management has reinforced with the appropriate staff the importance to adhere to the procedure on price tolerance verification.

Control Objective 8

Controls provide reasonable assurance that securities are valued completely and in accordance with client instructions.

STATE STREET CONTROLS	PwC TESTS	PwC TEST RESULTS
MONEY MARKET PRICING In Ireland and the U.S., portfolio administration groups generate periodic money market pricing comparison reports.	Ireland and U.S. – Observed the periodic pricing of Money Market funds using actual prices for confirmation that pricing via amortized cost approximates market value.	No relevant exceptions noted.
Money market funds are recorded on MCH at amortized cost. Periodically, in accordance with client instruction, the portfolio administration groups will obtain market prices, where available, or use alternative pricing methods as authorized by the client. The fund's Net Asset Value using the market prices is calculated using a database or MCH functionality and compared to the NAV at amortized cost to determine whether amortized cost approximates market value (i.e., within one-half of 1%). The report comparing amortized cost to market value is disseminated to the client for their review.	Ireland and U.S. – Inspected a selection of amortized cost to market value comparison reports for evidence of preparation and dissemination to the client.	No relevant exceptions noted.

University of California Retirement Plan

Exhibit 4 - Determination of Asset Transfer Amount - LLNS

Estimation as of March 25, 2008

		UCRP Mkt Val	Total LLNL Segment of UCRP	Portion Retained by UCRP	Portion Transferred to LLNS	
Assets as of	**9/30/2007**	**$ 45,331,327,157**	**$ -**	**$ -**	**-**	
Market value of assets allocated to LLNL	**10/1/2007**	(5,600,667,264)	5,600,667,264	3,920,314,849	1,680,352,415	
+/- Interim Transfers/adjustments: QDRO's	**10/1/2007**	-	-	3,270,302	(3,270,302)	
+/- Interim Transfers/adjustments: TCP Trf's	**10/1/2007**	-	-	1,715,029	(1,715,029)	
+ Total Investment Return		915,425,998	128,464,944	90,036,319	38,428,624	
+ Contributions/Service Credit Buybacks		733,011	-	-	-	
- Interim Transfers/adjustments		-	-	-	-	
- Retiree payments		(100,585,208)	(40,127,071)	(40,127,071)	-	
- Fees and expenses		(2,496,875)	(347,340)	(243,438)	(103,902)	
Assets as of	**10/31/2007**	**40,543,736,820**	**5,688,657,796**	**3,974,965,990**	**1,713,691,806**	
+ Total Investment Return		(1,118,871,200)	(155,330,701)	(108,537,774)	(46,792,927)	
+ Contributions/Service Credit Buybacks		159,866	-	-	-	
- Interim Transfers/adjustments		-	-	-	-	
- Retiree payments		(197,874,181)	(103,787,379)	(103,787,379)	-	
- Fees and expenses		(2,504,330)	(348,687)	(243,646)	(105,041)	
Assets as of	**11/30/2007**	**39,224,646,975**	**5,429,191,028**	**3,762,397,190**	**1,666,793,838**	
+ Total Investment Return		(215,523,640)	(29,713,956)	(20,591,595)	(9,122,361)	
+ Contributions/Service Credit Buybacks		12,922	-	-	-	
- Interim Transfers/adjustments		-	-	-	-	
- Retiree payments		(6,548,577)	(4,020,001)	(4,020,001)	-	
- Fees and expenses		(2,508,478)	(345,346)	(239,323)	(106,023)	
Assets as of	**12/31/2007**	**39,000,079,203**	**5,395,111,725**	**3,737,546,271**	**1,657,565,454**	
+ Total Investment Return		(1,649,461,840)	(227,697,570)	(157,740,979)	(69,956,591)	
+ Contributions/Service Credit Buybacks		105,893	-	-	-	
- Interim Transfers/adjustments		-	-	-	-	
- Retiree payments		(101,577,605)	(29,559,576)	(29,559,576)	-	
- Fees and expenses		(2,500,670)	(344,920)	(238,949)	(105,972)	
Assets as of	**1/31/2008**	**37,246,644,980**	**5,137,509,658**	**3,550,006,768**	**1,587,502,891**	
+ Total Investment Return		(250,295,255)	(34,286,776)	(23,692,079)	(10,594,697)	
+ Contributions/Service Credit Buybacks		253,608	-	-	-	
- Interim Transfers/adjustments		-	-	-	-	
- Retiree payments		(201,081,360)	(53,969,815)	(53,969,815)	-	
- Fees and expenses		(2,485,262)	(344,076)	(237,756)	(106,320)	
Assets as of	**2/29/2008**	**36,793,036,711**	**5,048,908,992**	**3,472,107,118**	**1,576,801,874**	
+ Total Investment Return		-	(13,441,222)	-	(13,441,222)	(est'd ROR thru 03/24/08)
+ Contributions/Service Credit Buybacks		-	-	-	-	
- Interim Transfers/adjustments		-	-	-	-	
- Retiree payments		-	-	-	-	
- Fees and expenses		-	(105,000)	-	(105,000)	(estimated)
Assets as of	**3/31/2008**	**36,793,036,711**	**5,035,362,770**	**3,472,107,118**	**1,563,255,652**	
Initial tfr of plan net assets to LLNS - In Kind	**4/1/2008**	-	(1,450,000,000)	-	(1,450,000,000)	
Secondary transfer in cash	**4/1/2008**	-	(90,000,000)	-	(90,000,000)	
Final transfer in cash	**4/21/2008**	-	(23,255,652)	-	(23,255,652)	
STIP interest on final transfer of cash	**4/21/2008**	-	-	-	-	
Assets after transfer of Plan Net Assets	**4/21/2008**	**$ 36,793,036,711**	**$ 3,472,107,118**	**$ 3,472,107,118**	**$ 0**	