UCRP Buyback Booklet

UNIVERSITY
OF
CALIFORNIA

KEY DEADLINES

AS SOON AS YOU THINK YOU MAY WANT TO BUY BACK SERVICE CREDIT:

- Use the Leave Buyback Estimator on AYS Online (https://atyourserviceonline.ucop.edu/ayso/) to give you a general idea of the cost of a buyback and the potential increase in your retirement benefit as a result of the buyback.
- Talk with a benefits representative or a Retirement Administration Service Center representative who can advise you as to whether or not the buyback option is available and appropriate for you. In general, the sooner you begin a buyback, the less it will cost you. See page 16 for contact information.

AFTER YOU'VE RECEIVED THE ESTIMATE OF THE COST OF YOUR BUYBACK:

- If you still want to pursue a buyback, ask the Retirement Administration Service Center for a formal buyback calculation and election packet.

AFTER RECEIVING YOUR BUYBACK ELECTION PACKET:

- Submit your election form (to avoid additional interest charges) by the deadline indicated in the packet.
- If you choose the trustee-to-trustee or rollover payment option, submit the requested forms in your packet to the appropriate institutions.

If you take a leave from the University, or take part in a workforce reduction program, you may be able to buy back service credit for your time away. This is likely to increase the benefit you'll receive from the University of California Retirement Plan (UCRP), since your UCRP benefits are based, in part, on the amount of service credit you have.

This booklet explains how the buyback provisions work, your options for paying for a buyback and how to buy back UCRP service credit. It also summarizes some important points to consider as you decide whether a buyback is a good investment for you. While this booklet provides information about buyback provisions, we strongly encourage you to speak with a benefits counselor and your tax advisor before beginning a service credit buyback.

Buyback Basics

A buyback is an option you have to pay money to buy years of UC Retirement Plan service for the time that you were gone when you were temporarily laid off or on an approved leave of absence, including sabbatical. See below for the full list of approved leaves.

A buyback is also an option if you previously worked at UC and took a refund of your UCRP accumulations when you left. You can use a buyback to reinstate the service credit you had from your previous appointment.

A buyback can help you accrue more service credit so you can increase your pension. Your years of service credit are used to calculate your pension when you retire. The more years of service credit you have, the bigger your pension will be.

ADVANTAGES OF A BUYBACK

Buying back service credit is likely to increase your UCRP benefits that are based in part on service credit, including:

- Retirement income (or lump sum cashout, if you are eligible for this option*);
- Disability income (though service credit you buy back for approved leaves doesn't help you meet the minimum service requirement for disability benefits);
- Benefits paid after your death to your spouse or other survivor, if your death occurs after you retire or become eligible to retire.

Additionally, a service credit buyback can help you become vested in UCRP and counts toward eligibility for preretirement survivor income, a monthly payment made to eligible survivors of active members who die before they retire.

To learn more about how service credit affects your UCRP benefits, please see the UCRP summary plan description that applies to you, ucal.us/guidetoretirementben (for 2013 Tier employees) or ucal.us/1976tiersummary (for 1976 Tier employees).

A BUYBACK IS IRREVOCABLE

Once you make the commitment to start a buyback, you can't cancel it unless you leave UC, and you can't change the amount of the payments. It's not possible to get a refund of any of your buyback payments as an active employee.

COST CONSIDERATIONS

Buying back service credit can be expensive. Because a buyback is irrevocable, you'll want to be sure that it's a good investment for you. It's possible, for instance, that you might make better progress toward your retirement goals by investing the same amount of money elsewhere. The section "Is a Buyback the Best Place for Your Money?" on page 14 can help you do a cost/benefit analysis of your own situation. UC strongly recommends that you consult a financial and/or tax advisor, too.

ELIGIBILITY

You must be an active UCRP member, on pay status at UC, to elect a buyback. Also, to buy back service credit for certain types of leaves you must have five years of active participation in UCRP except if you pay with a trustee-to-trustee transfer as described on page 13. For more on this, see "Buyback for Approved Leave: How It Works," on page 5.

TIMING

You may start a purchase any time you're an active UCRP member on UC pay status. There's no official deadline. But the sooner you begin, generally the less a buyback will cost you.

