SUMMARY PLAN DESCRIPTIONS

UNIVERSITY OF CALIFORNIA

Retirement Plan

(FOR MEMBERS WITH SOCIAL SECURITY)

Defined Contribution Plan

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 University 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**

Introduction

The retirement and savings benefits offered to University of California faculty and staff are widely recognized as one of the most tangible rewards of University employment. But even with such generous benefits, much of your future security will depend on decisions you make while you're still working. It's important to understand the pivotal role you have in shaping your financial future. To make the most of your retirement and savings benefits, we encourage you to read this booklet carefully and to keep it with your important papers for later reference. It contains summary plan descriptions with comprehensive information about the retirement savings and investment plans administered by the University of California Retirement System (UCRS).

This chart illustrates the basic structure of UCRS.

University of California Retirement System (UCRS)

University of California Retirement Plan (UCRP); a defined benefit plan	**Defined Contribution Plan (the DC Plan); a defined contribution plan**	**Tax-Deferred 403(b) Plan (the 403(b) Plan); a defined contribution plan**
A pension plan with four membership classifications	A savings and investment plan with a Pretax Account for mandatory contributions and an After-Tax/Rollover Account for voluntary contributions and pretax rollovers	A savings and investment plan for voluntary pretax contributions and pretax rollovers

The summary plan descriptions that follow explain the plans' provisions and the policies and rules that govern them. They also provide information about actions you can take to maximize your participation in the plans, such as how to claim benefits or make changes to contributions or to your investment portfolio. Look for this information in shaded areas throughout all three summary plan descriptions.

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 critical to your future financial security. See page 61 for information about how to report a change of address.

The University of California Retirement Plan document, the Defined Contribution Plan document, and the Tax-Deferred 403(b) Plan document contain details of the plans' provisions. If a conflict exists between these summary plan descriptions and the Plan documents, the Plan documents govern. University of California Human Resources and Benefits (UC HR/Benefits) maintains the authority to interpret disputed provisions.

Retirement Plan

(FOR MEMBERS WITH SOCIAL SECURITY)

Summary Plan Description

UCRP Table of Contents

Introduction

The University of California Retirement Plan (UCRP or the Plan) provides retirement income for eligible employees (and their eligible survivors and beneficiaries) of the University of California and its affiliate, Hastings College of the Law. UCRP also provides disability and death benefits, a lump sum cashout, and, for certain members, a Capital Accumulation Provision (CAP).

UCRP is a governmental defined benefit pension plan established and maintained under Internal Revenue Code (IRC) §401(a). Benefits are determined not by contributions to the Plan, but by defined formulas that vary according to the type of benefits payable (for example, retirement, disability or survivor benefits). The formulas are based on such factors as a member's salary, age and years of service credit.

Eligible employees automatically become members of UCRP as a condition of employment.

The Plan includes the following four membership classifications:

- members with Social Security,
- members without Social Security,
- Tier Two members, and
- Safety members.

This *Summary Plan Description* summarizes the Plan provisions for members with Social Security, who include:

- University employees who were Plan members on April 1, 1976, and elected Social Security coverage in 1976 or 1977; and
- employees who become Plan members after April 1, 1976, except for: those with Safety benefits, those excluded from Social Security coverage under federal law, and those with Tier Two benefits with or without Social Security coverage.

Members without Social Security, Tier Two members, Safety members and those who have University service in more than one membership classification should refer to the appropriate summary plan description(s), because benefits and other provisions vary.

SOCIAL SECURITY

UCRP members with Social Security pay Social Security taxes. For 2004, the tax rate is 7.65 percent. Of this, the member pays 6.2 percent on earnings up to the Social Security wage base ($87,900 in 2004) for Old Age, Survivors and Disability Insurance (OASDI) and 1.45 percent on all earnings for Medicare hospital insurance (Part A). These taxes are deducted from the member's gross wages each pay period. Taxes are based on net income after certain pretax deductions, including those for Tax Savings on Insurance Premiums (TIP), the Dependent Care Assistance Program (DepCare) and the Health Care Reimbursement Account (HCRA).

Contact the Social Security Administration for more information about Social Security eligibility and benefits, including an estimate of future retirement benefits (see inside front cover).

Membership

ELIGIBILITY AND MEMBERSHIP

Retirement Plan membership is automatic and mandatory for eligible employees and begins the first day of an eligible appointment. An eligible appointment is at least 50 percent time or more on a fixed or variable basis for one year or longer. Employees with limited appointments, employees in contract positions, employees in "noncareer" positions at the Department of Energy laboratories and certain academic employees may become eligible for membership after working 1,000 hours in a rolling, continuous 12-month period. (Members of the Non-Senate Instructional Unit qualify for UCRP membership after working 750 hours in an eligible position.)

Membership is effective no later than the first of the month following the month in which 1,000 hours (or 750 hours) is reached.

Exceptions: A University employee is not eligible for Plan membership if he or she:

- is an active member of another UC-sponsored retirement system—for example, the California Public Employees' Retirement System (CalPERS);
- is at the University primarily to obtain education or training;
- receives pay under a special compensation plan but receives no covered compensation (see "Plan Definitions");

- is in a Per Diem, Floater or Casual Restricted appointment;
- is appointed as a Regents' Professor or Regents' Lecturer;
- is an employee hired as a visiting appointee on or after August 1, 1989; or
- is a retired member who elects to waive future eligibility and accruals (including service credit).

Once you become a UCRP member, active membership continues until you have a break in service (see "Plan Definitions"). Membership is not affected by a reduction in appointment without a break in service. Benefits change if you transfer to a position eligible for Safety benefits.

VESTING

Vesting generally refers to a member's nonforfeitable right to receive UCRP retirement benefits upon leaving the University and reaching retirement age. A vested member is one who has earned five or more years of service credit.[1] Vesting applies whether all service credit is earned as a member with Social Security or is earned partly in another UCRP membership classification.

For the CAP benefit, vesting is immediate—regardless of the member's eligibility for other Plan benefits (see "Capital Accumulation Provision").

INACTIVE MEMBERSHIP

If eligible, a member can become an inactive member upon leaving University employment and retain the right to future retirement benefits by leaving Plan accumulations in the Plan. A member is eligible for inactive membership if he or she satisfies one of the following criteria:

- has at least five years of service credit in any UCRP membership classification(s);
- is eligible for reciprocity (see "Reciprocity");
- is eligible to apply for UCRP disability income (see "Disability Income");
- is a faculty member of a University medical school who has been appointed by the Veterans Administration to a University affiliated hospital, and, as a result, receives no further covered compensation;
- became a Plan member July 1, 1989, or earlier, and reached age 62 while still an eligible employee; or
- has vesting credit in combination with service credit that totals at least five years.

After leaving the University, an inactive member may, at any time before (and in lieu of) retiring, request a refund of accumulations or, upon reaching age 50, elect a lump sum cashout. **Members who elect either a refund of accumulations or a lump sum cashout waive the right to any future Plan benefits.** See "Refund of Accumulations" and "Lump Sum Cashout."

RECIPROCITY

UCRP and CalPERS have a reciprocal agreement to ensure continuity of benefits for members who change employers and transfer between the two retirement systems under certain circumstances. UCRP/CalPERS reciprocal benefits can include service credit, HAPC, disability, retirement and/or death benefits. The reciprocal agreement does not apply to eligibility for retiree health benefits.

To establish reciprocity, members must:

- be employed under the new retirement system within 180 days of leaving employment under the former system,
- leave their contributions (if any) in the former system, and
- elect reciprocity by completing the proper form. (See the shaded box below.)

When you elect UCRP/CalPERS reciprocity, funds are not transferred from one retirement system to another. You become a member of both systems. You are subject to membership and benefit obligations and rights of each system. You must retire under both systems on the same date for the benefits of reciprocity to apply.

To establish reciprocity at UC, you must complete form UBEN 157 (*Election of Reciprocity*) and send it to UC HR/Benefits. The form is part of the *UCRP/CalPERS Reciprocity Factsheet*, available on At Your Service or from your local Benefits Office. To find out how to establish reciprocity at CalPERS, call CalPERS directly (see inside front cover). As long as you remain eligible under the guidelines listed above, you may establish UCRP/CalPERS reciprocity at any time.

