

## UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM A HISTORICAL PERSPECTIVE

### UNIVERSITY OF CALIFORNIA RETIREMENT PLAN

- 1904** UC introduced its first employee pension plan, purchasing annuities for retiring professors at its two campuses-UC Berkeley and UC San Francisco.
- 1918** UC professors gained access to pensions provided by the Carnegie Foundation, the University's program became supplemental.
- 1924** Carnegie Foundation's assets proved insufficient to provide adequate pensions, therefore UC instituted a twofold program that included a noncontributory Pension System and a contributory Retiring Annuities System (PRAS). Participation was available only to academic instructors and professors and certain high-ranking administrators.
- 1937** Nonacademic UC employees received retirement coverage through membership in the California State Employees' Retirement System (SERS), known today as the Public Employees' Retirement System (PERS).
- 1961** The Regents established the University of California Retirement System (UCRS) to provide retirement benefits to all full-time UC employees.
- 1971** Annual automatic cost-of-living adjustments, or COLAs were first applied to retirement benefits. Survivor and disability benefits were also greatly improved to parallel those offered by Social Security.
- 1974** Special benefit provisions were incorporated for employees with police and firefighting appointments (Safety benefits).
- 1976** Social Security coverage was offered to UCRS Members. Continuing Members were given the option of electing coverage; new Members were covered automatically.

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN - (continued)**

- 1977** Continuing Members were given a second opportunity to elect Social Security coverage.
- 1987** Tier Two, a reduced benefit, noncontributory plan option was made available.
- 1989** UCRS reconfigured from corporate resolution into three plan documents, consisting of the University of California Retirement Plan (UCRP or Plan), the Tax-Deferred 403(b) Plan (403(b) Plan), and the After-Tax Contribution Plan.
- 1990** All or a portion of nonelective Member contributions to UCRP were directed to the Defined Contribution Plan (DC Plan) Pretax Account. The employer contribution rate was established at zero percent. Tier Two was closed to new membership.
- 1991** A Voluntary Early Retirement Incentive Program (VERIP), known as Plus 5, was offered to eligible Members. Approximately 3,600 Members who elected early retirement received five additional years of Service Credit and a one time lump-sum payment.
- 1992**
- A supplement to existing UCRP benefits is approved by The Regents. Capital Accumulation Provision (CAP) credits are accrued by eligible Active Members and calculated as a percentage of their covered compensation paid during a specified period. The first accrual was credited on April 1, equal to 5% of the Member's covered compensation paid in 1991. Two subsequent accruals to be credited on July 1, 1992 and July 1, 1993 equal to 2.5% of covered compensation earned for the prior fiscal year were also approved.
  - Lump Sum Cashout (LSC) was added, providing a one time payment equal to the actuarial equivalent of the basic retirement benefit. It is a break in service election and not a retirement payment option.
  - A second Voluntary Early Retirement Incentive Program (VERIP), known as Take 5, was offered to eligible Members. Approximately 2,300 Members who elected early retirement received five additional years of Service Credit and a one time lump-sum payment.

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN - (continued)****1993**

- A third Voluntary Early Retirement Incentive Program (VERIP), known as VERIP-III, was offered to eligible Members. Approximately 5,500 Members who elected early retirement received, on a sliding scale, up to six additional years of Service Credit and/or age credit for Laboratory employees, up to eight additional years of Service Credit and/or age credit for all other locations, and a one time lump-sum payment.
- Two additional Capital Accumulation Provision (CAP) credits were approved by The Regents for eligible Members. The first accrual was credited on November 1, 1993 equal to 5.26% of the Member's covered compensation for July 1, 1993 through October 31, 1993. The second accrual was credited on July 1, 1994 equal to 2.67% of covered compensation for November 1, 1993 through June 30, 1994.

