

UNIVERSITY OF CALIFORNIA

Tax-Deferred 403(b) Plan

MAY 2008

Addresses, Information and Resources

Listed below are telephone numbers, website and correspondence addresses for some of the resources UC employees routinely use.

RETIREMENT SAVINGS PROGRAM RECORDKEEPER

Fidelity Retirement Services

Fidelity Retirement Services website: netBenefits.com
Telephone: 1-866-682-7787

PLAN ADMINISTRATOR

UC Human Resources and Benefits

UC HR/Benefits website: atyourservice.ucop.edu

Written correspondence should be sent to:
UC HR/Benefits
P.O. Box 24570
Oakland, CA 94623-1570

INVESTMENT OVERSIGHT

University of California Treasurer's Office

Treasurer's Office website: ucop.edu/treasurer

Written correspondence should be sent to:
Office of the Treasurer of The Regents
1111 Broadway, Suite 1400
Oakland, CA 94607

IF YOU MOVE

It is your responsibility to notify the Plan Administrator of your new mailing address. UC uses the address on file as the address of record for you and your beneficiaries. Failure to keep your address current could reduce your benefits. The Plan Administrator may charge the costs of locating missing participants against the accumulations of separated participants with incorrect addresses.

If you're an active employee (currently working at UC):

You can change your address online at At Your Service Online, a secure website where you can update personal information maintained in UC's payroll and benefits databases. To record an address change, go to At Your Service and select "Sign in to My Accounts." Enter your username or Social Security number and your UC Password; then select "My Contact Information."

If you're no longer working for UC or are retired:

Notify Fidelity Retirement Services by calling the Retirement Services Center at 1-866-682-7787. In addition, you may want to notify UC HR/Benefits of an address change by calling the UC Customer Service Center. Or, if you have internet access, select "Forms and Publications" on At Your Service and print and complete form UBEN 131 (*UC Benefits Address Change Notice*) and mail it to UC HR/Benefits.

The Tax-Deferred 403(b) Plan is a valuable component of the UC Retirement Savings Program offered to the University community. This *Summary Plan Description* explains the provisions, policies and rules that govern UC's Tax-Deferred 403(b) Plan (the 403(b) Plan).

Your future financial security depends in part on decisions you make about your participation in the 403(b) Plan and your understanding of the pivotal role you play. Therefore, we encourage you to read this booklet carefully and to keep it with your important papers for later reference.

Please note—make sure that UC always has your current address. That way, we're able to keep you informed about the status of your present and future retirement savings benefits and to provide you with information that may help you with decisions that could be crucial to your future financial security. See inside front cover for information about how to report a change of address.

The University of California Tax-Deferred 403(b) Plan document contains details of the provisions of the Plan. If a conflict exists between this *Summary Plan Description* and the Plan document, the Plan document governs. The Associate Vice President, Human Resources and Benefits (UC HR/Benefits), serves as the Plan Administrator and has the authority to interpret disputed provisions.

Fidelity Retirement Services provides recordkeeping and account services for the 403(b) Plan. Visit the Fidelity Retirement Services website (netBenefits.com) or call 1-866-682-7787 for information about:

- ▶ Beneficiaries
- ▶ Distributions
- ▶ Enrollment
- ▶ Exchanges/Transfers
- ▶ Investment Options
- ▶ 403(b) Plan Loans
- ▶ Personal Account Information
- ▶ Plan Performance
- ▶ Rollovers

Participants who leave UC employment with a 403(b) Plan balance of less than \$2,000 are not eligible to remain in the 403(b) Plan. If your balance was under \$2,000 and you left UC employment before July 1, 2005, call the UC Customer Service Center at 1-800-888-8267 for information. If you left UC employment on or after July 1, 2005, contact Fidelity Retirement Services. For more information, see page 12.

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Introduction

The 403(b) Plan is a defined contribution plan described under §403(b) of the Internal Revenue Code (the IRC). Future benefits from the 403(b) Plan will reflect the amount of a participant's voluntary salary deferral contributions plus earnings. Vesting is immediate.

Employees who want to participate in the 403(b) Plan designate a portion of their gross salary to be contributed on a pretax basis, thus reducing the participant's taxable income. Taxes on contributions and any earnings are deferred (that is, postponed) until the participant withdraws the money.

The designated Plan Administrator of the 403(b) Plan is the Associate Vice President, Human Resources and Benefits (AVP–HR/B). The AVP–HR/B has delegated recordkeeping duties to Fidelity Retirement Services. The relevant contact information is on the inside front cover. The Plan Administrator administers the 403(b) Plan for the sole benefit of Plan participants and their beneficiaries. Participation is voluntary and should be based on the participant's financial objectives and resources. Individual investment strategies should reflect the participant's personal savings goals and tolerance for financial risk. Participants may also want to consult a tax advisor or financial planner before enrolling. UC, The Regents, the Treasurer, UC HR/Benefits and Fidelity Retirement Services are not liable for any loss that may result from participants' investment decisions. This Summary Plan Description summarizes the Plan document as revised effective January 1, 2008.

