SUMMARY PLAN DESCRIPTION

UNIVERSITY OF CALIFORNIA

Defined Contribution 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 Defined Contribution 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 Defined Contribution Plan (the DC 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 17 for information about how to report a change of address.

The University of California Defined Contribution 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.

DC Plan Table of Contents

Introduction

The University of California (the University or UC) offers eligible employees of the University, its affiliate, Hastings College of the Law, and an associated institution, the California State University (CSU), a tax-advantaged retirement plan to provide supplemental retirement benefits. The Plan is a defined contribution plan under §401(a) of the Internal Revenue Code (the IRC). Future benefits from the Defined Contribution Plan (the DC Plan or the Plan) are based on participants' contributions plus earnings.

The DC Plan has separate accounts for pretax and after-tax contributions. The Pretax Account contains mandatory contributions from nearly all employees who are University of California Retirement Plan (UCRP) members, as well as from certain other employees who are not UCRP members (see "Participation"). In accordance with IRC §414(h), contributions to the Pretax Account are deducted from gross salary, and 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.

The After-Tax/Rollover Account contains voluntary contributions that are deducted from a participant's net income, as well as pretax rollovers from other employer-sponsored plans.

DC Plan participants, whether contributing to the Pretax Account, the After-Tax/Rollover Account, or both, are fully vested in the Plan upon enrollment.

UC HR/Benefits administers the DC Plan for the sole benefit of Plan participants and their beneficiaries. 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.

DC Plan Pretax Account

The information in this section pertains primarily to the DC Plan Pretax Account. References are made to the DC Plan After-Tax/Rollover Account when the same information applies.

Participation

Participation in the DC Plan Pretax Account is mandatory for:

- UCRP members in any of the following three classifications:
  - members with Social Security coverage
  - members without Social Security coverage
  - members with Safety benefits (police and firefighters)
- Safe Harbor participants—these participants are part-time, seasonal and temporary employees at UC and CSU who are not covered by Social Security and who do not contribute to a retirement system. Also included in this category are non-exempt UC student employees who do not satisfy certain courseload requirements and resident aliens with F-1 and J-1 visa status.

Enrollment is automatic and begins on the first day of an eligible appointment.

UCRP Tier Two members do not participate.

LEAVES OF ABSENCE

Contributions to the Pretax Account stop during a leave without pay and resume automatically upon return to pay status.

For sabbatical leaves or administrative leaves with pay during which employees earn less than 100 percent of regular compensation, contributions continue based on compensation (including paid vacation or sick leave) earned during the leave.

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

TERMINATION OF EMPLOYMENT

If you leave employment, your contributions to the Plan 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 "DC Plan Retirement Income."

If you are a CSU Safe Harbor participant, leave CSU employment and become a UC employee participating in the DC Plan, you may take a distribution of the money you accumulated in the Plan as a CSU employee. You may not, however, commingle (roll over, transfer, etc.) DC Plan money accumulated as a CSU employee with any DC Plan account you have through UC employment.

REAPPOINTMENT

If you leave employment or retire (become an inactive participant) and are later rehired into an eligible position, contributions to the Plan will resume automatically, assuming that mandatory contributions from UCRP members are still being directed to the DC Plan. You once again become subject to the rules governing active Plan participation.

Safe Harbor participants who leave employment or retire and who are later rehired into another position eligible for Safe Harbor participation will be reenrolled automatically.

Contributions

DC Plan Pretax Account contributions may come only from income paid through the UC payroll system (or the payroll systems of the Department of Energy laboratories, Hastings College of the Law or CSU). 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").

Pretax Account contributions appear on employees' W-2 forms in the box marked "Other;" they are not reported as taxable income.

Contributions to the DC Plan Pretax Account 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 pretax contributions reduce taxable income, they do not reduce any other salary-related University benefits such as vacation or sick leave, life or disability insurance benefits or benefits payable from UCRP.

DC Plan Pretax Account contributions may affect contributions to the Tax-Deferred 403(b) Plan and to the DC Plan After-Tax/Rollover Account.