**1994**

- Effective July 1, 1994, a new actuarial asset valuation method was adopted. The new method is an adjusted market value, computed as the expected market value plus or minus an adjustment that recognizes investment performance different than that expected over a five-year period. Effective July 1, 1994, the actuarial value of assets was reset at the market value. Certain actuarial assumptions for determining future funding levels and pension costs were also changed. These reduced the investment return assumption for Plan assets to 7.5%, set the inflation assumption at 4%, and adjusted the assumed rates of mortality for the purpose of determining benefits.
- Internal Revenue Code (IRC) §401(a)(17) \$150,000 dollar limit for annual earnings upon which Member contributions and benefits are based was adopted. (For employees who became Plan Members before July 1, 1994, the maximum annual earnings limit is \$235,840.)

**1995**

- Operational enforcement of IRC §401(a)(9) is approved for the Plan to pay default required minimum distributions for Members who have attained age 70 and are no longer working for the University.
- Prohibition of UCRS Board membership by individuals who make UCRS

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN - (continued)**

policy, work in an office where UCRS policy is made, or provide legal advice to the Plans was approved, effective with terms beginning March 1, 1996 or later.

- Retirement age factors were adjusted to uniformly smooth the age factor matrix between ages 55-60. These new factors will become effective January 1, 1997.

**1996**

- In accordance with federal legislation for governmental plans, repealed the Internal Revenue Code §415(b) average earnings limit. This change was approved August 1996 retroactive to January 1995. The average earnings limit was equal to 100% of a Member's average three highest consecutive years of taxable UC earnings. Annual retirement benefits payable as of January 1995 are now subject only to a general dollar limit (maximum of \$130,000 at age 62 in 1998).
- Expanded existing UCRS Board membership provisions to exclude from membership on the UCRS Board University employees who may have a potential conflict of interest in policy decisions. Also conformed language in the Plans to the general practice of allowing certain UCRS Board members who retire to serve the remainder of their terms.
- Changed the effective date of the Service Credit amendment approved by The Regents in March 1996 from July 1, 1996 to July 1, 1997. The amendment approved in March 1996 limited to two years the amount of Service Credit that can be established for approved leaves without pay, other than military leaves, furloughs, temporary layoffs, sabbatical leaves, and extended sick leaves which commence on or after July 1, 1996; provided that for all leaves commencing on or after July 1, 1996, an Active Member may not accrue retirement benefits for the same period of service both in UCRP and another publicly funded retirement system; and required that Active Members must begin to establish and reestablish Service Credit within 3 years of July 1, 1996, or within 3 years after returning from a leave to University employment whichever is later. The provisions also affect Members who want to eliminate the offset for noncontributory service. A minimum period of four consecutive weeks of leave was established as the minimum amount that can be purchased, except if a lesser period is required for vesting or as may be required by law. Contributions to establish Service Credit, to reestablish Service Credit, and to eliminate the Noncontributory Service Offset (Plan 02 Offset) will be done as an irrevocable decision, by payroll deduction, as employer pick-up

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN - (continued)**

contributions. After-tax lump sum payments to establish Service Credit, to reestablish Service Credit and to eliminate the Plan 02 Offset made directly to the Plan will no longer be allowed, except as may be appropriate and necessary to correct an error or for vesting upon separation.

**1999**

- UCRP was amended to expand the President's authority to make technical changes to UCRP with the concurrence of the Chair of the Board of Regents effective January 1, 1999. Occasionally, technical changes are necessary to more accurately reflect certain operational procedures and to make certain Plan language more precise. These technical changes do not reflect any policy changes and are generally cost neutral.
- Effective April 1, 1999, changed the benefit election provisions as follows:
  - Effective for a Retirement Date occurring April 1, 1999 or later, changed the condition under which an election of Retirement Date, payment option, and designation of Contingent Annuitant becomes irrevocable to the later of the Retirement Date or 15 days following the date of the Plan Administrator's confirmation letter notifying the Member of the receipt of the Member's election.
  - Effective for a cashout date occurring April 1, 1999 or later, changed the condition under which an election of Lump Sum Cashout becomes irrevocable to the later of the cashout date or 15 days following the date of the Plan Administrator's confirmation letter notifying the Member of the receipt of the Member's election.
- May 11, 1999, UCRP was amended to clarify that cost of living increases can be applied to the annual Section 401(a)(17) Compensation Limit as specified in the Internal Revenue Code. This change applied only to those employees who became Active Members of UCRP prior to July 1, 1994.