Eligibility

All employees of UC and Hastings College of the Law—except students who normally work fewer than 20 hours per week—are eligible to participate in the 403(b) Plan. An employee begins participation when contributions are made to the 403(b) Plan on the employee's behalf. An employee or former employee continues participation until all funds held on his or her behalf are distributed.

Contributions

Salary deferral contributions to the 403(b) Plan come only from income paid through the UC payroll system (or the payroll systems of Lawrence Berkeley National Laboratory or Hastings College of the Law). Employees may also roll over money from other employer-sponsored plans, including the taxable portion of a distribution from the University of California Retirement Plan (UCRP; see "Rollovers: Into the Plan").

Contributions to the 403(b) Plan are reported annually on employees' W-2 forms, but are not included in income subject to taxation.

403(b) Plan salary deferral contributions are deducted from gross salary (after any other pretax deductions for medical plan premiums, dependent care expenses, or certain health care expenses), and income taxes are calculated on remaining pay. Although 403(b) Plan salary deferral contributions reduce taxable income, they do not reduce any other salary-related University benefits such as vacation or sick leave, life or disability insurance benefits, or benefits payable from UCRP.

Upon enrollment, participants choose the flat dollar amount or percentage of salary that they will contribute through payroll (generally monthly or biweekly) up to their maximum annual contribution amount. Under the percentage method, contributions change proportionately as the participant's salary changes.

If a participant transfers employment from one UC location to another UC location, the salary deferral election will stop automatically. The participant must re-enroll at the new location to continue contributions.

LEAVES OF ABSENCE

Contributions stop during a leave without pay and resume automatically at the same rate upon return to pay status unless the participant cancels them.

For sabbatical leaves or administrative leaves with pay during which employees earn less than 100 percent of regular compensation, contributions continue in the same amount or percentage (see "Contributions") as elected before the leave unless the participant makes a change. Because contributions remain the same while compensation decreases, it is important for participants to review their contribution amount before going on a paid leave.

Special rules may allow participants on military leave to “make up” contributions that would have been credited to their accounts during the military leave. Local Benefits Offices can provide more information.

During paid vacation or sick leave, contributions continue in the same amount.

TERMINATION OF EMPLOYMENT

If a participant leaves UC employment, contributions stop automatically. The payment options available for a participant’s accumulations are described in “Distributions, Retirees and Former Employees” (see page 7).

REAPPOINTMENT

If a participant leaves UC employment or retires and is later rehired into an eligible position, the participant may begin contributing to the Plan again.

MAXIMUM ANNUAL CONTRIBUTION LIMITS

The IRC limits the amount participants may contribute annually to tax-advantaged retirement plans and imposes substantial penalties for violating contribution limits (see “Excess Salary Reductions”).

For 2008, the 403(b) Plan contribution limits on salary deferral contributions are as follows:

Regular contribution limit	\$15,500 ¹
Participants who are age 50 or older any time during the year	\$20,500 ¹

To contribute the maximum amount, participants should check the limits and adjust their contributions for each calendar year accordingly.

Adjusted gross salary for any year is a participant’s gross University salary (including any shift differential, summer or equivalent term salary, health science faculty income over the base professorial salary, stipends and overtime), minus any required pretax contributions to other retirement plans (for example, the University of California Retirement Plan contributions that currently are redirected to the UC Defined Contribution Plan or CalPERS) and any pretax payments for UCRP (to establish, reestablish or convert prior periods of service credit or to eliminate the noncontributory offset).

¹ or 100 percent of adjusted gross salary, if less

Special Catch-up Provision

A special catch-up provision may allow participants to make additional contributions if, as of the preceding calendar year:

- ▶ the participant has 15 or more full years of UC employment, and
- ▶ the participant’s cumulative 403(b) Plan contributions (not including earnings) total less than \$5,000 times years of UC employment.

The special catch-up provision allows additional contributions up to a maximum of \$3,000 per year. Total cumulative special catch-up contributions under this provision are limited to \$15,000. For participants age 50 and older, the first \$3,000 of any salary deferrals contributed each year in excess of the under-age 50 limit is counted as a special catch-up contribution until they are no longer eligible to make these contributions. Participants who want to maximize 403(b) Plan contributions should take advantage of the special catch-up provision as soon as possible after completing 15 years of service.

EXCESS SALARY REDUCTIONS

UC payroll systems monitor 403(b) Plan contributions, and a participant’s contributions will stop automatically if they reach the limit before the end of the year. As a result, there is little chance of overcontributing. In limited circumstances, however, excess salary reductions may be made—if, for example, a participant works at more than one UC location during the year or contributes to a tax-advantaged plan with another employer.

If participants overcontribute because they work at more than one UC location, the excess will normally be identified and, in most cases, returned (with any earnings) before the end of the year in which it occurs.

If participants think they have overcontributed but have not been contacted, or if they contribute to a tax-advantaged plan with another employer during the year, they should call Fidelity Retirement Services before the end of the year (or by March 1 of the following year) to request a refund.