THE BUYBACK OPTION APPLIES TO:

APPROVED LEAVES, INCLUDING:

- Leave without pay or partially paid
- Partially paid or unpaid sabbatical
- Extended sick leave
- Temporary layoff
- Furlough (except during a partial-year career appointment);

REDUCTION IN WORKFORCE PROGRAMS, INCLUDING:

- Incomplete Time Reduction Plan (TRIP) agreement or completed TRIP agreement of less than 75 percent time
- A reduction in appointment under Temporary Reduction in Time (TRIT) from July 1, 1993 to Oct. 28, 1993;

PREVIOUS UCRP MEMBERSHIP

- An earlier period of UC employment for which you received a refund of your UCRP accumulations

* See the *Lump Sum Cashout Fact Sheet* at ucal.us/lumpsumcashout for information about eligibility.

Buyback for Approved Leave

NONCONTRIBUTORY OFFSETS:

- To eliminate the noncontributory (Plan 02) offset. (This is likely to affect you if you were an active UCRP member between July 1, 1966 and June 30, 1971); and
- To eliminate the leave offset. (This offset affects everyone who took an approved leave between July 1, 1966 and June 30, 1971.) To learn more about the noncontributory offsets, please see "Buyback to Eliminate Noncontributory Offsets," page 10.

THE BUYBACK OPTION DOES NOT APPLY TO

- Any break-in-service period (e.g. time when you were not a UC employee)
- An approved leave of absence of less than four consecutive weeks
- Any period of ineligible service, such as casual/restricted or temporary employment, or an indefinite layoff
- Any furlough during a partial-year career appointment
- Completed TRIP agreements of 75 percent time or more (You receive 100 percent service credit for these periods**)
- A reduction in appointment other than under TRIT
- Any period in which you earn benefits from a public pension plan such as CalPERS or CalSTRS (contact that pension plan for buyback information)
- Any period that preceded a lump sum cashout
- Any period of military leave (You may receive full service credit without making contributions**)
- A distribution of your Capital Accumulation Plan (CAP) balance or from the DC, 403(b) or 457(b) Plans
- Completed Staff and Academic Reduction in Time (START) agreements (You receive service credit for these periods)

On the following pages, we'll walk you through four different buyback types.

** Service credit for completed TRIP agreements or for military leave does not get recorded automatically. To have your records updated, submit a *Service Credit Verification Request* form (UBEN 132), (ucnet.universityofcalifornia.edu/forms/pdf/uben-132.pdf), along with the documentation requested on the form, to your Benefits Office or the Retirement Administration Service Center.

HOW IT WORKS

The Internal Revenue Code defines two types of leave, Restricted and Unrestricted Purchase Leaves.

For some types of approved leave (Unrestricted), there's no limit to the amount of service credit you can buy back. These leaves include:

- Parental leave
- Medical leave
- Sabbaticals

For all other types of approved leave, which are considered Restricted, you must have at least five years of active participation in UCRP and you are limited to purchasing five years of service credit.

If you pay for a Restricted Purchase Leave with a trustee-to-trustee transfer from a UC 403(b) or 457(b) plan (See "Paying for a Buyback," page 13), the limitations don't apply to you. Contact the Retirement Administration Service Center or your Benefits Office to find out how the rules may affect your situation.

Do you also belong to another public pension plan?

If so, and if your leave began July 1, 1997 or later, you're not allowed to accrue UCRP service credit while you accrue service credit in any other publicly funded defined benefit plan, such as CalPERS or CalSTRS. This restriction applies to federal, state, city or county retirement systems.

If you accrue service credit in another such plan during your leave, you may not buy back the same period in UCRP unless you've received a refund of all contributions you've made to the other plan and will not receive a benefit from that plan for the same period that you are buying back UCRP service credit. You'll need to certify this on the *Service Credit Buyback Information Request* form (UCRS 169), available online at ucal.us/UCRS169 or from your Benefits Representative.

These restrictions don't apply to defined contribution plans, such as 401(k) or 403(b) plans. If you've contributed to this type of plan during a leave from UC—with or without matching employer contributions—you may buy back UCRP service credit for your leave period.

Buyback for Approved Leave

LENGTH OF A BUYBACK FOR APPROVED LEAVE

The minimum period you can buy back is four consecutive weeks except if a shorter period is required to vest or is required by law. Consecutive leaves are considered one leave; a leave ends when you return to work at UC.

If you elect a buyback for a leave that lasted less than a year, in most cases you must buy back service credit for the whole leave period (but see exception above).

If your leave lasted a year or longer, you have the option to buy back a portion of it in full-year increments. For example, for a 2½ year leave, you may purchase one, two, or 2½ years of service credit. If you complete a buyback for a portion of your leave, you can buy back an additional portion later.

COST OF A BUYBACK FOR AN APPROVED LEAVE

The cost of buying back service credit for your leave varies depending on when the leave occurred, its length, and how long you wait before electing a buyback.