**2000**

- Effective January 1, 2000, UCRP was amended to accommodate provisions in the Internal Revenue Code (IRC) for conformance with 38 U.S.C. §§4300-4333, as amended by the Uniformed Services Employment and Reemployment Rights Act (USERRA). Allows an employee who has been on military leave and returns to employment with the University the ability to "make up" employee contributions missed during the period of military leave. The period in which an employee may make up these contributions is the lesser of five

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN - (continued)**

years or three times the period of the military leave.

- Effective March 2000, a new asset allocation strategy was adopted to maximize returns within acceptable risk parameters. For equity holdings, increases the percentage of assets allocated to investments in private equities and non-US equities and invests certain percentages in broadly diversified US equity and non-US equity index funds. For fixed income holdings, reduces the overall maturity of the bonds in the portfolio and limits the percentage of fixed income assets that can be invested in lower quality bonds and foreign bonds.

Additionally, the benchmarks (the representative financial market indices against which fund performance is measured) were changed from the S&P 500 to the Russell 3000 (for equity holdings) and from the Lehman Long-Term Government/Credit Index to the Salomon Large Pension Fund Index (for fixed income holdings).

**2001**

- Effective January 1, 2001, the age factors for Members with and without Social Security, Tier Two and Safety were revised.
- Effective January 1, 2001, UCRP was amended to modify the definition of Eligible Employee to include employees who work 1,000 hours during a rolling 12-month period and to exclude floater appointments for those employees in UC-sponsored temporary employment pools.
- Effective January 1, 2001, UCRP was amended to provide for a one-time fixed allocation of Service Credit for certain staff, academic, and former UCSF Stanford Health Care employees who had prior temporary employment with the University. Service from November 1, 1997 to March 31, 2000 is excluded for former UCSF Stanford Health Care employees.
- Effective January 1, 2001, UCRP was amended to allow Active Tier Two Members the option, on an ongoing basis, of returning to their original UCRP membership classification by making payment equal to the amount of UCRP Member contributions they would have made under their original Member classification, plus interest to the date of completion of payment, subject to IRC limitations. Payment may be made through pre-tax salary reduction installments or by making a lump sum payment on an after-tax basis.

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN - (continued)**

- Effective January 1, 2001, UCRP was amended to provide a one-time ad hoc Cost of Living Adjustment (COLA) to restore purchasing power to the 85% level for annuitants with retirement dates July 1, 1985 and earlier.
- Effective January 1, 2001, UCRP was amended to allow Active Members with a Plan 02 Noncontributory balance to eliminate the balance by making a lump sum payment on an after-tax basis, subject to IRC limitations. Previously, only pre-tax salary reduction installments were available.

**2002**

- Effective January 1, 2002, provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) were adopted, expanding rollover options for UCRP distributions.
- Effective April 1, 2002, UCRP was amended to provide a Capital Accumulation Provision (CAP) Accrual Credit on April 1, 2002 in an amount equal to 3% of eligible Covered Compensation earned and paid for the period beginning April 1, 2001 through March 31, 2002 for all UCRP Active Members on April 1, 2002. The CAP Accrual Credit will earn interest at a rate based on the assumed earnings rate of the Plan.
- Effective July 1, 2002, UCRP was amended for the increase in the IRC Section 401(a)(17) Compensation Limit for annual earnings upon which Member contributions and benefits are based to \$200,000 for those employees who became Active Members on or after July 1, 1994. (For employees who became UCRP Members before July 1, 1994, the maximum annual earnings limit is \$295,000).
- UCRP was amended to provide Preretirement Survivor Income, the death while eligible to retire benefit, and Postretirement Survivor Continuance to eligible same-sex and opposite-sex Domestic Partners of UCRP Members, effective July 1, 2002. These provisions apply to eligible Active, Disabled and Inactive UCRP Members; they do not apply to UCRP Retired Members with Retirement Dates of June 30, 2002 or earlier.
- Effective July 1, 2002, UCRP was amended to add concurrent retirement provisions for members of the California State Teachers' Retirement System

