

UNIVERSITY OF CALIFORNIA

# **Retirement Plan**

(FOR MEMBERS WITH SOCIAL SECURITY)

## **Defined Contribution Plan**

## **Tax-Deferred 403(b) Plan**

## **457(b) Deferred Compensation Plan**

MAY 2008

# 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: [atyourservice.ucop.edu](http://atyourservice.ucop.edu)

**UC Customer Service Center** 1-800-888-8267  
Hours: 8:30 a.m.–4:30 p.m., Monday–Friday

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
UC Davis	1-530-752-1774
UC Davis Medical Center	1-916-734-8099
UC Irvine	1-949-824-5210
UC Irvine Medical Center	1-714-456-5736
UCLA	1-310-794-0830
UCLA Medical Center	1-310-794-0500
UC Merced	1-209-228-2363
UC Riverside	1-951-827-4766
UC San Diego	1-858-534-2816
UC San Diego Medical Center	1-619-543-7585
UCSF	1-415-476-1400
UCSF Medical Center	1-415-353-4545
UC Santa Barbara	1-805-893-2489
UC Santa Cruz	1-831-459-2013
ASUCLA	1-310-825-7055
Hastings College of the Law	1-415-565-4703
UC Office of the President	1-510-987-0123
Lawrence Berkeley Nat'l Lab	1-510-486-6403

## RETIREMENT SAVINGS PROGRAM RECORDKEEPER

### Fidelity Retirement Services

Fidelity Retirement Services website: [netBenefits.com](http://netBenefits.com)  
Telephone: 1-866-682-7787

## INVESTMENT OVERSIGHT

### University of California Treasurer's Office

Treasurer's Office website: [ucop.edu/treasurer](http://ucop.edu/treasurer)

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

## 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: [socialsecurity.gov](http://socialsecurity.gov)

**CalPERS** 1-888-225-7377  
CalPERS website: [calpers.ca.gov](http://calpers.ca.gov)

## 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)

<b>University of California Retirement Plan (UCRP): a defined benefit plan</b>	<b>Defined Contribution Plan (the DC Plan): a defined contribution plan</b>	<b>Tax-Deferred 403(b) Plan (the 403(b) Plan): a defined contribution plan</b>	<b>457(b) Deferred Compensation Plan (the 457(b) Plan): a deferred compensation plan</b>
A pension plan with four membership classifications	A savings and investment plan for mandatory pretax contributions, voluntary after-tax contributions and rollovers.	A savings and investment plan for voluntary pretax contributions and rollovers	A savings and investment plan for voluntary pretax contributions and rollovers

The summary plan descriptions that follow explain the plans' provisions and the policies and rules that govern them.

This booklet also includes the "Special Tax Notice for Plan Distributions" (see page 27), which explains the federal tax-withholding and rollover rules that apply to distributions from UCRP.

Parting words of note—please make sure that UC and Fidelity Retirement Services 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 2 for information about how to report a change of address.

The University of California Retirement Plan document, the Defined Contribution Plan document, the Tax-Deferred 403(b) Plan document, and the 457(b) Deferred Compensation 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.

## If You Move

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

### **IF YOU'RE AN ACTIVE EMPLOYEE (CURRENTLY WORKING AT UC):**

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

### **IF YOU'RE NO LONGER WORKING FOR UC OR ARE RETIRED:**

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

# Retirement Plan

(FOR MEMBERS WITH  
SOCIAL SECURITY)

## Summary Plan Description

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## 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 Payment (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 2008, the tax rate is 7.65 percent. Of this, the

member pays 6.2 percent on earnings up to the Social Security wage base (\$102,000 in 2008) 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), the Health Care Reimbursement Account (HCRA), and the Pretax Transportation Program.

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 Lawrence Berkeley National Laboratory 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" on page 24);

- ▶ 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" on page 24). 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.<sup>1</sup> 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 Payment" on page 11).

## 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" at right);
- ▶ is eligible to apply for UCRP disability income (see "Disability Income" on page 13);
- ▶ 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;

<sup>1</sup> 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.

- ▶ 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" on page 11 and "Lump Sum Cashout" on page 12.

## 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 include service credit with both systems for investing and HAPC based on earnings from either system. 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 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 contributions to UCRP. Contribution rates may be adjusted periodically to maintain adequate funding levels. Currently, no UCRP member contributions are required; instead, members are required to make contributions to the Defined Contribution Plan Pretax Account. The direction of UCRP member contributions to the DC Plan

Pretax Account may be discontinued and contribution rates may be adjusted periodically to maintain adequate UCRP funding levels. Any such changes must be approved by the Regents, subject to collective bargaining requirements.

When required, UCRP 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" on page 22).

The Plan Administrator maintains a record of each member's UCRP 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 “Establishing Service Credit for Approved Leaves” on page 9).

**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 “Establishing Service Credit for Approved Leaves” on page 9).

**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 “Establishing Service Credit for Approved Leaves” on page 9).

**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 “Establishing Service Credit for Approved Leaves” on page 9.

### **Staff and Academic Reduction in Time (START)**

**Program** START is a temporary workforce reduction program that was in effect from June 1, 2003, through June 30, 2006. START participants were 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 remained on pay status at least 50 percent of full-time each month and fulfilled all other terms of the START agreement. UCRP service credit during the START period was 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. See “Previous UCRP Membership” on page 9.

**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 “Eliminating Noncontributory Offsets” on page 9.

## **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 2008 is 17.37 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 that are made 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 O2) 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 O2) of member contributions that were not made and accrued interest. To eliminate the noncontributory offset, the member pays the total in the Plan O2 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 Payment (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, <b>and</b> 2) Salary reduced by 5% as of October 1, 1993, under the 1993–94 Salary Plan; <b>or</b> 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, <b>and</b> 2) Salary reduced by 2.6% as of June 1, 1994, under the 1993–94 Salary Plan; <b>or</b> participating in TRIP as of June 1, 1994; <b>or</b> 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<sup>2</sup> 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” on page 19).

## 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 “Reestablishing Service Credit for Previous UCRP Membership” on page 10).

<sup>2</sup> For UCRP members employed at Los Alamos National Laboratory as of May 31, 2006, who opted to transfer their UCRP accrued benefits to the Los Alamos National Security, LLC, defined benefit plan, CAP benefits are not payable until they leave LANS employment. For UCRP members employed at Lawrence Livermore National Laboratory as of September 30, 2007, who opted to transfer their UCRP accrued benefits to the Lawrence Livermore National Security, LLC, defined benefit plan, CAP benefits are not payable until they leave LLNS employment.

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" on page 19).

## 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" on page 14 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" on page 19), these are also forfeited. Eligibility for retiree medical, dental, vision, 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 first 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" on page 13). 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.<sup>3</sup>

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 member’s final salary (adjusted for cost-of-living increases; see “Cost-of-Living Adjustments” on page 20). 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 2008, this amount is \$940 per month.

### Employees who became Plan members before

**April 1, 1980** must have two years of service credit to qualify for disability income.<sup>3</sup>

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” on page 20).

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” on page 20). 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.<sup>4</sup> The percentage is based on years of service credit as of the disability date, as shown on the next page.

<sup>3</sup> Any service credit that was established for a leave period is not included in determining eligibility for disability benefits.

<sup>4</sup> 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.

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.

## 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,” below, 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” on page 19).

## 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.<sup>5</sup>

### 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 first 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

<sup>5</sup> 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.

Payment Options” on page 17). An additional adjustment is required if the monthly benefit exceeds maximum benefit levels. See also “Plan Maximum Benefit” (page 18) and “Internal Revenue Code Provisions,” (page 20).

For members with Social Security, basic retirement income is a percentage of the member’s average salary, or HAPC (highest average plan compensation—see definition on page 26), minus a reduction for Social Security taxes the University has paid on the member’s behalf and/or for any noncontributory/leave offset (see “Noncontributory Service” on page 8). The percentage is based on the member’s service credit and age at retirement.

### 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.

### 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).

### 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 the definition on page 26.

### 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” on page 20.

If you have noncontributory service, an offset is applied to your basic retirement income (see “Service Credit—Noncontributory Service” on page 8).

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.