In most cases, if you elect the buyback within three years of returning from your leave, your cost will be calculated using what's called the Plan Normal Cost method. If you elect a buyback after three years, your cost will be based on the Individual Actuarial Cost.

PLAN NORMAL COST METHOD

This method applies the Normal Cost in effect at the time your buyback cost is calculated. (The "normal cost" is defined as the annual cost of a member's UCRP benefits earned over his or her career at UC.) It applies this rate to the salary you would have received if you hadn't been on leave, plus interest. The interest is computed using the Plan's assumed earnings rate at the time of your buyback election, currently 7.5 percent. The interest is charged from the date you return to work until the date the buyback payment is completed.

The Plan Normal Cost may change from year to year. For 2015, the rates for Plan Normal Costs are:

- 1976 Tier Members (with or without Social Security): 18.40%
- 2013 Tier Members (with or without Social Security): 15.60%
- Safety Members: 24.86%
- Tier Two Members: 9.20%
- The cost for members represented by a union may vary depending on collective bargaining agreements.

See page 7 for an example of a buyback calculation using the Plan Normal Cost method.

INDIVIDUAL ACTUARIAL COST METHOD

This method most closely captures the actual cost of the added benefit you'll receive from your buyback. It uses your age and salary rate at the time of the buyback, along with industry mortality tables, to calculate the present value of the additional retirement benefit that will result from the buyback. In general, the Individual Actuarial Cost is higher than the Plan Normal Cost method.

See page 7 for an example of the Individual Actuarial Cost method.

HOW COSTS ARE CALCULATED BASED ON THE TIMING OF A LEAVE

The beginning and ending dates of your leave also affect how your cost is calculated.

FOR LEAVES BEGINNING ON OR AFTER JULY 1, 1997:

- If you elect a buyback within three years of returning from the leave, your cost will be based on the Plan Normal Cost for the first two years of leave. (See examples 1A and 2A on pages 7 and 8.) The cost of any additional buyback beyond two years will be based on the Individual Actuarial Cost Method. (Example 3 on page 8 shows a calculation of a five-year buyback based on a combination of the Plan Normal Cost and Individual Actuarial Cost methods.)
- If you elect a buyback after three years, your cost for the full purchase will be based on the Individual Actuarial Cost method. (See examples 1B and 2B on pages 7 and 8.)

FOR LEAVES BEGINNING AFTER NOV. 1, 1990 AND BEFORE JULY 1, 1997:

- If you elect a buyback within three years of returning from leave, your cost will be based on the Plan Normal Cost. (See examples 1A and 2A on pages 7 and 8.)
- If you elect your buyback more than three years after returning from leave, your cost will be based on the Individual Actuarial Cost method. (See examples 1B and 2B on pages 7 and 8.)

FOR PORTIONS OF LEAVES OCCURRING BEFORE NOV. 1, 1990

- If you elected your buyback within three years of returning from leave, you pay the sum of your own and the university's contributions that would have been made if you hadn't been on leave, plus interest. The contribution rates differ depending on the dates of the leave. Your benefits representative or the Retirement Administration Service Center can help you figure out the specifics.

  For these leaves or portions of leaves, interest is computed using the Plan's assumed earnings rate at the time of your buyback election (currently 7.5 percent). Interest is charged from the date you return to work until the date payment is completed.

- If you elect a buyback after three years of returning from leave, your cost is based on the Individual Actuarial Cost method. (See examples 1B and 2B on pages 7 and 8.)

EXAMPLES OF BUYBACK COST CALCULATIONS

The examples below are based on provisions for 1976 Tier members; 2013 Tier, and other members would pay a different amount for a buyback. Call the Retirement Administration Service Center for details.

Examples 1 and 2 compare the cost of using the Plan Normal Cost method to the cost of using the Individual Actuarial Cost method. Because age is also a significant factor in the Individual Actuarial Cost calculation, examples for buyback purchases at age 60 and at age 35 are presented.

EXAMPLE 1 — PLAN NORMAL COST METHOD VS. INDIVIDUAL ACTUARIAL COST METHOD

If you are age 60 at time of purchase.