Also, DC Plan participation may affect the income tax deductibility of any contributions you make to a traditional Individual Retirement Account (IRA). IRA contributions may still qualify for a full or partial tax deduction, depending on your adjusted gross income and tax filing status. If you are concerned about the impact of Pretax Account contributions on deductible IRA contributions, you should consult a tax advisor.

ACADEMIC APPOINTEE SUMMER SALARY CONTRIBUTIONS

Compensation that many academic appointees receive for summer session teaching or research is not considered covered compensation for determining UCRP benefits. Therefore, the Plan contains a provision to provide employer and employee contributions to the Pretax Account based on eligible summer salary.

Eligible academic employees are those who:

- have academic year appointments;
- are active members of UCRP or another defined benefit plan to which UC contributes; and

- earn eligible summer salary, defined as additional compensation that is not covered compensation for calculating retirement benefits and that is paid in accordance with Academic Personnel Policy #660.

This policy applies for:

- summer teaching;
- summer research; or
- summer administrative service (generally payments to department chairs, vice chairs, etc., for administrative duties paid as "1/9ths."

Salary paid for teaching University Extension courses is not eligible.

The total contribution rate under this provision is 7 percent of eligible summer salary, comprising an employee pretax contribution of 3.5 percent and employer pretax contribution of 3.5 percent. The employer contribution is funded by the same source that provides the academic appointee's summer salary.

CONTRIBUTION AMOUNTS

Section 401(a)(17) of the IRC sets a dollar limit for annual earnings on which contributions may be made. The earnings limit for the Plan's fiscal year beginning July 1, 2004, is $205,000 for employees who became participants as of July 1, 1994, or later. For participants who were enrolled in the Plan before July 1, 1994, the earnings limit is $305,000.

UCRP members generally contribute the same percentage of covered compensation each pay period to the DC Plan Pretax Account that they formerly contributed to UCRP. Tier Two members do not contribute to UCRP and, therefore, do not contribute to the Pretax Account. If, however, an active Tier Two member makes or has made an irrevocable election to return to his or her original UCRP membership classification, contributions to the Pretax Account will begin automatically at the rate corresponding to the original classification as shown in the chart at right. The membership conversion option became available January 1, 2001. For more information, refer to the *Summary Plan Description for Tier Two Members*.

Depending on their UCRP membership classification, participants contribute to the DC Plan Pretax Account as follows:

UCRP Membership Classification	Pretax Account Contribution Rate
With Social Security	2% to 4% less $19 a month[1]
Without Social Security	3% less $19 a month
Safety	3% less $19 a month
Tier Two	0%
Safe Harbor (Non-UCRP members; i.e., part-time employees and non-exempt students)	7.5%

The direction of UCRP member contributions to the DC Plan Pretax Account is reviewed annually by the Regents and continues at their discretion, based on the funded position of UCRP.

Safe Harbor participants who become UCRP members contribute to the Pretax Account as shown in the chart above, depending upon membership classification. Safe Harbor participants who become members of a defined benefit plan under any other retirement system—such as the California Public Employees' Retirement System (CalPERS)—or UC student employees who become exempt will no longer be eligible to contribute to the Pretax Account.

Money that you accumulate in the Pretax Account as a Safe Harbor participant remains there until you leave employment and take a distribution or elect DC Plan retirement income (see "Distributions, Inactive Participants" and "DC Plan Retirement Income").

INVESTMENT OF CONTRIBUTIONS

Pretax Account contributions are automatically invested in the UC-managed Savings Fund; however, UC participants may direct future contributions to one of the other five UC-managed investment funds or to externally managed mutual funds with Fidelity Investments. The investment funds are described in "Investment Options."

[1] The contribution rate is 2 percent of annual earnings up to the Social Security wage base ($87,900 in 2004), then 4 percent on any subsequent earnings.

There are two ways to invest your future contributions in a fund other than the UC-managed Savings Fund.

- 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 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, to set or reset a PIN.

- If you don't have Internet access, you will need to complete form UPAY 752 (*Fund Designation—Defined Contribution Plan Pretax Account*), available from your local Benefits Office.

You may direct future contributions to any of the funds at any time, but generally the entire amount must be credited to one fund.

Your new fund designation will be effective when processed by your local Payroll Office.