### 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

Following are the general University guidelines for reemployment after retirement:

- ▶ You should not return to work at UC until after you receive your first retirement payment (or lump sum cashout), generally 90 days after your termination date. In any case, you may not return to work sooner than 30 days after your termination date, even if you have received your first retirement payment or lump sum cashout.
- ▶ Your return to work should be caused by exigent circumstances—for example: the University could not find a suitable replacement after a search, your personal circumstances changed, or the University’s circumstances changed.
- ▶ You should work less than 1,000 hours in 12 months (if paid hourly) or be reappointed at 46 percent time or less.

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 leaves reemployment, he/she must immediately notify the local Benefits Office to be reinstated as a retiree; basic retirement income will be recalculated. The member cannot be designated inactive. 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 the definition on page 25). 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 the definition on page 25 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

<b>25% of \$2,000</b>	<b>= \$500</b>	<b>survivor continuance</b>	
<b>+ 25% of \$66</b>	<b>=</b>	<b>16</b>	<b>temporary continuance</b>
<b>\$516 total monthly income</b>			

When the member dies, the surviving spouse or domestic partner or other 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" on page 19).

## 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" on page 14. Also, there are legal considerations when designating a contingent annuitant (see "Designation of Beneficiary or Contingent Annuitant" on page 23).

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.

#### Alternate payment options paid in addition to the 25 percent survivor continuance 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.

$$\mathbf{\$2,000 - \$500 = \$1,500 \text{ (the remaining 75\%)}}$$

Step 2:

The reduction factor is applied to the remaining 75%.

$$\mathbf{.863 \times \$1,500 = \$1,294 \text{ (option portion)}}$$

Step 3:

The 25% survivor continuance is added back.

$$\mathbf{\$1,294 + \$500 = \$1,794 \text{ (member's benefit)}}$$

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.

$$\mathbf{.863 \times \$2,000 = \$1,726 \text{ monthly retirement benefit}}$$

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" on page 21).

## 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.<sup>6</sup> 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.

### 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 the definition on page 25.

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.

<sup>6</sup> 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.

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," below).

### 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" on page 16.

## 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.

Years of Service Credit	Number of Eligible Children				
	0	1	2	3	4 or more
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 2 percent compounded annually between the separation date and the retirement or cashout date (or the actual CPI increase over that same period, if lower).

## 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 2008 is \$185,000. 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, 2008, is \$230,000 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 \$345,000.

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 the "Special Tax Notice for Plan Distributions" (see page 27), the following UCRP distributions are eligible for direct rollover:

- ▶ a refund of accumulations,
- ▶ CAP payment,
- ▶ lump sum cashout,
- ▶ lump sum death payment to a surviving spouse,
- ▶ lump sum distributions to a spouse or former spouse under a qualified domestic relations order (QDRO), and
- ▶ lump sum death payment to a non-spouse beneficiary (to an inherited IRA and not to another plan).

A distribution that is eligible for direct rollover (except an eligible distribution to a non-spouse beneficiary) is subject to mandatory 20 percent federal tax withholding unless it is directly rolled over from the Plan to a traditional IRA or a Roth IRA, to another employer plan that accepts rollovers, or to the University's Defined Contribution, Tax-Deferred 403(b), or 457(b) Deferred Compensation Plan (see "Internal Rollovers," below).

UCRP distributions that are not eligible for rollover include:

- ▶ monthly retirement, disability, or survivor income;
- ▶ 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, see the “Special Tax Notice” that begins on page 27.

**Internal Rollovers** Retired or inactive members who have an account in UC’s Defined Contribution Plan, Tax-Deferred 403(b) Plan, or 457(b) Deferred Compensation Plan may roll over eligible UCRP distributions 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 the “Special Tax Notice” (see page 27).

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” on page 21) 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, a Roth IRA, or another employer plan. For more information, see the “Special Tax Notice” that begins on page 27.

**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.

For service of process, send to The Regents of the University of California, Trustee of the University of California Retirement Plan, c/o Office of the General Counsel, 1111 Franklin Street, 8th Floor, Oakland, CA 94706.

### PLAN ADMINISTRATION

The Associate Vice President of HR/Benefits is the Plan Administrator with responsibilities for the day-to-day

management and operation of the Plan. HR/Benefits conducts policy research; implements regulations to preserve the Plan's qualified status with the IRS; and provides the necessary recordkeeping, accounting, reporting, receipt, and disbursement of Plan assets to eligible Plan members.

The Office of the Treasurer has primary authority for investing the assets of the Plan trust consistent with the investment policies established by The Regents. The Office of the Treasurer also serves as custodian of the Plan trust.

## 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. The University will take appropriate action concerning proposed changes that may trigger notice, consultation, and meeting and conferring obligations under the Higher Education Employer–Employee Relations Act.

## 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 "Sign on to My Accounts" on the right side of the home page. Once you've logged on, select "Your Beneficiaries" 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 UCRP beneficiaries. These forms are available from departments, local Benefits Offices or the UC Customer Service Center.

**Note:** To designate a beneficiary for the Retirement Savings Program (Defined Contribution Plan, Tax-Deferred 403(b) Plan, and 457(b) Deferred Compensation Plan), contact Fidelity Retirement Services directly.

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" on page 17).

**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. 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. At Your Service also contains a link to the Fidelity

Retirement Services website so you may access your Defined Contribution Plan, Tax-Deferred 403(b) Plan, and 457(b) Deferred Compensation Plan balances.

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 2008–2009, the earnings limit is \$230,000. (For those who were active members before July 1, 1994, the earnings limit for Plan year 2008–2009 is \$345,000.); 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.

**Domestic Partner** An individual of the same or opposite sex as the member who has been designated as the member's domestic partner by one of three possible methods:

- ▶ registration of the domestic partnership with California's Secretary of State;
- ▶ registration of a same-sex union, other than marriage, validly formed in another jurisdiction, that is substantially equivalent to a California domestic partnership; or

- ▶ filing of a *UC Declaration of Domestic Partnership* form with the UCRP administration.

**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 Domestic Partner** The domestic partner of a deceased active member. The partnership must have been established at least one year before the member's death or disability date, and the partner must:

- ▶ be responsible for the care of an eligible child (as defined on page 25);
- ▶ be disabled (see pages 12 and 13); or
- ▶ have reached age 60.

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

If the deceased employee was an active UCRP member and eligible to retire, see "Surviving Domestic Partner" definition, at right.

**Eligible Spouse** The widow or widower of a deceased active member. The date of marriage must have been at least one year before the member's date of death, and the spouse must:

- ▶ be responsible for the care of an eligible child (as defined on page 25);
- ▶ be disabled (see page 12 and 13); or
- ▶ have reached age 60. (The qualifying age is 50 for a widow if (a) the spouse and member were married before October 19, 1973, and (b) the member had entered UCRP by that date.)

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

If the deceased employee was an active UCRP member and eligible to retire see "Surviving Spouse" definition, below.

**Eligible Survivor** See "Eligible Child," "Eligible Dependent Parent," "Eligible Domestic Partner," or "Eligible Spouse."

**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 member's 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.

**Surviving Domestic Partner** The domestic partner of a deceased active UCRP member. The surviving domestic partner is eligible to receive the UCRP contingent retiree benefit if the member was eligible to retire at the time of death.

**Surviving Spouse** The widow or widower of a deceased active UCRP member. The surviving spouse is eligible to receive the UCRP contingent annuitant benefit if the member was eligible to retire at the time of death.

# Special Tax Notice for Plan Distributions

This notice explains how you can continue to defer federal income tax on your retirement savings in the University of California Retirement Plan (UCRP), including your Capital Accumulation Payment (CAP) balance, if any, and contains important tax information you will need before you decide how to receive your UCRP benefits.

This notice is provided to you by UC HR/Benefits (Plan Administrator) because all or part of the payment that you receive from UCRP may be eligible for rollover by you or your Plan Administrator to a traditional individual retirement account or annuity (IRA), a Roth IRA, or an eligible employer plan (see “Direct Rollover to an IRA” and “Direct Rollover to a Plan,” on pages 28 and 29). A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that (except in the case of a rollover to a Roth IRA) allows you to continue to postpone taxation of that benefit until it is paid to you.

