



Tax-Deferred 403(b) Plan & Defined Contribution Plan

Systematic Withdrawals

Election Kit

UNIVERSITY OF CALIFORNIA
RETIREMENT SYSTEM (UCRS)

University of California Human Resources and Benefits, the UCRS Plan Administrator, offers former UC employees and retirees a convenient distribution option from their Tax-Deferred 403(b) Plan (403(b) Plan) and/or Defined Contribution Plan (DC Plan) savings—systematic withdrawals. With systematic withdrawals, you can receive monthly distributions from your Plan balance(s) without having to make a specific request for each distribution.

This election kit contains materials designed to help you understand and arrange for systematic withdrawals.

Eligibility

All former UC employees and retirees not working at UC may elect to receive systematic withdrawals.¹ The only requirement is that you must have at least \$2,000 in each Plan from which you want to take the withdrawals. **403(b) and DC Plan balances cannot be combined to meet the \$2,000 minimum balance requirement.** For the 403(b) Plan, the \$2,000 minimum may include any outstanding 403(b) Plan Loan Program balance.

Note: Although you may be eligible to receive systematic withdrawals, if you are not at least age 59½ when you receive your monthly payment, or if you were not age 55 or older by the end of the year in which you left UC employment, the payment will be subject to federal and state early distribution penalties, in addition to ordinary income taxes. The penalties are substantial—currently a 10 percent federal tax and a 2½ percent California state tax.

Your Systematic Withdrawals Election

When you elect systematic withdrawals, you elect to have money from your Plan balance(s) paid directly to you in a series of distributions. The systematic withdrawals option does not allow direct rollovers of the payments to another employer-sponsored plan or to an individual retirement account (IRA). You may, however, arrange separately for a direct rollover of other money you have in the Plan(s) while continuing to receive systematic withdrawals. (See “Other Plan Distributions,”

page 3.) You should also read the *Special Tax Notice For Plan Distributions* included in this election kit.

THE RIGHT CHOICE FOR YOU?

Systematic withdrawals are intended primarily to supplement participants’ retirement income over the long term. If your personal circumstances generally require only an occasional distribution from the Plan(s), requesting individual distributions may be more suitable than systematic withdrawals.

Payout Options

For each Plan from which you want to receive systematic withdrawals, you will need to decide the dollar amount of your monthly withdrawals, the UC investment fund(s) from which the withdrawals should be taken and how long you want to receive payments. Indicate your decisions on the *Systematic Withdrawals Election Request* form (UBEN 139) in this booklet.

MONTHLY AMOUNTS

You may receive any amount on a monthly basis, in flat-dollar amounts only. There is no minimum withdrawal amount. Checks for systematic withdrawals will include both contributions and earnings.

UC INVESTMENT FUND SOURCES

Your systematic withdrawals are generated by reducing your 403(b) and/or DC Plan balance by the monthly amount you choose. For each Plan, you will also need to choose the UC-managed investment fund from which you want to receive the payments.

Systematic withdrawals from the 403(b) Plan may be taken from any one UC-managed fund. If your money is invested in more than one fund and you want systematic withdrawals from your total 403(b) Plan balance, you will need to:

- ▶ transfer all of your money into the one fund you choose, or

¹ Participants with an existing community property claim against their account(s) in the Plan(s) may not elect systematic withdrawals until the claim is settled.

- ▶ choose another fund before all of the money from your initial fund choice is paid out. (See “Changes,” below and “Events that Trigger Cancellation” on page 3.)

DC Plan participants may choose one fund for each account in which they have a balance. For example, if you have money in both the Pretax Account **and** in the After-Tax/Rollover Account, you may choose one fund for systematic withdrawals from your Pretax Account balance and one for withdrawals from your After-Tax/Rollover Account balance. Further, if you contributed to the DC Plan Pretax Account as a UCRP member (career participant) and as a Safe Harbor participant, you may choose a separate fund for withdrawals from each of those Pretax Account balances as well.

You will receive separate checks for systematic withdrawals from each fund.

PAYMENT PERIODS

You may choose to have systematic withdrawals paid to you:

- ▶ continuously until your Plan balance is depleted, or
- ▶ over a specific period of time.

Your choice will determine the amount of taxes withheld from your monthly payments. If you choose to receive continuous systematic withdrawals until your entire Plan balance has been paid out, each payment is subject to 20 percent federal tax withholding because you have not indicated a specific payment period.

If you choose to receive systematic withdrawals over a specific period of time, the duration of the payment period determines the tax-withholding treatment. As a retirement plan distribution paid directly to you, a systematic withdrawal is subject to 20 percent federal withholding each time it is paid **unless** it is part of a series of substantially equal payments made over a period of 10 years or more, or over your lifetime or life expectancy. If your payment period meets this

criterion, your withholding will generally be less than 20 percent.² You may also elect to have no taxes (or a different amount) withheld. (See “Taxes and Tax Reporting,” page 4.)

Note: When determining a specific period of time over which to receive payments, you need to ensure that your current Plan balance is sufficient to sustain the monthly amount you choose throughout the payment period. (For example, if you want to receive \$1,000 a month over a 10-year payment period, you must have a beginning Plan balance of at least \$120,000 to sustain the 10-year payment period.)