The IRC requires that excess salary reductions in any calendar year be refunded to the participant by April 15 of the following year to avoid tax penalties. If the excess is refunded by April 15, the excess is treated as ordinary income for the year in which the salary reductions were made. The refund will also reflect any

earnings (or loss) generated by the excess salary reductions during that year. The earnings must be reported on tax returns for the year in which the refund is paid. For example, if a participant receives a refund of 2006 excess contributions in 2006, all amounts should be reported on tax returns for 2006. If the participant receives the refund in 2007, however, the excess contributions should be reported on 2006 tax returns and any earnings on tax returns for 2007.

Refunds of excess contributions and earnings are not eligible for rollover, nor are they subject to the penalty taxes on early distributions (see “Early Distribution Penalties” on page 8).

If an excess contribution is not refunded by April 15, the excess amount must remain in the Plan. The participant must still report the excess as ordinary income for the year in which the contributions were made. In addition, the excess amount will again be taxable as ordinary income in the year in which the participant receives a distribution that includes these funds. In other words, excess contributions that are not refunded by the April 15 deadline are taxed twice. If the participant is under age 59½ when the distribution occurs, the excess may be subject to the early distribution penalty as well.

If, during a year, contributions for the participant are made to another plan over which the participant has control, or a participant makes salary deferral contributions to another plan (other than a 457(b)), the participant should consult a tax advisor on the applicable limitations on contributions.

INVESTMENT OF CONTRIBUTIONS

Participants choose the investment options in which they want to invest their contributions. The “Investment Options” are explained on page 9.

Subject to payroll deadlines, participants may start, stop or change the amount of their contributions to the Plan at any time on the Fidelity Retirement Services website. They also may redirect future 403(b) Plan contributions to one or more of the investment options and/or exchange (transfer) accumulations in the Plan among the investment options at any time. Direct transfers between certain investment options may be prohibited. See the Fidelity Retirement Services website (netBenefits.com) for more information.

403(b) Plan Loan Program

403(b) Plan Loan Program policies and guidelines conform to applicable IRC provisions and are subject to termination or change by the Plan Administrator and various governing authorities without prior notice.

Participants are eligible to borrow their 403(b) Plan accumulations if they are active UC employees with at least \$1,000 in the Plan.

403(b) Plan loans are secured by a promissory note between the participant and the University. As each repayment is credited back to the account, earnings accrue to the participant’s accumulations.

Important note—the decision to participate in the 403(b) Plan represents a conscious commitment to save for retirement years, and participants should borrow from the 403(b) Plan only if it is absolutely necessary. Although participants are not penalized if they take a 403(b) Plan loan, they do risk the loss of earning potential.

LOAN TERMS AND BORROWING LIMITS

Loans are generally granted for a term of five years or less (general-purpose loans). Loans taken to purchase a principal residence can extend for a term of up to 15 years (principal-residence loans). Before taking a loan from the 403(b) Plan to purchase a principal residence, participants should consult a tax advisor.²

² Interest on 403(b) Plan loans is not deductible for income tax purposes; therefore, a conventional home mortgage loan may be more advantageous for participants purchasing a principal residence.

Depending on the combined Retirement Savings Program (Defined Contribution Plan, 403(b) Plan, and 457(b) Deferred Compensation Plan) balance, the participant may borrow from \$1,000 to \$50,000 as follows:

If Retirement Savings

Program Balance is:	Loan Limit is:
\$1,000 to \$20,000	\$10,000, or 100% of 403(b) Plan balance, if less than \$10,000 (minus any current outstanding loan balance).
\$20,000 & over	\$50,000 ³ , 50% of combined Program balance, or 100% of 403(b) Plan balance, whichever is less (minus any current outstanding loan balance).

Participants may have one general-purpose loan and one principal-residence loan outstanding at any given time; they may take one general-purpose loan and one principal-residence loan during any 12-month period.

INTEREST RATES AND ADMINISTRATIVE FEES

Interest rates for the Loan Program are determined quarterly, based on the prime rate plus 1 percent. The interest rate is fixed when the loan is granted and remains the same throughout the loan term.

For loans processed on and after July 1, 2005, a nonrefundable initiation fee of \$35 will be deducted from the Plan balance at the end of the quarter in which the loan is taken. A \$15 annual maintenance fee is deducted (\$3.75 per quarter) for the life of the loan.

REPAYMENT

Participants generally repay their loans through automatic after-tax payroll deduction. Monthly payments of principal and interest are credited proportionately among the investment options the participant has elected for future contributions. The minimum monthly payment is \$50, and the minimum repayment term is 12 months. The maximum repayment term is

60 months—or up to 180 months (15 years) if the loan is used to buy a principal residence.

If a participant wants to prepay part or all of the outstanding loan balance, there are no prepayment penalties.

Participants with a 403(b) Plan loan who retire, leave UC employment, go on approved leave without pay, go on furlough or temporary layoff, or otherwise have a change in pay status that affects their payroll deduction loan payments must arrange for one of the following options with Fidelity Retirement Services within 90 days of their last day on pay status:

- ▶ make monthly payments,
- ▶ make full payment in advance for the period off pay status (not applicable to retirees), or
- ▶ repay the outstanding loan amount in full.