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN - (continued)**

(STRS). Members who qualify for concurrent retirement from UCRP and STRS will be able to have STRS compensation, if higher than UCRP Covered Compensation, used to calculate UCRP benefits. They will also qualify for UCRP retirement benefits with less than five years of Service Credit if they are eligible for STRS service retirement. The UCRP concurrent retirement provisions will apply to UCRP Members who retire after July 1, 2002 provided they are Active Members of UCRP on or after July 1, 2002.

- Effective November 26, 2002, UCRP was amended to provide UCRP Service Credit and benefits to former UCSF Stanford Health Care (USHC) employees covered by the USHC defined benefit plan, the Staff Pension Plan (SPP).

**2003**

- Effective July 1, 2003, the DC Plan and 403(b) Plan were amended to add Domestic Partner to the default line of succession in the definition of Beneficiary and to align the 403(b) Plan and DC Plan with UCRP.
- Effective April 1, 2003, UCRP was amended to provide a Capital Accumulation Provision (CAP) Accrual Credit on April 1, 2003 in an amount equal to 5% of eligible Covered Compensation earned and paid for the period beginning April 1, 2002 through March 31, 2003 for all UCRP Active Members on April 1, 2003. The CAP Accrual Credit will earn interest at a rate based on the assumed earnings rate of the Plan.
- Effective June 1, 2003, UCRP was amended to change the definitions of Highest Average Plan Compensation and Final Salary and to change Service Credit accrual provisions to accommodate Members participating in the Staff and Academic Reduction in Time (START) program.
- Effective June 1, 2003, UCRP was amended to change the Normal Retirement Date from July 1 coinciding with or next following a Member's 70<sup>th</sup> birthday to age 60 with 5 or more years of Service Credit.
- Effective June 1, 2003, UCRP was amended to change the Service Credit buyback provisions to allow Members who have a monthly installment buyback in progress to complete their buyback upon separation from service, if they have completed at least one year of payments.



**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN - (continued)**

- Effective September 30, 2003, UCRP was amended to provide "vesting" credit to employees of UCSF Stanford Health Care (USHC) covered by the USHC Retirement Plan, with an option for them to exchange a portion of their USHC Retirement Plan contributions for UCRP Service Credit (in lieu of vesting credit).

**2004**

- Effective January 1, 2004, UCRP was amended to modify the definition of Eligible Employee to include members of the Non-Senate Instructional Unit who work 750 hours during a rolling 12-month period.
- Effective January 1, 2004, UCRP was amended to provide a supplemental allocation of Service Credit for members of the Non-Senate Instructional Unit who become eligible for UCRP under the expanded eligibility program.
- Effective January 1, 2004, UCRP was amended to allow non-vested UCRP Members to buy back UCRP Service Credit in order to satisfy the vesting requirement if they have an eligible leave of absence or a prior Refund of Accumulations. This amendment is allowed only when the Member is being laid off (as opposed to voluntary separation) and will be permitted on an on-going basis. The buyback must be made with a lump-sum after-tax payment.
- Effective July 1, 2004, based on Experience Study results, the Regents approved a number of demographic assumption changes recommended by the actuary, including the mortality basis for LSC factors and Alternate Payment Options Reduction Factors to reflect longer life expectancy. In addition, the Lump Sum Cashout (LSC) factors were revised to monthly factors to grade smoothly between whole ages.

**2005**

- Effective January 1, 2005, UCRP was amended to provide Postretirement Survivor Continuance to an eligible Domestic Partner of a UCRP Member who retired before July 1, 2002, established the domestic partnership at least one year prior to retirement, and continued in the partnership to the date of death, provided the appropriate documentation is submitted.