Regardless of how you choose to have systematic withdrawals paid, you are responsible for monitoring your declining Plan and fund balance(s) and for making any transfers or adjustments as needed to maintain your initial election. (See “Events that Trigger Cancellation” and “Keeping Track of Your Plan Balances” on pages 3–4.)

Changes

Participants may change their systematic withdrawals election at any time subject to UC HR/Benefits monthly processing deadlines (see page 3). To choose a different investment fund from which to receive your payments, to transfer money from one fund to another, or to cancel your systematic withdrawals, call the UC Customer Service Center at 1-800-888-8267. Cancellations are subject to UC’s monthly payment schedule. (See “Once You Have Enrolled,” page 4.)

To change the **amount** of your monthly systematic withdrawals, to change the **duration** of a specific payment period or to change the Plan from which you want to receive systematic withdrawals, you must make a new election by completing another *Systematic Withdrawals Election Request* form. New elections are subject to the monthly processing deadlines. Also, if you move during your systematic withdrawals payment period, you must submit a new election form, indicating your change of address only—you do **not** need to complete the rest of the form unless you are also changing your previous election.

² Unless you specify otherwise, UC will withhold federal and state taxes based on the tax table for a married individual claiming three allowances. (California state taxes are not withheld from payments sent to a mailing address outside of California.)

PROCESSING DEADLINES

The cutoff date for processing 403(b) and DC Plan transfer requests is the 25th of each month to receive the investment funds' valuation in effect as of the end of that month. If the 25th falls on a weekend or holiday, the cutoff date for written transfers is the preceding business day. Transfer requests made after the cutoff date will be valued at the end of the following month and processed during the month after that.

Other Plan Distributions

You may take other distributions from your Plan balance(s) without disrupting your monthly systematic withdrawals by requesting individual distributions. Unlike systematic withdrawals, which are paid directly to you, other distributions may be paid directly to you or you may arrange for a rollover to another employer plan or IRA.³ Requests for other distributions will be subject to monthly distribution processing deadlines, and individual distributions will be paid in a separate check.

You may request an individual distribution from your Plan balance(s) online if you have Internet access. Go to UC's HR/Benefits' website, At Your Service (<http://atyourservice.ucop.edu>), and select "Your Benefits Online." All the information and instructions you need are there on the screen.

The Internet option is available 24 hours a day, 7 days a week, and requires that you enter your Social Security number/Username and your UC Personal Identification number (PIN) to gain access. If you never received your PIN or have lost or forgotten it, call the UC Customer Service Center.

Participants who cannot use the online option to request a distribution should call the UC Customer Service Center for assistance.

IN THE EVENT OF A CONFLICT...

Your systematic withdrawals election generally has priority over any other request you may make for an individual Plan distribution. If a conflict arises over payment of your monthly systematic withdrawal and an individual distribution, your systematic withdrawal will be paid first and you will be contacted regarding payment of your individual distribution.

Events that Trigger Cancellation

Systematic withdrawals do not provide a guaranteed lifetime income—your payments will stop when all of your money in the fund(s) from which you receive systematic withdrawals has been paid out, even if the specific period of time you chose has not yet elapsed. (If your balance falls below the amount of your monthly systematic withdrawal, your final check will equal your remaining balance in the fund.) Other events that will cause payments to stop are discussed below.

REAPPOINTMENT

If you return to work at UC on a part-time or full-time or non-salaried basis, you must notify the UC Customer Service Center, and your systematic withdrawals will be cancelled when any positive payroll activity in your file begins.

While working, you may want to resume contributions to the 403(b) Plan and/or the DC Plan After-Tax/Rollover Account; you may also be required to contribute to the DC Plan Pretax Account.

When you again retire or leave UC employment, you will have to make a new election if you want to receive systematic withdrawals; your former systematic withdrawals will not resume automatically.

DEATH

If you die before your payment period ends, your remaining systematic withdrawals will stop when UC HR/Benefits receives the notification of death. Your designated beneficiaries (including alternate payees) are not eligible to continue to receive systematic withdrawals from your remaining Plan balance(s), nor are they eligible to make a new election.

³ Required minimum distributions and refunds of excess contributions are not eligible for rollover.

COMMUNITY PROPERTY CLAIMS

Systematic withdrawals will stop if you become involved in a community property dispute and a claim is made against your account(s) in the Plan(s). When the dispute is settled, you may again elect to receive systematic withdrawals provided your remaining Plan balance is at least \$2,000.

Once You Have Enrolled

MONTHLY PAYMENT SCHEDULE

Upon receipt of your election form, UC HR/Benefits will send you a letter confirming your election decisions and indicating the date on which your systematic withdrawals will begin. You will also receive another election form to submit if you later want to change the amount of your monthly payments or your payment period, or to notify UC of any change of address.

You may expect your first check within 60 days of the date UC HR/Benefits receives your initial election form. Thereafter, checks are generally issued by the 25th of each month.

Participants should allow 10 days for mail delivery before calling the UC Customer Service Center to report a lost check.

