

IT STARTS HERE



The University of California **457(b) Deferred Compensation Plan**



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Important features and rules

The 457(b) Plan is open to all UC employees except students who normally work less than 20 hours per week, and offers an easy and convenient way for you to save for retirement. Similar to the 403(b) Plan, the 457(b) Plan offers significant potential for tax savings and earnings growth. The 457(b) Plan offers:

- pretax contributions through convenient payroll deduction
- tax deferral on contributions and any earnings until withdrawn
- account access virtually 24 hours a day, 7 days a week, via the Internet or telephone

You can choose to participate in the 403(b) Plan, the 457(b) Plan, or both. This brochure provides a summary of key plan features, a chart comparing features of the 457(b) Plan and the 403(b) Plan, and instructions on how to enroll in the 457(b) Plan.

The enrollment process is different from the 403(b) Plan enrollment process because recordkeeping services

for the 457(b) Plan are provided by Fidelity Investments Tax-Exempt Services Company, a national leader in financial management services. All enrollment and reporting procedures are coordinated through Fidelity, and their representatives are ready to answer any questions you might have about setting up and maintaining your accounts. The 403(b) Plan and Defined Contribution Plan continue to be administered by UC.

For more detailed information about the 457(b) Plan, contact Fidelity Investments at 1-800-343-0860.

You can enroll in the 457(b) Plan at any time.

Enroll online or by phone

Before you enroll

- Familiarize yourself with the information in this brochure.
- Decide what amount or percentage of your salary you want to contribute through payroll deduction. You can choose a flat dollar amount or a percentage of your salary—you **cannot elect** a combination of both a percentage and a dollar amount. The total amount you contribute is subject to the limits discussed later in this brochure.
- Select specific investment options from the UC-managed funds. All elections must be in whole percentages and total 100% (e.g., 33%, 33%, and 34%).
- Select a Fidelity PIN (personal identification number) which must be six to 12 characters in length. It cannot be your Social Security number, Customer ID, or date of birth; and it cannot be a sequential or repeating number or letter (e.g., 123456 or 777777). You will be asked for your date of birth and ZIP code, and you will also be asked to choose a security

question that will help confirm your identity for PIN reset if you are using the online service. Be sure to choose a PIN that's easy to remember, because you'll need it each time you call or go online to access your account. *You do not need to select a new Fidelity PIN if you already have one.*

How to enroll

- Log on to NetBenefits at www.fidelity.com/atwork to enroll.
- Or call Fidelity Investments at **1-800-343-0860** to speak with a Fidelity Retirement Services Specialist (Monday through Friday from 5:00 A.M. to 9:00 P.M. PT).

How to designate a beneficiary

- Complete your beneficiary designation online at: www.fidelity.com/atwork. If you wish to enroll by telephone, a Fidelity Retirement Services Specialist will mail you a form, because beneficiary designations cannot be taken by phone.

Contribution limits

You may contribute separately to the 403(b) Plan and the 457(b) Plan up to the IRS General Contribution Limit (see the chart, below). If you are age 50 or older (or become age 50 by the end of the year), your limits are higher. Total combined annual contributions to both plans cannot be more than 100% of your annual compensation.

	2005		2006	
	General limit	Over age 50 limit	General limit	Over age 50 limit
403(b) Plan	14,000	18,000	15,000	20,000
457(b) Plan	14,000	18,000	15,000	20,000
Total both plans	28,000	36,000	30,000	40,000

Investment options

You may invest in any of the six UC-managed funds. See list below. Investment options are currently under review, and an expanded fund lineup is expected by mid-2005.

UC-managed Funds

The six UC-managed funds are currently available for investing your 457(b) Plan contributions.

UC EQUITY FUND**

A total return fund that seeks to maximize long-term capital appreciation with moderate risk. Historical focus on large-capitalization stocks; currently the U.S. equity allocation (approximately 80%) is held in a Russell 3000 Tobacco Free (TF) Index Fund. The fund also has a small representation (approximately 5%) in private equities and an allocation (approximately 15%) to an MSCI EAFE TF Index Fund (non-U.S.).