This notice will help you to determine:

- ▶ whether the distribution is eligible for rollover (see chart on page 31), and, if so,
- ▶ what your choices are, and
- ▶ how your taxes and tax withholding are affected by the choices you make.

## HIGHLIGHTS

If a UCRP or CAP 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, a Roth IRA (provided that for distributions before January 1, 2010, your adjusted gross income does not exceed \$100,000 for the taxable year of the distribution and you are not married and filing a separate return), or to an eligible 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, unless you

voluntarily agree with the Plan Administrator to have an amount withheld from a distribution that is directly rolled over to a Roth IRA.

- ▶ The taxable portion of the distribution will not be taxed until you withdraw the money from the IRA or eligible employer plan, except if the distribution is rolled over to a Roth IRA. 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 UCRP.
- ▶ The distribution check will be payable to your IRA or to the recipient employer plan.
- ▶ In the case of a direct rollover to a Roth IRA, the taxable portion of the distribution will be taxed in the year of distribution. (See page 28 for more details.)

### 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 33).
- ▶ Any taxable portion of the distribution that you do not roll over within 60 days will be taxable income in the year it is (see “60-Day Rollover Option,” on page 30).
- ▶ Special rules may allow you to reduce the tax you owe on a distribution from UCRP (see “Additional Tax Information,” on page 32).
- ▶ You may have to pay an additional 10 percent tax if you are not yet age 59½.

Note that choosing to have an eligible rollover distribution paid to you rather than deferring receipt, for example by rolling over the eligible rollover distribution to an IRA, could have consequences to you, including the loss of the ability to defer income taxes until a later date (including the early distribution penalty, if applicable) and the reduction of your retirement savings. Therefore,

you should carefully consider your decision and consult a professional tax advisor before you make any decision about how you are going to receive your UCRP benefits.

If a distribution is not eligible for rollover, it will be PAID TO YOU.

- ▶ Tax-withholding requirements vary. See “Voluntary Withholding,” on page 30.

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 UCRP distribution made payable as a direct rollover to a traditional IRA, Roth IRA or eligible employer plan or made payable to you (generally no UCRP 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,” on page 33).

## UCRP Distributions Paid to Plan Members Eligible/Ineligible for Direct Rollover

### ELIGIBLE DISTRIBUTIONS

A UCRP distribution is eligible for direct rollover if it is one of the following:

#### Nonperiodic Distributions

A Lump Sum Cashout is generally eligible for direct rollover—with exceptions as noted below (see “Ineligible Distributions”). The UCRP Capital Accumulation Payment (CAP) is eligible for direct rollover.

#### 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.

### 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 UCRP 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 UCRP balance, UC will issue a check for your minimum required distribution (payable to you), before processing the direct rollover of your remaining UCRP balance.

The Plan Administrator should be able to tell you if your payment includes amounts which cannot be rolled over.

## Making a Direct Rollover

### DIRECT ROLLOVER TO AN IRA

You will need to establish an IRA, Simplified Employee Pension (SEP) IRA, or a Roth IRA to receive the direct rollover. Distributions cannot be rolled over to 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.

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 to receive the payment 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.

For distributions before January 1, 2010, you can roll over an eligible rollover distribution, including any after-tax contributions, to a Roth IRA only if your adjusted gross income does not exceed \$100,000 for the taxable year of the distribution and you are not married and filing a separate return. The adjusted gross income limit on rollovers to a Roth IRA does not apply to distributions after December 31, 2009. In the case of a direct rollover to a Roth IRA, the taxable portion of the distribution will be taxed in the year of distribution, except that in the case of a direct rollover to a Roth IRA in 2010, one-half of the taxable portion of the distribution will be taxed in 2011 and one-half of the taxable portion of the distribution will be taxed in 2012, unless you elect to have it all taxed in 2010. Like other direct rollovers, the mandatory 20 percent federal income tax withholding does not apply to direct rollovers of eligible rollover distributions to a Roth IRA. However, you may voluntarily agree with the Plan Administrator to have an amount withheld from an eligible rollover distribution that you elect to directly roll over to a Roth IRA.

## DIRECT ROLLOVER TO A PLAN

You may roll over your eligible distribution to an eligible employer plan. An “eligible employer plan” includes plans qualified under §401(a) of the Internal Revenue Code (IRC), including IRC §401(k) plans, profit-sharing plans, stock bonus plans, money purchase plans, and defined benefit plans; IRC §403(a) annuity plans; IRC §403(b) tax-sheltered annuities; and eligible governmental IRC §457(b) deferred compensation plans.

Before you roll over your distribution to an eligible employer plan, 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). An eligible employer plan is not legally required to accept a direct rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to a traditional IRA or split your rollover amount between the employer plan in which you will participate and a traditional IRA. Note that if the new eligible 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. After-tax contributions cannot be rolled over to IRC §403(a) annuities or eligible governmental IRC §457(b) deferred compensation plans.

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 32). 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.

## DIRECT ROLLOVER OF A SERIES OF PAYMENTS

If you receive an eligible rollover distribution that can be rolled over to an IRA or eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your election to make or not make a direct rollover for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

## 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. UCRP will send you and the IRS a Form 1099-R, which will report the full \$12,500 as a taxable distribution from UCRP. Unless you make a rollover within 60 days (see “60-Day Rollover Option,” at right), you must report the entire \$12,500 as a taxable distribution from the UCRP on your income tax return for the year. The \$2,500 will be credited against any income tax that you owe for the year. There will be no income tax withholding if your payments for the year are less than \$200.

### 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 different withholding (including 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.

If you wish to have an amount other than 10 percent withheld, you must file a completed IRS Form W-4P with the Plan Administrator before the distribution. If you do not file a completed Form W-4P with the Plan Administrator prior to the distribution, the Plan

Administrator will automatically withhold 10 percent. (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, a Roth IRA, or an eligible employer plan that accepts rollovers within 60 days after you receive payment. Note—you cannot use the 60-day rollover option to roll over after-tax contributions to an employer plan.

Except in the case of a rollover to a Roth IRA, the amount rolled over will not be taxed until you take it out of the IRA or eligible employer plan.

If you want to roll over the entire amount of the distribution you requested, you must obtain from your personal savings or other sources an amount equal to the 20 percent that was withheld and contribute that amount to the IRA or eligible employer plan within the 60-day period.

If you roll over only the 80 percent that you received, you must pay taxes on the remaining 20 percent. Note—tax penalties or special tax rules may also apply. See page 32.

## Distributions Paid to Surviving Spouses, Other Beneficiaries, and Alternate Payees

In general, the rules summarized above that apply to distributions to UCRP members also apply to distributions to members’ surviving spouses and to spouses or former spouses who are “alternate payees.” You are an alternate payee if your interest in UCRP results from a “qualified domestic relations order” (QDRO), which is an order issued by a court, usually in connection with a divorce or legal separation.

### DISTRIBUTION TO A SURVIVING SPOUSE OR ALTERNATE PAYEE

If you are a surviving spouse or an alternate payee who is the spouse or former spouse of a UCRP member, you may choose to have an eligible rollover distribution either:

- ▶ paid in a DIRECT ROLLOVER to a traditional IRA, Roth IRA, or eligible 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.

The 10 percent penalty tax on early distributions does not apply to distributions attributable to the death of the member or distributions to an alternate payee pursuant to a QDRO.

You may be able to use the special tax treatment for lump sum distributions if the UCRP member met the appropriate age requirements—five years of plan participation is not required if you receive the payment because of the member’s death (see “Special Tax Treatment for Lump Sum Distributions,” on page 32).

## DISTRIBUTION TO A NONSPOUSE BENEFICIARY

If you are a beneficiary of a UCRP member, other than a surviving spouse, you may choose to have an eligible rollover distribution either:

- ▶ paid in a DIRECT ROLLOVER to a traditional IRA or
- ▶ PAID TO YOU.

You may NOT roll over the distribution to an eligible employer plan. The IRA that receives the distribution will be treated as an “inherited IRA.”

The 10 percent penalty tax on early distributions does not apply to the distribution because the distribution is being made to you after the death of the member.

