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# The UCRP Buyback Booklet

For Approved Leaves

For Previous UCRP Membership

To Eliminate the Noncontributory Offsets

(Noncontributory [Plan 02] Service/Approved Leaves 7/1/66 – 6/30/71)

This booklet includes complete buyback information, instructions, and a request form.

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# THE BUYBACK OPTION

*The buyback option is available only to active UCRP members. The provisions apply to new buybacks and any previous buyback you did not complete.*

## The UCRP Buyback Booklet

*The buyback option applies to the employment situations listed below. Full buyback information may be found in the corresponding section of this booklet.*

### For Approved Leaves

- approved leave without pay, partially paid sabbatical leave, extended sick leave, temporary layoff, or furlough (except during a partial-year career appointment); and
- Reduction in Workforce Programs
  - incomplete Time Reduction Incentive Plan (TRIP) agreement or completed TRIP agreement of less than 75 percent time; and
  - reduction in appointment under Temporary Reduction in Time (TRIT) from 7/1/93 to 10/28/93.

### For Previous UCRP Membership

- an earlier period of UC employment for which you received a refund of your UCRP accumulations.

### To Eliminate the Noncontributory Offsets

- to eliminate the noncontributory (plan 02) offset (affects many who were members during the period 7/1/66–6/30/71); and
- to eliminate the leave offset (affects all who took an approved leave during the period 7/1/66–6/30/71)

## The Buyback Option Does Not Apply to:

- any break-in-service period;
- any period of ineligible service, such as casual/restricted or temporary employment, or indefinite layoff;
- any furlough during a partial-year career appointment;
- completed TRIP agreements of 75 percent time or more. (You receive 100 percent service credit for the period\*);
- a reduction in appointment (except under TRIT);
- any period of CalPERS membership (for CalPERS buyback information, contact CalPERS directly);
- any period of service that preceded a lump sum cashout;
- any period of military leave 7/1/66 or later. (You may receive full service credit without making contributions.\* For military leaves from 7/1/66 through 6/30/71, however, the leave offset applies);
- a distribution of your Capital Accumulation Provision (CAP) balance or a distribution from the Defined Contribution Plan or the Tax-Deferred 403(b) Plan; and
- completed Staff and Academic Reduction in Time (START) agreements (You receive service credit for the period).

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\* Service credit for completed TRIP agreements or for military leave is not recorded automatically. Submit a *Service Credit Verification Request* (UBEN 132) with appropriate documentation to the UC HR/Benefits Research Unit to have your records updated.

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## Where to get forms and publications mentioned in this booklet

UBEN 132— <i>Service Credit Verification Request</i> form	At Your Service* Benefits Office
UCRS 169— <i>Service Credit Buyback Information Request</i> form	At the back of this booklet
UCRP summary plan descriptions <i>Group Insurance Eligibility Factsheet</i>	At Your Service* Department Benefits Office

\* Internet address: <http://atyourservice.ucop.edu>

# FOR APPROVED LEAVES

*A UCRP member who takes an approved leave earns no service credit while off pay status.\* Upon returning from leave, for a limited time the member has the option of making payments to establish service credit for the leave period. Making payments to establish service credit is called buyback.*

## The Buyback Option

- is available only to active UCRP members;
- applies to the full period of the leave only, except as noted on page 6;
- applies only to your regular appointment level; and
- is available for any previous buyback you did not complete.

## The Three-Year Window

When you return to work as an active UCRP member after an approved leave, you have three years to elect to establish service credit for the leave. UC HR/Benefits must receive your buyback election within three years of your return.

## Benefits of Buyback

Buying back service credit for an approved leave may increase your UCRP benefits that are based on service credit:

- retirement income;\*\*
- lump sum cashout;\*\*
- disability income (although a leave buyback will not help you to meet the minimum service requirement for disability benefits); and
- benefits paid after your death to your spouse or other survivor, if your death occurs after you retire or become eligible to retire.\*\*

Service credit buyback also counts toward UCRP vesting and eligibility for preretirement survivor income.