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN - (continued)**

- Effective January 1, 2005, UCRP was amended to permit a UCRP Member who retired before July 1, 2002, and who chose a reduced benefit amount in order to provide his/her eligible Domestic Partner with income continuation benefits at the Member's death, to elect a different monthly payment option to allow equivalent prospective treatment with married Members.
- Effective January 1, 2005, UCRP was amended to permit compliance with a court order assigning plan benefits issued in connection with a termination of a domestic partnership to the extent required by California law.
- Effective January 1, 2005, UCRP was amended to change the definition of Domestic Partner to include an individual of the same sex as the Member whose legal union, other than marriage, was validly formed in another jurisdiction and is substantially equivalent to a state-registered domestic partnership.
- Effective July 1, 2005, UCRP was amended to facilitate a one-year extension of the existing Staff and Academic Reduction in Time (START) program for employees who participated in the program at any time during the July 1, 2004 through June 30, 2005 fiscal year. In addition, participation in the program during the one-year extension period ending June 30, 2006 was extended to those locations not participating in the program as of June 30, 2005 that demonstrated a need to achieve salary savings because of new budget reductions.

**2006**

- Effective January 18, 2006, UCRP was amended to modify UCRP Service Credit buyback payment rules so that eligible Los Alamos National Laboratory (LANL) employees would not be disadvantaged by the transition of LANL to the Los Alamos National Security, LLC (LANS).
- Effective June 1, 2006, UCRP was amended to clarify fiduciary responsibility of the Plan Administrator, the Office of the Treasurer, and The Regents. The Plan Administrator, the Associate Vice President-Human Resources and Benefits, has primary authority for administrative functions for UCRP, the Office of the Treasurer has primary authority for implementing investment policy for UCRP, and The Regents and its respective Committees continue to determine investment policy and retain broad oversight responsibility for those

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN - (continued)**

who have been allocated primary responsibility for investment and administrative functions.

- Effective June 1, 2006, UCRP was amended to facilitate the transition of LANL to LANS in compliance with contractual obligations. The primary change permits Active LANL Members to voluntarily transfer their accrued UCRP benefits and service credit to the LANS Defined Benefit Pension Plan, thereby waiving rights to future UCRP benefits, with the exception of the Capital Accumulation Payment (CAP), which will remain in UCRP until they separate employment from LANS. The transfer of assets and liabilities from UCRP to the LANS Defined Benefit Pension Plan for these Members occurred on April 2, 2007.

**2007**

- Effective for rollovers after December 31, 2006, rollover distribution provisions were expanded as provided for in the Pension Protection Act of 2006 to allow non-spouse beneficiaries to roll over eligible distributions from the Plan to eligible IRAs. Previously only spousal beneficiaries had this option.
- Effective January 18, 2007, UCRP was amended to conform and clarify the authority of the Plan Administrator to adopt plan amendments to comply with mandatory changes in California law consistent with the Plan Administrator's current authority to adopt amendments to comply with changes in Federal law.
- Effective February 1, 2007, UCRP Service Credit buyback rules were amended to modify payment policies so that eligible Lawrence Livermore National Laboratory (LLNL) employees would not be disadvantaged by the transition of LLNL to the Lawrence Livermore National Security, LLC (LLNS).
- Effective March 1, 2007, UCRP was amended to revise the benefit calculations for UC ladder-rank faculty who, while on approved Leave Without Pay from UC, work under affiliation agreements with either of two private agencies, the Howard Hughes Medical Institute and the Ludwig Institute for Cancer Research. This change makes these benefit calculations similar to UCRP's current calculations for members eligible for reciprocity with CalPERS and applies only to eligible faculty who retire, become disabled, or die on or after March 1, 2007. The affected locations fund the increase for the past and future UCRP liability due to this change in order to remain cost neutral to UCRP.