For employees returning from approved leave without pay, Fidelity Retirement Services will automatically reamortize the outstanding loan balance, including any payments missed during the leave, which may increase the amount of the monthly payment. Note: the total number of payments cannot exceed the term maximum (60 months for general purpose loans, 150 months for principal residence loans).

If the loan defaults, the outstanding principal will be treated as a taxable distribution.

Please note: Fidelity Retirement Services cannot accept personal checks. Payments must be made by electronic funds transfer or by certified check.

If a participant dies before repaying a loan in full and the outstanding loan principal is not paid within 90 days of the participant's death, any outstanding principal will be treated as a taxable distribution.

Generally, for any circumstance in which either a loan payment or outstanding balance is not repaid when it is due or within 90 days, the loan will be considered in default. If the default is not resolved within the 90-day period, the loan will be cancelled and any outstanding principal will be treated as a taxable distribution from the 403(b) Plan.

Borrowers who go on military leave may elect to suspend loan payments, arrange to continue monthly payments (which may involve an interest rate adjustment), prepay their loan, or pay off the loan. These options must be elected before the military leave is effective. Contact Fidelity Retirement Services for more information.

³ \$50,000 is the maximum amount of principal that a participant may borrow or have outstanding during any 12-month period. Further, the total amount of all outstanding 403(b) Plan loans within a 12-month period will affect the maximum amount that a participant may borrow during that period, even if the participant has paid off all amounts owed. The \$50,000 maximum is reduced by the total of any 403(b) loan balances outstanding during the preceding 12 months.

Distributions of outstanding loan principal will be subject to ordinary income taxes and may also be subject to federal and state penalty taxes on early distributions (before age 59½). Fidelity Retirement Services will issue a Form 1099R reporting the amount of the distribution. Taxes and penalties, if applicable, should be reported when the participant files tax returns. A participant will not be able to take additional loans from the 403(b) Plan while a loan is in default.

Distributions

Distribution rules vary depending on the participant's employment status.

CURRENT UC EMPLOYEES

The IRC restricts 403(b) Plan distributions to current employees. In general, an employee may not take a distribution of plan accumulations, unless the employee:

- ▶ has attained age 59½, or
- ▶ experienced a hardship as described below.

Hardship Distributions

Employees may be able to take a hardship distribution on account of an immediate and heavy financial need. To be eligible for a hardship distribution, an employee must have exhausted all other financial resources—including a loan from the 403(b) Plan or any other lending program maintained by UC Retirement Savings Program, and a distribution of any money in the DC Plan After-Tax Account. After receiving a hardship distribution, the employee may not make voluntary contributions to the 403(b) Plan, the 457(b) Plan, or the DC Plan for six months. The employee must also certify that the distribution is being taken for at least one of the following reasons:

- ▶ eligible medical expenses;
- ▶ the purchase of a principal residence (excluding mortgage payments);
- ▶ tuition payments and/or room and board for the next 12 months of post-secondary education for the employee, his/her spouse or dependents;
- ▶ payments necessary to prevent foreclosure on the mortgage of, or eviction from, a principal residence;
- ▶ funeral expenses for a family member;

- ▶ loss or damage as a result of a natural disaster (for example, earthquake, flood, fire, etc.); or
- ▶ other circumstances determined by the Internal Revenue Service.

Participants who request a hardship distribution that exceeds \$10,000 or who make multiple hardship distribution requests within a 12-month period must provide proof of hardship to Fidelity Retirement Services. Fidelity Retirement Services and the IRS rules may also require proof of hardship for certain other hardship distribution requests.

Hardship distributions will include only the participant's 403(b) Plan contributions. (Exception—contributions rolled over into the 403(b) Plan from a former employer plan may also be included if necessary to satisfy the request.) Any earnings on the contributions must remain in the Plan.

A hardship distribution is generally taxed as ordinary income in the year in which it is issued. In accordance with IRS regulations, Fidelity Retirement Services will withhold 10 percent for federal taxes and 1 percent for California state taxes (unless the participant elects no withholding).

There are specific federal tax-withholding rules that apply to all distributions from retirement and savings plans (see "Taxes on Distributions" on page 8).

RETIREES AND FORMER EMPLOYEES

In general, participants cannot request a distribution until 31 days after their employment ends. However, the 31-day period is waived for participants who are age 59½ or older.

Participants who leave UC employment or retire have the following options for money in the 403(b) Plan:

- ▶ Leave the money in the Plan if the Plan balance totals at least \$2,000, subject to minimum required distribution rules. Although participants may no longer contribute, they may transfer funds among the investment options, subject to the transfer/exchange rules, and roll over money into the Plan;
- ▶ Take a full or partial distribution (payable to the participant or directly rolled over to a traditional IRA, a Roth IRA, or employer-sponsored plan); see page 8 for information on early distributions.
- ▶ Arrange for systematic withdrawals. This option enables the participant to receive regular, periodic distributions without having to make a specific request for each one; or

- ▶ Purchase a commercial annuity. Commercial annuities provide periodic payments in a fixed amount for a specific period of time. Annuities may be purchased through UC's group insurance contract with a California-licensed third party insurance carrier. Neither UC HR/Benefits, the Regents, nor the University has any further fiduciary obligation to participants who use their 403(b) Plan funds to purchase an annuity product from any third-party insurance carrier or other such vendor.