For more information about service credit and how it affects your UCRP benefits, see the appropriate summary plan description.

## Cost of Leave Buyback

To establish service credit for a leave, you must pay the cost of UCRP membership, defined according to the period of the leave:

### For leaves November 1, 1990 or later:

You pay a percentage of the salary (covered compensation) you would have received if you had not been on leave, plus interest computed as described on page 6.

The percentage is actuarially determined and may change from year to year. For 2004, the percentage is:

Members with Social Security	15.75%
Members without Social Security	15.75%
Safety Members	25.24%
Tier Two Members	7.88%

Example: A member with Social Security who earns \$5,000 per month takes a one-month leave. The cost to establish service credit for the leave is \$787.50 ( $\$5,000 \times .1575$ ), plus interest.

If you make a buyback election after 2004, your Benefits Office can tell you the correct percentage that applies for your membership classification.

### Retiree Medical and Dental Benefits

Service credit affects your eligibility to continue UC-sponsored medical and dental coverage when you retire or receive disability income. Buyback may help you to qualify for or receive a higher percentage of the UC contribution toward the monthly premium. For more information, see the UC Group Insurance Eligibility Factsheet.

\* Leaves during the noncontributory period 7/1/66–6/30/71 were handled differently. See “To Eliminate the Noncontributory Offsets” beginning on pages 9 and 10.

\*\*Buyback will increase retirement income, lump sum cashout, and postretirement survivor income unless the benefit exceeds the maximum allowable benefit. See the appropriate summary plan description.

# FOR APPROVED LEAVES

**For leaves before November 1, 1990:** You pay the sum of member contributions and University contributions that would have been made if you had not been on leave, plus interest. Contribution rates vary depending on the dates of the leave. Please see your Benefit Representative.

Interest is computed using the Plan's assumed earnings rate at the time of the buyback election, currently 7.5 percent. Interest is charged from the date you return to work to the date payment is completed. Exception: For leaves 7/1/66 through 6/30/71, interest is computed using the Plan's assumed earnings rates in effect during the applicable periods. Interest is charged to the date payment is completed.

## Rules for Leave Buybacks

### Minimum Leave Buyback

The minimum leave buyback is four consecutive weeks (whole leaves only).

Exception: If you are leaving University employment, you can establish service credit for a shorter leave if you need it for vesting.

Note: Reductions in time under TRIP and TRIT are not leaves of absence and are not subject to the four-week limit.

### Maximum Leave Buyback

For an approved leave without pay that begins 7/1/97 or later: If the leave exceeds two years, you may establish service credit for only the first **two years** of the leave. Consecutive leaves are considered one leave; your return to UC employment signals the end of a leave. Note: Military, sabbatical, and extended sick leaves and leaves that began before 7/1/97 are not subject to the two-year maximum.

### Concurrent Service Credit

For leaves that begin 7/1/97 or later, members may not accrue service credit for the same period in UCRP and in any other publicly funded defined benefit plan. This includes federal, state, city or county retirement systems.

If you accrue service credit in another publicly funded defined benefit plan while on leave, you may not buy back the same period in UCRP unless you have received a refund of all contributions you may have made to the other plan and will not derive a benefit from that plan. (See form UCRS 169.)

In a defined benefit plan, benefits derive from a formula that includes accrued service credit, rather than from contributions and interest or earnings. Contributing to a defined contribution plan, such as a 401(k) or 403(b) plan, with or without matching employer contributions, does not preclude establishing UCRP service credit.

## See pages 11–13 for:

Buyback Payments

How To Do a Buyback

*Service Credit Buyback Information Request form (UCRS 169)*

# FOR PREVIOUS UCRP MEMBERSHIP

*A UCRP member who leaves UC employment and receives a refund of UCRP accumulations forfeits all UCRP benefits. Upon returning to UC and UCRP membership, for a limited time the member has the option of making payments to reestablish service credit for the previous period. Making payments to reestablish service credit is called buyback.*

## **Retiree Medical and Dental Benefits**

*Service credit affects your eligibility to continue UC-sponsored medical and dental coverage when you retire or receive disability income. Buyback may help you to qualify for or receive a higher percentage of the UC contribution toward the monthly premium. For more information, see the UC Group Insurance Eligibility Factsheet.*

## The Buyback Option

- is available only to active UCRP members; and
- is available for any previous buyback you did not complete.

