

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN (UCRP)  
FREQUENTLY ASKED QUESTIONS ABOUT THE CAPITAL  
ACCUMULATION PROVISION II (CAP II—2002–2003)**

*Allocation & Eligibility Questions*

**1. Why is UC providing me with a CAP II allocation?**

Due to recent economic downturns and the resulting decline in state revenues, UC received significantly reduced state funding for 2002–2003 salary increases. To help offset these reductions, The Regents of UC approved the CAP II. CAP II provides a supplement to University of California Retirement Plan (UCRP) benefits for eligible employees.

**2. What are the eligibility requirements for the CAP II allocation?**

The second allocation of CAP II was awarded to active UCRP members as of April 1, 2003, who received UC covered compensation (see question #3) during the previous 12 months. Eligible UCRP members will automatically be awarded allocations and will be notified by mail. Active members include those on sabbatical and approved leave of absence. Inactive members are not eligible. Retired members and those receiving UCRP disability income with benefit effective dates April 1, 2003 or earlier are not eligible.

**3. How much is the CAP II allocation?**

The CAP II allocation for 2003 is equal to 5 percent of the member's eligible covered compensation earned and paid from April 2002 through March 2003. Covered compensation is used to calculate UCRP benefits and is the gross pay that an active member is paid by UC for a regular and normal appointment. Covered compensation does not include pay for overtime or additional appointments. For a full definition of covered compensation, please refer to the appropriate UCRP summary plan description.

**4. The CAP II Statement that I received indicates that the CAP II allocation date was 04/01/02. Shouldn't I have earned more interest through May 31, 2003 than the amount listed on the statement?**

Unfortunately, after the CAP II statements were mailed, UC/HR Benefits was notified of a typographical error in the "Allocation" column under the section "**April 2003 CAP II Allocation as of 05/31/03.**" The correct date for the 2003 CAP II allocation should have been 04/01/03, not 04/01/02.

Please note that the statements reflect the April 2003 CAP II allocation interest through April 30, 2003. Interest is credited each month approximately two weeks into the following month. Therefore, the interest for May 2003 will be reflected in our systems

around June 14. See question 15 for additional details on how to view your monthly interest.

**5. Is payment for the CAP II allocation taken from my paycheck?**

No. UCRP covers the cost of this benefit. Deductions are not taken from member retirement accounts to provide for the CAP II allocations.

**6. When is my CAP II allocation vested?**

A CAP II allocation is vested immediately. For example, if you receive a CAP II allocation and leave UC employment on April 2, 2003, your allocation is vested. UC reserves the right to adjust a CAP II balance or completely revoke an allocation if it is later determined that a member was ineligible for the allocation.

**7. What is the impact of CAP allocations on the Retirement Plan?**

Before Regental approval, the CAP II proposal was carefully analyzed by Plan actuaries who determined that the allocations would not significantly impact UCRP.

**8. Is the CAP II added to my existing UC retirement accounts?**

Similar to the other CAP allocations, UC will maintain a special CAP II account for each eligible member. For information on how to access your CAP II balance, see question 12.

**9. How does the CAP II differ from my previous CAP allocations?**

The five CAP allocations that took place from April 1992 through July 1994 earn annual interest of 8.5 percent. The CAP II allocation in 2002 (3 percent of an eligible member's covered compensation earned and paid from April 2001 through March 2002) and the upcoming 2003 CAP II allocation (for 2002-2003 salary) accrue interest based on the UCRP assumed earnings rate, which is currently an annual yield of 7.5 percent. This rate may change if and when The Regents approve a change to the UCRP assumed earnings rate.

For recordkeeping purposes, CAP and CAP II have separate UCRP plan codes (22 and 23, respectively) due to the different interest rates. For all CAP allocations, interest is posted monthly until the balance is distributed.

**10. If I buy back a leave that occurred between March 2002 through April 2003, will it increase my CAP II balance?**

No. A buyback has no effect on a CAP II balance.

**11. If I receive a retroactive pay increase after the CAP II period is over, will my CAP II balance be adjusted?**

No. Retroactive adjustments that are made after March 31, 2003 will not be included in the CAP II allocation. The CAP II allocation for 2003 is based upon your eligible covered compensation earned and paid from April 2002 through March 2003.

Please note that every effort has been made to ensure accuracy of the initial calculation of CAP II allocations; however, there may be some instances in which members who do not meet the eligibility criteria receive allocations. Therefore, the final determination of eligibility for and the amount of the CAP II allocation may be made when you leave UC and elect retirement income, a lump sum cashout, or a refund of UCRP accumulations, or if you are approved for UCRP disability income.

**12. My work appointment is less than 100 percent; will my CAP II allocation be based on a projection of my pay at full time?**

No. The CAP II allocation is based on compensation that is actually paid; for example, a member with a 50 percent appointment will receive a CAP II allocation based on 50 percent of full-time compensation.

***Recordkeeping Questions***

**13) My CAP II Statement does not appear to reflect my prior CAP allocations. How can I find my total CAP and CAP II balance?**

The CAP II Statement reflects the 2003 allocation only and is not meant to provide a full accounting of previous CAP or CAP II allocations.