All distributions are subject to Fidelity Retirement Services and payroll deadlines. No distributions can be made until all payroll activity is complete, which can take from 30 to 60 days.

For distributions made on and after January 1, 2006, the following Plan rules apply to distributions of small accounts after the participant has terminated UC employment:

If the value of the participant's accumulations is less than \$2,000, but more than \$1,000, and the participant fails to provide distribution directions, the participant's accumulations will be rolled over to an IRA custodian designated by the Plan Administrator in an account maintained for the participant.

If the value of the participant's accumulations is \$1,000 or less, and the participant fails to provide distribution directions, the participant's accumulations shall be paid directly to the participant at his or her address of record.

TAXES ON DISTRIBUTIONS

A distribution from the 403(b) Plan is generally taxed as ordinary income in the year it is issued. Note, however, that there are specific federal tax-withholding rules that apply to all distributions from retirement savings and investment plans. For more information about the tax treatment of Plan distributions, read the special tax notice provided by Fidelity Retirement Services before requesting a distribution. The tax rules are quite complex; for these reasons, participants considering a distribution from the Plan are strongly encouraged to consult a tax advisor.

Participants who choose to take a distribution are responsible for satisfying the distribution rules and for any tax consequences.

Distributions to participants are reported annually on IRS Form 1099R, which are sent in January following the calendar year in which the distribution was issued.

EARLY DISTRIBUTION PENALTIES

In addition to being taxed as ordinary income, distributions taken before age 59½ (early distributions) may be subject to nondeductible federal and state penalty taxes—currently a 10 percent federal tax and a 2.5 percent California state tax, unless:

- ▶ the distribution is made after the participant leaves UC employment and in or after the year the participant reaches age 55,
- ▶ the participant is permanently disabled or dies,
- ▶ the participant receives a series of substantially equal distributions over his/her life/life expectancy (or his/her and beneficiary's lives/life expectancies),
- ▶ the distribution is used for deductible medical expenses in excess of 7.5 percent of the participant's adjusted gross income,
- ▶ the distribution is paid to an alternate payee under a QDRO,
- ▶ the distribution is made on account of certain tax levies, or
- ▶ the distribution is made on account of other exceptions defined by the IRS.

Early distribution penalties are not assessed 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.

MINIMUM REQUIRED DISTRIBUTIONS

Participants must begin receiving minimum distributions from the Plan by April 1 of the calendar year following the later of:

- ▶ the year in which they reach age 70½, or
- ▶ the year in which they leave UC employment.

Participants who do not receive minimum distributions by the required dates, or who receive less than the minimum amount the law requires, must pay a nondeductible 50 percent excise tax on the difference between the amount that should have been received and the amount received.

Minimum required distributions are not eligible for rollover.

Minimum required distributions are calculated in accordance with U.S. Treasury regulations.

Distributions to Beneficiaries

Participants can and should name one or more beneficiary. A beneficiary may be an individual, trust, estate, charity, or corporation. When a participant dies, the named beneficiary(ies) should contact Fidelity Retirement Services regarding available options. One of the options a beneficiary has is to leave the money in the Plan, subject to the minimum required distribution rules. Note that this option applies only if the individual beneficiary's share of the deceased participant's Plan balance totals at least \$2,000. If the named beneficiary is a trust, estate, charity, or corporation, the Plan balance must be distributed within nine months of the date of the participant's death.

A deceased participant's beneficiary (the participant's beneficiary) may also designate a beneficiary (beneficiary's beneficiary) to receive the balance in the deceased participant's account if the participant's beneficiary dies before taking a total distribution. The beneficiary's beneficiary must decide how they want money to be distributed within nine months of the death of the participant's beneficiary.

If no beneficiary has been named, or if the beneficiary dies before the participant, any amount remaining will be distributed to the participant's survivors in the following order of succession:

- ▶ surviving legal spouse or surviving domestic partner; or, if none,
- ▶ surviving children, natural or adopted, on an equal-share basis (children of a deceased child share their parent's benefit); or, if none,
- ▶ surviving parents on an equal-share basis; or, if none,
- ▶ brothers and sisters on an equal-share basis; or, if none,
- ▶ the participant's estate.

Procedures established for the University of California Retirement Plan (UCRP) are used to determine whether a domestic partner is included in the order of succession above. Generally, the UCRP procedures require that an individual must be designated as a UCRP member's domestic partner by one of three possible methods:

- ▶ registration of the domestic partnership with California's Secretary of State;

- ▶ registration of a same-sex union, other than marriage, validly formed in another jurisdiction, that is substantially equivalent to a California domestic partnership; or
- ▶ filing of a *UC Declaration of Domestic Partnership* form and supporting documentation with the UCRP administration.

If a member dies before filing a *UC Declaration of Domestic Partnership*, only documents from the first two methods may be used to establish a domestic partnership.