A. Plan Normal Cost Method (within three-year window)

Service credit	2 years
Leave buyback period	12/31/11–12/31/13
Salary rate (at time of leave)	$5,500
Normal Cost Rate	18.40%
Total Normal Cost: 12 months x $5,500 x 18.40% x 2 years	$24,288
Interest @ 7.5%* (estimate only)	$910
Estimated Total Cost using Plan Normal Cost Method:	$25,198
Benefits of Buyback: Estimated increase in monthly retirement benefit payable at age 60 (or actual age if older)	$288

B. Individual Actuarial Cost Method (beyond three-year window)

Service credit	2 years
Leave buyback period	12/31/11–12/31/13
Salary rate (at time of buyback)	$6,200
Actuarial Cost Factor (for member coordinated with Social Security)	30.65% of salary
Total Cost using Individual Actuarial Cost Method: 12 months x $6,200 x 30.65% x 2 years	$45,607
Benefits of Buyback: Estimated increase in monthly retirement benefit payable at age 60 (or actual age if older)	$288

* Amount of interest will vary depending on the plan's assumed interest rate and the amount of time between the date you return to work and the date you complete a buyback.

Buyback for Approved Leave

EXAMPLE 2 — PLAN NORMAL COST METHOD VS. INDIVIDUAL ACTUARIAL COST METHOD

If you are age 35 at time of purchase.

A. Plan Normal Cost Method (within three-year window)

Service credit	2 years
Leave buyback period	12/31/11–12/31/13
Salary rate (at time of leave)	$4,800
Normal Cost Rate	18.40%
Total Normal Cost: 12 months x $4,800 x 18.40% x 2 years	$21,196
Interest @ 7.5%* (estimate only)	$795
Estimated Total Cost using Plan Normal Cost Method	$21,991
Benefits of Buyback: Estimated increase in monthly retirement benefit payable at age 60 (or actual age if older)	$318

B. Individual Actuarial Cost Method (beyond three-year window)

Service credit	2 years
Leave buyback period	12/31/11–12/31/13
Salary rate (at time of buyback)	$6,200
Actuarial Cost Factor (for member coordinated with Social Security):	18.07% of salary
Total Cost using Individual Actuarial Cost Method: 12 months x $6,200 x 18.07% x 2 years	$26,888
Benefits of Buyback: Estimated increase in monthly retirement benefit payable at age 60 (or actual age if older)	$318

EXAMPLE 3 — BUYBACK OF FIVE YEARS OF SERVICE CREDIT

If you are age 59 years, 5 months at time of purchase.

A. You purchase 2 years of service credit at Normal Cost

Service credit	2 years
Leave buyback period	7/1/08–6/30/10
Salary rate (at time of leave)	$5,000
Normal Cost Rate	18.40%
Total Normal Cost: 12 months x $5,000 x $18.40% x 2 years	$22,080
Interest @ 7.5%* (estimate only)	$1,656
Estimated Total Normal Cost and Interest for first 2 years of buyback	$23,736

B. You purchase remaining 3 years under Individual Actuarial Cost

Service credit	3 years
Leave buyback period	7/1/10–6/30/13
Salary rate (at time of buyback)	$5,800
Actuarial Cost Factor (for member coordinated with Social Security)	29.94% of salary
Total Actuarial Cost: 12 months x $5,800 x 29.94% x 3 years	$62,514
Estimated Total Cost = A (Estimated Total Normal Cost: $23,736) + B (Actuarial Cost: $62,514)	$86,250
Benefits of Buyback: Estimated increase in monthly retirement benefit payable at age 60 (or actual age if older)	$708

* Amount of interest will vary depending on the plan's assumed interest rate and the amount of time between the date you return to work and the date you complete a buyback.

Buyback for Previous UCRP Membership

HOW IT WORKS

If you left UC employment and received a refund of your UC accumulations, you've effectively canceled out your previous UCRP service credit and forfeited your UCRP benefits for that period. But if you return to UC employment and active UCRP membership, then you may buy back service credit for your previous period of UCRP membership.

If you were a UCRP member either from:

- July 1, 1966 to June 30, 1971*; or
- Nov. 1, 1990 to April 1, 2010

you may not have contributed to UCRP during all or part of your employment.

If you made no contributions to UCRP during your entire previous employment—and therefore received no refund of UCRP accumulations—no payment is required. However, reinstatement of your service may require a written request. Consult with a benefits representative or the Retirement Administration Service Center to see if your situation requires any action on your behalf.

Similarly, if your previous UCRP membership was in Tier Two, you made no contributions to UCRP, so no payment is required.

Be aware that if you contributed to UCRP during any part of your earlier employment and received a refund of your accumulations, you can't receive credit for any part of the service unless you make payment through a buyback. For example, if you previously worked for UC from 1985 to 1995, you may have received a refund of accumulations in, say, 1996. While there were no required UCRP contributions from Nov. 1, 1990 through 1995, you were still earning interest on your earlier contributions. Your refund would have included both the contributions and the interest earned up to the time of the refund. This means that in order to receive service credit for the 1985–95 period, you must make payment through a buyback.

