SUMMARY PLAN DESCRIPTIONS

UNIVERSITY OF CALIFORNIA

Retirement Plan

(FOR MEMBERS WITHOUT SOCIAL SECURITY)

APRIL 2007

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**

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

UC 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	510-642-7053
UC Davis	530-752-1774
UC Davis Medical Center	916-734-8099
UC Irvine	949-824-5210
UC Irvine Medical Center	714-456-5736
UCLA	310-794-0830
UCLA Medical Center	310-794-0500
UC Merced	209-228-8247
UC Riverside	951-827-4766
UC San Diego	858-534-2816
UC San Diego Medical Center	619-543-8244
UCSF	415-476-1400
UCSF Medical Center	415-353-4545
UC Santa Barbara	805-893-2489
UC Santa Cruz	831-459-2013
ASUCLA	310-825-7055
Hastings College of the Law	415-565-4703
UC Office of the President	510-987-0123
Lawrence Berkeley Nat'l Lab	510-486-6403
Lawrence Livermore Nat'l Lab	925-422-9955

RETIREMENT SAVINGS PROGRAM RECORDKEEPER

Fidelity Investments Tax-Exempt Services Company (FITSCo)

FITSCo website: **netbenefits.com**
Telephone: 1-866-682-7787

INVESTMENT OVERSIGHT

University of California Treasurer's Office

Treasurer's Office website: **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**

California Public Employees' Retirement System (CalPERS) 1-888-225-7377
CalPERS website: **calpers.ca.gov**

California State Teachers' Retirement System (CalSTRS) 1-800-228-5453
CalSTRS website: **calstrs.com**

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

This chart illustrates the basic structure of UCRS.

University of California Retirement System (UCRS)

University of California Retirement Plan (UCRP); a defined benefit plan	**Defined Contribution Plan (the DC Plan); a defined contribution plan**	**Tax-Deferred 403(b) Plan (the 403(b) Plan); a defined contribution plan**	**457(b) Deferred Compensation Plan (the 457(b) Plan); a deferred compensation plan**
A pension plan with four membership classifications	A savings and investment plan with a Pretax Account for mandatory contributions and an After-Tax/Rollover Account for voluntary contributions and pretax rollovers	A savings and investment plan for voluntary pretax contributions and pretax rollovers	A savings and investment plan for voluntary pretax contributions and pretax rollovers

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

This booklet also includes the "Special Tax Notice for Plan Distributions," (see page 24) which explains the federal tax-withholding and rollover rules that apply to distributions from UCRP.

Parting words of note—please make sure that UC always has your current address and telephone number. That way, we're able to keep you informed about the status of your present and future retirement savings benefits and to provide you with information that may help you with decisions that could be critical to your future financial security. See page 30 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.

Table of Contents

Introduction

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

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

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

The Plan includes the following four membership classifications:

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

This *Summary Plan Description* summarizes the Plan provisions for members without Social Security, who include:

- University employees who were Plan members on April 1, 1976, and elected in 1976 or 1977 not to have Social Security coverage (this election applies even for those who have since had a break in service, regardless of whether the member took a refund of accumulations or a lump sum cashout); and
- Employees excluded from Social Security coverage under federal law.

Members with 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 without Social Security do not pay Social Security taxes nor does the University pay Social Security in their behalf. These members do not earn Social Security benefits through their University employment.

Exception—all members hired or rehired on April 1, 1986, or later are required to pay 1.45 percent of all earnings to Social Security for Medicare hospital Insurance (Part A). In this case, the University also pays Social Security taxes for Medicare in the same amount as the member.

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

Membership

ELIGIBILITY AND MEMBERSHIP

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

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

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

- is an active member of another UC-sponsored retirement system—for example, the California Public Employees' Retirement System (CalPERS);
- is at the University primarily to obtain education or training;
- receives pay under a special compensation plan but receives no covered compensation (see definition on page 21);
- 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 definition on page 21). Membership is not affected by a reduction in appointment without a break in service. Benefits change if you transfer to a position eligible for Safety benefits.

VESTING

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

For the CAP benefit, vesting is immediate—regardless of the member's eligibility for other Plan benefits (see "Capital Accumulation Provision" on page 9).

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 Benefits" on page 10);
- is a faculty member of a University medical school who has been appointed by the Veterans Administration to a University affiliated hospital, and, as a result, receives no further covered compensation;
- became a Plan member July 1, 1989, or earlier, and reached age 62 while still an eligible employee; or
- has vesting credit in combination with service credit that totals at least five years.