TO HAVE YOUR CHECKS MAILED TO YOUR BANK...

You may have the checks for your systematic withdrawals mailed directly to your bank for immediate deposit in your account. Simply enclose a voided bank deposit slip or voided check with your election form. Electronic deposit is not available for systematic withdrawals.

TAXES AND TAX REPORTING

As discussed in "Payment Periods," UC will withhold taxes from each systematic withdrawal in accordance with federal and state tax laws.⁴ If, however, you choose a specific payment period of 10 years or more (or if the payments are scheduled to be paid out over your lifetime or life expectancy), you may elect to have no taxes withheld, or to have a different amount withheld. To make an alternative tax-withholding election, you must complete the *Alternate Tax-Withholding Election* form (UBEN 139T) included in this booklet and return it to UC HR/Benefits.

Annually, you will receive a form 1099R from each Plan from which you receive systematic withdrawals. For the DC Plan, if you receive systematic withdrawals from each account in which you have a balance (Pretax Account—career and/or Safe Harbor—and the After-Tax/Rollover Account), you will receive one form 1099R reflecting the total amount of systematic withdrawals paid from all DC Plan accounts. The 1099Rs will also reflect any other 403(b) and/or DC Plan distributions taken during the year.

KEEPING TRACK OF YOUR PLAN BALANCES

To keep track of your declining Plan and fund balances, log on to At Your Service and select "Your Benefits Online" or call [bencom.fone](tel:1-800-888-8267) at 1-800-888-8267 to listen to (or get a printed statement of) your Plan balances.

HAVE QUESTIONS?

UC Customer Service representatives are available to answer any questions you may have about systematic withdrawals and the election process. To reach the UC Customer Service Center, call toll free at 1-800-888-8267, Monday–Friday, 8:30 a.m.–4:30 p.m.

⁴ Even when federal withholding is mandatory, you may elect to have no withholding for California tax.

SYSTEMATIC WITHDRAWALS ELECTION REQUEST
TAX-DEFERRED 403(b) PLAN AND DEFINED CONTRIBUTION PLAN
 UBEN 139 (9/04) University of California Human Resources and Benefits

Complete form in ink and return to:
 UC Human Resources and Benefits
 Plan Disbursements
 P.O. Box 24570
 Oakland, CA 94623-1570

Use this form to elect systematic withdrawals from your Plan balance(s) or to change a previous election. Be sure to sign the form in section 4. **Note that this election supersedes any previous systematic withdrawals election.**

Please photocopy this form for your records.

1. PERSONAL INFORMATION		
NAME (Last, First, Middle Initial)		SOCIAL SECURITY NUMBER
MAILING ADDRESS (Number, Street)	BIRTHDATE	UC SEPARATION DATE
(City, State, ZIP, Country)	DAYTIME PHONE	HOME PHONE

Check here to submit change of address only

ALTERNATE CHECK-MAILING ADDRESS	
Until further notice, please mail my monthly payment to the address below. (If mailing address is a bank or credit union, enclose a voided blank deposit slip or voided blank check.)	
BANK OR CREDIT UNION (IF APPLICABLE)	ACCOUNT NUMBER
ADDRESS (Number, Street, City, State, ZIP)	

2. TAX-DEFERRED 403(b) PLAN ELECTION

- (a.) Indicate the dollar amount you want to receive each month: \$_____.
- (b.) Indicate the UC-managed investment fund from which you want to receive systematic withdrawals (choose **one** fund only):
- | | |
|--|--|
| <input type="checkbox"/> Savings (10) | <input type="checkbox"/> Bond (16) |
| <input type="checkbox"/> Insurance Company Contract (33) | <input type="checkbox"/> Treasury Inflation-Protected Securities (TIPS) (38) |
| <input type="checkbox"/> Equity (14) | <input type="checkbox"/> Balanced Growth (37) |
- (c.) Indicate how long you want to receive systematic withdrawals (choose **one** option only):
- Continuously until my Plan balance is depleted, or until I cancel my election. (20% will be withheld automatically for federal taxes.)
 OR
- Over a specific period of time, as follows: _____ years _____ months.
- (d.) Cancel my election as of (Mo/Year): _____ / _____

3. DEFINED CONTRIBUTION PLAN ELECTION

Note: If you have DC Plan money in the Pretax Account and in the After-Tax/Rollover Account and you want to receive systematic withdrawals from both, you must complete a **separate** election form for each account.

This election applies to my DC Plan money in the account checked below:

- Pretax (UCRP/Career) Pretax (Safe Harbor) After-Tax/Rollover

- (a.) Indicate the dollar amount you want to receive each month: \$_____.
- (b.) Indicate the UC-managed investment fund from which you want to receive systematic withdrawals (choose **one** fund only):
- | | |
|--|--|
| <input type="checkbox"/> Savings (71, 81, 04) | <input type="checkbox"/> Bond (73, 83, 15) |
| <input type="checkbox"/> Insurance Company Contract (74, 84, 31) | <input type="checkbox"/> Treasury Inflation-Protected Securities (TIPS) (78, 80, 08) |
| <input type="checkbox"/> Equity (72, 82, 12) | <input type="checkbox"/> Balanced Growth (77, 87, 09) |
- (c.) Indicate how long you want to receive systematic withdrawals (choose **one** option only):
- Continuously until my Plan balance is depleted, or until I cancel my election. (20% of the taxable amount will be withheld automatically for federal taxes.)
 OR
- Over a specific period of time, as follows: _____ years _____ months.
- (d.) Cancel my election as of (Mo/Year): _____ / _____