COST OF BUYBACK FOR PREVIOUS UCRP MEMBERSHIP

If you choose to buy back previous UCRP membership, you must purchase the entire period of membership. The cost of this type of buyback depends on when you elect it.

If you elect the buyback within three years of returning to UC employment, the cost is the amount of the refund plus interest. The interest is computed using the plan's assumed earnings rate at the time of your buyback election; it's currently 7.5 percent. Interest is charged from the date of the refund to the date payment is completed.

If you elect the buyback more than three years after returning to UC employment, your cost will be calculated based on the Individual Actuarial Cost method. The following example compares the cost of a buyback within the three-year window and beyond. **It illustrates how much more expensive it is to buy back service credit outside the three-year window.**

* The period 7/1/66–6/30/71 is known as the noncontributory (Plan 02) period. See "Buyback to Eliminate the Noncontributory Offsets" on page 10.

Buyback for Previous UCRP Membership

EXAMPLE 4 — BUYBACK FOR PREVIOUS UCRP MEMBERSHIP

In this example, a 60-year-old member returns to UC employment in August 2014 and immediately wants to redeposit contributions made during a four-year period of prior service, part of which is after April 1990, when members did not make contributions.

Amount refunded plus interest
(Member is within three-year window)

Service credit reestablished for period	1/1/88–12/31/91
Service credit	4 years
Refund amount	$4,500
Interest @ 7.5%* (estimate only)	$18,265
Estimated Total Cost including interest	$22,765
Benefits of Buyback: Estimated increase in monthly retirement benefit payable at age 60 (or actual age if older)	$487

Individual Actuarial Cost
(Member is beyond three-year window)

Service credit reestablished for period	1/1/88–12/31/91
Service credit	4 years
Current salary rate	$5,000
Actuarial Cost Factor (for member coordinated with Social Security)	30.65% of salary
Actuarial Cost of Buyback: 12 months x $5,000 x 30.65% x 4 years	$73,560
Benefits of Buyback: Estimated increase in monthly retirement benefit payable at age 60 (or actual age if older)	$487

* Amount of interest will vary depending on the plan's assumed interest rate and the amount of time between the date you return to work and the date you complete a buyback.

Buyback to Eliminate the Noncontributory Offsets

If you were an active UCRP member between July 1, 1966 and June 30, 1971, chances are that you earned service credit without contributing to the plan. That's because during that period, members weren't required to contribute unless they had been a UCRP member for at least one year and had reached age 30. (Members who didn't meet these criteria had the option to contribute, but most didn't.) Also, if you went on leave, including military leave, neither you nor UC contributed during your absence, although you still earned service credit.

This period is known as the noncontributory or Plan 02 period.

Plan 02 members were allowed to earn UCRP service credit during this time; however, in exchange for not making required UCRP contributions, they will have their benefits reduced at retirement to account for the contributions they (and, in the case of a leave, the university) didn't make. These reductions are called the noncontributory offsets.

You have the option, through a buyback, to eliminate any noncontributory offset that applies to you.

This type of buyback has no effect on any UCRP disability income for which you may become eligible.

PLAN 02

If you were an active UCRP member and made no contributions to UCRP during some portion of the noncontributory period, the university established an account, known as a Plan 02 account, to track the amounts that would have been deducted from your paychecks if you had contributed. Over the years, interest has been calculated on these amounts, using UCRP's assumed earnings rates.

When you retire, your benefit will be reduced by the amount in your Plan 02 account. This reduction is called the noncontributory offset, or Plan 02 offset.

When you are ready to retire, the university calculates your benefit in two ways to determine how much your retirement benefit will be reduced:

A. Basic retirement income is calculated based on your total service credit. The Plan 02 offset is then calculated and subtracted from your basic retirement income. (See "How the Plan 02 Offset is Calculated, page 11.)

B. Your service credit is reduced by the noncontributory service and then basic retirement income is calculated.

Your benefit will be the greater of A or B. (See Example 5 on page 12.)

LEAVES DURING THE NONCONTRIBUTORY PERIOD

If you took a leave between July 1, 1966 and June 30, 1971, you earned service credit even though neither you nor UC contributed to UCRP during your absence.

When you retire, your benefit will be reduced to account for the total contributions that would have been made by both you and the university, plus the interest that would have been earned. This reduction is called the leave offset.

BUYBACK TO ELIMINATE PLAN 02 AND/OR LEAVE OFFSETS

If you're an active UCRP member, you can eliminate these offsets through buyback at any time.

