

UNIVERSITY OF CALIFORNIA

Tax-Deferred 403(b) Plan

JULY 2004

Addresses, Information and Resources

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

UC HUMAN RESOURCES AND BENEFITS

UC HR/Benefits website:

<http://atyourservice.ucop.edu>

**UC Customer Service Center
(and bencom.fone)**

1-800-888-8267

Hours: 8:30 a.m.–4:30 p.m., Monday–Friday
(bencom.fone—24 hrs./day, 7 days/week)

Your UC PIN

The key to the interactive options on At Your Service and bencom.fone is your UC Personal Identification Number—your UC PIN. When you become a UC employee, you'll need to create a permanent numeric PIN on At Your Service or bencom.fone.

Written correspondence should be sent to:

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

Local Benefits Offices

Your local Benefits Office is often the best and most convenient resource for answers to questions about your benefits and for benefits publications and forms. The following is a contact list for local campus and lab Benefits Offices.

UC Berkeley	1-510-642-7053
UCSF	1-415-476-1400
UCSF Medical Center	1-415-353-4545
UC Davis	1-530-752-1774
UC Davis Medical Center	1-916-734-8099
UCLA	1-310-794-0830
UCLA Medical Center	1-310-794-0500
UC Riverside	1-909-787-4766
UC San Diego	1-858-534-2816
UC San Diego Medical Center	1-619-543-8244
UC Santa Cruz	1-831-459-2013

UC Santa Barbara	1-805-893-2489
UC Irvine	1-949-824-5210
UC Irvine Medical Center	1-714-456-5736
UC Office of the President	1-510-987-0123
Lawrence Berkeley Nat'l Lab	1-510-486-6403
Lawrence Livermore Nat'l Lab	1-925-422-9955
Los Alamos Nat'l Lab	1-505-667-1806
ASUCLA	1-310-825-7055
Hastings College of the Law	1-415-565-4703

UNIVERSITY OF CALIFORNIA TREASURER'S OFFICE

Telephone: 1-510-987-9600

Hours: 8:00 a.m.–5:00 p.m., Monday–Friday

Treasurer's Office website: www.ucop.edu/treasurer

Written correspondence should be sent to:

Treasurer of the Regents
P.O. Box 24000
Oakland, CA 94623-1000

INVESTMENT COMPANIES

Fidelity Investments 1-800-343-0860

Fidelity website: www.mysavingsatwork.com

Calvert Socially Responsible

Investment Funds 1-800-368-2745

Calvert website: www.calvertgroup.com/plan_ucal.html

BENEFITS FROM OTHER SOURCES

For information on plans and services that may have an impact on your retirement benefits, such as Social Security, CalPERS, or other retirement plans and agencies, contact the appropriate agency.

Social Security Administration 1-800-772-1213

Social Security website: www.socialsecurity.gov

CalPERS 1-888-225-7377

CalPERS website: www.calpers.ca.gov

The Certified Financial Planner

Board of Standards 1-303-830-7500

(provides information about how to choose a reputable, certified financial planner)

CFP website: www.cfp-board.org

The Tax-Deferred 403(b) Plan is a valuable component of the retirement and savings benefit package 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). It also provides information about actions you can take to maximize your participation in the Plan, such as how to claim benefits or make changes to your contributions or to your investment portfolio.

Much of your future financial security depends on decisions you make while you're still working at UC and your understanding of the pivotal role you have in shaping your financial future. Therefore, we encourage you to read this booklet carefully and to keep it with your important papers for later reference.

At the back of this booklet is Appendix A, the "Special Tax Notice for Plan Distributions," which explains the federal tax-withholding and rollover rules that apply to distributions from retirement savings and investment plans.

Parting words of note—please make sure that UC always has your current address and telephone number. 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 page 19 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. University of California Human Resources and Benefits (UC HR/Benefits) maintains the authority to interpret disputed provisions.

403(b) Plan Table of Contents

Introduction	3	Additional 403(b) Plan Information	14
Participation	3	Rollovers:	
Enrollment	3	Into the Plan	14
Leaves of Absence	3	From the Plan	14
Termination of Employment	4	Investment Options:	
Reappointment.....	4	UC-Managed Investment Funds	15
Contributions	4	Mutual Fund Investments	15
Maximum Annual Contribution Limits.....	4	Significant Accounting Policies:	
Special Catch-up Provision.....	4	Interest Factors and Unit Values	16
Investment of Contributions	5	Valuation of Investments	16
Excess Contributions	5	Account Activity	16
Money Movement	5	Claims Procedures	16
403(b) Plan Loan Program	6	Plan Administration.....	17
Loan Terms and Borrowing Limits.....	6	Plan Changes.....	17
Interest Rates and Administrative Fees	7	Designation of Beneficiary	17
Repayment.....	7	Assignment of Benefits	17
Missed Payments	8	Qualified Domestic Relations Orders (QDROs).....	18
Long-Term Loans	8	Employee Information Statement	19
Refinancing.....	8	If You Move	19
Loan Request Process.....	9		
Funding Process.....	9		
Distributions	9		
Active Participants	9		
Hardship Distributions.....	10		
Inactive Participants	10		
Distribution Processing Dates.....	11		
Taxes on Distributions	11		
Early Distribution Penalties	11		
Minimum Required Distributions	11		
403(b) Plan Retirement Income	12		
Eligibility	12		
Systematic Withdrawals	12		
Commercial Annuities—UC’s Group			
Insurance Contract.....	12		
Disability	13		
Distributions to Beneficiaries	13		

Introduction

The University of California (the University or UC) offers eligible employees of the University and its affiliate, Hastings College of the Law, a tax-advantaged retirement plan to provide supplemental retirement benefits. The Plan is a defined contribution plan described under §403(b) of the Internal Revenue Code (the IRC). Future benefits from the Tax-Deferred 403(b) Plan (the 403(b) Plan or the Plan) are based on participants' voluntary contributions plus earnings, and vesting is immediate.