UCRP also has limited agreements regarding benefits with the San Diego County Employees' Retirement

[1] Employees who became UCRP members on or before July 1, 1989, are vested regardless of service credit if they leave University employment after reaching age 62.

Association, the Sacramento County Employees' Retirement System and the Orange County Employees' Retirement System.

A provision for concurrent retirement is also available for UCRP members who are also members of the California State Teachers' Retirement Defined Benefit Program (CalSTRS). An employee is eligible for concurrent retirement if he or she:

- is an active UCRP member on or after July 1, 2002,
- is a member of CalSTRS, and
- elects UCRP retirement income or a lump sum cashout after July 1, 2002.

Members eligible for concurrent retirement may also be eligible for certain UCRP benefit enhancements. CalSTRS has similar concurrent retirement provisions that apply to UCRP members; for more information about CalSTRS concurrent retirement, contact CalSTRS directly.

Contributions

FUNDING THE PLAN

Plan benefits are funded by contributions both from the University and active members and by the investment earnings thereon. These contributions and earnings are placed in a trust fund and constitute a single pool of assets. Annual actuarial valuations determine the Plan's liabilities (that is, projected benefits to be paid) and the required funding.

UNIVERSITY CONTRIBUTIONS

University contributions are used to pay Plan benefits for all members. Contribution rates may be adjusted periodically to maintain adequate funding levels. Currently, no University contributions are required. When required, University contributions are not allocated to individual member accounts.

MEMBER CONTRIBUTIONS

Active members may be required to make retirement contributions. Contribution rates may be adjusted periodically to maintain adequate funding levels. Any such change must be approved by the Regents. Currently, no UCRP member contributions are required; however, members are required to make contributions to the Defined Contribution Plan Pretax Account.

When required, contributions are deducted automatically from the member's gross wages each pay period and allocated to individual member accounts. Wages from which contributions may be taken are called covered compensation. Member contributions to the Plan reduce the member's taxable income (see "Taxes on Distributions").

The Plan Administrator maintains a record of each member's contributions, with interest credited each month. The annual interest rate is currently 6 percent.

Service Credit

Service credit is the measure of time a member has participated in the Plan. Service credit is used to determine eligibility for most benefits and to calculate benefits such as monthly retirement income, the lump sum cashout and eligibility for and the amount of the University contribution to retiree health benefits.

Service credit is earned whenever a member receives covered compensation for an eligible appointment. The maximum that a member can earn for a year of full-time work is one year of service credit. Part-time or variable-time work results in a proportionate amount of service credit. For example, a member who works 50 percent time for one year receives one-half year of service credit. Service credit is not earned for overtime or other work outside a member's normal, regular appointment.

Sick Leave If a member retires within four months after leaving the University, any unused sick leave is converted to service credit. Eight hours of unused sick leave converts to one day of service credit. Because service credit is part of the benefit formula, this additional service credit may increase the member's retirement income. Service credit for sick leave is also used to determine eligibility for retiree health benefits; however, it is not included in determining eligibility for UCRP benefits or in calculating the lump sum cashout.

Disability Status Disabled members earn service credit at the same rate earned during the 12 months of continuous service just before the disability date.

Disabled members whose UCRP disability date is November 5, 1990, or later earn service credit until/unless their retirement benefit, if they were to retire, would be as great as their disability benefit.

Partial-Year Career Appointments Members who work full time during 9-, 10- or 11-month partial-year appointments earn one year of service credit for each Plan year. Members who work part time during partial-year appointments earn proportionate service credit.

For example, a member who works 50 percent time during a partial-year appointment earns one-half year of service credit.

Military Leave Members who return to University service in accordance with their reemployment rights following a military leave receive service credit for the time spent in uniformed service and for a period following uniformed service, provided the member returns to work or notifies the University in writing of the intent to do so.

Members earn service credit for military leave at the same rate earned during the 12 months of continuous service just before the leave. For example, a member who earned three-fourths of a year of service credit in the 12 months just before military leave will earn three-fourths of a year of service credit for a year of military leave.

Local Benefits Offices can provide more information about establishing service credit for military leaves.

Leave Without Pay Members do not earn service credit during a leave without pay (see "Buyback").

Sabbatical or Paid Leave During a sabbatical or paid leave, members earn service credit in proportion to the percentage of full-time pay they receive. For example, a member on sabbatical leave at two-thirds pay for one year receives two-thirds of a year of service credit (see "Buyback").

Extended Sick Leave Members earn up to 80 percent of service credit for periods of extended sick leave during which they receive Workers' Compensation (see "Buyback").

Time Reduction Incentive Plan (TRIP) TRIP, a temporary workforce reduction program, was in effect August 1, 1992, through June 30, 1995. TRIP participants were eligible to accrue one full month of service credit for each month during the period of their TRIP agreement if they worked at least 75 percent time each month during the entire period and fulfilled all other terms of the agreement. If these conditions were not met, see "Buyback."

Staff and Academic Reduction in Time (START) Program START is a temporary workforce reduction program in effect from June 1, 2003, through June 30, 2005. START participants are eligible to accrue UCRP service credit for each month during the START period at the same rate as was accrued before the START period if they remain on pay status at least 50 percent of full-time each month and fulfill all other terms of the START agreement. UCRP service credit during the START period will be reduced for periods of leave without pay or other periods of time off pay status not reflected in the START agreement.

Past Service Members with previous Plan membership retain service credit for the earlier period if they left their money in the Plan upon leaving the University.

Returning members who previously received a refund of accumulations may buy back service credit for the earlier period.

Returning members who previously received a lump sum cashout may not buy back service credit for any period before the cashout date.

Noncontributory Service Those who were Plan members during the period July 1, 1966, through June 30, 1971, earned service credit as usual, although they were not required to contribute until the July 1 after they reached age 30, or, for those who were already age 30, until the July 1 after one full year of service. At retirement, the member's benefit is reduced because there were no member contributions.

For approved leaves (including military leaves) during the noncontributory period (July 1, 1966, through June 30, 1971), members earned service credit although neither the member nor the University contributed to the Plan. At retirement, the member's benefit is reduced because there were no member or University contributions during this period.

For more details, see "Noncontributory/Leave Offset." For information on eliminating the offset(s), see "Buyback."

BUYBACK

"Buyback" is payment to establish service credit for leaves, to reestablish service credit for previous UCRP membership or to eliminate a noncontributory offset. The buyback option is available only to active UCRP members.

The buyback option is available for:

Approved Leaves approved leave without pay; partially paid sabbatical leave; extended sick leave; temporary layoff or furlough (except during a partial-year career appointment); incomplete TRIP agreement or completed TRIP agreement of less than 75 percent time; and reduction in appointment under Temporary Reduction In Time (TRIT) from July 1, 1993, to October 28, 1993; or

Previous UCRP Membership UCRP service for which a refund of accumulations was received; or

Eliminating Noncontributory Offsets the noncontributory offset, which affects many who were members during the period 7/1/66–6/30/71; and the leave offset, which affects all who took an approved leave during the period 7/1/66–6/30/71.

Timing, cost and other provisions for each of the three categories of buyback are described below. You can find complete buyback information as well as instructions in *The UCRP Buyback Booklet*, available on At Your Service or from your local Benefits Office.

The buyback option is NOT available for:

- any break-in-service period;
- any period of ineligible service, such as temporary employment or indefinite layoff;
- any furlough during a partial-year career appointment;
- a completed TRIP agreement of 75 percent time or more (the member accrued 100 percent of service credit for the period);
- a reduction in appointment (except under a TRIT agreement);
- any period of CalPERS membership;
- any period of service that preceded a lump sum cashout;
- any period of less than four weeks, unless required for vesting purposes;
- any period of military leave July 1, 1966, or later (the member receives full service credit without making contributions. For military leaves from July 1, 1966, through June 30, 1971, however, the leave offset applies); and
- a CAP distribution.

Establishing Service Credit for Approved Leaves

Service credit can be purchased to the level of the member's normal/regular appointment.

Timing Upon returning to work as an active UCRP member after an approved leave, a member has a limited time to elect to establish service credit.

- A member who returns to work after July 1, 1997, must make a buyback election within three years of returning to work.
- A member who returned to work on or before July 1, 1997, must have made a buyback election by July 1, 2000.