UC BALANCED GROWTH FUND**

A total return fund that seeks to provide long-term growth and income through a balanced portfolio of equity and fixed income securities held within UC-managed funds. Contributions are invested according to a fixed ratio: 65% Equity Fund, 30% Bond Fund and 5% TIPS (Treasury Inflation-Protected Securities) Fund. The fund is rebalanced monthly to prevent the three component funds from growing outside their allocation percentage.

UC BOND FUND**

A total return fund that seeks to maximize long-term total return through a combination of interest and price appreciation. Invests in high-quality government and corporate bonds (U.S. and foreign).

UC TREASURY INFLATION-PROTECTED SECURITIES (TIPS) FUND**

A total return fund that seeks to provide long-term total return and inflation protection consistent with an investment in U.S. Government inflation-indexed securities. The fund invests in inflation-protected securities issued by the U.S. government. Inflation-indexed securities are designed to protect future purchasing power.

UC INSURANCE COMPANY CONTRACT (ICC) FUND*

An interest income fund that seeks to maximize interest income while protecting principal. Invests in pooled insurance contracts issued by select, highly rated insurance companies. Insurance contract guarantees are backed by the general account assets of the issuing insurance companies and are neither insured nor guaranteed by any third party.

UC SAVINGS FUND*

An interest income fund that seeks to maximize interest while protecting principal. Invests in government, government-guaranteed and government agency securities with maturities of five years or less that are backed by the full faith and credit of the U.S. government; however, the return is not guaranteed by the U.S. government.

*Performance is driven by interest income earned on the securities in the portfolios, while the principal value of the fund is designed to remain stable.

**Performance is driven by a combination of price appreciation and income.

These funds are managed by the University of California Office of the Treasurer. Annual investor expenses for each fund are 0.15% (or \$1.50 per \$1,000 invested) of that fund's average market value.

Additional information regarding performance and management of UC-managed funds is available online at www.fidelity.com/atwork or atyourservice.ucop.edu.

403(b) Plan and 457(b) Plan at a glance

	403(b) Plan	457(b) Plan
Investment options	Six UC-managed funds, Fidelity Investments, Calvert Funds	Only the six UC-managed funds. More options will be made available by mid-2005.
Contribution limits	See contribution limits chart on page 2.	See contribution limits chart on page 2.
Catch-up provisions	Under certain circumstances, you may be able to contribute an additional \$3,000 annually, subject to a \$15,000 lifetime maximum.	Under certain circumstances, you may be able to contribute an additional amount if you did not maximize your contributions to the plan in previous years. <i>The calculation of "catch-up" contributions includes only years in which the UC 457(b) Plan existed.</i>
Rollovers	Generally, rollovers of pretax amounts are allowed from 401(a) plans, 401(k) plans, 457(b) public plans, and 403(b) plans; rollovers are <i>not</i> allowed from 457(b) private plans.	Same.
Loans	Loans are allowed; fees are assessed.	Loans are not currently offered.
Distributions while employed	In-service distributions are allowed only if you: (1) are 59½ or over; (2) become permanently disabled; or (3) incur a financial hardship.	Generally, in-service distributions can be requested only in the event of an <i>unforeseeable</i> emergency.
Distributions after separating from UC employment	<ul style="list-style-type: none"> • Leave your money in the plan if you have over \$2,000 in the plan • Take a full or partial distribution • Arrange for systematic withdrawals • Arrange a rollover into an eligible plan or IRA • Purchase an income annuity 	Same.
Federal and state income tax treatment	A distribution becomes taxable when distributed unless it is rolled over into an eligible plan or IRA.	Same.
Early distribution penalties (<i>separation from UC employment is required for distribution</i>)	YES—10% federal penalty applies if a distribution is received before age 59½ (some exceptions may apply). State penalties may also apply. Penalties apply to money rolled over from any tax-deferred plan, <i>including a 457(b) Plan.</i>	NO—there are no early distribution penalties except for amounts attributable to rollovers into the Plan from a 403(b), 401(a), or 401(k) plan.
Minimum required distributions (MRDs)	No later than the April 1 following the year in which you turn age 70½ or retire, whichever occurs later.	Same.
Fees	Administrative fee deducted from the fund, not from your account.	Administrative fee deducted from the fund and an annual recordkeeping fee of \$45. (A total of \$11.25 will be deducted on a quarterly basis proportionately from each fund in which you are invested. You will be charged this fee regardless of your enrollment date.)