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

UC HR/Benefits administers the 403(b) Plan for the sole benefit of Plan participants and their beneficiaries. Participation is voluntary and should be based on your financial objectives and resources. Individual investment strategies should reflect your personal savings goals and tolerance for financial risk. You are encouraged to read the materials about Plan participation, available on the UC HR/Benefits website, At Your Service (<http://atyourservice.ucop.edu>), or from your local Benefits Office or the UC Customer Service Center. You may also want to consult a tax advisor or financial planner before enrolling.

Participation

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.

ENROLLMENT

You may enroll in the 403(b) Plan in either of the following ways:

- ▶ If you have Internet access, go to At Your Service and select “Your Benefits Online.” All the information and instructions you need are there on the web pages.

This interactive enrollment option is available 24 hours a day, seven days a week, and requires that you enter your username or Social Security number and your UC Personal Identification Number (PIN). If you have lost or forgotten your PIN, you can reset it on At Your Service. All participants can use the interactive telephone service, [bencom.fone \(1-800-888-8267\)](tel:1-800-888-8267), to set or reset a PIN.

- ▶ If you don't have Internet access, you will need to complete form UPAY 801 (*Salary Reduction Agreement—Tax-Deferred 403(b) Plan*), available from your local Benefits Office.

You can enroll in the Plan at any time, but local Payroll Office deadlines determine when your contributions actually begin.

LEAVES OF ABSENCE

Contributions stop during a leave without pay and resume automatically at the same rate upon return to pay status unless you cancel 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. 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 account 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 you leave UC employment, your contributions stop automatically. There are several options available for the money you have accumulated in the Plan. The options are described in “Distributions, Inactive Participants” and “403(b) Plan Retirement Income.”

REAPPOINTMENT

If you leave UC employment or retire (become an inactive participant) and are later rehired into an eligible position, you may begin contributing to the Plan again.

Contributions

Contributions to the 403(b) Plan may be made only through salary reduction and may come only from income paid through the UC payroll system (or the payroll systems of the Department of Energy laboratories or Hastings College of the Law). Contributions are not permitted from any other source. Employees may, however, roll over money from other employer-sponsored plans, including the taxable portion of a distribution from UCRP (see “Rollovers: Into the Plan”).

Contributions to the 403(b) Plan are reported annually on employees’ W-2 forms.

403(b) Plan 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 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 the University of California Retirement Plan (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.

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 Contributions”).

For 2004, the contribution limits (including 403(b)(7) contributions to the Fidelity and/or Calvert mutual funds) are:

- ▶ for participants who are under age 50 as of December 31, 2004, the limit is \$13,000 (or 100 percent of adjusted gross salary, if less).
- ▶ for participants who are age 50 or older any time during 2004, the limit is \$16,000 (or 100 percent of adjusted gross salary, if less).

IRC contribution limits typically increase annually. To contribute the maximum amount, participants must change their contribution amount for each calendar year.

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 Defined Contribution Plan or CalPERS) and any pretax deductions for UCRP (to establish, reestablish or convert prior periods of service credit or to eliminate the noncontributory offset).

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 amount contributed each year in excess of the under-age 50 limit (\$13,000 in 2004) 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.

Participants must provide evidence of their eligibility and must have their local Benefits Office review and approve their calculation for each year in which they use the catch-up provision.

INVESTMENT OF CONTRIBUTIONS

Participants choose the UC-managed investment fund(s) or externally-managed mutual fund(s) in which they want to invest their contributions. The investment funds are described in “Investment Options.”

Subject to payroll deadlines, you may start, stop or change the amount of your contributions to the Plan at any time on At Your Service. You may also direct future contributions to a different investment fund or funds. Contributions and any earnings already in the Plan do not automatically transfer to your new investment fund choice (see “Money Movement”).

EXCESS CONTRIBUTIONS

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 contributions 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 you overcontribute because you work at more than one UC location, UC HR/Benefits will normally be able to identify the excess and, in most cases, return the excess (and any earnings) to you before the end of the year in which it occurs.

If you think you have overcontributed but have not heard from UC HR/Benefits, or if you contribute to a tax-advantaged plan with another employer during the year, please call your local Benefits Office before the end of the year (or by March 31 of the following year) to request a refund.

The IRC requires that excess contributions in any calendar year be returned to the participant by April 15 of the following year to avoid tax penalties. If the refund is received by April 15, the excess is treated

as ordinary income for the year in which the contributions were made. The refund will also reflect any earnings (or loss) generated by the excess contributions during that year. The earnings must be reported on tax returns for the year in which the refund is received. For example, if a participant receives a refund of 2004 excess contributions in 2004, all amounts should be reported on tax returns for 2004. If the participant receives the refund in 2005, however, the excess contributions should be reported on 2004 tax returns and any earnings on tax returns for 2005.

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” and Appendix A).

If the participant does not receive the refund 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.

Participants who make 403(b)(7) contributions to the Fidelity and/or Calvert mutual funds should note that any excess contributions to these mutual funds are subject to a 6 percent excise tax each year the excess amount remains in the account(s). Participants who are subject to the excise tax are responsible for reporting it when they file their income tax returns.

MONEY MOVEMENT

Because investment objectives and financial needs change over time, it’s important that you have the flexibility to modify your investments periodically.

You may redirect future 403(b) Plan contributions to one or more of the investment funds at any time.

You may also transfer your money in the Plan among the investment fund options once a month. You may not, however, transfer money directly between the UC-managed Insurance Company Contract Fund and the Savings Fund.