You may be able to use the special tax treatment for lump sum distributions if the UCRP member met the appropriate age requirements—five years of plan participation is not required because you are receiving the payment due to the member’s death (see “Special Tax Treatment for Lump Sum Distributions,” on page 32).

## UCRP DISTRIBUTIONS ELIGIBLE/INELIGIBLE FOR DIRECT ROLLOVER

	Eligible	Ineligible
<b>University of California Retirement Plan:</b>		
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*	◆	

\* Distributions to non-spouse beneficiaries paid on or after January 1, 2007 are eligible for a direct rollover to an inherited IRA only.

## 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 qualify for an exception. These exceptions include:

- ▶ you leave UC employment 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.

See IRS Form 5329 for more information on the 10 percent penalty tax.

The 10 percent penalty tax will not apply to distributions from a governmental 457 plan, except to the extent the distribution (including earnings) is attributable to an amount you roll over to that plan from another type of eligible employer plan or a IRA. Any amount rolled over from a governmental 457 plan to another type of eligible employer plan or to a traditional IRA will become subject to the additional 10 percent tax if it is distributed before you reach age 59½, unless one of the exception applies.

### SPECIAL TAX TREATMENT FOR LUMP SUM DISTRIBUTIONS

An eligible distribution that is not rolled over will be taxed in the year it is paid; however, it may be eligible for special tax treatment if it qualifies as a lump sum distribution.

Generally, a lump sum distribution is one or more payments, within one calendar year, of your entire balance from a qualified plan that is payable to you

because you have reached age 59½ or have separated from service. The distribution must be paid after the calendar year in which you have completed five years of plan participation.

UCRP distributions that may qualify as lump sum distributions include:

- ▶ UCRP refund of accumulations plus CAP payment, if any; and
- ▶ UCRP lump sum cashout plus CAP payment, if any.

### 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 an IRA;
- ▶ cannot be used on distributions from UCRP if you have previously rolled over amounts from UCRP;
- ▶ cannot be used on UCRP distributions if you have rolled over into UCRP amounts from sources other than plans qualified under IRC §401(a), including IRC §401(k) plans, and 403(a) annuities;
- ▶ cannot be used on a subsequent distribution from a traditional IRA, an IRC §403(b) tax-sheltered annuity, or a governmental 457(b) plan if you roll over your payment to one of these plans.

Additional restrictions apply. Refer to IRS Publication 575 and IRS Form 4972 for additional information and how you elect the special tax treatment.

## 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

Because the rules described in this notice are complex and conditions and exceptions may apply that are not included in this notice, we recommend that you consult a professional tax advisor before you request a distribution from the UCRP. 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*

### UC Human Resources and Benefits

If you have additional questions after reading this notice or want specific information about your account in the UC plans, call the UC Customer Service Center at:

1-800-888-8267

Hours: 8:30 a.m.–4:30 p.m., Monday–Friday

Written correspondence should be sent to:

UC HR/Benefits

P.O. Box 24570

Oakland CA 94623-1570

You can also obtain a wealth of information about UC's retirement savings and investment plans by visiting UC's benefits website: [atyourservice.ucop.edu](http://atyourservice.ucop.edu).



# **Defined Contribution Plan**

## **Summary Plan Description**

# DC Plan Table of Contents

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## 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-qualified 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 (DC Plan) are based on contributions made to the DC Plan plus earnings. DC Plan participants are fully vested in all contributions made to the Plan.

The DC Plan has separate accounts for pretax and after-tax contributions. Currently, the Pretax Account holds three types of mandatory employee contributions: (1) UCRP contributions that The Regents have temporarily redirected into the DC Plan; (2) contributions required to be made by summer or equivalent term employees; and (3) contributions required to be made by Safe Harbor participants. In accordance with IRC §414(h), mandatory 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 Account contains voluntary employee contributions that are deducted from a participant's net income. Participants may want to consult a tax advisor or financial planner before enrolling. Participation is voluntary and should be based on the participant's financial objectives and resources.

The designated Plan Administrator of the DC Plan is the Associate Vice President, Human Resources and Benefits (AVP–HR/B). The AVP–HR/B has delegated recordkeeping duties to Fidelity Retirement Services. The relevant contact information is on the inside front cover. The Plan Administrator administers the DC Plan for the sole benefit of Plan participants and their beneficiaries. Individual investment strategies should reflect the participant's personal savings goals and tolerance for financial risk. UC, The Regents, the Treasurer, UC HR/Benefits, and Fidelity Retirement Services are not liable for any loss that may result from participants' investment decisions. This *Summary Plan Description* summarizes the Plan document as revised effective January 1, 2008.

## 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 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 UC employees who are not eligible to participate in UCRP and whose wages are not subject to Social Security taxes. 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 in the Pretax Account.

### Contributions

Mandatory employee contributions to the DC Plan Pretax Account may come only from income paid through the UC payroll system (or the payroll systems of Lawrence Berkeley National Laboratory or Hastings College of the Law). Employees may also roll over money from other employer-sponsored plans, including the taxable portion of a distribution from the University of California Retirement Plan (UCRP; see "Rollovers: Into the Plan" on page 43).

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

Mandatory employee 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 mandatory 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 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. Participants concerned about the impact of DC Plan contributions on deductible IRA contributions should consult a tax advisor.

## LEAVES OF ABSENCE

Mandatory employee 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 a participant leaves UC employment, contributions to the Plan stop automatically. The options available for a participant’s accumulations are described in “Distributions: Retirees and Former Employees.” (see page 40).

## REAPPOINTMENT

If a participant leaves employment or retires and is later rehired into an eligible position, contributions to the Plan may resume again, depending on the participant’s employment status and whether UCRP contributions are still being redirected to the DC Plan. The participant once again becomes 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.

## ACADEMIC APPOINTEE SUMMER SALARY CONTRIBUTIONS

Compensation that many academic appointees receive for summer session or equivalent term 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 or equivalent term 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 or equivalent term 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.

Eligible summer salary includes compensation 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

Currently, UCRP members are required to make contributions to the DC Plan Pretax Account instead of contributing to UCRP. The direction of UCRP member contributions to the DC Plan Pretax Account may be discontinued and contribution rates may be adjusted periodically to maintain adequate UCRP funding levels. Any such changes must be approved by the Regents, subject to collective bargaining requirements.

Depending on their UCRP membership classification, participants' mandatory contribution rates to the DC Plan Pretax Account are as follows:

UCRP Membership Classification	Pretax Account Contribution Rate
With Social Security	2% to 4% less \$19 a month <sup>7</sup>
Without Social Security	3% less \$19 a month
Safety	3% less \$19 a month
Tier Two	0%
Safe Harbor participants (Non-UCRP members; i.e., part-time employees and non-exempt students)	7.5%

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 Safe Harbor participants accumulate in the Pretax Account remains there until they leave employment and take a distribution or elect DC Plan retirement income (see "Distributions: Retirees and Former Employees" on page 40).

<sup>7</sup> The contribution rate is 2 percent of annual earnings up to the Social Security wage base, then 4 percent on any subsequent earnings.

## LIMITATIONS ON CONTRIBUTIONS

Section 401(a)(17) of the IRC sets a dollar limit for annual earnings on which contributions to the DC Plan may be made. The earnings limit for the Plan's fiscal year beginning July 1, 2008 are \$230,000 for those who became participants on July 1, 1994 or later and \$345,000 for those who became participants before July 1, 1994.

To comply with the IRC §415(c) contribution limit and to protect the Plan's qualified status with the IRS, the Plan Administrator annually monitors contributions made for participants. If, due to reasonable error, the 415(c) limit is exceeded for the year, a participant's after-tax contributions, adjusted for income or losses, will be refunded to the extent necessary to come within the limit. 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 are not eligible for rollover.

## INVESTMENT OF CONTRIBUTIONS

Participants choose the investment options in which they want to invest their contributions. The "Investment Options" are explained on page 43. If participants do not make a choice, their contributions are automatically invested in the UC Savings Fund.

Participants may exchange (transfer) accumulations in the Plan among the investment options at any time. Direct exchanges between certain investment options may be prohibited. See the Fidelity Retirement Services website ([netBenefits.com](http://netBenefits.com)) for more information.