Cost For approved leaves:

- November 1, 1990, and later: The member pays the cost of Plan membership, defined as the total normal cost for funding in effect at the time of the buyback election, plus interest, for the period. The total normal cost is the sum of member contributions, if any, plus the Plan's normal cost. The Plan actuary determines total normal cost annually. For members with Social Security, the total normal cost in 2004 is 15.75 percent of covered compensation.
- Before November 1, 1990: The member pays the cost of Plan membership, defined as the sum of member contributions plus University contributions, plus interest, for the leave period.

Interest is computed using the Plan's assumed earnings rate at the time of the buyback election and is charged from the date the member returns to work to the date payment is completed.

Other Provisions Payments are made on a pretax basis in equal monthly installments through payroll salary reduction. (Payments for buybacks elected before July 1, 1997, are made on an after-tax basis, subject to IRC §415(c) annual limits.)

Once made, a buyback election is irrevocable. Payments may be scheduled for a period of up to five years (whole years only). The payment period must be at least as long as the leave. The member receives full service credit when payment is completed. A member who leaves University employment before payments are completed receives proportional service credit. Members who have separated from service have the option to pay off the balance of a buyback-in-progress in an after-tax lump sum payment if they have completed at least one year of payments. Buyback payments are nonrefundable unless the member elects a refund of Plan accumulations after a break in service.

Members who are within their three-year window and who have been laid off or have had their appointment eliminated due to budget reasons can elect a buyback if it is needed for vesting purposes. The buyback must be made in a lump sum on an after-tax basis.

For any leave that begins on July 1, 1997, or later, a member may not accrue service credit for the same period both in UCRP and in another defined benefit retirement plan that is supported wholly or partly by public funds. A member requesting a buyback calculation must certify that the period in question meets this requirement.

For leaves that begin on July 1, 1997, or later, the amount of service credit that may be purchased for an individual period of leave without pay is limited to the first two years of the leave period. (This does not apply to military leave, furlough, temporary layoff, sabbatical leave or extended sick leave.)

For buybacks elected on July 1, 1997, or later, the minimum leave period eligible for buyback is four consecutive weeks (whole periods only), unless a member is leaving University employment and a shorter period is needed for vesting purposes.

Reestablishing Service Credit for Previous UCRP Membership

Timing Upon returning to UC employment in a position eligible for UCRP membership, a member who received a refund of prior UCRP accumulations has a limited time to elect to reestablish service credit for the previous period.

- An eligible member who returns to work after July 1, 1997, must make a buyback election within three years of returning to work.
- An eligible member who returned to work on or before July 1, 1997, must have made a buyback election by July 1, 2000.

Cost The member pays the amount of the UCRP refund plus interest. Interest is computed using the Plan's assumed earnings rate at the time of the buyback election and is charged from the date of the original refund to the date payment is completed.

Other Provisions Payments are made on a pretax basis in equal monthly installments through payroll salary reduction. (Payments for buybacks elected before July 1, 1997, are made on an after-tax basis. The IRC §415(c) annual limits do not apply to payments to reestablish service credit for previous UCRP membership.)

Once made, a buyback election is irrevocable. Payments may be scheduled for a period of up to five years (whole years only). The member receives full service credit when payment is completed. A member who leaves University employment before payments are completed receives proportional service credit. Members who have separated from service have the option to pay off the balance of a buyback-in-progress in an after-tax lump sum payment if they have completed at least one year of payments. Buyback payments are nonrefundable unless the member elects a refund of Plan accumulations after a break in service.

Members who are within their three-year window and who have been laid off or have had their appointment eliminated due to budget reasons can elect a buyback if it is needed for vesting purposes. The buyback must be made in a lump sum on an after-tax basis.

Buyback to Eliminate Noncontributory Offsets

Timing Active members who have noncontributory (Plan 02) service or who took an approved leave during the noncontributory period (July 1, 1966, through June 30, 1971), may pay to eliminate the noncontributory offset and/or the leave offset at any time.

Cost For each noncontributing member, the Plan Administrator maintains a record (Plan 02) of member contributions that were not made and accrued interest. To eliminate the noncontributory offset, the member pays the total in the Plan 02 account. To eliminate the leave offset, the member also pays the University contributions that were not made, plus interest.

Other Provisions Payments are made on a pretax basis in equal monthly installments through payroll salary reduction. (Payments for buybacks elected before July 1, 1997, are made on an after-tax basis, subject to IRC §415(c) annual limits.)

Once made, a buyback election is irrevocable. Payments may be scheduled for a period of up to five years (whole years only). The member receives full credit when payment is completed. A member who leaves University employment before payments are completed receives a proportional reduction in the noncontributory/leave offset. Buyback payments are nonrefundable unless the member elects a refund of Plan accumulations after a break in service.

Effective January 1, 2001, active members have the option to make a lump sum after-tax payment to eliminate or reduce a noncontributory service period balance. Like after-tax installment payments, an after-tax lump sum payment is subject to IRC §415(c) annual limits.

Capital Accumulation Provision (CAP)

For certain UCRP members, the CAP provides a supplement to other UCRP benefits. The CAP benefit is based on allocations made by UCRP on certain dates. Each allocation was calculated as a percentage of covered compensation actually paid during a specified period.

Allocation Date	Percentage of Covered Compensation	Eligibility Requirements
April 1, 1992	5% of covered compensation paid during calendar year 1991	Active UCRP member continuously from December 31, 1991, through April 1, 1992
July 1, 1992	2.5% of covered compensation paid July 1, 1991–June 30, 1992	Active UCRP member on July 1, 1992
July 1, 1993	2.5% of covered compensation paid July 1, 1992–June 30, 1993	Active UCRP member on July 1, 1993
November 1, 1993	5.26% of covered compensation paid July 1, 1993–October 31, 1993	1) Active UCRP member on October 1, 1993, **and** 2) Salary reduced by 5% as of October 1, 1993, under the 1993–94 Salary Plan; **or** participating in TRIP as of October 1, 1993
July 1, 1994	2.67% of covered compensation paid November 1, 1993–June 30, 1994	1) Active UCRP member on June 1, 1994, **and** 2) Salary reduced by 2.6% as of June 1, 1994, under the 1993–94 Salary Plan; **or** participating in TRIP as of June 1, 1994; **or** AFSCME member with salary reduced by 4.16% as of June 1, 1994
April 1, 2002	3% of covered compensation paid April 1, 2001–March 31, 2002	Active UCRP member on April 1, 2002
April 1, 2003	5% of covered compensation paid April 1, 2002–March 31, 2003	Active UCRP member on April 1, 2003

CAP allocations made in 1992, 1993 and 1994 earn interest equal to an annual percentage yield of 8.5 percent.

Allocations made in 2002–2003 earn interest equal to the UCRP assumed earnings rate, currently an annual percentage yield of 7.5 percent.

Interest on all CAP allocations is credited monthly.

CAP benefits are vested immediately. They are payable in a lump sum when the member leaves University employment and:

- elects or is required to receive a refund of Plan accumulations (or has no Plan accumulations to be refunded),
- elects a lump sum cashout,
- elects retirement income, or
- begins receiving UCRP disability income.

Members can also take a distribution of their CAP balance, if any, when they leave University employment and become an inactive Plan member as long as any other UCRP money they have remains in the Plan.

Payment of the CAP balance after a member's death is considered a death benefit (see "Death Benefits").

Refund of Accumulations

Members who are not eligible for inactive membership upon leaving University employment must receive a distribution of their Plan accumulations and CAP balance, if any. (University contributions are not payable.)

Members who are eligible for inactive membership may request a refund of their money in the Plan. However, **a refund of accumulations cancels the member's right to any future Plan benefits based on that period of service** unless the member returns to University employment and reestablishes the service credit (see "Buyback").

If you request a distribution of your money in the Plan, you must also request a distribution of your CAP balance, if any. To request a distribution of Plan accumulations and CAP, you must complete form UBEN 142 (*Distribution Request—Refund of Accumulations*) and UBEN 142CAP (*Distribution Request—CAP Balance*), and send both forms to UC HR/Benefits. Distribution forms are available from your local Benefits Office or from the UC Customer Service Center.

A refund of any remaining accumulations after a member's death is considered a death benefit (see "Death Benefits").