Additional 403(b) Plan Information

INVESTMENT OPTIONS

Plan participants have several options for building individual investment portfolios to achieve their retirement savings goals. Currently, the Treasurer of the Regents of the University of California selects and monitors a group of Core Funds based on criteria established by the Regents. The Core Funds include the UC Funds, which are investment options managed by the Treasurer's Office or by investment managers appointed by the Treasurer's Office, as well as mutual funds. The Core Funds provide participants with a diverse menu of the major asset classes to which participants may direct their contributions.

In addition, Fidelity Investments mutual funds and Calvert socially responsible mutual funds are available for those participants willing to assume additional responsibility for monitoring their individual fund choices. These funds are part of fund families previously authorized by The Regents as plan investment options and have been retained in the 403(b) Plan as an accommodation to participants. The Treasurer's Office does not monitor individual fund performance and makes no qualitative assessment as to any investment fund that is not part of the Core Funds.

Participants may also invest in mutual funds that are not included in the Core Funds and are not part of the Fidelity or Calvert fund families by opening a brokerage window account. To open a brokerage window account, participants must agree to the terms and conditions that govern the account, including acknowledgement of the risks involved and the special fees that may apply.

Information about investment objectives, risks, changes and expenses of all options is available, free of charge, from Fidelity Retirement Services.

ROLLOVERS: INTO THE PLAN

Participants may move eligible retirement funds from a previous employer plan or an IRA to the 403(b) Plan via a rollover. The 403(b) Plan accepts rollovers of pre-tax distributions from:

- ▶ other employer-sponsored plans, including lump sum cashouts and CAP distributions from the UC Retirement Plan, 401(a), 401(k), 403(b) and governmental 457(b) Plans,
- ▶ traditional IRAs.

The Plan also accepts direct rollovers of after-tax amounts from other 403(b) plans, 401(a) plans (including UCRP), and 401(k) plans.

To roll over money directly from another employer-sponsored plan to UC's 403(b) Plan, the participant must arrange to have the plan's custodian or plan administrator write a check for the distribution, payable to "Fidelity Investments Institutional Operations Company, Inc. (FIIOC)." As long as the check is payable directly to FIIOC (not to the participant), no taxes should be withheld from the distribution, and the pretax funds will retain their tax-deferred status.

Employees who are eligible to participate in the 403(b) Plan may execute a rollover (and become Plan participants) even if they have not yet begun contributing to the Plan through payroll deductions.

Former employees who did not participate in the 403(b) Plan are not eligible to roll over funds into the Plan, except for eligible distributions from UCRP of \$2,000 or more.

If a participant takes a distribution from a former employer plan, including UCRP, and the check is payable to the participant, he/she can also roll over the taxable portion of the money into the 403(b) Plan, as long as the rollover is made within 60 days after receiving the distribution. To roll over 100 percent of the taxable portion of the distribution, the participant must replace, from personal savings or other sources, an amount equal to the taxes that were withheld when the distribution was issued.

ROLLOVERS: FROM THE PLAN

All 403(b) Plan distributions except those listed below are eligible for direct rollover (distribution made payable to a traditional IRA, a Roth IRA, or another employer

plan). As long as the check for the distribution is payable directly to the plan, no taxes should be withheld and the funds will retain tax-deferred status. If made payable to the participant, taxable distributions are subject to mandatory 20 percent federal tax withholding.

Participants may also roll over an eligible 403(b) Plan distribution consisting of pretax funds that has been paid to them, as long as the rollover to the IRA or new plan occurs within 60 days of receipt of the distribution. A participant who wants to roll over 100 percent of the distribution must replace, from personal savings or other sources, an amount equal to the taxes that were withheld when the distribution was issued. Any amount not rolled over will be taxed as ordinary income for the year in which the distribution was issued. It may also be subject to the early distribution penalties.

403(b) Plan distributions that are not eligible for rollover include:

- ▶ minimum required distributions,
- ▶ refunds of excess contributions (plus earnings),
- ▶ systematic withdrawals, and
- ▶ hardship distributions.

Distributions made to non-spouse beneficiaries are eligible only for a direct rollover and only to an IRA.

For more information about the tax treatment of rollovers, read the special tax notice available from Fidelity Retirement Services.

ACCOUNT ACTIVITY

To help participants better understand the Plan's benefits and effectively manage their accounts, Fidelity Retirement Services, on behalf of UC HR/Benefits, provides personalized account information via two electronic sources.

- ▶ Participants who have internet access can find current, comprehensive information about their accounts and make certain online Plan transactions by visiting Fidelity Retirement Services website (netBenefits.com).
- ▶ Participants can retrieve personal financial information about their accounts and make transactions on Fidelity Retirement Services toll-free telephone line (1-866-682-7787).

Annual reports containing audited financial statements are available on At Your Service or from the UC Customer Service Center.

Summary plan descriptions are sent periodically to all participants and are also available on At Your Service, the Fidelity Retirement Services website, or from your local Benefits Office or the UC Customer Service Center.

Participants may obtain a copy of the University of California Tax-Deferred 403(b) Plan document by writing to UC HR/Benefits (see inside front cover).

Participants should read the complete descriptions of the investment funds and accompanying Plan materials before making any investment decisions.