After leaving the University, an inactive member may, at any time before (and in lieu of) retiring, request a refund of accumulations or, upon reaching age 50, elect a lump sum cashout. **Members who elect either a refund of accumulations or a lump sum cashout waive the right to any future Plan benefits.** See "Refund of Accumulations" on page 9 and "Lump Sum Cashout" on page 10.

RECIPROCITY

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

To establish reciprocity, members must:

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

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

UCRP also has limited agreements regarding benefits with the Sacramento County Employees' Retirement System and the Orange County Employees' Retirement System.

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

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

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

Contributions

FUNDING THE PLAN

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

UNIVERSITY CONTRIBUTIONS

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

MEMBER CONTRIBUTIONS

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

When required, contributions are deducted automatically from the member's gross wages each pay period and allocated to individual member accounts. Wages from which contributions may be taken are called covered compensation. Member contributions to the Plan reduce the member's taxable income (see "Taxes on Distributions" on page 19).

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

Service Credit

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

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

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

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

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

Partial-Year Career Appointments Members who work full time during 9-, 10- or 11-month partial-year appointments earn one year of service credit for each Plan year. Members who work part time during partial-year appointments earn proportionate service credit. For example, a member who works 50 percent time during a partial-year appointment earns one-half year of service credit.

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

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

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

Leave Without Pay Members do not earn service credit during a leave without pay (see "Establishing Service Credit for Approved Leaves" on page 7).

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 7).

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 7).

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 7.

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.

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 "Buyback to Eliminate Noncontributory Offsets" on page 8.

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) (for members who were in employment classifications covered by the AFSCME agreement for the Clerical and Allied Services Unit) 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 July 1, 1966 through July 30, 1971; and the leave offset, which affects all who took an approved leave during the period July 1, 1966 through July 30, 1971.

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 without Social Security, the total normal cost in 2007 is 16.35 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 02) service or who took an approved leave during the noncontributory period (July 1, 1966, through June 30, 1971), may pay to eliminate the noncontributory offset and/or the leave offset at any time.

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

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

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

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

Capital Accumulation Provision (CAP)

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

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

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

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

Interest on all CAP allocations is credited monthly.

CAP benefits are vested immediately. They are payable in a lump sum when the member leaves University employment[2] 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 16).

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 8).

[2] 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.

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 16).

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 12 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. Eligibility for retiree medical, dental and legal benefits, if any, is also forfeited.

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

ELECTING A LUMP SUM CASHOUT

To receive a lump sum cashout, you must obtain an election form from your local Benefits Office and submit it to UC HR/Benefits along with any other required forms or documents. (If you're an inactive member, call the UC Customer Service Center to request a lump sum cashout.) A member's cashout date cannot be earlier than the 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 11). 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

While almost all members without Social Security became Plan members before April 1, 1980, more recent provisions will apply in some cases. These provisions apply to members who left University employment, took a refund of accumulations, and were then rehired in an eligible appointment April 1, 1980, or later and did not reestablish service credit for their earlier period of membership.

Employees who became Plan members on April 1, 1980, or later must have five years of service credit to qualify for disability income.[3]

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 17). 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 2007, this amount is $900 per month.

Employees who became Plan members before April 1, 1980, must have two years of service credit to qualify for disability income.[3]

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 17).

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 17). 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 without Social Security, disability income is a percentage of the member's monthly final salary. The percentage is based on years of service credit as of the disability date, as shown on the following page:

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

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

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 16).

Retirement Benefits

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

ELECTING RETIREMENT INCOME

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

A member's retirement date cannot be earlier than the 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 Payment Options" on page 15). An additional adjustment is required if the monthly benefit exceeds maximum benefit levels. See also "Plan Maximum Benefit" (see page 16) and "Internal Revenue Code Provisions," (see page 17).

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

For members without Social Security, basic retirement income is a percentage of the member's average salary, or HAPC (highest average plan compensation—see definition on page 23), minus a reduction for any noncontributory/leave offset (see "Noncontributory Service" on page 6). 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.

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 = basic retirement income (not to exceed 100% of HAPC)

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. Also see the definition on page 23.

Example 2—Calculating basic retirement income

The member's benefit percentage is 50.0%. The HAPC is $4,000.

50.0% of $4,000 = $2,000

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

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).