MONEY MOVEMENT

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

UC participants may transfer money in the Pretax Account (and any money in the After-Tax/Rollover Account) among the investment funds 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 U5641T (*Transfer Request—Defined Contribution Plan/Fidelity Investments Mutual Funds*), also available on At Your Service under "Forms and Publications" 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 mutual funds (see "Investment Options, Fidelity Investments Mutual Funds"), 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 Fidelity receives the money. Money transferred from the Fidelity 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.

Distributions

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

ACTIVE PARTICIPANTS

The IRC does not permit DC Plan Pretax Account distributions to active participants. Pretax Account distributions are permitted only if you leave employment or retire.

Active participants may, however, take a distribution of money that they rolled over into the DC Plan from another employer-sponsored plan, including earnings on the amount rolled over (see "Rollovers: Into the Plan").

INACTIVE PARTICIPANTS

If you leave employment or retire, you have the following options for your money in the DC Plan:

- leave your money in the Plan (inactive participation) if your Plan balance, including any After-Tax/Rollover Account balance, totals at least $2,000. Although you may no longer contribute, you may transfer your money among the investment fund options (UC and Fidelity), 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 (your remaining Plan balance, including any After-Tax/Rollover Account 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 may take a full distribution of their money in the Pretax Account at any time. Partial distributions may be taken once a month.

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 DC 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.

If you are a student employee who has left UC employment and want to request a distribution, complete the distribution request form (UBEN 200) in the *UCRS Distribution Kit for Non-exempt Student Employees*. You must also submit documentation indicating your separation date. This kit is available on At Your Service or from your local Benefits Office or UC Customer Service.

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 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 DC Plan Pretax Account 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, the taxable portion of 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.

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 employment.

After that, minimum distributions must be received annually.[2] 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 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.

DC Plan Retirement Income

ELIGIBILITY

You may elect retirement income from the DC Plan in the following circumstances:

- when or after you retire under UCRP;
- after you leave employment and have reached age 50;[3] 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

DC Plan retirement income is available through commercial annuities purchased through UC's group insurance contract with a California-licensed, third-party insurance carrier, described on the following page.

2 If you are 70½, have left employment and are rehired into a paid UC or CSU 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 employment.

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

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 DC Plan money to purchase an annuity product from any third-party insurance carrier or other such vendor.

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 DC Plan:

- leave your money in the Plan (inactive participation) if your Plan balance, including any After-Tax/Rollover Account balance, totals at least $2,000. Although you may no longer contribute, you may transfer your money among the investment fund options, subject to the transfer rules and processing deadlines;
- take a full or partial distribution. After a partial distribution, your remaining Plan balance, including any After-Tax/Rollover Account balance, must total at least $2,000; or
- take retirement income from the DC Plan.

DC 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 what options are available. A beneficiary can be a person, trustee or organization (see "Designation of Beneficiary").

Beneficiaries have nine months to decide whether to:

- take a lump sum distribution, or
- arrange to purchase a commercial annuity through UC's group insurance contract.

Spousal beneficiaries also have the option to roll over the taxable portion of money from the participant's account into a traditional IRA or to an employer plan that will accept a rollover, either directly or within 60 days of receipt of the distribution. Unless the distribution is directly rolled over, 20 percent will be withheld for federal taxes. The rollover options are available only to a surviving spouse or former spouse. For more information, see Appendix A.

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.

DC Plan After-Tax/ Rollover Account

The information that follows pertains specifically to the DC Plan After-Tax/Rollover Account.

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 make voluntary contributions to the After-Tax/Rollover Account.

To participate in the After-Tax/Rollover Account, enroll in one of the following two 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 also use the interactive telephone service, bencom.fone, to set or reset a PIN.

- If you don't have Internet access, you will need to complete form U5637CA (*Payroll Deduction Agreement—Defined Contribution Plan After-Tax/ Rollover Account*), available from your local Benefits Office.

You can enroll in the After-Tax/Rollover Account at any time, but local Payroll Office deadlines determine when your contributions actually begin.

LEAVES OF ABSENCE

Contributions to the After-Tax/Rollover Account 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 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" After-Tax/Rollover Account 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

The options that are available to After-Tax/Rollover Account participants who leave UC employment are described in "Distributions, Active and Inactive Participants" and "DC 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 After-Tax/Rollover Account again.