Doing so may increase your future UCRP retirement income, lump sum cashout, if eligible, and postretirement survivor benefits (unless eliminating the offsets pushes your benefits above the maximum allowable limit). The noncontributory offsets don't affect UCRP disability benefits or eligibility for UC-sponsored medical and dental coverage. For more information about your UCRP benefits, see the appropriate summary plan description that applies to you, at ucal.us/guidetoretirementben (for 2013 Tier employees) or ucal.us/1976tiersummary (for 1976 Tier employees).

How the Plan 02 offset is calculated

Your Plan 02 account total as of your retirement date is divided by a life expectancy factor—called the single premium factor, or SPF—for your age at retirement. The SPF changes from time to time, based on UCRP actuarial assumptions.

The amount of the offset can vary a lot, depending on your circumstances. Generally, the longer you worked without contributing to UCRP, the higher the Plan 02 total and the greater the offset.

Buyback to Eliminate the Noncontributory Offsets

COST OF BUYBACKS TO ELIMINATE PLAN 02 AND/OR LEAVE OFFSETS

To eliminate the Plan 02 offset, you must pay the total shown in your Plan 02 account. The interest is included in the total.

To eliminate the leave offset, you must pay the total contributions for your leave period plus interest. Interest is computed at UCRP's assumed earnings rates in effect during your leave and is charged to the date the buyback payment is completed. The assumed earnings rate is now 7.5 percent.

To eliminate the Plan 02 or leave offset you are limited to the lump sum after-tax payment only.

EXAMPLE 5

In the example below, your basic retirement income is calculated at age 60 with ten years of noncontributory (Plan 02) service. Your retirement benefit is calculated in two ways, and you receive the higher amount.

UCRP membership date	7/1/70
Noncontributory service credit	10 years
Plan 02 total 7/1/14	$80,088
Retirement date	7/1/14 (age 60)
Total service credit	40 years
Age factor for age 60	.0250
Average Salary (HAPC*)	$5,400
SPF** for age 60	161.91
Social Security	Not covered

A. With noncontributory service credit and offset

40 years	service credit
x .0250	age factor
x $5,400	HAPC
$5,400	basic retirement income

$80,088	Plan 02 total
÷ 161.91	SPF, age 60
$495	Plan 02 offset

$5,400	basic retirement income
– $495	Plan 02 offset
$4,905	monthly benefit

B. Without noncontributory service credit and offset

30 years	service credit
x .0250	age factor
x $5,400	HAPC
$4,050	basic retirement income and monthly benefit

You receive the greater benefit (A), which is $4,905 per month.

If Offset is Eliminated Through Buyback

If you elect to eliminate the offset, the buyback cost is $80,088 as of July 1, 2014. The monthly retirement benefit will be:

40 years	service credit
x .0250	age factor
x $5,400	HAPC
$5,400	basic retirement income (unreduced)

* HAPC = Highest average plan compensation
** SPF = single premium factor

This example is based on UCRP provisions and actuarial assumptions as of July, 2012, which are subject to change.

Paying for a Buyback

There are three ways you can pay for your buyback. (These options are all subject to the IRC's Section 415(c) annual limit of $53,000 for 2015 for contributions to a defined contribution plan even though paid to UCRP.)

They include:

- **An after-tax lump sum payment.** Be aware that making this type of buyback payment may limit your ability to contribute to a DC Plan After-Tax account during the same year. That's because this type of single sum payment counts toward the IRC's annual limit for defined contribution plan contributions.
- **Pretax trustee-to-trustee transfer from the UC Retirement Savings Program (DC, 403(b), and 457(b) Plans).** Don't be put off by the lingo—basically this means that you are able to transfer money from one or more of your UC retirement savings accounts to pay for the buyback.

  If your buyback is for a Restricted Purchase Leave (see "Buyback for Approved Leave—How It Works" on page 5), you can purchase a maximum of five years of service credit via the trustee-to-trustee transfer from the DC Plan. You need to have five years of active participation in UCRP to do this type of purchase. If you're doing a trustee-to-trustee transfer from the 403(b) and/or the 457(b) Plan, these limitations don't apply.

  The trustee-to-trustee option isn't available for Plan 02/leave offset elimination or Tier Two conversion.
- **Rollover from an eligible plan.** You can roll over funds from any tax–qualified 401(a), 401(k), 403(b) or governmental 457(b) plan, as long as you're eligible to take a distribution from that plan. With this option, you aren't limited to UC plans—you may also use funds you have in outside plans. You can't, however, take a direct rollover from an Individual Retirement Account (IRA) to pay for a buyback.