## Distributions

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

### CURRENT UC EMPLOYEES

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

Current employees 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" on page 43).

### RETIREES AND FORMER EMPLOYEES

If participants leave employment or retire, they have the following payment options for money in the DC Plan:

- ▶ Leave the money in the Plan if the Plan balance, including any After-Tax Account balance, totals at least \$2,000. Although participants may no longer contribute, they may transfer money among the investment fund options, subject to the transfer/exchange rules and roll over money into the Plan;
- ▶ Take a full or partial distribution (payable to the participant or directly rolled over to a traditional IRA, Roth IRA, or employer-sponsored plan);
- ▶ Arrange for systematic withdrawals. This option enables the participant to receive regular, periodic distributions without having to make a specific request for each one; or
- ▶ Purchase a commercial annuity. Commercial annuities provide periodic payments in a fixed amount for a specific period of time. Annuities can be purchased through UC's group insurance contract with a California-licensed, third party insurance carrier. Neither UC HR/Benefits, the Regents, nor the University has any further fiduciary obligation to participants who use their DC Plan money to purchase an annuity product from any third-party insurance carrier or other such vendor.

Retirees and former employees may take a distribution of their money in the Pretax Account at any time.

For distributions made on and after January 1, 2006, the following rules apply to distributions of small

accounts after the participant has terminated UC employment:

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

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

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

### 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, read the special tax notice provided by Fidelity Retirement Services before requesting a distribution. The tax rules are quite complex; for this reason, participants considering a distribution from the Plan are strongly encouraged to consult a tax advisor.

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

Distributions to participants are reported annually on IRS Form 1099R, which is 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, unless:

- ▶ the distribution is made after the participant leaves UC employment and in or after the year the participant reaches age 55,

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

Early distribution penalties are not assessed when a distribution is paid. Participants who are subject to the penalties are responsible for reporting them to the IRS when they file their income tax returns.

## MINIMUM REQUIRED DISTRIBUTIONS

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

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

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

Minimum required distributions are not eligible for rollover.

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

## Distributions to Beneficiaries

Participants can and should name one or more beneficiary. A beneficiary may be an individual, trust, estate, charity, or corporation. When a participant dies, the named beneficiary(ies) should contact Fidelity Retirement Services regarding available options.

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, a Roth IRA, or to an employer plan that will accept a rollover, either directly or within 60 days of receipt of the distribution. Non-spouse beneficiaries may elect a direct rollover to an IRA.

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

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

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

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

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

# DC Plan After-Tax Account

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

## Eligibility

All employees of UC and Hastings College of the Law—except students who normally work fewer than 20 hours per week—are eligible to make voluntary contributions to the After-Tax Account.

## Contributions

Contributions to the After-Tax 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 Lawrence Berkeley National Laboratory or Hastings College of the Law). Contributions are not permitted from any other source.

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

## LEAVES OF ABSENCE

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

For sabbatical leaves or administrative leaves with pay during which employees earn less than 100 percent of regular compensation, contributions continue in the same amount 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 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 Account participants who leave UC employment are described in “Distributions” on page 40.

## REAPPOINTMENT

If you leave UC employment or retire and are later rehired into an eligible position, you may begin contributing to the After-Tax Account again.

## CONTRIBUTION AMOUNTS

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

- ▶ 100 percent of the participant’s adjusted gross UC salary, or
- ▶ \$46,000 (in 2008).

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

Participants may contribute to the After-Tax 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 “Limitations on Contributions” on page 39). Neither the University nor UC HR/Benefits is responsible for individual tax consequences if a participant’s after-tax payroll deductions exceed the 415(c) limit.

## LIMITATIONS ON CONTRIBUTIONS

The limitations on contributions are described on page 39.

## Distributions

Participants may take a full or partial distribution of their money in the After-Tax Account at any time.

Aside from taking a full or partial distribution from the After-Tax Account, retiree and former employee participants have other options for their money in the DC Plan (see “Distributions: Retirees and Former Employees” on page 40).

## TAXES ON DISTRIBUTIONS

The taxable portion of a distribution from the After-Tax 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 plans. For more information about the tax treatment of After-Tax Account distributions, read the special tax notice provided by Fidelity Retirement Services before requesting a distribution. Participants considering a distribution from the After-Tax Account are also strongly encouraged to consult a tax advisor.

## EARLY DISTRIBUTION PENALTIES

The early distribution penalties are described on page 40.

## MINIMUM REQUIRED DISTRIBUTIONS

The minimum distribution rules are described on page 41.

## Distributions to Beneficiaries

DC Plan benefits payable to a beneficiary are described on page 41.

# Additional DC Plan Information

## INVESTMENT OPTIONS

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

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

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

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

## ROLLOVERS: INTO THE PLAN

Participants may move eligible retirement funds from a previous employer plan or an IRA to the DC Plan via a rollover. The DC Plan accepts rollovers of pretax distributions from:

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

► traditional IRAs.

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

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

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

## ROLLOVERS: FROM THE PLAN

Virtually all DC Plan pretax distributions are eligible for direct rollover (payable to a traditional IRA, Roth IRA, or another employer plan). As long as the check for the distribution is payable directly to the employer plan or IRA custodian, no taxes will be withheld and the money will retain its tax-deferred status. If made payable to the participant, distributions are subject to mandatory 20 percent federal tax withholding. Distributions made to non-spouse beneficiaries are eligible for direct rollovers to an inherited IRAs.

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.

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

- minimum required distributions,

- refunds of excess contributions (plus earnings) to the After-Tax Account, and
- systematic withdrawals.

## ACCOUNT ACTIVITY

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

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

Annual reports containing audited financial statements are available on At Your Service or from the UC Customer Service Center (see inside front cover).

Summary plan descriptions are sent periodically to all participants and are also available on At Your Service, the Fidelity Retirement Services website, or from your local 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 UC HR/Benefits (see inside front cover).

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

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

## CLAIMS PROCEDURES

If Fidelity Retirement Services is unable to verify a claimant's right to a benefit within a short period of time, the claimant will be notified that he or she needs to forward a written request to the attention of the UC Contract Administrator, UC HR/Benefits, P.O. Box 24570, Oakland, CA 94623-1570, who will review the claim on behalf of the Plan Administrator. The request should

include all relevant information. Within 90 days of receipt of the request, the contract administrator will approve or disapprove the claim. If the claim is denied, the contract administrator will notify the claimant in writing, setting forth the specific reasons for the denial and providing specific references to the plan provisions on which the denial is based. The contract administrator also will describe any additional material or information needed to perfect the claim and provide an explanation of the DC Plan's review procedures.

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

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

For service of process, send to The Regents of the University of California, Trustee of the Defined Contribution Plan, c/o Office of the General Counsel, 1111 Franklin Street, 8th Floor, Oakland, CA 94706.

## PLAN ADMINISTRATION AND FEES

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

Investor expenses for the UC Funds are limited to 0.15 percent (or \$1.50 per \$1,000 invested) of the Fund's average market value per year, assessed on a daily basis (1/365th per day invested). These expenses are not billed to participants, but are netted against the investment experience of the Fund. These expenses comprise approximately 0.03 percent for investment management, 0.02 percent for investor education, and 0.10 percent for administration (including accounting, audit, legal, custodial, and recordkeeping services). The total administrative expenses are estimated and actual expenses could be lower in some periods. If

actual administrative expenses are less than estimated, any residual amount will be returned to the Fund periodically, on a prorated basis, thereby lowering the effective expense ration for participants. There are no front-end or deferred sales loads or other marketing expenses.

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

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

## PLAN CHANGES

The Plan is subject to change and to independent audit to comply with applicable federal and state statutes, IRC regulations, and industry standards. Participants are notified in writing whenever substantive changes to the Plan occur. Although the Plan is expected to continue indefinitely, The Regents reserve the right to amend, 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 not name one beneficiary to receive money in the Pretax Account and another beneficiary to receive any money in the After-Tax 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, trust, or organization.

For participants who do not name a beneficiary, DC Plan money will be distributed to the participant's survivors in the order listed on page 41.

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

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

A will does not supersede a beneficiary designation.