Managing your account

Contact Fidelity online using NetBenefits at www.fidelity.com/atwork or by phone at **1-800-343-0860** to do any of the following transactions:

- Increase, decrease or stop contributions.

Changes to your contribution rate that are received before the payroll deadline will become effective with the first payroll of the month following the date you submit your request. Those received after the payroll deadline will become effective the following month.

- Make transfers between your investment options (existing balances) and/or redirect your ongoing future contributions.

UC-managed funds are currently valued monthly. Requests for a transfer received by Fidelity by 1:00 P.M. PT, the last business day of the month, will be processed using the value as of that day. Requests received after that time will be processed using the following month's valuation. Requests to redirect future contributions will be effective immediately.

Resources at Fidelity Investments

Fidelity Investments provides you with a variety of resources and ways to access your account information and make account transactions.

The following services refer specifically to your 457(b) Plan accounts. Information about your 403(b) and Defined Contribution Plan accounts will continue to be available through UC's website, At Your Service, for accounts invested in the UC-managed funds, or on the Fidelity NetBenefits website for accounts invested in the Fidelity mutual funds.

- **Online:** Log on to NetBenefitsSM at www.fidelity.com/atwork 24 hours a day, seven days a week, to view your account balances, make transfers, access fund information, and much more.
- **Automated Telephone Line:** Call 1-800-343-0860, 24 hours a day, seven days a week, for fund values, account balances, and transfers.
- **Fidelity Retirement Services Specialists:** Call 1-800-343-0860, Monday through Friday, from 5:00 A.M. to 9:00 P.M. PT, to enroll, make transfers, or answer any questions about your account or retirement investing in general.
- **On-site Retirement Counselors:** Fidelity offers on-site representatives who are available to help you learn more about the UC 457(b) Plan. Workshops and one-on-one consultations are available to discuss how you can maximize your retirement savings opportunities and how to best utilize the UC programs to plan your retirement future.



457(b) statements

Each quarter you will receive an account statement detailing your 457(b) Plan account activity and personal rate of return for the previous quarter.

Some features, such as the ability to borrow your 457(b) Plan money, are not currently available; however, loans may be added to the plan in the future. Watch for information on additional features and an expanded investment lineup coming in 2005.

Please keep in mind that the deadline for enrolling in the 457(b) Plan varies from customary payroll cycles at your location.



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The information contained herein regarding the UC-managed funds has been provided by the University of California Office of the Treasurer and is solely the responsibility of the University of California Office of the Treasurer.

Understanding investment performance: Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. To learn more or to obtain the most recent month-end performance, call Fidelity or visit www.fidelity.com/atwork.

Any assets distributed from the 403(b) Plan or governmental 457(b) Plan will be taxed as ordinary income in the year withdrawn; if you are under age 59½ at the time of the distribution, a 10% federal early withdrawal penalty may apply to any amounts that were rolled into the Plan from an IRA or a plan other than another governmental 457(b) plan. If the distribution is eligible to be rolled over, but is not directly rolled over to an eligible plan or IRA, a 20% mandatory withholding of federal income tax applies. Federal income tax will not be withheld on any amount of your 457(b) Plan assets that is transferred in a direct rollover to another employer's eligible plan that accepts the transfer or to an IRA. Be sure you understand the federal and state tax consequences of any distribution before you initiate one. You may want to consult your tax advisor about your situation.

This document provides only a summary of the main features of the University of California 457(b) Deferred Compensation Plan, and the plan document will govern in the event of any discrepancies.

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