To transfer your money among the UC-managed funds online, go to At Your Service and select “Your Benefits Online.” To log on, you’ll need to enter your username or Social Security number and your UC Personal Identification Number (PIN). Once you’ve logged on, select “Transfer UC Fund Balances” under “Your Money.”

For transfers between the UC funds and the Fidelity mutual funds, use form U5640T (*Transfer Request—Tax-Deferred 403(b) Plan/Fidelity Investments Mutual Funds*). For transfers between the UC funds and the Calvert Socially Responsible Investment Funds, use form U5639T (*Transfer Request—Tax-Deferred 403(b) Plan/Calvert Group*). Both of these forms are available on At Your Service or from your local Benefits Office.

The cutoff date for transfers is the 25th of each month (for any written transfers, the cutoff is the preceding business day if the 25th falls on a weekend or holiday). UC HR/Benefits Accounting processes all transfer requests from the 26th of the previous month through the 25th of the current month together. Fund balances are based on the monthly valuation in effect following the cutoff date (for example, fund balances for instructions received from March 26 through April 25 are based on April 30 fund values). If your transfer request instructions are received after the monthly cutoff date, your transfer will be processed at the end of the following month.

Transfers take effect on the first of the month following their valuation.

For transfers from the UC-managed funds to the Fidelity and Calvert mutual funds (see “Investment Options, Mutual Fund Investments”), approximately 90 percent of the amount to be transferred is deposited electronically within three business days of the end of the month in which the fund balance is valued. The remainder will be deposited by the third week of that same month, after the final valuation. The purchase price is based on the share price in effect the day the mutual fund company receives the money. Money transferred from mutual funds to the UC-managed funds is valued at the share price in effect at the end of the given month and deposited in the UC-managed funds at the beginning of the following month.

Requests to transfer money among the investment fund options do not affect the investment of your current or future contributions. To direct future contributions to another fund, go to At Your Service. Local Payroll Office deadlines apply.

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.

You are eligible to borrow your 403(b) Plan money if you’re an active UC employee with at least \$1,000 in the Plan. Money in the University of California Retirement Plan (UCRP accumulations and any CAP allocations) and in the Defined Contribution Plan cannot be borrowed through the Loan Program. Also, participants may not borrow 403(b) Plan money invested in the Fidelity and Calvert mutual funds.¹

403(b) Plan loans are funded by reducing your 403(b) Plan balance by the loan amount and are secured by a promissory note between you and the University. This is not a collateral loan, and the borrowed money accrues no interest other than the interest paid on the loan. As each repayment is credited back to your account, however, earnings accrue as usual.

Important note—your decision to participate in the 403(b) Plan represents a conscious commitment to save for your retirement years, and you should borrow the money you’ve saved only if it is absolutely necessary. Although you’re not penalized if you take a 403(b) Plan loan, you do risk the loss of earning potential.

LOAN TERMS AND BORROWING LIMITS

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

¹ If you want to borrow 403(b) Plan money invested in the Fidelity or Calvert mutual funds, you must transfer the money back to one (or more) of the UC-managed funds before applying for the loan. (Allow an additional four to six weeks for the transfer to be processed.)

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 your Plan balance, you may borrow from \$1,000 to \$50,000 (in increments of \$50), as follows:

If 403(b) Plan

Balance ³ is:	Loan Limit is:
\$1,000 to \$20,199	\$10,000, or 100% of Plan balance if less than \$10,000 (minus any current outstanding loan balance).
\$20,200 & over	\$50,000, or 50% of Plan balance, whichever is less (minus any current outstanding loan balance).

Note: \$50,000 is the maximum amount of principal that you 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 you may borrow during that period, even if you have paid off all amounts owed. To borrow the maximum of \$50,000, you must have had no outstanding loan balance for 12 consecutive months.

You may have one short-term loan and one long-term loan outstanding at any given time; however, you may take only one loan during any 12-month period. If you have a short-term loan and want to borrow an additional amount from the 403(b) Plan before the loan maturity date, you may refinance the existing loan (see “Refinancing”) or pay it off and take out a new short-term loan, provided it has been at least 12 months since the original loan was funded.

INTEREST RATES AND ADMINISTRATIVE FEES

Interest rates for the Loan Program are determined quarterly, based on the most recent four-quarter average rate of return earned by the University’s Short-Term Investment Pool. Current rates for long- and short-term loans are available on At Your Service or from your local Benefits Office or the UC Customer Service Center. The interest rate is fixed when the loan is granted and remains the same throughout the loan term. Monthly payments of principal and interest, minus a loan servicing fee (0.60 percent for short-term loans and 0.50 percent for long-term loans), are credited proportionately to the same investment fund or funds from which the money was borrowed.

³ Excluding any 403(b) Plan money in the Fidelity and Calvert mutual funds.

A nonrefundable processing fee of \$50 will be deducted from the loan proceeds when it is funded. For example, on a \$5,000 loan request, the UC 403(b) Plan Loan Office will automatically deduct the \$50 processing fee and issue a check in the amount of \$4,950.

The Truth-in-Lending Act requires the \$50 processing fee to be treated as a finance charge. Therefore, the annual percentage rate on a loan is calculated on the net loan proceeds and is higher than the stated interest rate, which is based on the total loan amount. The participant’s monthly repayment amount is calculated on the total loan amount. Using the same example above, if a participant borrows \$5,000 for 60 months at interest stated at 6.85 percent, the loan repayments will be \$98.65. However, after deducting the \$50 processing fee, the annual percentage rate on the net loan proceeds of \$4,950 would be 7.27 percent.