  If your buyback is for a Restricted Purchase Leave, (see "Buyback for Approved Leave—How It Works"), you can buy a maximum of five years of service credit with a rollover contribution. You also must have five years of active participation in UCRP.

  The rollover option isn't available for for Plan 02/leave offset elimination or Tier Two conversion.

You can choose one of these options, or combine them—for instance, by using both a pretax trustee-to-trustee transfer and an after-tax lump sum payment for a single buyback purchase.

IF YOU LEAVE THE UNIVERSITY

If you've been paying for your buyback on a monthly basis* and leave UC employment before you complete all your payments, you'll receive prorated service credit or a proportional reduction in your Plan 02 or leave offset.

If you've made 12 or more monthly payments, you may make a lump sum, after-tax payment to finish your buyback. You'll need to make the payment within 60 days of leaving the University. And unless your payments represent a redeposit of prior contributions you've made, plus interest, they are subject to the IRC §415(c) annual limit (for 2015, $53,000).

If, for budgetary reasons, you're being laid off and can meet UCRP vesting requirements only through a service credit buyback, you may be able to complete a buyback by making a one-time, lump-sum payment before you leave UC employment.

Your payment options may include a single sum after-tax payment, a trustee-to-trustee transfer from the 403(b) or 457(b) Plan, or a rollover from a UC plan or another qualified plan. If you have been paying for a buyback on a monthly basis*, you may complete the buyback with a one-time lump sum after-tax payment made within 60 days of leaving the University.

Do you anticipate getting a significant raise soon after starting your buyback?

If so—and if your buyback calculation is based on the Actuarial Cost Method—your buyback costs will need to be recalculated and it's likely you will end up paying more. If you receive a raise of 25 percent or more within the first year after electing a buyback, the true cost of your future benefit will be significantly more than you're paying for the buyback. Since your buyback no longer covers the cost of your future benefit, your cost will be recalculated based on your new salary. If you don't pay the additional cost, the amount of service credit you purchase will be prorated.

For instance, say that a 60-year-old faculty member earns $7,500 per month ($90,000 per year) and in April 2014 buys back a two-year-leave using Individual Actuarial Cost. The lump sum cost of the buyback is $53,082 and will increase the member's monthly retirement benefit by $368. In September 2014, the faculty member becomes a dean, with a 30 percent salary increase to $9,750 per month ($117,000). The dean's anticipated retirement benefit will also go up by 30 percent. The buyback now increases the member's benefit by $481 per month. That means the dean's buyback purchase would need to be recalculated, and the new cost would be $69,007.

* Payroll deduction plans are not available for buybacks beginning Jan. 1, 2014.

Is a Buyback the Best Place for your Money?

While electing a buyback is likely to increase your UCRP benefits based on service credit, it's a good idea to examine the costs and benefits carefully.

It's possible, for instance, that you might reach the maximum allowable benefit payable from UCRP. If so, then a buyback won't increase your future retirement benefits. Similarly, if you leave UC employment or die before becoming eligible to retire, you and/or your survivors may not benefit from a buyback.

Remember that unlike many other investments, a buyback is irrevocable.

Before you commit yourself, estimate how much the buyback will increase your retirement benefit, and how long it will take to recoup your cost once you retire.

EXAMPLE 6

To determine how long it will take to recoup your buyback payment, divide the total cost of the buyback by the amount your monthly benefit will increase as a result of the buyback. For example, say that a buyback's cost (investment) is $2,880. The buyback will increase the member's retirement benefit at age 60 by an estimated $80 per month (return).

Your buyback: Total cost [divided by] monthly age 60 benefit increase = months to recoup cost

$2,880 ÷ $80 per month = 36 months

If you retire at 60, it will take 36 months to recoup the cost of your buyback.

FACTORS TO CONSIDER

As you think about whether a buyback is a good investment, you may want to take into account these issues:

LUMP SUM CASHOUTS

If you're eligible for and considering a lump sum cashout, you should compare the cost of a buyback with the expected increase in your lump sum cashout amount. Your cashout is more likely to increase, in relation to the cost of the buyback, if you elect a buyback within three years of returning to employment, because it will be based on the Plan Normal Cost instead of the Individual Actuarial Cost.

INTERNAL REVENUE CODE (IRC) LIMITS ON BENEFITS

Internal Revenue Code 415(b) sets the maximum annual amount that a defined benefit plan like UCRP can pay to any individual. (For 2014, it's $210,000.) In some cases, a buyback may push your benefit over the IRC limit. If so, benefits from the University of California 415(m) Restoration Plan will usually make up the difference between the amount UCRP can pay and your earned benefit. (The restoration plan is different from UCRP, and is subject to termination by the Regents.) To learn more about the restoration plan, please see additional information about the 415(m) Restoration Plan on UCnet at ucnet.universityofcalifornia.edu/compensation-and-benefits/retirement-benefits/ucrp/415m-restoration-plan.html.