All notices or communications to a participant or a beneficiary will be effective when sent by first-class mail or conveyed electronically to the participant's address of record. The University and the Regents are entitled to rely exclusively upon any notices, communications, or instructions issued in writing or electronically conveyed by UC HR/Benefits that are believed to be genuine and to have been properly executed.

CLAIMS PROCEDURES

If Fidelity Retirement Services is unable to verify a claimant's right to a benefit within a short period of time, the claimant will be notified that he or she needs to forward a written request to the attention of the UC Contract Administrator, UC HR/Benefits, P.O. Box 24570, Oakland, CA 94623-1570 who will review the claim on behalf of the Plan Administrator. The request should include all relevant information. Within 90 days of receipt of the request, the contract administrator will approve or disapprove the claim. If the claim is denied, the contract administrator will notify the claimant in writing, setting forth the specific reasons for the denial and providing specific references to the plan provisions on which the denial is based. The contract administrator also will describe any additional material or information needed to perfect the claim and provide an explanation of the 403(b) Plan's review procedures.

If the claimant's request is denied by the contract administrator, the claimant may submit a written request for an independent review by the Plan Administrator within 60 days of receiving the denial. The request for an independent review should be forwarded to the Plan Administrator, P.O. Box 24570, Oakland, CA 94623-1570. The request should be accompanied by all supporting documentation. The Plan Administrator will make a full review of the request within 60 days unless the circumstances require a longer period, but in no event more than 120 days. If the Plan Administrator upholds the contract

administrator's denial, the Plan Administrator will notify the claimant. The decision of the Plan Administrator will be final and conclusive on all persons.

If, after exhausting administrative appeal procedures, the claimant still believes that a benefit has been improperly paid or denied, the claimant has the right to initiate legal proceedings.

For service of process, send to The Regents of the University of California, Trustee of the Tax-Deferred 403(b) Plan, c/o Office of the General Counsel, 1111 Franklin Street, 8th Floor, Oakland, CA 94706.

PLAN ADMINISTRATION AND FEES

The Associate Vice President of HR/Benefits is the Plan Administrator with responsibility for the day-to-day management and operation of the Plan.

Investor expenses for the UC Funds are limited to 0.15 percent (or \$1.50 per \$1,000 invested) of the Fund's average market value per year, assessed on a daily basis (1/365th per day invested). These expenses are not billed to participants, but are netted against the investment experience of the Fund. These expenses comprise approximately 0.03 percent for investment management, 0.02 percent for investor education, and 0.10 percent for administration (including accounting, audit, legal, custodial, and recordkeeping services). The total administrative expenses are estimated and actual expenses could be lower in some periods. If actual administrative expenses are less than estimated, any residual amount will be returned to the Fund periodically, on a prorated basis, thereby lowering the effective expense ration for participants. There are no front-end or deferred sales loads or other marketing expenses.

In addition, any fees paid by participants, including loan fees and brokerage window account fees, and any fees that may be awarded for Fidelity Retirement Services failure to meet certain performance standards, will be credited to a plan fee account. At the direction of the Plan Administrator and subject to receipt of supporting documentation, Fidelity Retirement Services will apply the plan fee account funds against reasonable plan expenses that otherwise would be paid from other plan assets. Any basis points that are assessed against the market value of the mutual fund investments in the 403(b) Plan pursuant to revenue sharing agreements will be credited to an expense credit account and offset against charges for services provided by Fidelity Retirement Services and its affiliates. If any amount remains after payment for

Fidelity Retirement Services-related services, funds in the expense credit account will be used to reimburse the University for reasonable plan expenses previously paid by the University.

A participant can obtain information on fees charged by a mutual fund investment option by reviewing the fund prospectus available on the Fidelity Retirement Services website (netBenefits.com).

PLAN CHANGES

The Plan is subject to change and to independent audit to comply with applicable federal and state statutes, IRC regulations and industry standards. Participants are notified in writing whenever substantive changes to the Plan occur. Although the Plan is expected to continue indefinitely, the Regents reserve the right to amend or terminate the Plan at any time.

DESIGNATION OF BENEFICIARY

Participants should designate a beneficiary to receive their accumulations in the 403(b) Plan in the event of their death. Participants may name more than one beneficiary and specify the percentage of the Plan balance that each beneficiary is to receive. A beneficiary may be a person, trust or organization.

For participants who do not name a beneficiary, 403(b) Plan funds will be distributed to the participant's survivors in the order of succession listed on page 9.

Married participants who designate someone other than their legal spouse as a beneficiary may need to consider the spouse's community property rights. For residents of a community property state such as California, a beneficiary designation may be subject to challenge if the spouse would consequently receive less than the share of the benefit attributable to community property.

If procedural change results in changes to beneficiary designations, the Plan Administrator will notify affected participants.

A will does not supersede a beneficiary designation.

It is the participant's responsibility to keep information on beneficiaries, including addresses, up to date. The address of record is binding for all purposes of the 403(b) Plan.

