



OFFICE OF THE TREASURER

**ADDITION OF TREASURY INFLATION PROTECTED SECURITIES
TO THE UC RETIREMENT PLAN (UCRP)**

At their May 15th meeting, The Regents approved the addition of United States Treasury Inflation Protected Securities (TIPS) as a separate inflation-hedging asset class to the UC Retirement System portfolio. TIPS are bonds whose principal is adjusted by the Consumer Price Index (CPI) inflation value on a quarterly basis. TIPS returns are directly tied to the CPI, since both the principal value and the coupon payments rise and fall with inflation. This dedicated allocation to TIPS is 5% of the overall portfolio.

The Treasurer's Office completed the allocation to TIPS in May and June 2002 following the approval of the asset class by The Regents. The addition of the 5% TIPS allocation further reduces the expected risk to the retirement portfolio, while maintaining the expected return on the overall UCRP portfolio.