REPAYMENT

Participants generally repay their loans through automatic after-tax payroll deduction. 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 money is used to buy a principal residence. Cash repayments are required if:

- ▶ a payment is missed before automatic payroll deductions begin;
- ▶ the participant’s net pay is insufficient to cover a payroll deduction for the full monthly repayment;
- ▶ the participant’s salary is paid from an outside (non-University payroll) source;
- ▶ the participant is on approved leave without pay, furlough or temporary layoff; or
- ▶ the participant elects UCRP monthly retirement income after taking a loan.

Repayments may also be made 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 go on approved leave without pay, furlough or temporary layoff or who otherwise have a change in pay status that affects their payroll deduction loan payments must arrange for one of the following options with the UC Loan Office within 90 days of their last day on pay status. The options are to:

- ▶ make monthly payments directly to the UC Loan Office,
- ▶ make full payment in advance for the period off pay status, or
- ▶ repay the outstanding loan amount in full.

Participants who retire under UCRP must either repay the outstanding loan principal in full or arrange to make monthly cash payments within 90 days of their UCRP retirement date. If the loan is not repaid in full or no arrangement for monthly cash payments has been made, the outstanding principal will be treated as a taxable distribution (see “Missed Payments”).

Participants who leave UC employment or elect a lump sum cashout from UCRP forfeit the option to repay the loan through monthly cash payments and must repay the outstanding loan principal in full within 90 days of their termination date, or the loan will be considered a taxable distribution and may be subject to penalties (see “Missed Payments”).

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 (see “Missed Payments”).

Cash payments may be made by personal check, payable to “The Regents of the University of California” and mailed directly to the UC 403(b) Plan Loan Office.

MISSED PAYMENTS

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 cure 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, prepay their loan or pay off the loan. These options must be elected before the military leave is effective. Contact local Benefits Office for more information.

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). UC HR/Benefits will issue a Form 1099R reporting the amount of the distribution. Taxes and penalties, if applicable, will be assessed when the participant files tax returns.

Because defaults may cause the Plan to lose its tax-deferred status under IRC provisions, the Plan reserves the right to sue to recover any missed payments.

LONG-TERM LOANS

Participants who want to take a long-term loan must provide documentation showing that the total amount of loan proceeds will be deposited into an escrow account established to purchase a principal residence.

Before funding a long-term loan, the Loan Office requires a complete copy of the *Residential Purchase Agreement*.

You should submit this document when you first request the loan if it is available; in any event, you must submit it to the Loan Office before you close escrow and before the loan can be funded.

Before a long-term loan is funded, you must sign an affidavit certifying that you will use the loan proceeds to purchase a principal residence and that you will send the Loan Office the final *HUD-1 Settlement Statement* issued by the escrow/title company.

REFINANCING

A short-term loan may be refinanced once during its term. The refinanced loan balance must at least equal the outstanding loan balance, and repayment must be completed within the original loan term. Refinancing is considered taking a new loan, so participants who refinance may not take out another loan for 12 months.

Long-term loans may not be refinanced.

The amount that qualifies for refinancing will vary depending on the participant’s Plan balance, offset by the outstanding principal on the original loan. The interest rate is the quarterly rate in effect when the loan is refinanced.

LOAN REQUEST PROCESS

You may request a 403(b) Plan loan online on At Your Service (select “Your Benefits Online”). This option is available 24 hours a day, seven days a week. You will need to provide your username or Social Security number and your UC PIN. If you never received your UC PIN or have lost or forgotten it, you can set or reset your PIN on At Your Service or bencom.fone.

Before requesting a loan, you should read the information about the *Tax-Deferred 403(b) Plan Loan Program* on At Your Service.

Online loan requests must be completed by 4:00 p.m. to be processed the following day. All requests must be made by the last day of any given month to receive that month’s valuation of your Plan balance. Loan checks are issued during the last week of the following month; therefore, please allow five to eight weeks for your loan request to be processed.

FUNDING PROCESS

The UC 403(b) Plan Loan Office will send an acknowledgment of your loan request to your home address on the next business day following your request, verifying that you have sufficient money in the 403(b) Plan to fund the loan, including the \$50 loan processing fee.

Once your request has been approved, the Loan Office will send you the loan documents within seven business days. The loan documents include a combined promissory note/truth-in-lending disclosure and a payroll deduction authorization for repayment (plus a home purchaser affidavit if you are requesting a long-term loan). After you sign and return the loan documents, the Loan Office will mail the check for the loan proceeds to your home.

Distributions

It’s important for participants considering a distribution or retirement income from the 403(b) Plan to understand the distinctions between different types of Plan participation. **Active** participants are **current UC employees** who are either contributing to or have money in the 403(b) Plan. **Inactive** participants are those **who have left UC employment or retired**, but still have money in the Plan.

ACTIVE PARTICIPANTS

The IRC restricts 403(b) Plan distributions to active participants. The restrictions, however, apply only to:

- ▶ contributions made after December 31, 1988; and
- ▶ all earnings accrued after December 31, 1988.

Plan balances as of December 31, 1988, are exempt from the restrictions.

In general, if you’re an active Plan participant, you may not take a distribution of money you have accumulated in the Plan⁴ after December 31, 1988, unless you:

- ▶ have attained age 59½,
- ▶ become permanently disabled, or
- ▶ have financial hardship.

As it applies to the restrictions, disability is a condition that prevents an individual from engaging in any substantial gainful activity because of a medically determinable physical or mental impairment. The impairment must also be expected to last indefinitely or to result in death.

Active participants who qualify may take a full distribution at any time. Partial distributions of at least \$500 may be taken once a month.

If you’re an active participant and satisfy one of the conditions listed above, you may request a distribution by completing form UBEN 146 (*Distribution Request By Active Employee*), available from your local Benefits Office. Note—If you are over age 59½, you should use At Your Service to request a distribution.

To request a distribution of your 403(b) Plan money at Fidelity, contact Fidelity directly (see inside front cover) or the UC Customer Service Center. Note—UC HR/Benefits must authorize all distribution requests before Fidelity can process them.