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN - (continued)**

- Effective April 2, 2007, approximately \$1.4 billion in Plan net assets were transferred from UCRP to the Los Alamos National Security, LLC (LANS) Defined Benefit Pension Plan (the LANS Plan) representing the pension assets required to be transferred under the University's contract with DOE/NNSA for the approximately 6,500 Los Alamos National Laboratory (LANL) employees who accepted employment with LANS and elected to participate in the LANS Plan. As contractually required, sufficient assets (of approximately \$3.2 billion) were kept in UCRP to fund at 100% (on a market value of assets basis as of May 31, 2006) the retained liabilities of inactive and retired LANL members currently receiving or eligible for benefits under UCRP.
- Effective July 1, 2007, UCRP was amended to change the assumed annual rate of Consumer Price Index movement from 4.0% to 3.5%, provide for an annual actuarial valuation, and provide for an experience investigation of the Actuarial Assumptions of the Plan every three to five Plan years.
- Effective October 1, 2007, UCRP was amended to facilitate the transition of LLNL to LLNS in compliance with contractual obligations. The primary change permits active LLNL Members to voluntarily transfer their accrued UCRP benefits and service credit to the LLNS Defined Benefit Pension Plan, thereby waiving rights to future UCRP benefits, with the exception of the Capital Accumulation Payment (CAP), which will remain in UCRP until they separate employment from LLNS.

**2008**

- Effective for rollovers after December 31, 2007, rollovers of eligible distributions from UCRP to Roth IRAs are allowed, as provided for by the Pension Protection Act of 2006.
- Effective April 1, 2008, approximately \$1.6 billion in Plan net assets were transferred from UCRP to the Lawrence Livermore National Security, LLC (LLNS) Defined Benefit Pension Plan (the LLNS Plan) representing the pension assets required to be transferred under the University's contract with DOE/NNSA for the approximately 4,000 Lawrence Livermore National Laboratory (LLNL) employees who accepted employment with LLNS and elected to participate in the LLNS Plan. As contractually required, sufficient assets (of approximately \$3.4 billion) were kept in UCRP to fund at 100% (on

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN - (continued)**

a market value of assets basis as of September 30, 2007) the retained liabilities of inactive and retired LLNL members currently receiving or eligible for benefits under UCRP. An additional amount of \$140 million was retained in UCRP to provide DOE/NNSA with a source of funding if any future contributions are required.

- Effective July 1, 2008, UCRP was amended to change the definitions of Highest Average Plan Compensation and Final Salary and to change Service Credit accrual provisions to accommodate Members participating in the Staff and Academic Reduction in Time (START) program.
- Effective July 1, 2008, UCRP was amended to adopt a new UCRP funding policy, including a three-year amortization period for any initial surplus. The new funding policy was effective with the July 1, 2008 actuarial valuation and determined total policy contributions based on the Plan's Normal Cost adjusted for any surplus or underfunding, starting with the Plan Year beginning July 1, 2009. The Regents will determine actual total contributions and the split between employer contributions and Member contributions based on the availability of funds, impact of Member contributions on the competitiveness of total remuneration, and collective bargaining, as applicable.

**2009**

- Effective January 1, 2009, UCRP was amended to define the Normal Retirement Age (NRA) as age 50 with a minimum of five years of Service Credit for Safety Members and as age 60 with a minimum of five years of Service Credit for all other Members. Removes the definition of Normal Retirement Date, which was age 60 with five years of Service Credit for all Members. The purpose of this change is to conform the Plan language to the revised policy on the reemployment of retired employees.
- Effective May 1, 2009, UCRP was amended to:
  - allow Members expanded payment options for service credit buybacks and redeposits
  - allow Members to make buyback or redeposit elections after their three-year election period has expired, provided the purchase cost is based on an individual actuarial cost calculation instead of the Plan normal cost calculation

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN - (continued)**

- allow Members with leaves beginning on or after July 1, 1997 to purchase more than two years of UCRP service credit provided the purchase cost for the service credit in excess of two years is based on an individual actuarial cost calculation
- require that the purchase cost be recalculated in instances where the individual actuarial cost method is used and the Member received a substantial increase in Covered Compensation during the year following the buyback election.
- Effective September 1, 2009, UCRP was amended to incorporate the 2009-2010 Furlough/Salary Reduction Plan and add amendments to preserve UCRP members' calculation of covered compensation and the rate of accrual of UCRP service credit at their pre-furlough/salary reduction level for the duration of the Plan.