YOUR BENEFIT COULD BE HIGHER OR LOWER THAN THE ESTIMATE

The retirement benefit increase that results from your buyback is estimated based on your current salary. Your benefit will be higher if your highest average salary over 36 months (your Highest Average Plan Compensation, or HAPC) is greater when you retire. If, however, you retire before age 60 (for 1976 Tier employees), your benefit will be based on a lower age factor.

COST-OF-LIVING ADJUSTMENTS (COLAS)

If you increase your retirement benefit through a buyback, you also increase any COLA payable on the basis of that benefit.

SURVIVOR BENEFITS

In the event of your death while eligible to retire, or after you retire, a buyback may increase the benefits payable to your surviving spouse or domestic partner and/or any other person you name as your contingent annuitant.

DISABILITY INCOME

If you become eligible for UCRP disability income before you retire, a buyback could increase your disability benefit, depending on your years of service credit. Buying back service for previous UCRP membership (see “Buyback for Previous UCRP Membership”) will help you meet the minimum service credit eligibility requirement, but buying back credit for a leave will not.

A payment to eliminate a noncontributory offset has no effect on disability income.

UC-SPONSORED MEDICAL AND DENTAL BENEFITS

A UCRP buyback may help you qualify to continue these benefits after you retire, or may increase UC’s contribution toward the monthly premiums. To learn more, please see the information on retiree health benefits available at ucal.us/ucrphwb.

COULD YOU GET A BETTER RETURN ELSEWHERE?

Rather than investing in a UCRP buyback, consider what you might gain by investing the same money elsewhere. You could have contributions taken from your paycheck, for instance, and put into one of the UC Retirement Savings Program plans, or simply put the money into a savings account at your bank. How are the returns likely to compare? See “Comparing Investment Returns,” at right, for one example. For a more detailed look at whether a buyback is a good choice for you, please consult with a financial planner.

TAX IMPLICATIONS

When comparing a buyback with other investment options, remember that 403(b) and 457(b) contributions reduce your current taxable income, which a buyback payment does not. It’s a good idea to consult with your tax advisor about how a buyback might affect your overall financial picture.

COMPARING INVESTMENT RETURNS

A 31-year-old member is considering a buyback which will cost $4,800. If she invested this amount in other ways, would she get a better return when she retires at age 60?

Buyback	Bank Savings Account	403(b) Plan/ 457(b) Plan
	At 2% interest, her total investment at age 60 is $8,188 with taxes due on interest earned each year.	At 6% annual earnings, her total investment at age 60 is $23,142 with taxes deferred until she takes a distribution.
At retirement, benefit increases **$50 per month**	At retirement, she purchases an annuity with **$61 monthly payout**	At retirement, she purchases an annuity with **$170 monthly payout**

Need more help making your decision?

Check out the UC Retirement Plan Benefit Estimator. It helps you model various scenarios for your retirement income based on information you provide. You’ll find it by going to UCnet (ucnet.universityofcalifornia.edu) and selecting “AYS Online.” After you sign in, choose “Retirement Estimator” in the Retirement & Savings section.

How to Make a Buyback Purchase

STEP 1:

Get an estimate. You'll need to complete the *Service Credit Buyback Information Request* form (UCRS 169), available online at ucal.us/UCRS169 and provide the records requested on the form.

Contact the Retirement Administration Service Center at 800-888-8267 for an estimate of the cost and payment options for your buyback, based on the completed form. The Retirement Administration Service Center can also provide estimates of the approximate benefits you'd receive at retirement with and without the buyback.

STEP 2:

Request a formal buyback calculation. If you're still interested in a buyback, send copies of the UCRS 169 form, along with your documentation and buyback estimate to:

Retirement Administration Service Center
Research Unit
P.O. Box 24570
Oakland, CA 94623-1570

STEP 3:

Review your election materials carefully. Within 60 days of receiving your request form and required documents, the Retirement Administration Service Center will send you a buyback election packet, which will include your buyback cost, payment options, and a buyback election form. Talk with your financial advisor and be sure you understand the implications of your decision.

STEP 4:

Submit your election form within the time period specified on your election letter (to avoid additional interest charges)

STEP 5:

If you choose the trustee-to-trustee or rollover payment options, submit the requested forms to the appropriate institutions within the same period.

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