Requests for distributions of 403(b) Plan money at Calvert should be made directly to Calvert.

⁴ Including 403(b) Plan money in the Fidelity and Calvert mutual funds.

Hardship Distributions

Hardship distributions may be taken only on account of an immediate and heavy financial need. To be eligible for a hardship distribution, you must have exhausted all other financial resources—including a loan from the 403(b) Plan or any other lending program maintained by UC, a distribution of any money you have in the DC Plan After-Tax Account, and a distribution of your pre-January 1, 1989, 403(b) Plan balance. You must also certify that the distribution is being taken for at least one of the following reasons:

- ▶ deductible medical expenses in excess of 7.5 percent of adjusted gross income for you, your spouse or your dependents;
- ▶ the purchase of your principal residence (excluding mortgage payments);
- ▶ tuition payments and/or room and board for the next 12 months of post-secondary education for you, your spouse or your dependents;
- ▶ payments necessary to prevent foreclosure on the mortgage of, or eviction from, your principal residence;
- ▶ funeral expenses for a family member; or
- ▶ loss or damage as a result of a natural disaster (for example, earthquake, flood, fire, etc.).

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 UC HR/Benefits. UC HR/Benefits and the IRS 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, UC will withhold 10 percent for federal taxes and 1 percent for California state taxes (unless the participant elects no withholding). If, however, the hardship distribution includes any rollover money from a former employer plan, that amount is legally eligible for rollover and therefore UC must withhold 20 percent from that portion for federal taxes (and 2 percent for California state taxes).

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

To request a hardship distribution, complete form UBEN 153 (*Hardship Distribution Request*), available from your local Benefits Office or the UC Customer Service Center.⁵

INACTIVE PARTICIPANTS

If you leave UC employment or retire, you have the following options for your money in the 403(b) Plan:

- ▶ leave your money in the Plan (inactive participation) if your Plan balance totals at least \$2,000. Although you may no longer contribute, you may transfer your money among the investment fund options (UC, Fidelity and Calvert), subject to the transfer rules and processing deadlines;
- ▶ take a full distribution (payable to you or directly rolled over to a traditional IRA or employer-sponsored plan);
- ▶ take a partial distribution (\$500 minimum, and your remaining Plan balance must total at least \$2,000), payable to you or directly rolled over to a traditional IRA or employer-sponsored plan;
- ▶ arrange for systematic withdrawals from your Plan balance (see "Systematic Withdrawals"); or
- ▶ purchase a commercial annuity through UC (see "Commercial Annuities—UC's Group Insurance Contract").

Inactive participants who take partial distributions to comply with the minimum distribution rules are exempt from the \$500 minimum. A full distribution may be taken at any time; partial distributions may be taken once a month.

⁵ This form should also be used for hardship distribution requests for money in 403(b)(7) accounts with the Fidelity and Calvert mutual funds, which UC HR/Benefits must first authorize.

If you have Internet access, request a distribution online on At Your Service. From the home page, select “Your Benefits Online.” Once you’ve logged on, select “Request a Distribution” from the main menu. All the information and instructions you need are there on the web pages.

The Internet option is available 24 hours a day, 7 days a week, and requires that you enter your username or Social Security number and your UC Personal Identification number (PIN) to gain access. If you never received your PIN or have lost or forgotten it, you can set or reset it on At Your Service or bencom.fone.

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

To request a distribution of your 403(b) Plan money at Fidelity, contact Fidelity directly (see inside front cover) or UC Customer Service. Note—UC HR/Benefits must authorize all distribution requests before Fidelity can process them.

Requests for distributions of 403(b) Plan money at Calvert should be made directly to Calvert.

DISTRIBUTION PROCESSING DATES

In most circumstances, UC HR/Benefits processes distributions within 30 to 45 days and issues checks twice a month, around the 7th and the 23rd, depending on the date the distribution request is received. For more detailed information about how distributions from the UC-managed funds are processed, refer to Appendix A.

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, refer to Appendix A, which explains the tax-withholding rules, the payment options participants have and how distributions will be taxed. Also, the tax rules are quite complex, and conditions and exceptions that are not described in Appendix A may apply. 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. UC HR/Benefits is not responsible for determining whether a participant’s distribution request meets IRC requirements.

Distributions to participants are reported annually on Forms 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. There are, however, a number of circumstances in which early distributions may be exempt from the penalty taxes. The exceptions are described in Appendix A.

The early distribution penalties apply to all hardship distributions except those taken to pay for your spouse’s, your dependents’ or your own deductible medical expenses in excess of 7.5 percent of your adjusted gross income.

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.

MINIMUM REQUIRED DISTRIBUTIONS

Inactive 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.

After that, minimum distributions must be received annually.⁶ 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 distributions are not eligible for rollover.

Each year, UC HR/Benefits sends participants who are subject to the minimum distribution requirements a

⁶ If you are 70½, have left UC employment and are rehired into a paid UC position, you are not required to receive a minimum distribution until April 1 of the calendar year following the year in which you again leave UC employment.

personalized statement showing the amount of the minimum distribution they must receive to satisfy the requirements. The statement also shows the information used in the calculation and explains the options they have with respect to the distribution.

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

403(b) Plan Retirement Income

ELIGIBILITY

You may elect retirement income from the 403(b) Plan in the following circumstances:

- ▶ when or after you retire under UCRP;
- ▶ after you leave UC employment and have reached age 50;⁷ or
- ▶ if, at any age, you leave UC employment and are receiving disability benefits from a UC-sponsored retirement plan or under the long-term provisions of any UC-sponsored disability insurance plan.

Retirement income elections must be made in accordance with the IRC minimum distribution rules (see “Minimum Required Distributions”).