4. PARTICIPANT'S SIGNATURE

By my signature below I:

- acknowledge that in electing systematic withdrawals from my Plan balance(s), I agree to have the money paid to me in a series of monthly distributions in the amount and over the length of time indicated above. I understand that as a condition of electing systematic withdrawals, I cannot directly roll over the payments to another employer-sponsored plan or to an IRA.
- certify that I have read *Special Tax Notice for Plan Distributions* and that I understand the consequences of any distribution request.
- certify that, to the best of my knowledge, there is no community property claim against my account(s). (Note: if there is a community property claim against your account(s), you may not elect systematic withdrawals until the claim is settled.)
- understand that taxes will be withheld from my monthly systematic withdrawals according to the University's automatic withholding policies unless I am eligible to submit a tax-withholding form requesting an alternate withholding amount.

PARTICIPANT'S SIGNATURE

DATE

RETN: Pending

PRIVACY NOTIFICATIONS

STATE

The State of California Information Practices Act of 1977 (effective July 1, 1978) requires the University to provide the following information to individuals who are asked to supply information about themselves.

The principal purpose for requesting the information on this form is for payment of earnings and for miscellaneous payroll and personnel matters such as, but not limited to, withholding taxes, benefits administration, and changes in title and pay status. University policy and state and federal statutes authorize the maintenance of this information.

Furnishing all information requested on this form is mandatory—failure to provide such information will delay or may even prevent completion of the action for which the form is being filled out. Information furnished on this form may be used by various University departments for payroll and personnel administration, and will be transmitted to the federal and state governments as required by law.

Individuals have the right to review their own records in accordance with University personnel policy and collective bargaining agreements. Information on applicable policies and agreements can be obtained from campus or Office of the President Staff and Academic Personnel Offices. (B)

The official responsible for maintaining the information contained on this form is the Associate Vice President—University of California Human Resources and Benefits, 1111 Franklin Street, Oakland, CA 94607-5200.

FEDERAL

Pursuant to the Federal Privacy Act of 1974, you are hereby notified that disclosure of your Social Security number is mandatory. Disclosure of the Social Security number is required pursuant to sections 6011 and 6051 of Subtitle F of the Internal Revenue Code and with Regulation 4, Section 404.1256, Code of Federal Regulations under Section 218, Title II of the Social Security Act, as amended. The Social Security number is used to verify your identity. The principal uses of the number shall be to report (1) state and federal income taxes withheld, (2) Social Security contributions, (3) state unemployment and Workers' Compensation earnings, and (4) earnings and contributions to participating retirement systems. (BB)

ALTERNATE TAX-WITHHOLDING ELECTION SYSTEMATIC WITHDRAWALS

UBEN 139T (9/04) University of California Human Resources and Benefits

Complete form in ink and return to:
UC Human Resources and Benefits
Plan Disbursements
P.O. Box 24570
Oakland, CA 94623-1570

Note that this election supersedes any previous tax-withholding election.

Please photocopy this form for your records.

1. PERSONAL INFORMATION	
NAME (Last, First, Middle Initial)	SOCIAL SECURITY NUMBER
MAILING ADDRESS (Number, Street, City, State, ZIP, Country)	DAYTIME PHONE ()

2. TAX-WITHHOLDING ELECTION

A. If you chose a specific payment period that is less than 10 years and you are age 79 or younger when your systematic withdrawals begin, or if you elected continuous payments until your Plan balance is depleted, UC will withhold 20% for federal taxes, plus 2% for California state taxes, unless you check box #2 below. (California state taxes are not automatically withheld from payments sent to a mailing address outside of California).

1. FEDERAL INCOME TAX

Withhold a flat-dollar amount only: \$ _____
(Amount requested must be equal to or greater than 20% of the gross payment.)

2. CALIFORNIA STATE INCOME TAX

Withhold a flat-dollar amount only: \$ _____
 Do not withhold California state income tax.

B. If you chose a specific payment period that is 10 years or more and you are age 79 or younger when your systematic withdrawals begin, you may elect zero federal and California state withholding. If you make no withholding election, UC automatically withholds federal and state taxes based on the tax table for a **married individual claiming 3 allowances**. (California state taxes are not automatically withheld from payments sent to a mailing address outside of California.)

1. FEDERAL INCOME TAX

Withhold a flat-dollar amount only: \$ _____
 Do not withhold federal income tax. (You may not choose this option if payments are to be delivered outside of the U.S.)

2. CALIFORNIA STATE INCOME TAX

Withhold a flat-dollar amount only: \$ _____
 Do not withhold California state income tax.

C. If you are age 80 or older, please call the UC Customer Service Center at 1-800-888-8267 for further information regarding the taxability of your systematic withdrawals.