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

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

### **QUALIFIED DOMESTIC RELATIONS ORDERS (QDROS)**

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

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

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

### **INELIGIBLE ACCOUNTS RETAINED BY UC**

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

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

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

# **Tax-Deferred 403(b) Plan**

## **Summary Plan Description**

# 403(b) Plan Table of Contents

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## Introduction

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

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

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

## Eligibility

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

## Contributions

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

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

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

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

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

### LEAVES OF ABSENCE

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

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

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

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

## TERMINATION OF EMPLOYMENT

If a participant leaves UC employment, contributions stop automatically. The payment options available for a participant’s accumulations are described in “Distributions, Retirees and Former Employees” (see page 53).

## REAPPOINTMENT

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

## MAXIMUM ANNUAL CONTRIBUTION LIMITS

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

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

Regular contribution limit	\$15,500 <sup>8</sup>
Participants who are age 50 or older any time during the year	\$20,500 <sup>8</sup>

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

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

## Special Catch-up Provision

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

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

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

## EXCESS SALARY REDUCTIONS

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

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

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

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

<sup>8</sup> or 100 percent of adjusted gross salary, if less

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

Refunds of excess contributions and earnings are not eligible for rollover, nor are they subject to the penalty taxes on early distributions (see “Early Distribution Penalties” on page 54).

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

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

## INVESTMENT OF CONTRIBUTIONS

Participants choose the investment options in which they want to invest their contributions. The “Investment Options” are explained on page 55.

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

## 403(b) Plan Loan Program

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

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

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

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

## LOAN TERMS AND BORROWING LIMITS

Loans are generally granted for a term of five years or less (general-purpose loans). Loans taken to purchase a principal residence can extend for a term of up to 15 years (principal-residence loans). Before taking a loan from the 403(b) Plan to purchase a principal residence, participants should consult a tax advisor.<sup>9</sup>

<sup>9</sup> Interest on 403(b) Plan loans is not deductible for income tax purposes; therefore, a conventional home mortgage loan may be more advantageous for participants purchasing a principal residence.

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

**If Retirement Savings**

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

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

## INTEREST RATES AND ADMINISTRATIVE FEES

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

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

## REPAYMENT

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

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

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

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

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

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

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

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

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

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

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

<sup>10</sup> \$50,000 is the maximum amount of principal that a participant may borrow or have outstanding during any 12-month period. Further, the total amount of all outstanding 403(b) Plan loans within a 12-month period will affect the maximum amount that a participant may borrow during that period, even if the participant has paid off all amounts owed. The \$50,000 maximum is reduced by the total of any 403(b) loan balances outstanding during the preceding 12 months.

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

## Distributions

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

### CURRENT UC EMPLOYEES

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

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

#### Hardship Distributions

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

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

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

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

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

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

There are specific federal tax-withholding rules that apply to all distributions from retirement and savings plans (see "Taxes on Distributions" on page 54).

### RETIREES AND FORMER EMPLOYEES

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

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

- ▶ Leave the money in the Plan if the Plan balance totals at least \$2,000, subject to minimum required distribution rules. Although participants may no longer contribute, they may transfer funds among the investment options, subject to the transfer/exchange rules, and roll over money into the Plan;
- ▶ Take a full or partial distribution (payable to the participant or directly rolled over to a traditional IRA, a Roth IRA, or employer-sponsored plan); see page 54 for information on early distributions.
- ▶ Arrange for systematic withdrawals. This option enables the participant to receive regular, periodic distributions without having to make a specific request for each one; or

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

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

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

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

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

## TAXES ON DISTRIBUTIONS

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

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

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

## EARLY DISTRIBUTION PENALTIES

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

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

Early distribution penalties are not assessed when a distribution is paid. Participants who are subject to the penalties are responsible for reporting them to the IRS when they file their income tax returns.

## MINIMUM REQUIRED DISTRIBUTIONS

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

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

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

Minimum required distributions are not eligible for rollover.

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

## Distributions to Beneficiaries

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

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

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

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

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

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

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

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

## Additional 403(b) Plan Information

### INVESTMENT OPTIONS

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

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

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

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

## ROLLOVERS: INTO THE PLAN

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

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

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

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

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

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

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

## ROLLOVERS: FROM THE PLAN

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

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

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

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

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

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

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

## ACCOUNT ACTIVITY

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

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

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

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

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

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

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

## CLAIMS PROCEDURES

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

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

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

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

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

## PLAN ADMINISTRATION AND FEES

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

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

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

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

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

## PLAN CHANGES

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

## DESIGNATION OF BENEFICIARY

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

For participants who do not name a beneficiary, 403(b) Plan funds will be distributed to the participant's survivors in the order of succession listed on page 55.

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

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

A will does not supersede a beneficiary designation.

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

## ASSIGNMENT OF BENEFITS

Generally, 403(b) Plan benefits payable to participants, beneficiaries, or survivors cannot be attached by creditors, nor can anyone receiving benefits assign payments to others. Plan benefits are intended solely for the security and welfare of participants and their beneficiaries and survivors.

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

## QUALIFIED DOMESTIC RELATIONS ORDERS (QDROS)

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

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

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

## INELIGIBLE ACCOUNTS RETAINED BY UC

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

If a participant had accumulations of less than \$50 on June 30, 2005, and failed to provide timely distribution directions or confirm his or her location, the participant's accumulations were forfeited as of

June 30, 2005. The forfeited amounts will be used to defray reasonable plan expenses and to restore a participant's previously forfeited accumulations, plus interest, if the participant subsequently files a valid claim and provides distribution directions.

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



# **457(b) Deferred Compensation Plan**

## **Summary Plan Description**

# 457(b) Plan Table of Contents

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## Introduction

The 457(b) Plan is a deferred compensation plan described under §457(b) of the Internal Revenue Code (the IRC). Future benefits from the 457(b) Plan will reflect the amount of a participant's voluntary salary deferral contributions plus earnings. Vesting is immediate.

Employees who want to participate in the 457(b) Plan designate a portion of their gross salary to be contributed on a pretax basis, thus reducing the participant's taxable income. Taxes on contributions and any earnings are deferred (that is, postponed) until the participant withdraws the money.

The designated Plan Administrator of the 457(b) Plan is the Associate Vice President, Human Resources and Benefits (AVP–HR/B). The AVP–HR/B has delegated recordkeeping duties to Fidelity Retirement Services. The relevant contact information is on the inside front cover. The Plan Administrator administers the 457(b) Plan for the sole benefit of Plan participants and their beneficiaries. Participation is voluntary and should be based on the participant's financial objectives and resources. Individual investment strategies should reflect the participant's personal savings goals and tolerance for financial risk. Participants may also want to consult a tax advisor or financial planner before enrolling. UC, the Regents, the Treasurer, UC HR/Benefits, and Fidelity Retirement Services are not liable for any loss that may result from participants' investment decisions. This *Summary Plan Description* summarizes the Plan document as revised effective January 1, 2008.

## Eligibility

All employees of UC and Hastings College of the Law—except students who normally work fewer than 20 hours per week—are eligible to participate in the 457(b) Plan. An employee begins participation when contributions are made to the 457(b) Plan on the employee's behalf. An employee or former employee continues participation until all funds held on his or her behalf are distributed.

## Contributions

Salary deferral contributions to the 457(b) Plan may come only from income paid through the UC payroll system (or the payroll systems of Lawrence Berkeley National Laboratory or Hastings College of the Law). Employees may also roll over money from other employer-sponsored plans, including the taxable portion of a distribution from the University of California Retirement Plan (UCRP; see "Rollovers: Into the Plan," page 68).

According to IRS rules, enrollment in the 457(b) Plan cannot go into effect immediately. Enrollment affects earnings for the month following enrollment and the first deduction is taken from the paycheck on the first of the subsequent month. For example, if a participant enrolls in January, the first deduction is taken from February earnings and is reflected in the March 1 paycheck.

Contributions to the 457(b) Plan are reported annually on employees' W-2 forms, but are not included in income subject to taxation.