For adjustments to HAPC for disabled or inactive members who retire, see "Cost-of-Living Adjustments" on page 17.

If you have noncontributory service, an offset is applied to your basic retirement income (see "Service Credit—Noncontributory Service" on page 6).

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.

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 3). If a retired member is reinstated as an active UCRP member, retirement income 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 22). 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 22 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:

50% of the member's basic retirement income = postretirement survivor continuance

Example 3—Calculating postretirement survivor continuance

50% of $2,000 = $1,000 survivor continuance

When the member dies, the surviving spouse or domestic partner (or another eligible survivor) receives $1,000 each month for life. If the eligible survivors die first, the member's benefit is not affected.

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 12. Also, there are legal considerations when designating a contingent annuitant (see "Designation of Beneficiary or Contingent Annuitant" on page 20).

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 50 percent postretirement survivor continuance is set aside. The remaining 50 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 50 percent survivor continuance portion and the option portion—for as long as the member lives. The benefit paid to the contingent annuitant when the member dies is based only on the option portion. The contingent annuitant, if eligible, will also receive the survivor continuance when the member dies. In no case will the member's benefit be adjusted if the contingent annuitant and/or eligible survivors die first.

Paid in addition to the 50 percent survivor continuance, the payment options are:

Option A Full Continuance to Contingent Annuitant

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

Option B Two-Thirds Continuance to Contingent Annuitant

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

Option C One-Half Continuance to Contingent Annuitant

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

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 4—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 50 percent ($1,000) 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 50% ($1,000) survivor continuance is set aside.

$2,000 - $1,000 = $1,000 (the remaining 50%)

Step 2:

The reduction factor is applied to the remaining 50%.

.863 x $1,000 = $863 (option portion)

Step 3:

The 50% survivor continuance is added back.

$863 + $1,000 = $1,863 (member's benefit)

The member's retirement benefit is $1,863, to be paid every month for life. Thereafter, the spouse or domestic partner will receive both the $1,000 survivor continuance and the option portion of $863, for a total monthly benefit of $1,863 (the same amount as the member received).

Example 5—Calculating Payment Option A (Full Continuance)—spouse or domestic partner is not contingent annuitant (variation of Example 4)

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 4. When the member dies, the surviving spouse or domestic partner receives the $1,000 survivor continuance and the contingent annuitant receives the $863 option portion. Each benefit is paid for the recipient's lifetime.

Example 6—Calculating Payment Option A (Full Continuance)—postretirement survivor continuance is not payable (variation of Example 4)

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

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

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

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

PLAN MAXIMUM BENEFIT

As noted earlier, the maximum UCRP basic retirement income is 100 percent of the member's HAPC. 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 17).

Death Benefits

PAYMENTS TO BENEFICIARIES

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

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

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

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

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 22.

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

For active members, the amount paid to the eligible survivor(s) is a percentage of the member's final salary. The percentage depends on the number of eligible survivors with certain minimums as shown in the table below:

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

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

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.

For benefits payable when a member dies after electing retirement income, see "Postretirement Survivor Continuance" on page 14.

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 2007 is $180,000. 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, 2007, is $225,000 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 $335,000.

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 24) the following UCRP distributions are eligible for direct rollover:

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

A distribution that is eligible for direct rollover is subject to mandatory 20 percent federal tax withholding unless it is directly rolled over from the Plan to a traditional IRA, to another employer plan that accepts rollovers, or to the University's Defined Contribution, 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;
- lump sum death payments to a non-spouse beneficiary;
- QDRO monthly income; or
- lump sum QDRO distributions to a non-spouse.

Members (or spouses or former spouses) may also roll over an eligible Plan distribution that has been paid to them, as long as the rollover to the IRA or new plan occurs within 60 days of receipt of the distribution. A member who wants to roll over 100 percent of the distribution must replace, from personal savings or other sources, an amount equal to the taxes that were withheld when the distribution was issued. Any amount not rolled over will be taxed as ordinary income for the year in which the distribution was issued. It may also be subject to early distribution penalties. See "Taxes on Distributions—Tax Withholding," on page 19. For more detailed information, see the "Special Tax Notice" that begins on page 24.

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 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 24).

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 18) are subject to 20 percent federal tax withholding if they are paid to the member, spouse or former spouse. No taxes are withheld if the distributions are directly rolled over to a traditional IRA or to another employer plan. For more information, see the "Special Tax Notice" that begins on page 24.