SYSTEMATIC WITHDRAWALS

If you are permanently retired or have left UC employment and have at least \$2,000 in the Plan, you may elect to receive systematic withdrawals from your Plan balance. This payment option enables you to receive regular monthly distributions without having to make a specific request for each one. The *Tax-Deferred 403(b) Plan and Defined Contribution Plan Systematic Withdrawals Election Kit*, available on At Your Service under “Forms and Publications” or from the UC Customer Service Center, contains information and forms designed to help you understand and arrange for systematic withdrawals.

COMMERCIAL ANNUITIES—UC’S GROUP INSURANCE CONTRACT

403(b) Plan retirement income is available through commercial annuities purchased through UC’s group insurance contract with a California-licensed, third-party insurance carrier, described as follows.

Sold by life insurance companies, commercial annuities provide periodic payments in a fixed amount for a specified period of time. Annuity income may be payable to the annuitant alone, or may include income to another person designated by the annuitant. Once a commercial annuity is purchased, the amount of payment never changes—typically, there are no cost-of-living adjustments, the payment option selected cannot be changed, and the annuity is generally not cashable.

Payment options for commercial annuities vary, with the purchaser specifying who is to receive the annuity income and over what period of time. Participants who want to buy a commercial annuity through UC’s group insurance contract should call the UC Customer Service Center for an annuity application and related materials.

UC HR/Benefits makes every effort to obtain competitive rates in its group annuity contract. If, however, you are interested in purchasing an annuity, you are strongly encouraged to consult a tax advisor or financial planner. You should also investigate insurance carriers and rates on your own before purchasing any annuity product. Neither UC HR/Benefits, the Regents nor the University has any further fiduciary obligation to participants who use their 403(b) Plan money to purchase an annuity product from any third-party insurance carrier or other such vendor.

⁷ Early distribution penalties may apply if you are under age 55, even though you are eligible to elect 403(b) Plan retirement income. If you choose a life annuity through UC’s group insurance contract, however, the early distribution penalties will not apply.

Disability

If you have left UC employment and are receiving disability benefits from a UC-sponsored retirement plan or under the long-term provisions of any UC-sponsored disability insurance plan, you have the following options for your money in the 403(b) Plan:

- ▶ leave your money in the Plan (inactive participation) if your Plan balance totals at least \$2,000. Although you may no longer contribute, you may transfer your money among the investment fund options (UC, Fidelity and Calvert), subject to the transfer rules and processing deadlines;
- ▶ take a full or partial distribution. If a partial distribution, your remaining Plan balance must total at least \$2,000; or
- ▶ take retirement income from the 403(b) Plan.

403(b) Plan distributions to participants with a permanent disability who are receiving long-term disability benefits are generally not subject to the early distribution penalties. If you are concerned about the possible impact of distributions taken while you are receiving long-term disability benefits, you should consult a tax advisor.

Distributions to Beneficiaries

When a participant dies, UC HR/Benefits notifies the named beneficiary(ies) what options are available. One of the options a beneficiary has is to leave the money in the Plan, subject to minimum distributions as required by the IRC (see below). Note that this option applies only if the deceased participant's Plan balance totals at least \$2,000 and only to individuals who are beneficiaries. If the named beneficiary is a trust, estate, charity or corporation, the Plan balance must be distributed within nine months.

To leave money in the 403(b) Plan, beneficiaries must establish separate accounts for their money by December 31 of the year after the participant's death. Any beneficiary who does not do so must take a lump sum distribution. While there is a balance in the Plan, beneficiaries have many of the same money management options as inactive or retired participants (see "Distributions, Inactive Participants"). Beneficiaries may not, however, elect to receive systematic withdrawals from the Plan.

Beneficiaries are subject to the minimum required distribution rules. The following options are available for beneficiaries, depending on their relationship to the deceased participant.

Spouse beneficiary—if the participant was receiving minimum required distributions or was age 70½ or older, the spouse must begin receiving minimum required distributions by December 31 of the year after the participant's death. If the participant was under age 70½ at the time of death, the spouse must begin receiving minimum required distributions by December 31 of the year the participant would have reached age 70½. The amount of the minimum distribution is based on the spouse's life expectancy. Minimum distributions will be paid annually until the entire Plan balance has been depleted.

Non-spouse beneficiary—beneficiaries other than a spouse must begin receiving minimum required distributions by December 31 of the year after the participant's death. The amount of the minimum distribution is based on each beneficiary's life expectancy. Minimum distributions will be paid annually until the entire Plan balance has been depleted.

A deceased participant's beneficiaries may also designate a beneficiary to receive any money remaining in the Plan if they die. Beneficiaries of beneficiaries must decide how they want money to be distributed within nine months of the date of death.

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.

Additional 403(b) Plan Information

ROLLOVERS: INTO THE PLAN

The 403(b) Plan accepts rollovers of taxable distributions from other employer-sponsored plans, including distributions from UCRP. Only active UC employees may roll over money into the Plan.

UCRP members who retire or leave UC employment may directly roll over a distribution from UCRP to the 403(b) Plan. UCRP distributions eligible for rollover to the 403(b) Plan include all taxable UCRP contributions plus earnings and any Capital Accumulation Provision (CAP) balance. A lump sum cashout from UCRP is also eligible. No taxes will be withheld from direct rollovers of taxable UCRP distributions, and the money will retain its tax-deferred status.

To roll over money directly from another employer-sponsored plan to UC's 403(b) Plan, you must be an active employee and arrange to have the former plan's trustee or plan administrator write a check for the distribution, payable to "The Regents of the University of California." As long as the check is payable directly to the Regents (not to you), no taxes will be withheld from the distribution, and the money will retain its tax-deferred status.