457(b) Plan salary deferral contributions are deducted from gross salary (after any other pretax deductions for medical plan premiums, dependent care expenses or certain health care expenses), and income taxes are calculated on remaining pay. Although 457(b) Plan salary deferral contributions reduce taxable income, they do not reduce any other salary-related University benefits such as vacation or sick leave, life or disability insurance benefits, or benefits payable from UCRP.

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

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

## LEAVES OF ABSENCE

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

For sabbatical leaves or administrative leaves with pay during which employees earn less than 100 percent of regular compensation, contributions continue in the

same amount or percentage (see “Contributions,” page 63) as elected before the leave unless the participant makes a change. Because contributions remain the same while compensation decreases, it is important for participants to review their contribution amount before going on a paid leave.

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

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

## TERMINATION OF EMPLOYMENT

If a participant leaves UC employment, salary deferral contributions stop automatically. The payment options available for a participant’s accumulations are described in “Distributions: Retirees and Former Employees” (see page 66).

## REAPPOINTMENT

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

## MAXIMUM ANNUAL CONTRIBUTION LIMITS

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

For 2008, the 457(b) Plan contribution limits are as follows:

Regular contribution limit	\$15,500 <sup>11</sup>
Participants who are age 50 or older any time during the year	\$20,500 <sup>11</sup>

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

<sup>11</sup> or 100 percent of adjusted gross salary, if less.

<sup>12</sup> Participants who take advantage of this special provision cannot also take advantage of the over-age-50 provision; they must choose whichever provides the higher contribution amount.

<sup>13</sup> The calculation can include only those years in which the participant was eligible to contribute to the plan, which was introduced in 2004.

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

## Special Catch-up Provision

A special catch-up provision allows eligible participants to make additional contributions in one or more of the three consecutive years ending before the year the participant elects as his or her retirement age. The elected retirement age can be any age between 60 (50 for safety employees) and 70½.

For 2008, the total amount the participant can contribute using the special catch-up limit is the lesser of two amounts:<sup>12</sup>

- ▶ Twice the regular contribution limit for 2008 (\$15,500 x 2 = \$31,000), or
- ▶ The regular contribution limit for 2008 plus the difference between previous years’ regular contribution limits and the actual contributions made during those years (the unused contribution capacity).<sup>13</sup>

Here is an example showing contribution limits and annual contributions since 2005 for a hypothetical employee:

	2005	2006	2007
Regular contribution limits	\$14,000	\$15,000	\$15,500
Participant contributions	\$10,000	\$10,000	\$15,000
Unused eligible contribution capacity	\$4,000	\$5,000	\$500
Cumulative unused contribution capacity:			\$12,500
Regular 2008 contribution limit:			15,500
Total amount the participant can contribute in 2008:			\$18,000

In subsequent years, the special catch-up limit must be reduced to reflect any unused contribution capacity that has already been taken into account in calculating a special catch-up provision.

## EXCESS SALARY REDUCTIONS

UC payroll systems monitor 457(b) Plan contributions, and a participant's contributions will stop automatically if they reach the limit before the end of the year. As a result, there is little chance of overcontributing. In limited circumstances, however, excess salary reductions may be made—if, for example, a participant works at more than one UC location during the year or contributes to a 457(b) plan with another employer.

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

If participants think they have overcontributed but have not been contacted, or if they contribute to a 457(b) plan with another employer during the year, they should call Fidelity Retirement Services before the end of the year (or by March 1 of the following year) to request a refund.

The IRC requires that excess salary reductions in any calendar year be refunded to the participant by April 15 of the following year to avoid tax penalties. If the excess is refunded by April 15, the excess is treated as ordinary income for the year in which the salary reductions were made. The refund will also reflect any earnings (or loss) generated by the excess salary reductions during that year. The earnings must be reported on tax returns for the year in which the refund is paid. For example, if a participant receives a refund of 2007 excess contributions in 2007, all amounts should be reported on tax returns for 2007. If the participant receives the refund in 2008, however, the excess contributions should be reported on 2007 tax returns and any earnings on tax returns for 2008.

Refunds of excess contributions and earnings are not eligible for rollover, nor are they subject to the penalty taxes on early distributions (see "Early Distribution Penalties" on page 67).

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

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

## INVESTMENT OF CONTRIBUTIONS

Participants choose the investment options in which they want to invest their contributions. The "Investment Options" are explained on page 68.

Subject to payroll deadlines, participants may start, stop, or change the amount of their contributions to the Plan at any time on the Fidelity Retirement Services website. They also may redirect future 457(b) Plan contributions to one or more of the investment options and/or exchange (transfer) accumulations in the Plan among the investment options at any time. Direct exchanges between certain investment options may be prohibited. See the Fidelity Retirement Services website ([netBenefits.com](http://netBenefits.com)) for more information.

## Distributions

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

### CURRENT UC EMPLOYEES

The IRC restricts 457(b) Plan distributions to current employees. In general, an employee may take a distribution of plan accumulations in the following circumstances only:

- ▶ voluntary in-service withdrawal of the total balance is allowed once if the balance is less than \$5,000 and no contributions have been made in the past two years and the employee has never taken another distribution except an unforeseeable emergency withdrawal;
- ▶ attainment of age 70½; or
- ▶ an unforeseeable emergency as described below.

#### Unforeseeable Emergency Withdrawal

Participants may be able to take a withdrawal on account of an unforeseeable emergency resulting from

- ▶ an illness or accident involving the participant, the participant's spouse/domestic partner, or the participant's dependent;
- ▶ loss of property due to casualty; or

- ▶ Other similar, extraordinary and unforeseeable circumstances arising from events beyond the control of the participant.

The unforeseeable emergency withdrawal may not be in excess of the amount reasonably needed to satisfy the participant's emergency need. The participant must first satisfy the need using other available financial resources including

- ▶ insurance reimbursements;
- ▶ cessation of salary deferral contributions to the 457(b) Plan, and the University of California Tax-Deferred 403(b) Plan Account, and the Defined Contribution Plan After-Tax Account;
- ▶ a 403(b) Plan loan;
- ▶ withdrawal of eligible monies from the UC Defined Contribution Plan; or
- ▶ liquidation of other assets, to the extent the liquidation does not itself cause severe financial hardship.

After taking an unforeseeable emergency withdrawal, a participant may not make voluntary contributions to the 457(b) Plan, the 403(b) Plan, or the DC Plan for six months.

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

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

## RETIREES AND FORMER EMPLOYEES

Participants who leave UC employment or retire have the following payment options for money in the 457(b) Plan:

- ▶ Leave the money in the Plan if the Plan balance totals at least \$2,000, subject to minimum required distribution rules. Although participants may no longer contribute, they may transfer funds among the investment options, subject to the transfer/exchange rules and roll over money into the Plan;
- ▶ Take a full or partial distribution (payable to the participant or directly rolled over to a traditional IRA, a Roth IRA, or employer-sponsored plan); see page 67 for information on early distributions;

- ▶ Arrange for systematic withdrawals. This option enables the participant to receive regular, periodic distributions without having to make a specific request for each one; or
- ▶ Purchase a commercial annuity. Commercial annuities provide periodic payments in a fixed amount for a specific period of time. Annuities may be purchased through UC's group insurance contract with a California-licensed third party insurance carrier. Neither UC HR/Benefits, the Regents, nor the University has any further fiduciary obligation to participants who use their 457(b) Plan funds to purchase an annuity product from any third-party insurance carrier or other such vendor.

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

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

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

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

## TAXES ON DISTRIBUTIONS

A distribution from the 457(b) Plan is generally taxed as ordinary income in the year it is issued. Note, however, that there are specific federal tax withholding rules that apply to all distributions from retirement savings and investment plans. For more information about the tax treatment of Plan distributions, read the special tax notice provided by Fidelity Retirement Services before requesting a distribution. The tax rules are quite complex; for these reasons, participants considering a distribution from the Plan are strongly encouraged to consult a tax advisor.

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

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

## EARLY DISTRIBUTION PENALTIES

Distributions from 457(b) plans are generally not subject to the early distribution penalties that may apply to distributions from other types of retirement plans. If, however, an amount is rolled over from another type of retirement plan, such as a 403(b) plan or a tax-qualified 401(a) plan, to the 457(b) Plan, any distributions attributable to the rolled over amount that are made before a participant attains age 59½ may be subject to federal and state penalty taxes unless an exception applies.