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

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

Additional Information

CLAIMS PROCEDURES

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

Generally, claims are processed within 90 days after UC HR/Benefits receives the request and any other required information. If a claim is denied, UC HR/Benefits will notify the claimant in writing, explaining the reason for denial. If notification is not made within 90 days, or if the claim is denied, or if the claimant receives an otherwise unfavorable decision, he or she may appeal to have the claim reviewed. The appeal must be made within 60 days of the notification (or, if none, the 90-day processing deadline). The appeal must be in writing, accompanied by documentation supporting the claim, and sent to UC HR/Benefits (see inside front cover). The claimant will receive a response to the appeal within 60 days, or 120 days if unusual circumstances are involved.

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

PLAN ADMINISTRATION

The 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, and 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 in 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 on the At Your Service website, or 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 FITSCo 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 15).

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 Investments' 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 sent 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. The earnings limit for the Plan's fiscal year beginning July 1, 2007, is $225,000 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 $335,000; 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 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 spouse or eligible domestic partner The widow or widower or surviving domestic partner of a deceased active member or a disabled member. The date of marriage or partnership must have been at least one year before the member's death or disability date, and the spouse or domestic partner must:

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

- be disabled, or
- have reached age 60.

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

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

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

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

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

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

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

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

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

Special Tax Notice for Plan Distributions

This notice contains important tax information you will need if you decide to take a distribution of your University of California Retirement Plan (UCRP) money, including your Capital Accumulation Provision (CAP) balance, if any. It will help you to determine:

- whether the distribution is eligible for rollover (see chart on page 26), 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 or (effective for distibutions beginning on or after January 1, 2008) a Roth IRA or, in some cases, to an employer plan that will accept your rollover, or (2) PAID TO YOU. Your choice will affect the tax withheld, if any, and the tax you owe.

If you choose a DIRECT ROLLOVER:

- No federal taxes will be withheld from the taxable portion of the distribution.
- The taxable portion of the distribution will not be taxed until you withdraw the money from the IRA or employer plan. Depending on the type of IRA or employer plan, subsequent distributions from the new IRA or plan may be subject to different rules or tax treatment than those applicable to distributions paid from UCRP.
- The distribution check will be payable to your IRA or to the recipient employer plan.

If you choose to have your distribution PAID TO YOU:

- 20 percent federal tax will be withheld from the taxable portion of the distribution, as required by law. See "Distributions Paid to Surviving Spouses, Other Beneficiaries, and QDRO Payees" on page 27 for special rules for surviving spouses and non-spouse beneficiaries.
- You will receive 80 percent of the amount you request as a distribution. (California residents—see "California Rules and Tax Laws" on page 29.)
- Any taxable portion of the distribution that you do not roll over within 60 days will be taxable income in the year it is paid. See "60-Day Rollover Option" on page 27.
- Special rules may allow you to reduce the tax you owe on a distribution from UCRP. See "Additional Tax Information" on page 28.
- Tax penalties may apply if you are not yet age 59½.

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

- Tax-withholding requirements vary. See "Voluntary Withholding" on page 27.

If you take a distribution (whether you roll it over or have it paid to you), you must report it on your income tax return for the year in which the money is distributed. You will have to use Form 1040A or 1040; Form 1040EZ cannot be used for distributions from retirement plans.

Waiver of 30-Day Notice Period

You have 30 days from the date this notice (or a summary of this notice) was provided to decide whether to have a Plan distribution made payable as a direct rollover to a traditional IRA or employer plan or made payable to you. (Generally no Plan distribution will be issued before the 30-day period expires.) If you want to waive the 30-day notice period before your election is processed, contact UC HR/Benefits (see "Additional Resources and Information" on page 29).

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 Provision (CAP) payment is eligible.

Group Insurance Contract Annuities

If you buy a commercial annuity through UC's group insurance contract that is not based on life expectancy and is paid in installments over a period of less than 10 years, the payments are eligible for direct rollover.

INELIGIBLE DISTRIBUTIONS

A distribution is not eligible for direct rollover if it is one of the following:

Monthly Income

You cannot roll over a payment that is part of a series of substantially equal payments made at least once a year over a period of:

- your lifetime/life expectancy,
- your and your beneficiary's lifetimes/life expectancies, or
- 10 years or more.