3. SIGNATURE	
SIGNATURE	DATE

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Furnishing all information requested on this form is mandatory—failure to provide such information will delay or may even prevent completion of the action for which the form is being filled out. Information furnished on this form may be used by various University departments for payroll and personnel administration, and will be transmitted to the federal and state governments as required by law. (B)

Individuals have the right to review their own records in accordance with University personnel policy and collective bargaining agreements. Information on applicable policies and agreements can be obtained from campus or Office of the President Staff and Academic Personnel Offices.

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Special Tax Notice for Plan Distributions

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)

The University of California Retirement System (UCRS) administers three UC-sponsored retirement savings and investment plans. UCRS provides this notice to explain federal tax laws that apply to distributions from the:

University of California Retirement Plan (UCRP) Defined Contribution Plan (the DC Plan)—Pretax Account and After-Tax/Rollover Account

Tax-Deferred 403(b) Plan (the 403(b) Plan)

This notice contains important tax information you will need if you decide to take a distribution of your UCRS money. It will help you to determine:

- ▶ whether the distribution is eligible for rollover (see chart on page iii), and, if so,
- ▶ what your choices are, and
- ▶ how your taxes and tax withholding are affected by the choices you make.

HIGHLIGHTS

If a UCRS distribution is eligible for rollover, you may have payment made in either of two ways. You can have all or a portion of the distribution either (1) paid in a DIRECT ROLLOVER to a traditional IRA (not a Roth IRA) or to an employer plan that will accept your rollover, or (2) PAID TO YOU. Your choice will affect the tax withheld, if any, and the tax you owe.

If you choose a DIRECT ROLLOVER:

- ▶ No federal taxes will be withheld from the taxable portion of the distribution.
- ▶ The taxable portion of the distribution will not be taxed until you withdraw the money from the IRA or employer plan. Depending on the type of IRA or employer plan, subsequent distributions from the new IRA or plan may be subject to different rules or tax treatment than those applicable to distributions paid from the UCRS plans.
- ▶ The distribution check is payable to your IRA or to the recipient employer plan.

If you choose to have your distribution PAID TO YOU:

- ▶ 20 percent federal tax will be withheld from the taxable portion of the distribution, as required by law. No exceptions.
- ▶ You will receive 80 percent of the amount you request as a distribution. (California residents—see “California Rules and Tax Laws” on page vii.)
- ▶ Any taxable portion of the distribution that you do not roll over within 60 days will be taxable income in the year it is issued. See “60-Day Rollover Option” on page v.
- ▶ Special rules may allow you to reduce the tax you owe on a distribution from UCRP or the DC Plan. See “Additional Tax Information” on page vi.
- ▶ Tax penalties may apply if you are not yet age 59½.

If a distribution is not eligible for rollover, it will be PAID TO YOU.

- ▶ Tax-withholding requirements vary. See “Voluntary Withholding” on page v.

If you take a distribution (whether you roll it over or have it paid to you), you must report it on your income tax return for the year in which the money is distributed. You will have to use Form 1040A or 1040; Form 1040EZ cannot be used for distributions from retirement plans.

Waiver of 30-Day Notice Period

You have 30 days from the date this notice (or a summary of this notice) was provided to decide whether to have a Plan distribution made payable as a direct rollover to a traditional IRA or employer plan or made payable to you (generally no Plan distribution will be issued before the 30-day period expires). If you want to waive the 30-day notice period before your election is processed, contact UC HR/Benefits (see “Additional Resources and Information”). Your distribution will then be processed as described on page ii.

Distribution Processing Dates

DC and 403(b) Plan distribution checks are issued twice a month, around the 7th and the 23rd. If a distribution request is made before midnight on the 21st of the month, the check generally will be mailed around the 23rd of the following month, with account balances valued at the end of the prior month. If a distribution request is made after the 21st but before midnight on the 25th, the check generally will be mailed in two months—around the 7th. Distributions mailed around the 7th of the month are valued at the end of the month two months prior.

Once a check has been issued, it is irrevocable—UC will not accept returned checks, nor reissue a check to another IRA trustee or employer plan.

Cancellation of Distribution/Rollover Request

Distribution requests may be cancelled in writing, subject to the monthly processing dates (generally the 21st of each month). When writing to cancel a distribution request, include your name, Social Security number, the confirmation number and a statement that you want to cancel a previous distribution request. You must sign and date your cancellation request.

UCRS Distributions Eligible/Ineligible for Direct Rollover

ELIGIBLE DISTRIBUTIONS

A UCRS distribution is eligible for direct rollover if it is one of the following:

Nonperiodic Distributions

If you withdraw all your money from a plan, it is generally eligible for direct rollover—with exceptions as noted below (see “Ineligible Distributions”). Partial distributions from the DC Plan or 403(b) Plan are also generally eligible. The UCRP Capital Accumulation Provision (CAP) payment is eligible.

Group Insurance Contract Annuities

If you buy a commercial annuity through UC’s group insurance contract that is not based on life expectancy and is paid in installments over a period of less than 10 years, the payments are eligible for direct rollover.