If you took a distribution from a former employer plan, including UCRP, and the check was payable to you, you 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 you receive the distribution. If you want to roll over 100 percent of the taxable portion of the distribution, you must replace, from personal savings or other sources, an amount equal to the taxes that were withheld when the distribution was issued.

If you're an active employee and want to make a direct or 60-day rollover to the 403(b) Plan from another employer plan (or a 60-day rollover from UCRP), complete form UBEN 103 (*Rollover Request—Defined Contribution Plan and Tax-Deferred 403(b) Plan*). This form is included in the *Rollover Factsheet*, available on At Your Service under "Forms & Publications" or from your local Benefits Office or the UC Customer Service Center.

If you are retiring or taking a lump sum cashout from UCRP and want to roll over any CAP balance and/or cashout amount to the 403(b) Plan, this option is part of the retirement/lump sum cashout election process.

If you are leaving UC employment, you will have to complete distribution request forms to roll over your UCRP accumulations and/or any CAP balance. Your local Benefits Office can provide you with the forms.

Note—electing a rollover distribution of your UCRP accumulations automatically cancels your rights to all future UCRP retirement, survivor and disability benefits.

ROLLOVERS: FROM THE PLAN

As discussed in Appendix A, virtually all 403(b) Plan distributions are eligible for direct rollover. Therefore, they are subject to mandatory 20 percent federal tax withholding, unless directly rolled over to a traditional IRA or another employer plan that accepts rollovers.

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

- ▶ minimum required distributions,
- ▶ refunds of excess contributions (plus earnings),
- ▶ hardship distributions, and
- ▶ distributions made to non-spouse beneficiaries.

Participants may also roll over an eligible 403(b) Plan distribution 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.

If you are leaving UC employment, or retiring or taking a lump sum cashout from UCRP, you can roll over an eligible 403(b) Plan distribution online through At Your Service. You may request a rollover distribution at any time, 24 hours a day, seven days a week. You will need to provide your username or Social Security number and your UC PIN.

If you're an active employee and satisfy one of the conditions explained in "Distributions, Active Participants," you may request a rollover distribution by completing form UBEN 146 (*Distribution Request By Active Employee*), available from your local Benefits Office.

Participants considering a rollover of a 403(b) Plan distribution should read Appendix A and should also consult a tax advisor.

INVESTMENT OPTIONS

UC-Managed Investment Funds

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 manages six investment portfolios (the investment funds) to which participants may direct their contributions. The primary investment objective for all of the funds is to maximize real, long-term total return with a level of risk that is appropriate to the individual fund characteristics and to the nature of the invested money. The UC-managed investment funds are described briefly as follows.

Equity Fund Seeks to maximize long-term capital appreciation with moderate risk. Historical focus on large-capitalization stocks; currently expanding to include a range of equity strategies. The Fund also has a small representation in private equities.

Bond Fund Seeks to maximize long-term total return through a combination of interest income and price appreciation. Invests in high-quality government (U.S. and foreign) and corporate bonds from global companies.

Balanced Growth Fund Seeks to provide long-term growth and income through a balanced portfolio of equity and fixed-income securities held within the UC-managed Equity, Bond and TIPS funds. The Fund will be rebalanced monthly to maintain its asset allocation structure among the three UC funds in which it is invested (65 percent Equity, 30 percent Bond and

5 percent TIPS). The Fund is subject to fluctuating prices in the equity and fixed-income markets.

Savings Fund Seeks to maximize interest income while protecting principal. Invests in government, government-guaranteed and government agency securities with maturities of five years or less. Participant accounts are neither insured nor guaranteed by the U.S. government.

Insurance Company Contract Fund (ICC) Seeks to maximize interest income while protecting principal. Invests in pooled insurance contracts issued by select, highly rated insurance companies. Insurance contract guarantees are backed by the assets of the issuing insurance companies and are neither insured nor guaranteed by any third party.

Treasury Inflation-Protected Securities Fund (TIPS) Seeks to provide long-term total return and inflation protection consistent with an investment in U.S. government-indexed securities. Inflation-indexed securities are designed to protect future purchasing power. The principal value is adjusted for changes in inflation and interest is paid on the inflation-adjusted principal.

To learn more about the UC-managed investment funds, read the UC Treasurer's brochure, *Investing in Your Future*. It contains valuable information about the Treasurer's investment objectives and strategy, as well as detailed fund profiles. The brochure is available online at www.ucop.edu/treasurer or from local Benefits Offices or the UC Customer Service Center.

Mutual Fund Investments

In addition to the UC-managed investment funds, participants may invest in mutual funds offered through Fidelity Investments and the Calvert Group. Fidelity offers more than 140 investment funds in several mutual fund categories—money market, income, asset allocation, life cycle, growth and income, growth, international growth and industry sector. Calvert offers socially responsible funds. More information on the mutual fund investment options, including prospectuses that you should read carefully, is available from your local Benefits Office or the UC Customer Service Center.

Participants may not borrow money they have invested in these mutual funds through the 403(b) Plan Loan Program.

SIGNIFICANT ACCOUNTING POLICIES

Interest Factors and Unit Values

The Savings and Insurance Company Contract funds generate returns primarily through interest earnings, and interest factors represent the percentage earned for each dollar invested. Interest is calculated monthly on the net earnings of the respective fund and then allocated to participants' accounts on a pro rata basis.

Contributions to the Equity, Bond, Balanced Growth and TIPS funds are credited to participants' accounts as units. The funds generate returns (gain or loss) through increases or decreases in the value of the units. Similar to mutual fund share prices, unit values change each month based on the current fair value of the investment portfolio and are determined by dividing the net assets of the funds by the number of units outstanding. Earnings of each of these funds, as well as market value fluctuations, are reflected in the unit values.