Lump Sum Cashout

The lump sum cashout is a present value projection of the member's lifetime basic retirement income as of the cashout date and includes assumed cost-of-living increases. It is an option available to members who leave University employment and are eligible to retire. (See "Retirement Benefits" for eligibility requirements.) The lump sum cashout is not a retirement option, but may be chosen in lieu of monthly retirement income. However, members who have drawn UCRP retirement income and later return to University employment and to active UCRP membership may not elect the lump sum cashout upon subsequent separation.

A member who elects the cashout forfeits all other retirement benefits—such as the temporary Social Security supplement and credit for converted sick leave—and death benefits—such as the basic death payment, the postretirement survivor continuance and contingent annuitant benefits. If the member is eligible for the guarantees (see "Minimum Benefit Guarantees"), these are also forfeited. Eligibility for retiree medical, dental and legal benefits, if any, is also forfeited.

If the member elects the lump sum cashout and dies before payment is made, the cashout will be paid to the member's beneficiary.

ELECTING A LUMP SUM CASHOUT

To receive a lump sum cashout, you must obtain an election form from your local Benefits Office and submit it to UC HR/Benefits along with any other required forms or documents. (If you're an inactive member, call the UC Customer Service Center to request a lump sum cashout.) A member's cashout date cannot be earlier than the 1st of the month in which the request is submitted.

UC HR/Benefits must receive your election form no more than 90 days before or 90 days after the cashout date you are requesting. After receiving your election form, UC HR/Benefits will send you a confirmation letter. After you receive the confirmation letter, you do not have to take any further action to receive your lump sum cashout. You may cancel or change your election at any time up to your cashout date (or 15 days after your confirmation letter is sent, if later). After that time, your lump sum cashout election becomes irrevocable.

Disability Benefits

Disability income is available to active members who satisfy certain minimum requirements and who submit a timely application (see "Applying for Disability Benefits"). The service requirements, definitions and reevaluation standards vary depending on the UCRP membership date. The length of the disability income period varies depending on the UCRP disability date.

If the member is eligible to retire, elections for disability and retirement should be made simultaneously so retirement benefits will continue in the event disability benefits are not approved.

GENERAL REQUIREMENTS

The Plan Administrator determines a member's eligibility to receive UCRP disability income based on qualified medical evidence and in accordance with written procedures governing the consideration and disposition of disability issues. These procedures include a member's right to review decisions concerning his or her status. Once established, eligibility is reevaluated periodically by the Plan Administrator.

A member applying for disability income is required to submit medical evidence, which is considered in determining eligibility for the benefit. To receive disability income initially—and at any time while receiving it—a member also may be required to undergo medical examination(s) by physician(s) chosen by the Plan Administrator, or to participate in vocational assessment or rehabilitation programs. A member who does not comply is not eligible to receive UCRP disability income.

DISABILITY DEFINITIONS

Employees who became Plan members on April 1, 1980, or later must have five years of service credit to qualify for disability income.[2]

For these members, "disabled" means being unable to engage in substantial gainful activity (see below) because of a medically determinable physical or mental impairment that is permanent or expected to last 12 continuous months or longer from the UCRP disability date.

Initially, "substantial gainful activity" means physical or mental activities that pay 50 percent or more of the

2 Any service credit that was established for a leave period is not included in determining eligibility for disability benefits.

member's final salary (adjusted for cost-of-living increases; see "Cost-of-Living Adjustments"). After the first year of disability income, the member's impairment is reevaluated. Disability income continues if the member is unable to earn the amount defined annually by the Social Security Administration in determining substantial gainful activity. In 2004, this amount is $810 per month.

Employees who became Plan members before April 1, 1980, must have two years of service credit to qualify for disability income.[2]

For these members, "disabled" means being unable to perform the duties of their current University position or a comparable position (see below) because of a medically determinable physical or mental impairment that is permanent or expected to last for 12 continuous months or longer from the UCRP disability date.

"Comparable position" means a University position for which the member is qualified and is medically able to perform—whether or not such a position is available—and that pays at least 80 percent of the member's final salary, adjusted for cost-of-living increases (see "Cost-of-Living Adjustments").

Within two years, the disabled member's situation is reevaluated. Disability income continues if the impairment prevents the member from holding a position (at the University or elsewhere) that could reasonably be expected to pay 70 percent or more of the member's final salary, adjusted for cost-of-living increases (see "Cost-of-Living Adjustments"). This includes employment, self-employment and the rendering of any type of service.

APPLYING FOR DISABILITY BENEFITS

To apply for UCRP disability income, you should contact your local Benefits Office to explore your various disability income options. Be prepared to provide medical information to substantiate your application. You should make an appointment to apply for disability benefits as soon as it appears you won't be able to return to work because of your disability. (Inactive members are eligible to apply for disability income within 12 months of leaving University employment if medical evidence shows that the disability has been continuous from before the separation date.)

DISABILITY DATE

If a member is eligible as defined by the Plan, disability income is payable. The first day of eligibility, or the disability date, is the later of:

- the first of the month in which the Plan Administrator receives the application, or
- the day after the member's last day on pay status.

DISABILITY INCOME

For members with Social Security, disability income is a percentage of the member's monthly final salary, minus a reduction for Social Security benefits. The Social Security reduction is $106.40.[3] The percentage is based on years of service credit as of the disability date, as shown below:

Years of UCRP Service Credit	Monthly Benefit (percentage of final salary before Social Security reduction)
2 but less than 3	15.0%
3 but less than 4	17.5%
4 but less than 5	20.0%
5 but less than 6	22.5%
6 but less than 7	25.0%
7 but less than 8	27.5%
8 but less than 9	30.0%
9 but less than 10	32.5%
10 but less than 11	35.0%
11 but less than 12	37.5%
12 or more	40.0%

MAXIMUM DISABILITY INCOME

The maximum disability income that may be payable, when combined with income from other sources, depends on the UCRP membership date. Members who become eligible for disability income will receive further details.

2 Any service credit that was established for a leave period is not included in determining eligibility for disability benefits.

3 For employees who became Plan members before July 1, 1988, the Social Security reduction is the lesser of $106.40 or 33 percent of the disabled member's Social Security Primary Insurance Amount, if any, determined as of the date the Social Security disability benefit is first payable.

LENGTH OF THE DISABILITY INCOME PERIOD

Members with a UCRP disability date of November 5, 1990, or later who continue to be disabled as defined by the Plan, can receive UCRP disability income as follows:

- Members under age 65 on the UCRP disability date may receive disability income for up to five years or until age 65, whichever comes later;
- Members aged 65 or older on the UCRP disability date may receive disability income for up to 12 months or until age 70, whichever comes later.

For members with a UCRP disability date before November 5, 1990, who continue to be disabled as defined by the Plan, disability income stops:

- when the member becomes eligible to retire and potential retirement income equals or exceeds disability income, or at the latest
- when the member reaches age 67.

A disabled member who is or becomes eligible to retire can elect to retire at any time.

WHEN DISABILITY INCOME STOPS (REGARDLESS OF UCRP DISABILITY DATE)

In all cases, members who are eligible to retire when disability income stops can elect UCRP retirement income or the lump sum cashout.

The Plan Administrator will notify you in advance as to when and how your benefits will be affected so that you can decide about retirement before your disability income stops. See "Retirement Benefits" for eligibility requirements, calculations and other provisions.

If a disabled member dies, survivor benefits may be payable either immediately or at a future date (see "Death Benefits").

Retirement Benefits

Members can elect to retire and receive benefits at any time after they become eligible—that is, when they reach age 50 and leave University employment with at least five years of service credit.[4]

ELECTING RETIREMENT INCOME

To elect retirement income, your first step in forming your decision should be to read the *Retirement Handbook*, available on At Your Service or from local Benefits Offices or the UC Customer Service Center. Once you have familiarized yourself with the basic information this booklet provides, contact your local Benefits Office or UC Customer Service to confirm retirement procedures, because they vary depending on your UC location.

A member's retirement date cannot be earlier than the 1st of the month the request is submitted.

BASIC RETIREMENT INCOME

Basic retirement income is the member's normal monthly lifetime benefit. This basic amount is adjusted if the member wants to provide monthly survivor income for a spouse or another person (see "Alternate Payment Options"). An additional adjustment is required if the monthly benefit exceeds maximum benefit levels. See also "Plan Maximum Benefit—UCRP Retirement Income" and "Internal Revenue Code Provisions."