403(b) Plan Loan Defaults

Defaulting on a loan from the 403(b) Plan Loan Program

is generally considered a distribution from the 403(b) Plan and is eligible for rollover. Unless you roll over, from personal savings or other sources, an amount equal to all or a portion of the defaulted loan within 60 days of the date of the default, the defaulted amount is taxable income in the year of the default. The amount rolled over cannot exceed the defaulted loan amount.

INELIGIBLE DISTRIBUTIONS

A distribution is not eligible for direct rollover if it is one of the following:

Monthly Income

You cannot roll over a payment that is part of a series of substantially equal payments made at least once a year over a period of:

- ▶ your lifetime/life expectancy,
- ▶ your and your beneficiary’s lifetimes/life expectancies, or
- ▶ 10 years or more.

The following distributions from UCRP are not eligible for direct rollover:

- ▶ monthly retirement/disability income
- ▶ monthly preretirement survivor income
- ▶ monthly postretirement survivor continuance

Minimum Required Distributions

Beginning April 1 of the year following the year you reach age 70½ (or leave University employment, if later), you are required to receive distributions from the plans in a certain minimum amount. These distributions may not be rolled over. Minimum required distributions are taxable income in the year you receive them. (Any taxable amount paid to you that exceeds the required minimum amount will be subject to the 20 percent federal withholding unless directly rolled over.)

Note—if you are subject to the minimum distribution requirements and request a direct rollover of your total Plan balance, UC will issue a check for your minimum required distribution (payable to you), before processing the direct rollover of your remaining Plan balance.

Refunds of Excess Contributions

A refund from the Plan(s) of amounts that exceed the maximum IRS contribution limits (and any earnings thereon) is not eligible for direct rollover. Refunds of pretax contributions are taxable in the year the contributions were made. Any earnings are taxable in the year in which the money is refunded.

UCRS DISTRIBUTIONS ELIGIBLE/INELIGIBLE FOR DIRECT ROLLOVER

	Eligible†	Ineligible
University of California Retirement Plan:		
Monthly retirement/disability income		◆
Monthly preretirement survivor income (paid to a spouse for more than 10 years)		◆
Monthly postretirement survivor continuance		◆
Refund of accumulations	◆	
CAP balance	◆	
Lump sum cashout	◆	
Lump sum death payments:		
to surviving spouse	◆	
to non-spouse beneficiary		◆
QDRO distribution—monthly income		◆
QDRO distribution—cashout/refund/CAP:		
to spouse/former spouse	◆	
to non-spouse		◆
Defined Contribution Plan:		
Full distribution	◆	
Partial distribution	◆	
Minimum required distribution		◆
Lump sum death payments:		
to surviving spouse	◆	
to non-spouse beneficiary		◆
QDRO distribution:		
to spouse/former spouse	◆	
to non-spouse		◆
Tax-Deferred 403(b) Plan:		
Full distribution	◆	
Partial distribution	◆	
Minimum required distribution		◆
Lump sum death payments:		
to surviving spouse	◆	
to non-spouse beneficiary		◆
QDRO distribution:		
to spouse/former spouse	◆	
to non-spouse		◆

† Exceptions: Amounts of distributions that are not eligible include:

- A refund of excess contributions/earnings thereon.
- 403(b) Plan hardship distributions consisting of employee contributions.

Making a Direct Rollover

DIRECT ROLLOVER TO AN IRA

You will need to establish an IRA (a traditional individual retirement account or annuity) or Simplified Employee Pension (SEP) IRA to receive the direct rollover. Distributions **cannot** be rolled over to Roth IRAs, SIMPLE IRAs, or to Coverdell Education Savings Accounts (formerly known as education IRAs). Before you request payment, you must contact the IRA trustee (usually a bank, mutual fund, or other financial institution) and ask how the check should be drawn to make a direct rollover to an IRA at that institution. UC will issue the check to your IRA trustee and mail it to your home address.

It is your responsibility to deposit the rollover check promptly with the IRA trustee.

Example

DIRECT ROLLOVER to an IRA.

Total distribution from Plan:	\$10,000
Direct rollover to IRA:	10,000
Tax withheld:	00
Taxable in current year:	00

A direct rollover may be made to an existing or separate IRA.

If you are unsure how to invest your money, you can temporarily establish an IRA until you decide. In this case, you will want to consider whether the IRA you choose will allow you to move all or part of the taxable portion of your money to another IRA or employer plan at a later date without penalties or other limitations. Also see IRS Publication 590, *Individual Retirement Arrangements*, for more information on IRAs, including limits on how often you can roll over between IRAs.

If your rollover includes any after-tax contributions, you are responsible for keeping track of these contributions and for reporting them to the IRS (UC HR/Benefits can tell you the amount of any after-tax contributions included in your distribution request). This will ensure you will not be subject to income taxes on the nontaxable amount of any future distributions you take from your IRA. Also, note that after-tax contributions cannot later be rolled over from your IRA to an employer plan.

DIRECT ROLLOVER TO A PLAN

You may roll over your distribution to the following types of employer-sponsored plans: qualified 401(a) and 401(k) plans, profit-sharing plans, stock bonus plans, money purchase plans, IRC §403(a) annuity plans, IRC §403(b) tax-sheltered annuities and governmental 457(b) plans.