## The Three-Year Window

When you return to UCRP membership after receiving a refund of UCRP accumulations for a previous period of service, you have three years to elect to reestablish service credit for the earlier period. UC HR/Benefits must receive your buyback election within three years of your return.

Please note: The same time limit applies to any approved leave during the period of previous service. For additional rules that apply to leave buybacks, see “For Approved Leaves” on pages 5 and 6.

## Benefits of Buyback

Buying back service credit for previous UCRP membership may increase your UCRP benefits that are based on service credit:

- retirement income;\*
- lump sum cashout;\*
- disability income;
- benefits paid after your death to your spouse or other survivor, if your death occurs after you retire or become eligible to retire.\*

Service credit buyback also counts toward UCRP vesting and eligibility for preretirement survivor income.

For more information about service credit and how it affects your UCRP benefits, see the appropriate summary plan description.

## Cost of Buyback

To reestablish service credit, you must pay the amount refunded, plus interest.

Interest is computed using the Plan’s assumed earnings rate at the time of the buyback election, currently 7.5 percent. Interest is charged from the date of the refund to the date payment is completed.

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\* Buyback will increase retirement income, lump sum cashout, and postretirement survivor income unless the benefit exceeds the maximum allowable benefit. See the appropriate summary plan description.

# FOR PREVIOUS UCRP MEMBERSHIP

## Distributions You May Have Received

When you left UC employment, you may have received one or more distributions from UCRP:

- UCRP accumulations (member contributions plus interest); and/or
- Capital Accumulation Provision (CAP) balance

You may also have received a distribution from one of the University of California Retirement System (UCRS) savings plans:

- Defined Contribution (DC) Plan—Pretax Account (mandatory contributions);
- DC Plan—After-Tax Account (voluntary contributions); and/or
- Tax-Deferred 403(b) Plan

You may redeposit your UCRP accumulations when you return to UC and UCRP membership. However, you may not redeposit CAP, DC Plan, or 403(b) Plan distributions. For more information, see your Benefits Representative or the appropriate summary plan description.

## Service Credit without Member Contributions

If your previous UCRP membership included service during either of the following periods, you may not have contributed to UCRP during part or all of your employment:

7/1/66–6/30/71;\* or  
11/1/90 or later

If you contributed during any part of your employment and received a refund of your UCRP accumulations, you cannot receive credit for any portion of the service unless you make payment through buyback.

If you made no contributions to UCRP during the entire period of your previous employment—and therefore, received no refund of UCRP accumulations—no payment is required.

If your previous UCRP membership was in Tier Two, you made no contributions to UCRP, and no payment is required.

When no payment is required, service credit is reestablished automatically. If you want to be sure that your records have been updated correctly, submit a *Service Credit Verification Request* (UBEN 132).

## See pages 11–13 for:

Buyback Payments

How To Do a Buyback

*Service Credit Buyback Information Request* form (UCRS 169)

\* The period 7/1/66–6/30/71 is known as the noncontributory (plan 02) period. See “To Eliminate the Noncontributory Offsets” on pages 9 and 10.

# TO ELIMINATE THE NONCONTRIBUTORY OFFSETS

## The Noncontributory Period

7/1/66 marked the beginning of UCRP's noncontributory period. The University contributed to UCRP and active members earned service credit, but member contributions were required only from those who:

- had been members for at least one year, and
- had reached age 30.

Members who were under age 30 or had less than one year of service could choose to contribute, although not many did.

Beginning 7/1/71, contributions were required from new members. Continuing members were not required to contribute until they reached age 30.

## Plan 02

If you were a noncontributing member, a plan 02 account was established to keep track of contributions that would have been deducted from your paychecks if you had been a contributing member. The account has been maintained over the years, with interest computed at UCRP's assumed earnings rates.