**2010**

- Effective on or about April 15, 2010, UCRP was amended to reinstate University contributions and member contributions to the Plan, subject to collective bargaining for represented employees.
- Effective July 1, 2010, UCRP was amended to extend the end date of the Staff and Academic Reduction in Time (START) Program from June 30, 2010 to December 31, 2010.

**UNIVERSITY OF CALIFORNIA – CALIFORNIA PUBLIC EMPLOYEES’  
RETIREMENT SYSTEM VOLUNTARY RETIREMENT INCENTIVE PROGRAM  
(UC– PERS PLUS 5 PLAN)**

**2002**

- Effective July 1, 2002, the UC-PERS Plus 5 Plan was amended to provide a one-time ad hoc Cost of Living Adjustment (COLA) of 25%. The provisions of the UC-PERS Plus 5 Plan do not include an annual COLA.

**UNIVERSITY OF CALIFORNIA DEFINED CONTRIBUTION PLAN, TAX-DEFERRED 403(b) PLAN AND 457(b) DEFERRED COMPENSATION PLAN**

- 1967** The Supplemental Retirement Program within the University of California Retirement System (UCRS) was established. The program enabled Participants to invest after-tax contributions to two types of UC-managed annuity funds, fixed and variable. Contributions to the Fixed Annuity Fund were invested with assets of the University of California Retirement Plan (UCRP) and earned interest at a fixed rate determined periodically by The Regents. Contributions to the Variable Annuity Fund were invested primarily in common stock.
- 1969** The Tax-Deferred Annuity Plan under Internal Revenue Code section 403(b) was added. Participants could invest pretax contributions to the same two annuity funds, fixed and variable.
- 1978** To comply with governing Internal Revenue Code provisions, the assets of the Fixed Annuity Fund were removed from those of UCRP to be invested primarily in insured bank deposits and short-term government securities. The Variable Bond Fund was added. Fund transfers and withdrawal policies were relaxed.
- 1985** Money Market and Insurance Company Contract Funds were added as additional investment options.
- 1986** The 403(b)(7) Calvert Social Investment Fund Managed Growth Portfolio investment option was made available to Tax-Deferred 403(b) Plan (403(b) Plan) Participants.
- 1987** The 403(b)(7) investment options were expanded to include Fidelity Investments' family of mutual funds. The 403(b) Plan Loan Program was added.
- 1989** Separate plan documents were adopted, formally designating the plans the After-Tax Contribution Plan and the 403(b) Plan.



**UNIVERSITY OF CALIFORNIA DEFINED CONTRIBUTION PLAN, TAX-DEFERRED 403(b) PLAN AND 457(b) DEFERRED COMPENSATION PLAN - (continued)**

- 1990** Monthly investment fund transfers and distributions were put in effect. Transfers among the UC-managed investment funds permitted via telephone with prior authorization. The After-Tax Plan was renamed the Defined Contribution Plan (DC Plan) and expanded to accept nonelective pretax UCRP Member Contributions. The Multi-Asset Fund was added as a sixth University managed investment fund option.
- 1991** DC Plan participation extended to UC and California State University employees not otherwise covered by a retirement system in lieu of paying the Old Age, Survivors and Disability Insurance portion of Social Security taxes.
- 1994**
- Investment options for the DC Plan were expanded to include Fidelity Investments' family of mutual funds.
  - Internal Revenue Code (IRC) §401(a)(17) \$150,000 dollar limit for annual earnings upon which Member contributions and benefits are based was adopted for the DC Plan. (For employees who became UCRP Members before July 1, 1994, the maximum annual earnings limit is \$235,840.)
  - Payment option for Inactive Participants to elect monthly systematic withdrawal was put into effect.
- 1995**
- Operational enforcement of IRC §401(a)(9) was approved for the Plans to pay default required minimum distributions for Participants who have attained age 70 and are no longer working for the University.
  - Safe Harbor eligibility for DC Plan participation is expanded in lieu of Social Security taxes to include UC students working 51% time or more; student employees who do not carry a required minimum courseload, regardless of work appointment; and certain resident aliens with F-1 and J-1 visa status.
  - Prohibition of UCRS Board membership by individuals who make UCRS policy, work in an office where UCRS policy is made, or provide legal advice to the Plans was approved, effective with terms beginning March 1, 1996 or