Before you roll over your distribution, you will have to verify that the administrator of the new plan will accept your rollover and, if so, the types of distributions it accepts (for example, distributions that include after-tax contributions). No plan is legally required to accept a direct rollover. Note that if the new employer plan accepts distributions that include after-tax contributions, it must provide separate accounting for the after-tax contributions, as well as any earnings on those contributions. Rollovers of after-tax contributions cannot be made to governmental 457(b) plans.

Example

DIRECT ROLLOVER to an employer plan.

Total distribution from Plan:	\$10,000
Direct rollover to employer plan:	10,000
Tax withheld:	00
Taxable in current year:	00

You should be aware that money rolled over to the new employer-sponsored plan will generally be subject to the provisions of that plan; for example, the plan's provisions may restrict subsequent distributions or require your spouse's consent for a distribution request. Subsequent distributions may also be subject to different tax treatment (see "Special Tax Treatment for Lump Sum Distributions" on page vii). For these reasons, you may want to verify the distribution provisions with the administrator of the new plan before you roll over your money.

PART DIRECT ROLLOVER

If you choose to have part of your distribution paid as a direct rollover and part paid to you, the direct rollover amount must be at least \$500.

Example

Part is DIRECT ROLLOVER, part is PAID TO YOU.

Total distribution from Plan:	\$10,000
Direct rollover to IRA:	8,000
20% tax withheld (on \$2,000):	400
Paid to you:	1,600
Taxable in current year:	\$ 2,000

Distributions Paid to You

MANDATORY WITHHOLDING

If a distribution is eligible for direct rollover and you have it paid to you, 20 percent federal income tax must be withheld from the taxable portion of the distribution. (You may also ask to have an additional flat-dollar amount withheld.) For example, if you want \$10,000 paid to you, you must request a distribution of 125 percent of that amount, or \$12,500.

Example

Distribution PAID TO YOU. You keep the money (no rollover).

Total taxable distribution from Plan:	\$12,500
Direct rollover:	00
20% tax withheld (on \$12,500):	2,500
Paid to you:	10,000
Taxable in current year:	\$12,500

VOLUNTARY WITHHOLDING

The 20 percent mandatory withholding rule does not apply to any part of a distribution that is ineligible for rollover, even though that part is taxable. Instead, federal income tax will be withheld as follows:

- ▶ nonperiodic distributions: 10 percent, unless you elect no or more withholding (flat-dollar amounts).
- ▶ periodic distributions: An amount based on the tax table for a married individual claiming three allowances, unless you elect different (or no) withholding.

(Note—you may not elect to have no withholding if your distribution is being mailed outside the United States or if you are a nonresident alien.)

60-DAY ROLLOVER OPTION

If a distribution is eligible for direct rollover and you have it paid to you, you can still decide to roll over all or any part of the money to a traditional IRA or employer plan within 60 days. Note—you cannot use the 60-day rollover option to roll over after-tax contributions to an employer plan.

If you want to roll over the entire amount of the distribution you requested, you must replace, from your personal savings or other sources, an amount equal to the 20 percent that was withheld.

Example

Distribution PAID TO YOU. You roll over the entire distribution (\$10,000) within 60 days.

Total taxable distribution from Plan:	\$10,000
Direct rollover:	00
20% tax withheld (on \$10,000):	2,000
Paid to you:	8,000
You use from your savings:	2,000
You roll over:	10,000
Taxable in current year:	00

If you roll over only the 80 percent that you received, you must pay taxes on the remaining 20 percent.

Example

Distribution PAID TO YOU. You roll over the amount you receive within 60 days.

Total taxable distribution from Plan:	\$10,000
Direct rollover:	00
20% tax withheld (on \$10,000):	2,000
Paid to you:	8,000
You roll over:	8,000
Taxable in current year:	\$ 2,000

Note—tax penalties or special tax rules may also apply. See pages vi–vii.

Distributions Paid to Surviving Spouses, Other Beneficiaries and QDRO Payees

Generally, the rules in this notice apply to distributions not only to Plan members and participants but also to their surviving spouses and to spouses or former spouses receiving a community property settlement under a qualified domestic relations order (QDRO). Some of the rules in this notice also apply to distributions made to non-spouse beneficiaries.

DISTRIBUTION TO A SURVIVING SPOUSE

You may choose to have an eligible distribution:

- ▶ paid in a DIRECT ROLLOVER to a traditional IRA or to an employer plan that will accept your rollover, or
- ▶ PAID TO YOU.

If paid to you, the taxable portion of the distribution is subject to 20 percent withholding. You can roll over the money yourself (within 60 days) to an IRA or to an employer plan that will accept your rollover.

There is no penalty tax on early distributions.

You may be able to use the special tax treatment for lump sum distributions if the Plan participant met the appropriate age requirements—five years of Plan participation is not required. See “Special Tax Treatment for Lump Sum Distributions” on page vii.

DISTRIBUTIONS TO OTHER BENEFICIARIES

A distribution to a beneficiary other than a spouse, surviving spouse or former spouse is not eligible for rollover. You may, however, be able to use the special tax treatment for lump sum distributions if the Plan participant met the appropriate age requirements—five years of Plan participation is not required. See “Special Tax Treatment for Lump Sum Distributions” on page vii.