Contributions

Contributions to the After-Tax/Rollover Account may be made only through payroll deduction and may only come 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.

Contributions to the After-Tax/Rollover Account are deducted from your pay after income taxes have been deducted. Taxes on the earnings only are deferred until you withdraw the money.

CONTRIBUTION AMOUNTS

The maximum amount participants may contribute annually to the After-Tax/Rollover Account is determined by the IRC §415(c) limit. Generally, this amount is the **least of**:

- 100 percent of the participant's adjusted gross UC salary, or
- $41,000.

This limit applies to all annual additions as defined in IRC §415(c).

UC HR/Benefits provides a worksheet you can use to estimate the maximum amount you may contribute annually to the After-Tax/Rollover Account. This worksheet is available on At Your Service or from your local Benefits Office or the UC Customer Service Center.

Participants may contribute to the After-Tax/Rollover Account over 12 months or consolidate contributions in as few pay periods as desired. If you decide to consolidate contributions, however, you are responsible for cancelling them once you reach your maximum annual contribution limit (see "Excess Contributions"). Neither the University nor UC HR/Benefits is responsible for individual tax consequences if a participant's after-tax payroll deductions violate IRC provisions.

Unlike the Pretax Account, you may invest your voluntary contributions to the After-Tax/Rollover Account in more than one investment fund (including the Fidelity mutual funds) when you enroll. 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 After-Tax/Rollover Account at any time on At Your Service. You may also direct future contributions to a different investment fund or funds. Contributions and earnings already in the Plan do not automatically transfer to your new investment fund choice (see "Money Movement").

EXCESS CONTRIBUTIONS

To comply with the IRC §415(c) contribution limit and to protect the Plan's qualified status with the IRS, UC HR/Benefits annually monitors participants' contributions to the After-Tax/Rollover Account. UC HR/Benefits will notify participants who exceed their annual contribution limit and will automatically issue a refund of the excess contributions and any earnings thereon in the following tax year. Although the earnings are subject to ordinary income taxes for the year in which the excess amount is refunded, they are not subject to the penalty taxes on early distributions.

The earnings on excess contributions to the After-Tax/Rollover Account are not eligible for rollover (see Appendix A).

MONEY MOVEMENT

Procedures and processing deadlines for transferring money in the Plan are described on page 6.

Distributions

ACTIVE AND INACTIVE PARTICIPANTS

There are no statutory restrictions on distributions from the DC Plan After-Tax/Rollover Account.

Active and inactive participants may take a full distribution of their money in the After-Tax/Rollover Account at any time. Partial distributions may be taken once a month.

Requests for After-Tax/Rollover Account distributions are processed online through At Your Service. 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 After-Tax/Rollover Account money at Fidelity, contact Fidelity directly (see inside front cover) or UC Customer Service. Note—UC must authorize all distribution requests before Fidelity can process them.

Aside from taking a full or partial distribution from the After-Tax/Rollover Account, inactive participants have other options for their money in the DC Plan (see "Distributions, Inactive Participants").

DISTRIBUTION PROCESSING DATES

Procedures and cutoff dates for processing distribution requests are described on page 7.

TAXES ON DISTRIBUTIONS

The taxable portion of a distribution from the After-Tax/Rollover Account is taxed as ordinary income in the year the distribution is issued. Participants may not take a distribution of contributions alone (the amount on which they have already paid taxes). Each distribution must include earnings in the same proportion that the earnings bear to contributions in the account. Therefore, unless the earnings are rolled over (or reflect a net loss), all distributions are partially taxable.

As previously discussed, specific federal tax-withholding rules apply to all distributions from retirement savings and investment plans. For more information about the tax treatment of After-Tax/Rollover Account distributions, refer to Appendix A. Participants considering a distribution from the After-Tax/Rollover Account are also strongly encouraged to consult a tax advisor.

EARLY DISTRIBUTION PENALTIES

The early distribution penalties are described on page 8.

MINIMUM REQUIRED DISTRIBUTIONS

The minimum distribution rules are described on page 8.

DC Plan Retirement Income

Information about retirement income from the DC Plan begins on page 8.