For members with Social Security, basic retirement income is a percentage of the member's average salary, or HAPC (highest average plan compensation—see "Plan Definitions"), minus a reduction for Social Security taxes the University has paid in the member's behalf and/or for any noncontributory/leave offset (see "Noncontributory/Leave Offset"). The percentage is based on the member's service credit and age at retirement.

[4] Employees who became UCRP members on or before July 1, 1989, are vested regardless of service credit if they leave University employment in an eligible position after reaching age 62.

Benefit Calculation

The general formula for calculating basic retirement income is:

Service credit x age factor = benefit percentage (not to exceed 100%)

Benefit percentage x HAPC = monthly benefit

Age factors are based on the member's age in complete years and months on the date of retirement as shown in the chart below.

In the examples that follow, benefit amounts are rounded down to the nearest dollar.

Example 1—Benefit percentage

A member retires at age 60 (age factor .0250), with 20 years of service credit.

20 years x .0250 = 50.0% (benefit percentage)

Calculating Basic Retirement Income

The initial formula for basic retirement income is:

Benefit percentage x (HAPC less $133) = basic retirement income (not to exceed 100% of [HAPC less $133])

HAPC is the member's average monthly salary (full-time equivalent compensation—100 percent of covered compensation that would be paid for a normal, regular full-time position) calculated over the highest 36 continuous months preceding retirement. This is usually, although not necessarily, the period just before employment ends. For members with Social Security, HAPC is reduced by $133 to account for the University's contributions to Social Security. Also see "Plan Definitions."

Example 2—Calculating basic retirement income

The member's benefit percentage is 50.0%. The HAPC is $4,133.

50.0% of ($4,133 – $133 = $4,000) = $2,000

The member's basic retirement income is $2,000 per month.

For adjustments to HAPC for disabled or inactive members who retire, see "Cost-of-Living Adjustments."

If you have noncontributory service, an offset is applied to your basic retirement income (see "Service Credit—Noncontributory Service").

If you participated in the Strict Full Time Salary Plan or had a partial-year career appointment, ask your Benefits Representative for information about your basic retirement income.

Retirement Age Factors

Age in Years	Complete Months From Last Birthday to Retirement Date											
	0	1	2	3	4	5	6	7	8	9	10	11
50	.0110	.0111	.0112	.0114	.0115	.0116	.0117	.0118	.0119	.0121	.0122	.0123
51	.0124	.0125	.0126	.0128	.0129	.0130	.0131	.0132	.0133	.0135	.0136	.0137
52	.0138	.0139	.0140	.0142	.0143	.0144	.0145	.0146	.0147	.0149	.0150	.0151
53	.0152	.0153	.0154	.0156	.0157	.0158	.0159	.0160	.0161	.0163	.0164	.0165
54	.0166	.0167	.0168	.0170	.0171	.0172	.0173	.0174	.0175	.0177	.0178	.0179
55	.0180	.0181	.0182	.0184	.0185	.0186	.0187	.0188	.0189	.0191	.0192	.0193
56	.0194	.0195	.0196	.0198	.0199	.0200	.0201	.0202	.0203	.0205	.0206	.0207
57	.0208	.0209	.0210	.0212	.0213	.0214	.0215	.0216	.0217	.0219	.0220	.0221
58	.0222	.0223	.0224	.0226	.0227	.0228	.0229	.0230	.0231	.0233	.0234	.0235
59	.0236	.0237	.0238	.0240	.0241	.0242	.0243	.0244	.0245	.0247	.0248	.0249
60+	.0250											

Example—For a member born on March 8, 1948, and retired on July 1, 2003, the age factor is .0184 (55 years plus three months).

Temporary Social Security Supplement

Members with Social Security who retire before age 65 receive a temporary supplement from UCRP, paid through the month of their 65th birthday (or through the month of death, if earlier). In effect, the supplement temporarily restores the Social Security reduction applied to the HAPC. The supplement is calculated as follows:

Benefit percentage x $133 = monthly temporary supplement (not to exceed $133)

Example 3—Temporary supplement

50.0% x $133 = $66 monthly temporary supplement

$2,000	**basic retirement income**
+ 66	**temporary supplement**
$2,066	**total monthly income**

The member will receive $2,066 to age 65. After age 65, the member will receive $2,000 for life.

Noncontributory/Leave Offset

For members with noncontributory service, the retirement benefit is reduced because of contributions the member has not made. The retirement benefit is the higher of the two following calculations:

- one that counts service credit accrued during the noncontributory period and includes an offset based on the balance at the time of retirement, and
- one that excludes service credit accrued during the noncontributory period and the offset.

For members who took an approved leave (including military leave) during the noncontributory period, a further reduction is applied to account for University contributions that were not made.

REAPPOINTMENT AFTER RETIREMENT

Retired members who are reappointed to University employment have the option of waiving their rights to additional UCRP benefit accruals, including service credit, during reemployment. Rehired retirees who waive additional UCRP benefit accruals can continue to receive monthly retirement income while working for the University.

Rehired retirees who decline the waiver option will be reinstated as active UCRP members if the new appointment meets the requirements for membership (see page 5). If a retired member is reinstated as an active UCRP member, retirement income and any Social Security supplement will stop. When the member again retires, basic retirement income will be recalculated. Members should contact their local Benefits Office for more information.

POSTRETIREMENT SURVIVOR CONTINUANCE

When a retired member dies, part of the retirement benefit is paid to the surviving spouse, or surviving domestic partner (the marriage or domestic partnership must have existed for at least one year before the member's retirement and continuously until the member's death), or if none, to the eligible children, or if none, to the eligible dependent parents (see "Plan Definitions"). If the survivor dies while receiving this benefit, or if children become ineligible, benefits are paid to the next eligible survivor, for as long as someone is eligible.

Note—Benefits for domestic partners became effective in July 2002. State and/or UC documentation of the partnership is required (see "Plan Definitions" and the *Benefits for Domestic Partners* brochure for more information).

Postretirement survivor continuance

- **is not optional,**
- **is built into the retirement benefit** (basic retirement income is not reduced to pay for it), and
- **may be paid only to those eligible** as described above.

The formula for postretirement survivor continuance is:

25% of the member's basic retirement income = postretirement survivor continuance

(plus, if the member was not yet age 65: 25% of temporary Social Security supplement = temporary continuance)

Example 4—Calculating postretirement survivor continuance

25% of $2,000	**=**	**$500**	**survivor continuance**
+ 25% of $66	**=**	**16**	**temporary continuance**
		$516	**total monthly income**

When the member dies, the surviving spouse or domestic partner (or another eligible survivor) receives $516 each month until the member would have reached age 65; the benefit is then reduced to $500 per month. If the eligible survivors die first, the member's benefit is not affected.

For members who elected Social Security coverage in 1976 or 1977, the Plan guarantees a minimum survivor benefit (see "Minimum Benefit Guarantees").

ALTERNATE PAYMENT OPTIONS

Several options are available for members who want to provide a monthly lifetime benefit for another person (contingent annuitant). This benefit is separate from, and in addition to, the postretirement survivor continuance.

Unlike an eligible survivor, the contingent annuitant is a person chosen by the member. Only one contingent annuitant may be chosen. The selection of the option and contingent annuitant becomes irrevocable on the retirement date on the election form (or 15 days after the confirmation letter is sent, if later). See "Electing Retirement Income." Also, there are legal considerations when designating a contingent annuitant (see "Designation of Beneficiary or Contingent Annuitant").

To provide this additional benefit, the member receives a reduced retirement income. The amount of the reduction is determined by a reduction factor that varies according to the option chosen as well as the average life expectancy of both the member and the contingent annuitant.

Before the reduction is determined, the 25 percent postretirement survivor continuance is set aside. The remaining 75 percent of the member's basic retirement income is adjusted for the payment option selected. This adjusted portion is referred to as the option portion. If no one is eligible for the postretirement survivor continuance at the time of retirement, the entire basic retirement income is adjusted for the payment option.