The following distributions from UCRP are not eligible for direct rollover:

- monthly retirement/disability income
- monthly preretirement survivor income
- monthly postretirement survivor continuance

Minimum Required Distributions

Beginning April 1 of the year following the year you reach age 70½ (or leave University employment, if later), you are required to receive distributions from the Plan in a certain minimum amount. These distributions may not be rolled over. Minimum required distributions are taxable income in the year you receive them. (Any taxable amount paid to you that exceeds the required minimum amount will be subject to the 20 percent federal withholding unless directly rolled over.)

Note—if you are subject to the minimum distribution requirements and request a direct rollover of your total Plan balance, UC will issue a check for your minimum required distribution (payable to you), before processing the direct rollover of your remaining Plan balance.

Making a Direct Rollover

DIRECT ROLLOVER TO AN IRA

You will need to establish an IRA (a traditional individual retirement account or annuity), a Roth IRA (effective only for direct rollovers on or after January 1, 2008) or Simplified Employee Pension (SEP) IRA to receive the direct rollover. Distributions **cannot** be rolled over to Roth IRAs (prior to January 1, 2008), 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. A direct rollover by a non-spouse beneficiary may be made only to an inherited IRA; that is, the IRA must be established in a manner that identifies it as an IRA with respect to a deceased individual and also identifies the deceased individual and the beneficiary, for example, "Tom Smith as beneficiary of John Smith."

If you are unsure how to invest your money, you can temporarily establish an IRA until you decide. In this case, you will want to consider whether the IRA you choose will allow you to move all or part of the taxable portion of your money to another IRA or employer plan at a later date without penalties or other limitations. Also see IRS Publication 590, *Individual Retirement Arrangements*, for more information on IRAs, including limits on how often you can roll over between IRAs.

UCRP DISTRIBUTIONS ELIGIBLE/INELIGIBLE FOR DIRECT ROLLOVER

	Eligible	Ineligible
University of California Retirement Plan:		
Monthly retirement/disability income		◆
Monthly preretirement survivor income (paid to a spouse for more than 10 years)		◆
Monthly postretirement survivor continuance		◆
Refund of accumulations	◆	
CAP balance	◆	
Lump sum cashout	◆	
Lump sum death payments:		
to surviving spouse	◆	
to non-spouse beneficiary*	◆	
QDRO distribution—monthly income		◆
QDRO distribution—cashout/refund/CAP:		
to spouse/former spouse	◆	
to non-spouse		◆

* Distributions to non-spouse beneficiaries paid before January 1, 2007 were not eligible for a direct rollover.

If your rollover includes any after-tax contributions, you are responsible for keeping track of these contributions and for reporting them to the IRS (UC HR/Benefits can tell you the amount of any after-tax contributions included in your distribution request). This will ensure you will not be subject to income taxes on the nontaxable amount of any future distributions you take from your IRA. Also, note that after-tax contributions cannot later be rolled over from your IRA to an employer plan.

DIRECT ROLLOVER TO A PLAN

You may roll over your distribution to the following types of employer-sponsored plans: qualified 401(a) and 401(k) plans, profit-sharing plans, stock bonus plans, money purchase plans, IRC §403(a) annuity plans, IRC §403(b) tax-sheltered annuities, and governmental 457(b) plans.

Before you roll over your distribution, you will have to verify that the administrator of the new plan will accept your rollover and, if so, the types of distributions it accepts (for example, distributions that include after-tax contributions). No plan is legally required to accept a direct rollover. Note that if the new employer plan accepts distributions that include after-tax contributions, it must provide separate accounting for the after-tax contributions, as well as any earnings on those contributions. Rollovers of after-tax contributions cannot be made to governmental 457(b) plans.

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 28). For these reasons, you may want to verify the distribution provisions with the administrator of the new plan before you roll over your money.

PARTIAL 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.

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.

VOLUNTARY WITHHOLDING

The 20 percent mandatory withholding rule does not apply to any part of a distribution that is ineligible for rollover, even though that part is taxable. Instead, federal income tax will be withheld as follows:

- nonperiodic distributions: 10 percent, unless you elect no or more withholding (flat-dollar amounts).
- periodic distributions: An amount based on the tax table for a married individual claiming three allowances, unless you elect different (or no) withholding.

(Note—you may not elect to have no withholding if your distribution is being mailed outside the United States or if you are a nonresident alien.)

60-DAY ROLLOVER OPTION

If a distribution is eligible for direct rollover and you have it paid to you, you can still decide to roll over all or any part of the money to a traditional IRA or employer plan within 60 days. Note—you cannot use the 60-day rollover option to roll over after-tax contributions to an employer plan.