ASSIGNMENT OF BENEFITS

Generally, 403(b) Plan benefits payable to participants, beneficiaries, or survivors cannot be attached by

creditors, nor can anyone receiving benefits assign payments to others. Plan benefits are intended solely for the security and welfare of participants and their beneficiaries and survivors.

There are some exceptions. For example, the IRS may attach retirement benefits to collect unpaid taxes, or a court may order certain benefits to be paid for child or spousal support.

QUALIFIED DOMESTIC RELATIONS ORDERS (QDROS)

A court may award Plan assets to the participant's spouse or former spouse or the participant's dependent. This usually will occur in connection with a divorce or legal separation. In such cases, the domestic relations order must be approved, or qualified, as being in compliance with state law and with the Plan.

Both spouses and the court have the right to request information about the benefits earned by the participant during the marital period and how those benefits are derived, as well as information about the options available to non-participants. To obtain a copy of the QDRO procedures, contact Fidelity Retirement Services (netBenefits.com or 1-866-682-7787).

The California legislature recently enacted laws that establish procedures for dividing property in connection with the termination of a state-registered domestic partnership. For more information, call Fidelity Retirement Services.

INELIGIBLE ACCOUNTS RETAINED BY UC

The 403(b) Plan does not permit a participant whose accumulations have a value of less than \$2,000 to remain in the 403(b) Plan after leaving UC employment. In order to facilitate the conversion to the new recordkeeper in July 2005, the UC Residual Accounts group retained administration of ineligible accounts of participants who terminated UC employment before July 1, 2005 with small balances as follows:

If a participant had accumulations of less than \$50 on June 30, 2005, and failed to provide timely distribution directions or confirm his or her location, the participant's accumulations were forfeited as of June 30, 2005. The forfeited amounts will be used to defray reasonable plan expenses and to restore a participant's previously forfeited accumulations, plus interest, if the participant subsequently files a valid claim and provides distribution directions.

If a participant had accumulations of \$50 or more but less than \$2,000 on June 30, 2005, and the participant failed to provide timely distribution directions, the investment options in the participant's account were liquidated as of June 30, 2005, and an account was established on the participant's behalf. The aggregated assets of all such accounts were then invested in the UC Savings Fund in order to preserve principal, and a proportionate share allocated to each account. The UC Residual Accounts group will maintain such accounts until such time as the participant's location can be confirmed and distribution made. Each account is credited with monthly interest at a fixed rate.

Employee Information Statement

Participants in defined contribution plans are responsible for determining which, if any, investment vehicles best serve their retirement objectives. The 403(b) Plan assets are invested solely in accordance with the participant's instructions. The participant should periodically review whether his/her objectives are being met, and if the objectives have changed, the participant should make the appropriate changes. Careful planning with a tax advisor or financial planner will help to ensure better supplemental retirement savings.

Neither the Regents, the Treasurer, the Plan Administrator, 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 the investment of contributions should not be construed in any respect as a judgment regarding the prudence or advisability of such investments or as tax advice. Neither the Regents, the Treasurer, nor the Plan Administrator bear any fiduciary liability for any losses resulting from a participant's investment instructions. The Plan Administrator reserves the right to refuse to implement any investment instruction from a participant that violates Plan rules or IRC provisions.

All elections concerning contributions to the 403(b) Plan are subject to payroll transaction and fund valuation deadlines.

Neither the University, the Treasurer, the Plan Administrator, nor any officer or affiliated officer shall be responsible in any way for the purpose, propriety or tax treatment of any contribution or distribution (or any other action or nonaction) taken pursuant to the direction of a Plan participant, beneficiary, executor or administrator, or a court of competent jurisdiction. Although the Regents, the Treasurer, the Plan Administrator, and officers and affiliated officers shall have no responsibility to give effect to a decision from anyone other than the Plan participant, beneficiary, executor or administrator, they reserve the right to take appropriate action, including termination and/or disbursement of a participant's account, to protect the Plan from losing its tax-advantaged status for any event that violates Plan rules or applicable IRC provisions.

By authority of The Regents, University of California Human Resources and Benefits, located in Oakland, administers all benefit plans in accordance with applicable plan documents and regulations, custodial agreements, University of California Group Insurance Regulations, group insurance contracts, and state and federal laws. No person is authorized to provide benefits information not contained in these source documents, and information not contained in these source documents cannot be relied upon as having been authorized by The Regents. Source documents are available for inspection upon request (1-800-888-8267). What is written here does not constitute a guarantee of plan coverage or benefits—particular rules and eligibility requirements must be met before benefits can be received. The University of California intends to continue the benefits described here indefinitely; however, the benefits of all employees, retirees, and plan beneficiaries are subject to change or termination at the time of contract renewal or at any other time by the University or other governing authorities. The University also reserves the right to determine new premiums, employer contributions and monthly costs at any time. Health and welfare benefits are not accrued or vested benefit entitlements. UC's contribution toward the monthly cost of the coverage is determined by UC and may change or stop altogether, and may be affected by the state of California's annual budget appropriation. If you belong to an exclusively represented bargaining unit, some of your benefits may differ from the ones described here. Contact your Human Resources Office for more information.

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: atyourservice.ucop.edu



University of California
Human Resources and Benefits
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