The benefit paid to the member consists of both parts—the 25 percent survivor continuance portion and the option portion—for as long as the member lives. The benefit paid to the contingent annuitant when the member dies is based only on the option portion. The contingent annuitant, if eligible, will also receive the survivor continuance when the member dies. In no case will the member's benefit be adjusted if the contingent annuitant and/or eligible survivors die first.

Paid **in addition to the 25 percent survivor continuance**, the payment options are:

Option A Full Continuance to Contingent Annuitant

The retired member receives a reduced monthly benefit for life. When the member dies, the contingent annuitant receives a lifetime benefit equal to the option portion.

Option B Two-Thirds Continuance to Contingent Annuitant

The retired member receives a reduced monthly benefit for life. When the member dies, the contingent annuitant receives a lifetime benefit equal to two-thirds of the option portion.

Option C One-Half Continuance to Contingent Annuitant

The retired member receives a reduced monthly benefit for life. When the member dies, the contingent annuitant receives a lifetime benefit equal to one-half of the option portion.

Option D One-Half Continuance to Surviving Spouse or Domestic Partner

This option is available only if the surviving spouse or domestic partner is eligible for the postretirement survivor continuance and is named as contingent annuitant. In this option, the 25 percent survivor continuance is included in the calculation.

The retired member receives a reduced monthly benefit for life. When the member dies, one-half of this amount is paid to the surviving spouse or domestic partner for life.

The yield of this option is close to the amount paid under Option C. However, Option D differs in that it

- must be payable to the surviving spouse or domestic partner as contingent annuitant,
- is exactly one-half of the retired member's total monthly benefit, and
- includes the postretirement survivor continuance.

Alternate Payment Option Calculations

The examples that follow assume that both the retiring member and the contingent annuitant are age 60. (If the age were different, the dollar amounts would vary somewhat because different reduction factors would be used.) Benefit amounts are rounded down to the nearest dollar.

Example 5—Calculating Payment Option A (Full Continuance)—spouse or domestic partner is contingent annuitant

Basic retirement income is $2,000. The spouse or domestic partner is eligible for the 25 percent ($500) postretirement survivor continuance; however, the member wants to provide the spouse or domestic partner with an additional monthly lifetime benefit. The member names the spouse or domestic partner as contingent annuitant and chooses Option A.

Step 1:

The 25% ($500) survivor continuance is set aside.

$2,000 - $500 = $1,500 (the remaining 75%)

Step 2:

The reduction factor is applied to the remaining 75%.

.863 x $1,500 = $1,294 (option portion)

Step 3:

The 25% survivor continuance is added back.

$1,294 + $500 = $1,794 (member's benefit)

The member's retirement benefit is $1,794, to be paid every month for life. Thereafter, the spouse or domestic partner will receive both the $500 survivor continuance and the option portion of $1,294, for a total monthly benefit of $1,794 (the same amount as the member received).

Example 6—Calculating Payment Option A (Full Continuance)—spouse or domestic partner is not contingent annuitant (variation of Example 5)

In this example, the spouse or domestic partner is eligible for survivor continuance, but the member names someone else—for example a cousin—as contingent annuitant.

The calculation and the member's benefit are the same as in Example 5. When the member dies, the surviving spouse or domestic partner receives the $500 survivor continuance and the contingent annuitant receives the $1,294 option portion. Each benefit is paid for the recipient's lifetime.

Example 7—Calculating Payment Option A (Full Continuance)—postretirement survivor continuance is not payable (variation of Example 5)

In this example, the member has no eligible survivors but wants to provide for a friend. The member chooses Option A with the friend as contingent annuitant. Because no one is eligible for the survivor continuance, the option payment is based on the entire basic retirement income of $2,000.

.863 x $2,000 = $1,726 monthly retirement benefit

The member receives $1,726 each month for life. Thereafter, the friend—as contingent annuitant—receives $1,726 each month for life.

Options B and C are calculated and paid in the same way as Option A; only the reduction factors differ.

PLAN MAXIMUM BENEFIT

As noted earlier, the maximum UCRP basic retirement income is 100 percent of the member's HAPC minus $133. This limit applies to a member's retirement income based on all University employment, including any CalPERS service. However, the limit affects only a few UCRP members, most of whom have 40 years or more of service credit. For those affected, this limit applies for as long as the benefit is paid.

Benefits may also be limited by the IRC (see "Internal Revenue Code Provisions—Maximum Benefit Limitations").

Death Benefits

PAYMENTS TO BENEFICIARIES

When an active, inactive, disabled or retired member dies, UCRP pays a basic death payment of $7,500 to the member's beneficiary, in addition to any monthly UCRP income that may be payable to eligible survivors or to the contingent annuitant.[5] Beneficiaries of active, disabled or inactive members also receive any CAP payment.

After the deaths of the member, eligible survivors and contingent annuitant, any remaining balance (member contributions and earnings) is paid to the member's beneficiary.

If a member dies after electing but before receiving the lump sum cashout, the cashout amount and CAP balance, if any, are paid to the member's beneficiary. No additional death benefits are payable.

UCRP death benefits are not the same as University life insurance benefits or departmental death benefits. For information about these benefits, see the appropriate *Survivor and Beneficiary Handbook*, available on At Your Service or from your local Benefits Office or the UC Customer Service Center.

[5] Beneficiaries of active members who became Plan members before October 1, 1990, receive $1,500 plus one month's final salary, if this amount is greater than $7,500.

PRERETIREMENT SURVIVOR INCOME

If an active member dies with at least two years of service credit, or if a disabled member dies, monthly income is paid to the member's eligible survivors—that is, eligible spouse or domestic partner, or if none, eligible child(ren), or if none, eligible dependent parent(s); see "Plan Definitions."

The amount paid to the eligible survivor(s) is 25 percent of the member's final salary, minus a $106.40 Social Security reduction. For the first three months, however, the Social Security reduction does not apply; the eligible survivor receives the full 25 percent.

In the case of an inactive member's death, monthly income is paid to a surviving spouse or surviving domestic partner only if the member is eligible to retire at the time of death.

For members who elected Social Security coverage in 1976 or 1977 and who meet certain criteria, the University guarantees a minimum survivor benefit (see "Minimum Benefit Guarantees").

DEATH WHILE ELIGIBLE TO RETIRE

If an active, inactive or disabled member dies while eligible to retire (that is, age 50 with at least five years of service credit, or, for those who became Plan members July 1, 1989, or earlier, age 62 regardless of service credit), a lifetime retirement benefit may be payable to the surviving spouse or surviving domestic partner.

This benefit is calculated as though the member had elected to retire on the day after the date of death and had chosen Option A (full continuance) with the spouse or domestic partner named as contingent annuitant. If the deceased is an active or disabled member and the spouse or domestic partner also qualifies as an eligible survivor, both the preretirement survivor income and the Option A benefit are calculated and the higher benefit is paid. The benefit is payable beginning the day after the member's death.

A temporary Social Security supplement is also payable to a surviving spouse or surviving domestic partner until the member would have reached age 65.

For benefits payable when a member dies after electing retirement income, see "Postretirement Survivor Continuance."

Minimum Benefit Guarantees

For those who were active Plan members on April 1, 1976, and elected Social Security coverage, UCRP guarantees a minimum benefit for disability income, preretirement survivor income and the postretirement survivor continuance. The guarantee does not apply to the member's retirement income.

The guarantee is this—the combined benefits payable from UCRP and from Social Security (including family benefits) will be at least as much as UCRP benefits alone would have been if the member had not elected Social Security coverage. When necessary, UCRP will pay a supplemental amount to bring benefits up to this minimum.

In determining the amount of the guarantees, only those individuals who were the active member's spouse, child or parent on April 1, 1976, are taken into account.

FOR DISABILITY INCOME

The minimum guaranteed disability income is a percentage of the member's final salary, based on service credit as of the disability date and the number of eligible children.

	Number of Eligible Children				
	0	1	2	3	4 or more
Years of Service Credit	Monthly Benefit (Percent of Final Salary)				
2 but less than 3	25%	30%	35%	40%	45%
3 but less than 4	30%	35%	40%	45%	50%
4 but less than 5	35%	40%	45%	50%	55%
5 or more	40%	45%	50%	55%	60%

FOR PRERETIREMENT SURVIVOR INCOME

The minimum guaranteed preretirement survivor income applies only to the benefit payable to an eligible spouse.