Valuation of Investments

Savings Fund Securities are valued at amortized cost. This method involves valuing a security at its purchase price and thereafter assuming a constant amortization to maturity of any discount or premium paid at the time of purchase, rather than determining the securities' market value from month to month.

Insurance Company Contract Fund Investments in the insurance contracts are valued at contract value, plus reinvested interest.

Equity, Bond, Balanced Growth and TIPS Funds Portfolio securities are valued each month at the last reported sales price on an exchange that is the primary market for such securities. Short-term obligations are stated at amortized cost which approximates market value. Interest income on interest-bearing obligations is recognized as earned using the accrual basis of accounting. These valuation policies are in conformance with generally accepted accounting principles. Rates of return are calculated according to standardized investment performance measurement methods.

ACCOUNT ACTIVITY

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

- ▶ Participants who have Internet access can find current, comprehensive information about their accounts in the Plan and make certain online

Plan transactions by visiting UC's HR/Benefits website, At Your Service.

- ▶ On bencom.fone, UC's toll-free interactive telephone service, participants can retrieve personal financial information about their accounts. Brochures with complete information about bencom.fone are available from your local Benefits Office or the UC Customer Service Center.

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

Participants with 403(b) Plan money invested at Fidelity or Calvert receive quarterly statements from the mutual fund companies.

Summary plan descriptions are sent periodically to all participants and are also available on At Your Service 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 the UC Customer Service Center (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 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

A participant, beneficiary or survivor must submit a request to receive benefits or a distribution from the 403(b) Plan. Generally, claims are processed within 90 days after UC HR/Benefits receives the request and any other required information. If a claim is denied, UC HR/Benefits will notify the claimant in writing, explaining the reason for denial. If notification is not made within 90 days, or if the claim is denied, or if the claimant receives an otherwise unfavorable decision, he or she may appeal to have the claim reviewed. The appeal must be made within 60 days of the notification (or, if none, the 90-day processing deadline). The appeal must be in writing, accompanied by documentation supporting the claim, and sent to UC HR/Benefits

(see inside front cover). The claimant will receive a response to the appeal within 60 days, or 120 days if unusual circumstances are involved.

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.

PLAN ADMINISTRATION

The President of the University of California is the Plan Administrator and delegates the responsibility for the day-to-day management and operation of the Plan to the University of California Human Resources and Benefits department. This department conducts policy research, implements regulations to preserve the Plan's tax-advantaged status with the IRS, and provides participant recordkeeping, accounting, reporting, and receipt and disbursement of Plan assets in accordance with Plan provisions.

For services rendered in connection with the Plan, an administrative fee equal to .0125 percent of the net assets is charged to the UC-managed investment funds each month, based on the previous month's net assets. The fee is deducted before calculating the unit values and interest factors. Included in the administrative fee are charges for investment management. No fees are deducted from individual participants' accounts.

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, improve or terminate the Plan at any time.

DESIGNATION OF BENEFICIARY

Participants should designate a beneficiary to receive their money in the 403(b) Plan in the event of their death. A participant may name the same beneficiary as for UCRP and/or the Defined Contribution Plan (if applicable), or a different one. 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, trustee or organization.

For participants who do not name a beneficiary, 403(b) Plan money will be distributed to the participant's survivors in the order of succession listed on page 13.

Beneficiary designations should be made online on At Your Service. Select "Your Benefits Online" on the right side of the home page. Once you've logged on, select "Your Beneficiaries" under "Quick Links" and follow the instructions on the web pages. You may name or change your beneficiary on At Your Service at any time.

If you do not have Internet access or are unable to use the online application, complete form UBEN 116 (*Designation of Beneficiary—Employees*). Retirees, former employees and others must use form UBEN 117 to name retirement/savings plan beneficiaries. These forms are available from departments, local Benefits Offices or the UC Customer Service Center.

Participants should periodically review their beneficiary designation(s) to reflect any changes in their family situation—for example, marriage, the birth of a child, divorce or death.

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.

A will does not supersede a beneficiary designation.

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, however, in which case UC HR/Benefits complies with the legal requirements. 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)

If a participant is divorced or legally separated, the court may include Plan assets as community property to be divided between the participant and the former spouse or other dependent. In such cases, the domestic relations order must be approved, or qualified, by UC HR/Benefits as being in compliance with California community property law and with the Plan.

Under a qualified domestic relations order (QDRO), a separate 403(b) Plan account may be established for the non-participant spouse or dependent for the community property portion of Plan assets specified by the court.

The University cooperates fully with the participant and spouse or dependent, as well as their attorneys and the court in divorce cases. 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 release this information, UCRS must be joined as a party to the domestic relations proceeding if the proceeding will be heard in a California court. Otherwise, the request for information must be accompanied by a signed release from the participant. All requests should include the participant's name, Social Security number, address (or name and address of the participant's attorney), date of marriage and marital separation date.

Employee Information Statement

Participants in defined contribution plans are responsible for determining which, if any, investment vehicles best serve their retirement objectives. Your 403(b) Plan assets are invested solely in accordance with your instructions. You should periodically review whether your objectives are being met, and if your objectives have changed, you 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 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 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. The University bears no fiduciary liability for any losses resulting from a participant's investment instructions, and UC HR/Benefits 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, nor the Regents, 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 University, the Regents 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.

If You Move

Be sure to notify UC/HR Benefits of your new mailing address.

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

You can change your address online at UC For Yourself, 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 "Change Address/Payroll Information." Access to UC For Yourself requires that you enter your username or Social Security number and your UC PIN (see inside front cover for information about setting or resetting your UC PIN).

If you're an inactive employee (no longer working for UC) or are retired:

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.



Appendix A

Special Tax Notice for Plan Distributions

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 issued. 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 issued 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

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





University of California
Human Resources and Benefits
P.O. Box 24570
Oakland, CA 94623-1570

8M



1110 7/04