Early distribution penalties are not assessed when a distribution is paid. Participants who are subject to the penalties are responsible for reporting them to the IRS when they file their income tax returns.

## MINIMUM REQUIRED DISTRIBUTIONS

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

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

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

Minimum required distributions are not eligible for rollover.

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

## Distributions to Beneficiaries

Participants can and should name one or more beneficiary. A beneficiary may be an individual, trust, estate, charity or corporation.

When a participant dies, the named beneficiary(ies) should contact Fidelity Retirement Services regarding available options. One of the options a beneficiary has is to leave the money in the Plan, subject to the

minimum required distribution rules. Note that this option applies only if the individual beneficiary's share of the deceased participant's Plan balance totals at least \$2,000. If the named beneficiary is a trust, estate, charity or corporation, the Plan balance must be distributed within nine months of the date of the participant's death.

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

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

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

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

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

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

## Additional 457(b) Plan Information

### INVESTMENT OPTIONS

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

In addition, Fidelity Investments mutual funds and Calvert socially responsible mutual funds are available for those participants willing to assume additional responsibility for monitoring their individual fund choices. These funds are part of fund families previously authorized by The Regents as plan investment options and have been retained in the 457(b) Plan as an accommodation to participants. The Treasurer's Office does not monitor individual fund performance and makes no qualitative assessment as to any investment fund that is not part of the Core Funds.

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

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

### ROLLOVERS: INTO THE PLAN

Participants may move eligible retirement funds from a previous employer plan or an IRA to the 457(b) Plan via a rollover. The 457(b) Plan accepts rollovers of pretax distributions from:

- ▶ other employer-sponsored plans, including lump sum cashouts and Capital Accumulation Payment (CAP) distributions from the UC Retirement Plan,

401(a), 401(k), 403(b), and governmental 457(b) Plans; and/or

- ▶ traditional IRAs.

The 457(b) Plan does not accept rollovers of after-tax distributions. To roll over money directly from another employer-sponsored plan to UC's 457(b) Plan, the participant must arrange to have the plan's custodian or plan administrator write a check for the distribution, payable to "Fidelity Investments Institutional Operations Company, Inc. (FIIOC)." As long as the check is payable directly to FIIOC (not to the participant), no taxes should be withheld from the distribution, and the pretax funds will retain their tax-deferred status.

Employees who are eligible to participate in the 457(b) Plan may execute a rollover (and become Plan participants) even if they have not yet begun contributing to the Plan through payroll deductions.

Former employees who did not participate in the 457(b) Plan are not eligible to roll over funds into the Plan, except for eligible distributions from UCRP of \$2,000 or more.

If a participant takes a distribution from a former employer plan, including UCRP, and the check is payable to the participant, he/she can also roll over the taxable portion of the money into the 457(b) Plan, as long as the rollover is made within 60 days after receiving the distribution. To roll over 100 percent of the taxable portion of the distribution, the participant must replace from personal savings or other sources an amount equal to the taxes that were withheld when the distribution was issued.

### ROLLOVERS: FROM THE PLAN

All 457(b) Plan distributions except those listed below are eligible for direct rollover (distribution made payable to a traditional IRA, a Roth IRA, or another employer plan). As long as the check for the distribution is payable directly to the plan, no taxes should be withheld and the funds will retain tax-deferred status. If made payable to the participant, taxable distributions are subject to mandatory 20 percent federal tax withholding.

Participants may also roll over an eligible 457(b) Plan distribution consisting of pretax funds that has been paid to them, as long as the rollover to the IRA or new plan occurs within 60 days of receipt of the distribution. A participant who wants to roll over 100 percent of the distribution must replace from personal savings or other sources an amount equal to the taxes that were withheld when the distribution was issued. Any

amount not rolled over will be taxed as ordinary income for the year in which the distribution was issued. It may also be subject to the early distribution penalties if the distribution is attributable to a rollover from a plan subject to the early distribution penalties.

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

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

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

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

## ACCOUNT ACTIVITY

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

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

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

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

Participants may obtain a copy of the University of California Tax-Deferred 457(b) Plan document by writing to UC HR/Benefits (see inside front cover).

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

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

## CLAIMS PROCEDURES

If Fidelity Retirement Services is unable to verify a claimant's right to a benefit within a short period of time, the claimant will be notified that he or she needs to forward a written request to the attention of the UC Contract Administrator, UC HR/Benefits, P.O. Box 24570, Oakland, CA 94623-1570 who will review the claim on behalf of the Plan Administrator. The request should include all relevant information. Within 90 days of receipt of the request, the contract administrator will approve or disapprove the claim. If the claim is denied, the contract administrator will notify the claimant in writing, setting forth the specific reasons for the denial and providing specific references to the plan provisions on which the denial is based. The contract administrator also will describe any additional material or information needed to perfect the claim and provide an explanation of the 457(b) Plan's review procedures.

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

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

For service of process, send to The Regents of the University of California, Trustee of the 457(b) Plan, c/o Office of the General Counsel, 1111 Franklin Street, 8th Floor, Oakland, CA 94706.

## PLAN ADMINISTRATION AND FEES

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

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

In addition, any fees paid by participants, including loan fees and brokerage window account fees, and any fees that may be awarded for Fidelity Retirement Services failure to meet certain performance standards, will be credited to a plan fee account. At the direction of the Plan Administrator and subject to receipt of supporting documentation, Fidelity Retirement Services will apply the plan fee account funds against reasonable plan expenses that otherwise would be paid from other plan assets. Any basis points that are assessed against the market value of the mutual fund investments in the 457(b) Plan pursuant to revenue sharing agreements will be credited to an expense credit account and offset against charges for services provided by Fidelity Retirement Services and its affiliates. If any amount remains after payment for Fidelity Retirement Services-related services, funds in the expense credit account will be used to reimburse the University for reasonable plan expenses previously paid by the University.

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

## PLAN CHANGES

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

## DESIGNATION OF BENEFICIARY

Participants should designate a beneficiary to receive their accumulations in the 457(b) Plan in the event of their death. Participants may name more than one beneficiary and specify the percentage of the Plan balance that each beneficiary is to receive. A beneficiary may be a person, trustee or organization.

For participants who do not name a beneficiary, 457(b) Plan funds will be distributed to the participant's survivors in the order of succession listed on page 67.

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

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

A will does not supersede a beneficiary designation.

It is the participant's responsibility to keep information on beneficiaries, including addresses, up to date. The address of record is binding for all purposes of the 457(b) Plan.

## ASSIGNMENT OF BENEFITS

Generally, 457(b) Plan benefits payable to participants, beneficiaries, or survivors cannot be attached by creditors, nor can anyone receiving benefits assign payments to others. Plan benefits are intended solely for the security and welfare of participants and their beneficiaries and survivors.

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

## **QUALIFIED DOMESTIC RELATIONS ORDERS (QDROS)**

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

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

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

# Employee Information Statement— DC, 403(b), and 457(b) Plans

Participants in defined contribution plans are responsible for determining which, if any, investment vehicles best serve their retirement objectives. The DC, 403(b), and 457(b) Plan assets are invested solely in accordance with the participant's instructions. The participant should periodically review whether his/her objectives are being met, and if the objectives have changed, the participant should make the appropriate changes. Careful planning with a tax advisor or financial planner will help to ensure better supplemental retirement savings.

Neither the Regents, the Treasurer, the Plan Administrator, nor any officer or affiliated officer of the University makes any recommendation to participants for building supplemental retirement savings, and the various options available for the investment of contributions should not be construed in any respect as a judgment regarding the prudence or advisability of such investments or as tax advice. Neither the Regents, the Treasurer, nor the Plan Administrator bear any fiduciary liability for any losses resulting from a participant's investment instructions. The Plan Administrator reserves the right to refuse to implement any investment instruction from a participant that violates Plan rules or IRC provisions.

All elections concerning contributions to the DC, 403(b), and 457(b) Plans are subject to payroll transaction and fund valuation deadlines.

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

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

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

Website address: [atyourservice.ucop.edu](http://atyourservice.ucop.edu)



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