Disability

Options for DC Plan participants who 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 are described on page 9.

Distributions to Beneficiaries

DC Plan benefits payable to a beneficiary are described on page 9.

Additional DC Plan Information

ROLLOVERS: INTO THE PLAN

The DC Plan accepts rollovers of taxable distributions from 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 of money they have accumulated in UCRP to the DC Plan. UCRP distributions eligible for rollover to the DC 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 DC 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 DC 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 UC employee and want to make a direct or 60-day rollover to the DC 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 *UC Rollover Factsheet*, available on At Your Service under "Forms and 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 DC 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 distribution of your UCRP accumulations automatically cancels your rights to all future UCRP retirement, survivor and disability benefits.**

Rollovers to the DC Plan are kept with untaxed earnings in the DC Plan After-Tax/Rollover Account.

Rollovers to the DC Plan (plus earnings thereon) may be withdrawn at any time. If the participant is under age 59½, however, early distribution penalties may apply (see "Early Distribution Penalties").

ROLLOVERS: FROM THE PLAN

As discussed in Appendix A, virtually all DC Plan Pretax Account distributions are eligible for direct rollover. Therefore, the taxable portion of a DC Plan distribution is subject to mandatory 20 percent federal tax withholding, unless it is directly rolled over to a traditional IRA or another employer plan that accepts rollovers.

DC Plan distributions that are not eligible for direct rollover include:

- minimum required distributions,
- refunds of excess contributions (plus earnings) to the After-Tax/Rollover Account, and
- distributions made to non-spouse beneficiaries.

Participants may also roll over an eligible DC 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 DC 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.

Participants considering a rollover of a DC 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 current 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. It is available online at http://www.ucop.edu/treasurer and from local Benefits Offices and the UC Customer Service Center.

Fidelity Investments Mutual Funds

In addition to the UC-managed investment funds, participants may invest in Fidelity Investments mutual funds.[4] 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. More information on the Fidelity mutual funds, including prospectuses that you should read carefully, is available from your local Benefits Office or the UC Customer Service Center.

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.

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[4] DC Plan Pretax Account contributions may be directed to one of the UC-managed funds or to the Fidelity mutual funds, but not to both. There are no fund limitations on After-Tax/Rollover Account contributions.

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

Participants with DC Plan money invested at Fidelity receive quarterly statements from Fidelity.

Summary plan descriptions are sent periodically to all participants and are also available on At Your Service or from your local Benefit Offices or the UC Customer Service Center.

Participants may obtain a copy of the University of California Defined Contribution 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 DC 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 qualified 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 DC Plan in the event of their death. A participant may name the same beneficiary as for UCRP and/or the Tax-Deferred 403(b) Plan (if applicable), or a different one. A participant may not name one beneficiary to receive money in the Pretax Account and another beneficiary to receive any money in the After-Tax/Rollover Account. Participants may, however, 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, DC Plan money will be distributed to the participant's survivors in the order of succession listed on page 9.

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, DC 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 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 DC 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 DC 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 DC 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 qualified 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:

You can change your address 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 issued; however, it may be eligible for special tax treatment if it qualifies as a lump sum distribution.

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

UCRS distributions that may qualify as lump sum distributions include:

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

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

Ten-Year Averaging

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

Capital Gain Treatment

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

Other Considerations on Special Tax Treatment

The special tax treatment on a lump sum distribution:

- generally can be elected only once in your lifetime.
- applies to all lump sum distributions you receive during the same year.
- cannot be used if any part of a distribution was rolled over to another plan or to a traditional IRA.
- cannot be used on distributions from the Plan if you have previously rolled over amounts from the Plan.
- cannot be used for Plan distributions if you have rolled over into the Plan amounts from sources other than 401(a) or 401(k) plans.
- cannot be used on a distribution from a traditional IRA, a 403(b) tax-sheltered annuity, or a governmental 457(b) plan.

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

CALIFORNIA RULES AND TAX LAWS

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

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

ADDITIONAL RESOURCES AND INFORMATION

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

IRS Publication 575,
Pension and Annuity Income

IRS Publication 590,
Individual Retirement Arrangements

IRS Form 4972,
Tax on Lump-Sum Distributions

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