For information on federal tax withholding, see “Voluntary Withholding” on page v.

There is no penalty tax on early distributions.

QDRO DISTRIBUTIONS

If you are a former spouse, you may choose to have an eligible distribution:

- ▶ paid in a DIRECT ROLLOVER to a traditional IRA or to an employer plan that will accept your rollover, or
- ▶ PAID TO YOU.

If paid to you, the distribution is subject to 20 percent withholding. You can roll over the money yourself (within 60 days) to an IRA or to an employer plan that will accept your rollover.

There is no penalty tax on early distributions.

If you receive a total distribution, you may be able to use the special tax treatment for lump sum distributions if the Plan participant met the appropriate age requirements and had five years of Plan participation. See “Special Tax Treatment for Lump Sum Distributions” on page vii.

If you are a non-spouse alternate payee, any distribution you receive is not eligible for rollover. Further, you may not use the special tax treatment for lump sum distributions.

Additional Tax Information

PENALTY TAX ON EARLY DISTRIBUTIONS

If you receive a taxable distribution before you reach age 59½ and you do not roll it over, you must pay a 10 percent federal penalty tax (plus a 2½ percent California state penalty tax, if applicable), in addition to regular income tax, unless:

- ▶ you leave UC during or after the year you reach 55,
- ▶ you are permanently disabled,
- ▶ you receive a series of substantially equal distributions over your life/life expectancy (or your and your beneficiary’s lives/life expectancies),
- ▶ you will use it for deductible medical expenses in excess of 7.5 percent of your adjusted gross income, or
- ▶ it is paid to an alternate payee under a QDRO.

Note—if any or all of a 403(b) or DC Plan distribution you request consists of money previously rolled over from a governmental 457(b) plan, that amount will also be subject to the early distribution penalty taxes. UC HR/Benefits does not assess early distribution penalties when a distribution is paid. Participants who are subject to the penalties are responsible for reporting them to the IRS when they file their income tax returns.

SPECIAL TAX TREATMENT FOR LUMP SUM DISTRIBUTIONS

An eligible distribution that is not rolled over will be taxed in the year it is paid; however, it may be eligible for special tax treatment if it qualifies as a lump sum distribution.

Generally, a lump sum distribution is a payment, within one calendar year, of your entire balance from a qualified plan that is payable to you because you have reached age 59½ or have separated from service. The distribution must be paid after the calendar year in which you have completed five years of Plan participation.

UCRS distributions that may qualify as lump sum distributions include:

- ▶ UCRP refund of accumulations plus CAP payment, if any;
- ▶ UCRP lump sum cashout plus CAP payment, if any; and
- ▶ DC Plan full distribution

Note—distributions from the 403(b) Plan are not eligible for special tax treatment.

Ten-Year Averaging

If you were born before January 1, 1936, you may make a one-time election to figure the tax on a lump sum distribution by using 10-year averaging (using 1986 tax rates). This rule may reduce the tax you owe.

Capital Gain Treatment

If you were born before January 1, 1936, you may elect to have the part of a lump sum distribution that is attributable to pre-1974 Plan participation (if any) taxed as long-term capital gain at a rate of 20 percent.

Other Considerations on Special Tax Treatment

The special tax treatment on a lump sum distribution:

- ▶ generally can be elected only once in your lifetime.
- ▶ applies to all lump sum distributions you receive during the same year.

- ▶ cannot be used if any part of a distribution was rolled over to another plan or to a traditional IRA.
- ▶ cannot be used on distributions from the Plan if you have previously rolled over amounts from the Plan.
- ▶ cannot be used for Plan distributions if you have rolled over into the Plan amounts from sources other than 401(a) or 401(k) plans.
- ▶ cannot be used on a distribution from a traditional IRA, a 403(b) tax-sheltered annuity, or a governmental 457(b) plan.

Additional restrictions apply. Refer to IRS Publication 575 and IRS Form 4972.

CALIFORNIA RULES AND TAX LAWS

In this notice, only federal rollover rules and tax considerations are described in detail (not state or local). Generally, California state tax is withheld at 10 percent of the federal rate (i.e., if 20 percent federal tax is withheld, 2 percent California state tax is withheld; if 10 percent federal tax, then 1 percent California tax). However, even when federal withholding is mandatory, you may elect to have no withholding for California tax.

If your distribution is mailed to an address outside California, you will generally still owe California taxes if you are a resident of California. See your tax advisor or contact your local state tax agency about your state tax liability.

ADDITIONAL RESOURCES AND INFORMATION

The rules described here are complex, and conditions and exceptions may apply that are not included in this notice. Therefore, we recommend that you consult a professional tax advisor before you request a distribution from the plans. Also, for more specific information on the tax treatment of distributions from qualified retirement plans, contact your local IRS office or call **1-800-TAX-FORM** and ask for:

IRS Publication 575,
Pension and Annuity Income

IRS Publication 590,
Individual Retirement Arrangements

IRS Form 4972,
Tax on Lump-Sum Distributions

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