When you retire, your benefit will be reduced to account for the contributions you did not make, as reflected in your plan 02 account. The reduction is called the noncontributory offset or plan 02 offset.

## The Plan 02 Offset

The plan 02 offset is derived from the plan 02 total as of your retirement date and a life expectancy factor—single premium factor, or SPF—for your age at retirement. The single premium factor is subject to change periodically, based on Plan actuarial assumptions.

The amount of the offset varies greatly according to the individual case. In general, the longer you worked without contributing, the higher the plan 02 total and the greater the offset.

## Leaves During the Noncontributory Period

If you went on leave, including military leave, during the period 7/1/66–6/30/71, you earned service credit even though neither you nor the University contributed to UCRP during your absence. At retirement, your benefit will be reduced to account for the total contributions that would have been made by you and the University if you had been a contributing member, plus interest that would have been earned. The reduction is called the leave offset.

## The Leave Offset

The leave offset is based on the total contributions for the period of your leave, as explained above. The offset is then calculated like the plan 02 offset.

## The Greater Benefit

For comparison purposes, if you have an offset, your retirement benefit is calculated in two ways:

(A) Basic retirement income is calculated based on your total service credit. The plan 02 offset is calculated and subtracted from your basic retirement income.

(B) Basic retirement income is calculated excluding your noncontributory service.

You receive the greater of (A) or (B).

# TO ELIMINATE THE NONCONTRIBUTORY OFFSETS

## Example of Calculation

In the following example, basic retirement income is calculated at age 60 for a member with seven years of noncontributory (plan 02) service.

The example is based on UCRP provisions and actuarial assumptions as of July 2004, which are subject to change.

UCRP membership date:	7/1/70 (age 23)	Total service credit:	37 years
Noncontributory service credit:	7 years	Age factor for age 60:	.0250
Plan 02 total 7/1/04:	\$16,328.01	Average Salary (HAPC*):	\$4,000
Plan 02 total 7/1/07:	\$20,284.23	SPF** for age 60:	154.20
Retirement date:	7/1/07 (age 60)	Social Security:	not covered

### (A) With noncontributory service credit and offset

37 years (service credit)	x	.0250 (age factor)	x	\$4,000 (HAPC)	=	\$3,700.00 basic retirement income (unreduced)
\$20,284.23 (plan 02 total)	÷	154.20 (SPF @ age 60)	=	\$131.55 (plan 02 offset)		
\$3,700.00 (basic retirement income)	-	\$131.55 (plan 02 offset)			=	\$3,568.45 monthly benefit

### (B) Without noncontributory service credit and offset

30 years (service credit)	x	.0250 (age factor)	x	\$4,000 (HAPC)	=	\$3,000.00 basic retirement income and monthly benefit
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The member receives the greater benefit (A), or \$3,568.45 per month.

## Offset Eliminated Through Buyback

### The Buyback Option

If the member elects to eliminate the offset, the buyback cost is \$16,328.01 as of 7/1/04, plus interest to the date payment is completed. The monthly retirement benefit will be as follows:

37 years (service credit)	x	.0250 (age factor)	x	\$4,000 (HAPC)	=	\$3,700.00 basic retirement income (unreduced)
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\* HAPC = Highest average plan compensation

\*\* SPF = Single premium factor

## The Buyback Option

You may eliminate the noncontributory offset through buyback at any time. The buyback option is available only to active UCRP members.

### Benefits of Buyback

Eliminating the noncontributory offset may increase your future UCRP retirement income or lump sum cashout.\*\* It may also increase benefits paid after your death to your spouse or other eligible survivor.

For more information about your UCRP benefits, see the appropriate summary plan description.

## Cost of Buyback

To eliminate the plan 02 offset, you must pay the total shown in your plan 02 account (includes interest).

To eliminate the leave offset, you must pay the total contributions for the leave period plus interest.

Interest is computed at UCRP's assumed earnings rates in effect during the applicable periods and is charged to the date payment is completed. Currently the assumed earnings rate is 7.5 percent.