For a member who was both a Plan member and married to the eligible spouse before October 19, 1973, the qualifying age for an eligible widow is 50 rather than 60.

The minimum guarantee for preretirement survivor income is shown in the table below:

Number of Eligible Survivors	Percent of Final Salary	Minimum Monthly Benefit		
1	25%	$200		
2	35%	$300		
3	40%	$300	+	5% of final salary
4	45%	$300	+	10% of final salary
5 or more	50%	$300	+	15% of final salary

FOR POSTRETIREMENT SURVIVOR CONTINUANCE

The formula for the minimum guarantee for postretirement survivor continuance is:

50 percent x retirement benefit for members without Social Security.

(The retirement benefit for members without Social Security is calculated in the same way as for members with Social Security, except that the Social Security reduction to HAPC does not apply.)

Cost-of-Living Adjustments

After receiving benefits for one year, UCRP members are eligible to receive an annual cost-of-living adjustment (COLA), paid each July 1. The COLA is based on the Consumer Price Index (CPI) increase for the preceding year. Generally, the COLA for any Plan year equals:

- 100% of the CPI increase up to 2%,
- 75% of the CPI increase over 4%,
- Maximum COLA 6%.

If the CPI decreases, UCRP benefits are not reduced.

The CPI used to determine the annual COLA is an average of the CPIs for the Los Angeles and San Francisco metropolitan areas and is measured from February to February.

For preretirement survivor income, the COLA is calculated from the July 1 after one full year following the member's death. This applies even if benefits are not payable until a later time, as in the case of a surviving spouse or surviving domestic partner who reaches the qualifying age at a later date.

For members who began receiving UCRP disability income before November 5, 1990, a COLA is applied to HAPC when they retire. The total adjustment is equal to the percentages of COLA that accrued to Plan benefits during the period of the member's disability. For those who begin receiving UCRP disability income November 5, 1990, or later, the HAPC is not increased by COLAs.

When an inactive member retires or elects a lump sum cashout, the HAPC is increased to include a COLA of up to 2 percent for each July 1 between the separation date and the retirement or cashout date.

Internal Revenue Code Provisions

The IRC limits the maximum benefits payable from retirement plans and specifies the date by which distributions (in defined minimum amounts) must begin.

MAXIMUM BENEFIT LIMITATIONS

IRC §415(b) places a maximum limit on total benefits payable in any calendar year from a defined benefit plan such as UCRP. The limit is based, in part, on the member's age. For example, the limit for age 65 in 2004 is $165,000. The limit applies not only to retirement income but to lump sum distributions, such as the lump sum cashout and any CAP payment on a pro-rated basis. The limit does not apply to any portion of a benefit attributable to member contributions.

The University of California 415(m) Restoration Plan—a nonqualified pension plan—became effective January 1, 2000, to pay earned UCRP benefits that would not otherwise be payable because of the §415(b) limit. If your UCRP benefits are affected by the §415(b) limit when you elect retirement income or a lump sum cashout, you will receive additional information about the 415(m) Restoration Plan from the UC Customer Service Center.

IRC §401(a)(17) sets a dollar limit for annual earnings upon which retirement benefits (and contributions, if any) may be based. The earnings limit for the Plan's fiscal year beginning July 1, 2004, is $205,000 for employees who became members as of July 1, 1994, or later. For those who were active members before July 1, 1994, the earnings limit is $305,000.

If you believe your retirement benefits may be affected by the IRC §401(a)(17) limits, contact your local Benefits Office for preliminary testing and counseling.

MINIMUM REQUIRED DISTRIBUTIONS

UCRP members 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 University employment.

Generally, the UCRP formulas for retirement income satisfy the minimum distribution requirements. If a member does not apply for retirement benefits by the above date, basic retirement income will begin automatically, and any CAP balance will be distributed. Members may not receive periodic distributions from UCRP other than retirement income.

Minimum required distributions are not eligible for rollover.

Each year, UC HR/Benefits notifies members who are subject to the minimum distribution requirements and provides information and individual calculations to help them comply.

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

ROLLOVERS

Into the Plan UCRP does not accept rollovers.

From the Plan As discussed in Appendix A, the "Special Tax Notice for Plan Distributions," the following UCRP distributions are eligible for direct rollover:

- the taxable portion of a refund of accumulations,
- CAP payment,
- lump sum cashout,
- lump sum death payment to a surviving spouse, and
- lump sum distributions to a spouse or former spouse under a qualified domestic relations order (QDRO).

A distribution that is eligible for direct rollover is subject to mandatory 20 percent federal tax withholding unless it is directly rolled over from the Plan to a traditional IRA, to another employer plan that accepts rollovers, or to the University's Defined Contribution or Tax-Deferred 403(b) Plan (see "Internal Rollovers," below).

UCRP distributions that are not eligible for rollover include:

- monthly retirement, disability or survivor income;
- lump sum death payments to a non-spouse beneficiary;
- QDRO monthly income; or
- lump sum QDRO distributions to a non-spouse.

Members (or spouses or former spouses) may also roll over an eligible 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 member 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 early distribution penalties. See "Taxes on Distributions—Tax Withholding," below. For more detailed information, refer to Appendix A.

Internal Rollovers Retired or inactive members who have an account in UC's Defined Contribution Plan or Tax-Deferred 403(b) Plan may roll over eligible UCRP distributions (pretax only) to these plans.

TAXES ON DISTRIBUTIONS

Income Tax All distributions from UCRP are subject to federal and state ordinary income taxes.

Until July 1, 1983, member contributions to UCRP were made on an after-tax basis, and any payments for service credit buybacks elected before July 1, 1997, were also made on an after-tax basis. These amounts are not taxable when distributed. Any pretax portion of a distribution is taxable income in the year the distribution is issued.

Early Distribution Penalties In addition to being taxed as ordinary income, the taxable portion of a refund of accumulations, lump sum cashout or CAP payment taken before age 59½ (early distributions) may also be subject to nondeductible federal and state penalty taxes—currently a 10 percent federal tax and a 2½ 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. Members who are subject to the penalties are responsible for reporting them to the IRS when they file their income tax returns.

Tax Withholding The Plan Administrator withholds federal and California state income taxes (for California residents) in accordance with federal and state law. Income tax for states other than California is not withheld. Members should consult a tax advisor about tax liability.

Distributions Eligible for Rollover Distributions that are eligible for rollover (see "Rollovers") are subject to 20 percent federal tax withholding if they are paid to the member, spouse or former spouse. No taxes are withheld if the distributions are directly rolled over to a traditional IRA or to another employer plan. For more information see Appendix A.

Tax Statement Each January, the Plan Administrator files a Form 1099R with federal and state tax authorities, with a copy to the individual, for each distribution paid during the previous year. The form shows the total and taxable amounts of the individual's distribution(s).

Those who receive more than one type of distribution (for example, a lump sum cashout and a CAP payment) are sent a separate Form 1099R for each distribution.

Additional Information

CLAIMS PROCEDURES

A member, survivor, contingent annuitant or beneficiary must submit a request to receive benefits or a distribution from the Plan. Claims for benefits must be made in accordance with procedures established by UC HR/Benefits. No Plan distribution will be made until the claimant has provided all pertinent information requested by UC HR/Benefits.

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 the necessary recordkeeping, accounting, reporting, and receipt and disbursement of Plan assets to eligible Plan members.

The Treasurer of the Regents of the University of California acts as investment manager and custodian for all of the University's investment funds.

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. Members 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 OR CONTINGENT ANNUITANT

Beneficiary Employees should designate a beneficiary immediately upon becoming Plan members. When a member dies, the beneficiary receives the basic death payment, the CAP payment, if any, and any accumulations remaining after all benefits have been paid. A member may name more than one beneficiary and specify the percentage that each beneficiary is to receive. A beneficiary may be a person, trustee or organization.

If no beneficiary has been named or if the beneficiary is no longer living, any benefits will be paid to the member'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 member's estate.

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 screen. 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.

Members 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.

Contingent Annuitant A contingent annuitant is designated by the member at retirement when the member wants to provide a monthly lifetime benefit for that person. As of the member's retirement date, the designation is irrevocable—the member cannot name a new contingent annuitant (see "Alternate Payment Options").