Your CAP II balance will be included in your UCRS Semi-Annual Account Statement, mailed each February and August. Additionally, you may access your CAP II balance at any time through:

- UC's At Your Service website (<http://atyourservice.ucop.edu>) by selecting "Your Benefits Online" (at right) and choosing "Your Benefits Summary." You may also obtain a "Statement on Demand" by selecting "Your Benefits Online" and "View UCRS Account balances."
- [bencom.fone](http://bencom.fone) (1-800-888-8267); select "Personal Accounts and Transactions" and follow the prompts to request a "Statement on Demand."

At Your Service and [bencom.fone](http://bencom.fone) both require you to enter your Social Security number and UC PIN.

**14. Will there be a way to identify the 2002 CAP II allocation from the 2003 CAP II allocation?**

No. The CAP II allocations for 2002 and 2003 earn the same annual interest rate and are combined in one account. For information on how to access your CAP II balance, see question 12. Please note that the previous CAP allocations (April 1992 through July 1994) are maintained separately from the CAP II allocations because of the different interest rate.

**15. Where can I see the monthly interest for my CAP II allocation?**

To access your monthly interest, go to the At Your Service website (<http://atyourservice.ucop.edu>), select “Your Benefits Online” (on right), enter your Social Security number and UC PIN, select “View UCRS Account Balances” (under “Your Money”) and click on “Details.” You can also call bencom.fone (1-800-888-8267) and request a “Statement on Demand,” which includes the same information.

***Financial Questions***

**16. Will the CAP II allocation affect any future benefits payable to me from UCRP (monthly retirement income or Lump Sum Cashout)?**

No. CAP II is a separate benefit that supplements any UCRP retirement income or lump sum cashout payable to you. CAP II will be distributed to you when you separate from UC employment after you elect UCRP retirement income or a lump sum cashout or after you are approved for UCRP disability income.

**17. Can I choose how my CAP II allocation is invested?**

No. The UC Treasurer’s Office invests the CAP II funds. There are no additional UC or external mutual fund investment options available for your CAP II allocation.

**18. Does my CAP II allocation affect how much I can contribute to the Tax-Deferred 403(b) Plan?**

No. The CAP II allocation does not factor into the Tax-Deferred 403(b) Plan contribution limit.

**19. Can I borrow from my CAP II balance or withdraw the money if I have an emergency?**

No. Members are not eligible to borrow against their CAP II balance or withdraw their funds while actively employed at UC.

**20. If The Regents change the CAP II interest rate, when would a change be effective and how will I be notified?**

If The Regents approve a UCRP assumed earnings rate change, the CAP II interest rate will change the following January 1. Members will be notified via newsletters, campus and laboratory publications/announcements, and/or the At Your Service website. The total interest will also be reflected on UCRS Semi-Annual Account Statements.

**21. Is the CAP II allocation included when measuring my retirement benefit against the Internal Revenue Code §415(b) limits?**

Yes. The CAP II allocation is part of your UCRP retirement benefit and is included in §415(b) calculations. If your UCRP benefits must be reduced, the reduction will apply to your monthly income rather than to your CAP II balance.

***Distribution Questions***

**22. Can I leave my CAP II on deposit with UC when I separate from UC employment?**

Yes, if you are a vested UCRP member—generally an employee who has earned five or more full years of UCRP service credit and therefore is eligible for future UCRP benefits.

If you are not vested in UCRP when you leave UC employment, you must take a distribution of your entire CAP II and CAP balances, if applicable. However, you may roll your balance into either UC's Defined Contribution Plan or 403(b) Plan, provided your resulting balance is at least \$2,000.

**23. When can I request a distribution of my CAP II allocation?**

You may request a CAP II distribution when you leave UC employment. There are no minimum age requirements for distributions; however, if you elect a distribution before age 59  $\frac{1}{2}$ , in addition to income taxes, early distribution penalties may apply. For additional details, see the *Special Tax Notice for Plan Distributions—UCRS*.

You will be required to elect a CAP II distribution when you elect monthly UCRP retirement income or a lump sum cashout, or if you are approved for UCRP disability income.

**24. How do I request a distribution of my CAP II allocation?**

When you elect monthly UCRP income or a lump sum cashout, your CAP II will be distributed as part of the election process. If you are approved for UCRP disability income or if you request a distribution when you leave UC employment, you will be

required to complete a *Distribution Request—CAP Balance* form (UBEN 142CAP). If you have left UC employment, contact the Customer Service Center at 1-800-888-8267 for additional details and to request the UBEN 142CAP form.

**25. Is the CAP II allocation taxable?**

Yes. Any CAP payment is taxable income in the year you receive it as a distribution. When you leave UC employment, you may also elect a direct rollover to a traditional Individual Retirement Account or to another employer's 401(a), 401(k), 403(b), or governmental 457 plan, including UC's DC or 403(b) plans. See the *Special Tax Notice for Plan Distributions—UCRS* for additional details about your options, income tax withholding, and possible early distribution penalties.

**26. If I die before receiving my CAP II allocation, what becomes of my allocation?**

In the event of your death, your CAP II allocation(s), like your other UCRS account balances, are payable to your designated UCRS beneficiaries.