If you want to roll over the entire amount of the distribution you requested, you must replace, from your personal savings or other sources, an amount equal to the 20 percent that was withheld.

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 28.

Distributions Paid to Surviving Spouses, Other Beneficiaries, and QDRO Payees

Generally, the rules in this notice apply to distributions not only to Plan members and participants but also to their surviving spouses, other beneficiaries, and to spouses or former spouses receiving a community property settlement under a qualified domestic relations order (QDRO).

DISTRIBUTION TO A SURVIVING SPOUSE

You may choose to have an eligible distribution:

- paid in a DIRECT ROLLOVER to a traditional IRA, (effective for direct rollovers on or after January 1, 2008) to a Roth IRA or to an employer plan that will accept your rollover, or
- PAID TO YOU.

If paid to you, the taxable portion of the distribution is subject to 20 percent withholding. You can roll over the money yourself (within 60 days) to an IRA or to an employer plan that will accept your rollover.

There is no penalty tax on early distributions.

You may be able to use the special tax treatment for lump sum distributions if the Plan participant met the appropriate age requirements—five years of Plan participation is not required. See "Special Tax Treatment for Lump Sum Distributions" on page 28.

DISTRIBUTION TO A NON-SPOUSE BENEFICIARY

You may choose to have an eligible distribution:

- paid in a DIRECT ROLLOVER to an inherited traditional IRA or (effective for direct rollovers on or after January 1, 2008) an inherited Roth IRA, or
- PAID TO YOU.

For purpose of a direct rollover, an inherited IRA is an IRA established in a manner that identifies it as an IRA with respect to a deceased individual and also identifies the deceased individual and the beneficiary, for example, "Tom Smith as beneficiary of John Smith."

If paid to you, the taxable portion of the distribution is subject to withholding at the rates described in the section "Distributions Paid to You" under the subsection entitled "Voluntary Withholding" (see page 27).

There is no penalty tax on early distributions.

You may be able to use the special tax treatment for lump sum distributions if the Plan participant met the appropriate age requirements—five years of Plan participation is not required. See "Special Tax Treatment for Lump Sum Distributions" at right.

QDRO DISTRIBUTIONS

If you are a former spouse, you may choose to have an eligible distribution:

- paid in a DIRECT ROLLOVER to a traditional IRA, or (effective for direct rollover on or after January 1, 2008) a Roth IRA or to an employer plan that will accept your rollover, or
- PAID TO YOU.

If paid to you, the distribution is subject to 20 percent withholding. You can roll over the money yourself (within 60 days) to an IRA or to an employer plan that will accept your rollover.

There is no penalty tax on early distributions.

If you receive a total distribution, you may be able to use the special tax treatment for lump sum distributions if the Plan participant met the appropriate age requirements and had five years of Plan participation. See "Special Tax Treatment for Lump Sum Distributions" at right.

If you are a non-spouse alternate payee, any distribution you receive is not eligible for rollover. Further, you may not use the special tax treatment for lump sum distributions.

Additional Tax Information

PENALTY TAX ON EARLY DISTRIBUTIONS

If you receive a taxable distribution before you reach age 59½ and you do not roll it over, you must pay a 10 percent federal penalty tax (plus a 2½ percent California state penalty tax, if applicable), in addition to regular income tax, unless you qualify for an exception. These exceptions include:

- you leave UC employment during or after the year you reach 55 (or, in the case of a qualified public safety employee, age 50),
- you are a reservist or national guardsman and are called to active duty for a period of more than 179 days,
- 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,
- it is paid to an alternate payee under a QDRO, or
- it is paid to your beneficiary after your death.

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 the Plan if you have previously rolled over amounts from the Plan.
- cannot be used for Plan distributions if you have rolled over into the Plan amounts from sources other than 401(a) or 401(k) plans.
- cannot be used on a distribution from a traditional IRA, a 403(b) tax-sheltered annuity, or a governmental 457(b) plan.

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

CALIFORNIA RULES AND TAX LAWS

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

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

ADDITIONAL RESOURCES AND INFORMATION

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

IRS Publication 575,
Pension and Annuity Income

IRS Publication 590,
Individual Retirement Arrangements

IRS Form 4972,
Tax on Lump Sum Distributions

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**

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 on the At Your Service website by selecting "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 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.

Website address: atyourservice.ucop.edu

UC HR/BENEFITS

University of California
Human Resources and Benefits
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