\*\* Buyback will increase retirement income, lump sum cashout, and postretirement survivor income unless the benefit exceeds the maximum allowable benefit. See the appropriate summary plan description. The non-contributory offsets do not affect UCRP disability benefits or eligibility for UC-sponsored medical and dental coverage.

# BUYBACK PAYMENTS

## Buyback Payments

- Your election is binding (no changes or cancellations).
- Your payment schedule may be one to five years (full years only).
- For leave buybacks, the payment period must be at least as long as the leave, rounded up to the next full year. For example, payments for an 18-month leave must extend over two or more years.
- Payments are made on a pretax basis—reducing your taxable income\*.
- Payments are made through payroll salary reduction only (no personal checks).
- To eliminate or reduce the noncontributory offset only, you have the option of making a lump sum, after-tax payment, subject to the IRC §415(c) annual limit.

## If You Leave the University

- If you leave University employment before completing your buyback payments, you will receive proportional service credit—or a proportional reduction in your noncontributory offset.
- **If you have completed at least one year of buyback payments when you leave University employment, you may be able to make a lump sum, after-tax payment to complete your buyback.** You must make the payment within 60 days after leaving the University, and payment for approved leave is subject to the IRC §415(c) annual limit.

## Vesting

If, for budgetary reasons, you are being laid off or involuntarily losing University employment, and if you can meet UCRP vesting requirements only through service credit buyback, you may be able to complete a buyback, as follows:

- If you have not yet started the buyback payment schedule, you may make a one-time, lump sum, after-tax payment before you leave University employment.
- If you have completed less than one year of pretax payroll deductions to establish or reestablish service credit, you may complete the buyback with a one-time, lump sum, after-tax payment made within 60 days after leaving the University.

Payments for approved leave are subject to the IRC §415(c) annual limit.

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\* Reducing your taxable income may affect your maximum annual contribution to the Tax-Deferred 403(b) Plan.

# HOW TO DO A BUYBACK

## How To Do a Buyback

### 1. Obtain an Estimate

- Complete the *Service Credit Buyback Information Request* (UCRS 169) in this booklet and obtain the required records noted on the form.
- Ask your local Benefits Representative to estimate the cost and monthly payment options for your buyback (based on your completed UCRS 169) and to tell you the approximate benefit you would receive at retirement. This information should give you a good indication whether the buyback is financially feasible for you and whether you need to obtain a formal calculation.
- If you are still interested, make photocopies of the form UCRS 169, documentation, and buyback estimate for your records.

### 2. Request a Formal Calculation

- Send the form UCRS 169 (original), along with your documentation and your buyback estimate, to:

UC HR/Benefits Research Unit  
P.O. Box 24570  
Oakland, CA 94623-1570

### 3. Review Your Election Materials

- Within 60 days after receiving your request form, UC HR/Benefits will send you a buyback election packet. The packet will include your buyback cost, payment options, additional information on how to evaluate the cost and resulting benefit, and a buyback election form.
- When you receive the packet, consider your decision carefully. *Remember that your buyback election, once submitted, is irrevocable.*
- Submit your election form within 30 days of receipt to avoid additional interest charges.

Note: If you expect to retire within the next few years, ask your Benefits Representative about any effect your buyback might have on your retirement income.

**To obtain the *Service Credit Buyback Information Request* (UCRS 169), please see your local Benefits Representative.**



Neither the Regents of the University of California nor any officer or affiliated officer of the University makes any recommendation to participants for building supplemental retirement savings, and the various options available for contributions should not be construed in any respect as judgment regarding the prudence or advisability of such investments or as tax advice.

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In conformance with applicable law and University policy, the University is an affirmative action/equal opportunity employer. Please send inquiries regarding the University's affirmative action and equal opportunity policies for staff to Director of Diversity and Employee Programs, University of California Office of the President, 300 Lakeside Drive, Oakland, CA 94612 and for faculty to Director of Academic Affirmative Action, University of California Office of the President, 1111 Franklin Street, Oakland, CA 94607.

Website address: <http://atyourservice.ucop.edu>



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