Community Property Married participants who designate someone other than their legal spouse as a beneficiary or contingent annuitant may need to consider the spouse's community property rights. For residents of a community property state such as California, a designation of beneficiary or contingent annuitant 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 designation of beneficiary or contingent annuitant.

ASSIGNMENT OF BENEFITS

Generally, UCRP benefits payable to members, survivors or beneficiaries cannot be attached by creditors, nor can anyone receiving benefits assign payments to others. UCRP benefits are intended solely for the security and welfare of members 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 member is divorced or legally separated, the court may include Plan assets as community property to be divided between the member 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 UCRP account may be established for the non-member spouse or dependent for the community property portion of Plan assets and service credit specified by the court. Based on the non-member account and in accordance with Plan regulations, the non-member may elect a refund of accumulations, a lump sum cashout or retirement income. UCRP disability income is not subject to property settlements made in accordance with a QDRO.

The University cooperates fully with the member 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 member during the marital period and how those benefits are derived, as well as information about the options available to the non-member. 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 member.

All requests should include the member's name, Social Security number, address (or name and address of the member's attorney), date of marriage and marital separation date.

FURTHER INFORMATION

To help members better understand the Plan's benefits, UC HR/Benefits provides personalized account information via two electronic sources.

- Members who have access to the Internet can find current, comprehensive information about their UCRP account as well as any other UC accounts they may have 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, members 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.

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

Members may obtain a copy of the University of California Retirement Plan document by writing to the UC Customer Service Center. (See inside front cover.)

All notices or communications to a member will be effective when sent by first-class mail or conveyed electronically to the member'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.

Plan Definitions

Certain key terms are used throughout this *Summary Plan Description* that are specific to UCRP and its benefit provisions. They are defined as follows:

Break in service Leaving University employment, including any period on pay status but without covered compensation, or any period off pay status for four or more consecutive months. The following periods do not constitute a break in service for UCRP membership as long as the member returns to pay status at the end of the period:

- approved leave of absence without pay,
- temporary layoff (less than four months),
- furlough,
- period of right to recall and preference for reemployment,
- return to pay status the next working day after leaving University employment,
- return to pay status after a military leave in accordance with employees' reemployment rights, or
- return to pay status from a medical separation within the time allowed under University policy.

Covered compensation The gross monthly pay that an active employee receives for a regular and normal appointment, including pay while on sabbatical or other approved leave of absence with pay. Not included are:

- pay for overtime unless in the form of compensatory time off;
- pay for correspondence courses, summer session, intersession and for interquarter or vacation periods or University extension courses, unless such employment constitutes part of an annual or indefinite appointment;
- pay for a position that is not normally full time except if paid on a salary or hourly rate basis;
- pay that exceeds the full-time rate for the regular, normal position to which the member is appointed;
- pay that exceeds the base salary as negotiated under the General Health Sciences Compensation Plan or Medical School Clinical Compensation Plan;

- pay that exceeds the established base pay rates, including nonelective deferred compensation, honoraria and consulting fees;
- payments received as uniform allowance, unless included as part of compensation for a regular and normal appointment;
- pay that exceeds the IRC §401(a)(17) dollar limit. For Plan year 2004–2005, the earnings limit is $205,000. (For those who were active members before July 1, 1994, the earnings limit for Plan year 2004–2005 is $305,000.); and
- payments received as housing allowance beginning with January 1994 earnings.

Covered compensation does not include pay from sources other than the University of California.

Eligible child The natural or adopted child or stepchild of a disabled or deceased member, or the natural or adopted child of the member's eligible domestic partner, who:

- received at least 50 percent support from the member for one year before the member's death, disability date or retirement, whichever occurs first; and
- is under age 18;
- is under 22 and attending an educational institution full time; or
- is disabled. (The disability must have occurred while the child was eligible based on age, as above.)

The one-year support requirement does not apply to a member's child as follows:

For a natural child:

- if the child is born after the member's disability date; or
- is born within 10 months after the member's death; or
- is born less than one year before the member's death, disability or retirement date.

For an adopted child, it does not apply if the adoption is finalized:

- after the member's disability date; or
- as of the date of the member's death or disability; or
- less than one year before the member's death, disability or retirement date.

A stepchild or an eligible domestic partner's natural or adopted child must have been living with or in the care of the member just before the member's death, disability or retirement.

An eligible child may qualify for pre- or postretirement survivor benefits.

Eligible dependent parent The natural or adoptive mother or father of an active, disabled or retired member who received at least 50 percent support from the member for the year just before the member's death, disability or retirement.

An eligible dependent parent may qualify for pre- or postretirement survivor benefits.

Eligible spouse or eligible domestic partner The widow or widower or surviving domestic partner of a deceased active or disabled member. The date of marriage or partnership must have been at least one year before the member's death or disability date, and the spouse or domestic partner must:

- be responsible for the care of an eligible child who is disabled or under age 18 (if the deceased was a member before July 1, 1979, a spouse's eligibility may continue if the spouse is responsible for the care of an eligible child who is under age 22 and attending an educational institution on a full-time basis);
- be disabled, or
- have reached age 60.

If the spouse or domestic partner is responsible for the care of an eligible child who is the member's natural child, the one-year marriage or partnership requirement is waived.

The spouse or domestic partner of a deceased retired member is eligible to receive the postretirement survivor continuance if the date of the marriage or partnership is at least one year before the retirement date.

Final salary The monthly full-time equivalent compensation of an active member at the time of death or disability date (or, if higher, on the medical separation date).

If the member worked less than full time during the last 12 months of continuous employment, whether on an annual or partial-year career appointment, the monthly full-time equivalent compensation is adjusted based on the average percentage of time on pay status over the last 36 months of continuous service.

Whether the member has worked full time is determined without regard to sabbatical leave, extended sick leave, a medically determinable physical or mental condition that causes the member to apply for disability income or participation in an approved rehabilitation program. Periods of approved leave of absence without pay are excluded from the 36 months—the time before and after a leave is considered continuous.

For TRIP and START participants, final salary is based on full-time equivalent compensation without regard to any reduction in compensation resulting from the reduction in time.

Highest average plan compensation (HAPC)
A member's average monthly full-time equivalent compensation, including any stipends, during the 36 highest continuous months preceding retirement. Periods of approved leave of absence without pay are excluded from the 36 months; the time before and after a leave, or before and after a period of inactive membership, is considered continuous. Service credit bought back for a leave period or for past (refunded) service will be included in determining these 36 months.

For members with partial-year appointments, HAPC is calculated on the 9-, 10-, or 11-month full-time equivalent compensation received during a Plan year, divided by 12, and then averaged over the highest consecutive 36-month period.

For TRIP and START participants, HAPC is calculated without regard to any reduction in covered compensation resulting from the reduction in time.

Defined Contribution Plan

Summary Plan Description

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[6]
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."

[6] 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.[7] 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;[8] 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.

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7 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 UC employment.

8 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 32.

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 33.

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 34.

MINIMUM REQUIRED DISTRIBUTIONS

The minimum distribution rules are described on page 34.

DC Plan Retirement Income

Information about retirement income from the DC Plan begins on page 34.

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 35.

Distributions to Beneficiaries

DC Plan benefits payable to a beneficiary are described on page 35.

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.[9] 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.

[9] 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 35.

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.

Tax-Deferred 403(b) Plan

Summary Plan Description

403(b) Plan Table of Contents

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), 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.[10]

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.[11]

[10] 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.)

[11] 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[12] 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.

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:

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

- 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 Plan[13] 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.

[13] 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.[14]

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.

[14] 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.[15] 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

[15] 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;[16] 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.

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[16] 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 55.

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.

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.

Employee Information Statement— DC and 403(b) Plans

Participants in defined contribution plans are responsible for determining which, if any, investment vehicles best serve their retirement objectives. Your DC and 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 contribution or investment 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 investment 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 and 403(b) plans 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 plans from losing their tax-advantaged status for any event that violates Plan rules or applicable IRC provisions.

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 paid. Participants who are subject to the penalties are responsible for reporting them to the IRS when they file their income tax returns.

SPECIAL TAX TREATMENT FOR LUMP SUM DISTRIBUTIONS

An eligible distribution that is not rolled over will be taxed in the year it is 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 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

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