**UNIVERSITY OF CALIFORNIA DEFINED CONTRIBUTION PLAN, TAX-DEFERRED 403(b) PLAN AND 457(b) DEFERRED COMPENSATION PLAN - (continued)**

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**UNIVERSITY OF CALIFORNIA DEFINED CONTRIBUTION PLAN, TAX-DEFERRED 403(b) PLAN AND 457(b) DEFERRED COMPENSATION PLAN - (continued)**

**1996**

- Expanded existing UCRS Board membership provisions to exclude from membership on the UCRS Board University employees who may have a potential conflict of interest in certain policy decisions. Also conforms language in the Plans to the general practice of allowing certain UCRS Board members who retire to serve the remainder of their terms.
- In accordance with federal legislation, approved a provision to the 403(b) Plan to eliminate the rule that prohibited Participants from changing a salary reduction agreement more than once a year.

**1997**

- Amended the 403(b) Plan to allow certain individuals the right, upon election, to transfer their existing loan balance and 403(b) fund balance from which the loan was funded to UCSF Stanford Health Care.
- Altered the procedures relative to the administration of the 403(b) Plan Loan Program as follows:
  - Deducted the 403(b) Plan loan processing fee directly from loan proceeds.
  - Reduced the loan incremental amount from \$100 to \$50.
  - Added clarifying language to the Plan document which will state that loan repayments may not be continued if an Active Participant separates from the University and elects a Lump sum Cashout from the University of California Retirement Plan (UCRP), as this is not considered a retirement option.
  - Changed the name of the “non-refundable application fee” to “processing fee”. Changed the name of the “administrative fee” to “servicing fee”.

**1998**

- Effective January 1, 1998, the existing DC Plan limit of 10% of gross University compensation was eliminated and the maximum annual After-Tax voluntary contributions of an Active Participant together with any annual

**UNIVERSITY OF CALIFORNIA DEFINED CONTRIBUTION PLAN, TAX-DEFERRED 403(b) PLAN AND 457(b) DEFERRED COMPENSATION PLAN - (continued)**

additions as defined in IRC Section 415(c) shall not exceed the amount as defined in Section 415(c). Under the Section 415(c) limit, the maximum annual additions that can be contributed to a Participant's account is the lesser of \$30,000 or 25% of the Participant's compensation.

- Effective January 1, 1998, extended the previous nine-month limitation period that a 403(b) Plan beneficiary has to elect a distribution option. The length of time that a beneficiary can leave monies on deposit will vary by their relationship to the decedent (spouse, non-spouse, etc.), whether minimum distributions have begun and the balance of their account. Minimum required distributions were allowed to be paid to the beneficiary(ies) of deceased Participants.

## **1999**

- The DC Plan and the 403(b) Plan were amended to expand the President's authority to make technical changes with the concurrence of the Chair of the Board of Regents effective January 1, 1999. Occasionally, technical changes are necessary to more accurately reflect certain operational procedures and to make certain Plan language more precise. These technical changes do not reflect any policy changes and are generally cost neutral.
- On May 11, 1999, the DC Plan was amended to clarify that cost of living increases can be applied to the annual Section 401(a)(17) Compensation Limit as specified in the Internal Revenue Code. This change applied only to those employees who became Active Members of UCRP prior to July 1, 1994.

## **2000**

- Effective January 1, 2000, the 403(b) Plan was amended to accommodate provisions in the Internal Revenue Code (IRC) for conformance with the Internal Revenue Service Restructuring and Reform Act of 1998 (HR 2676) that altered the tax treatment and rollover eligibility of hardship distributions, on or after January 1, 2000. Also allowed for future legislative changes to the definition of an Eligible Rollover Distribution. Reference to the Plan Regulations was made to incorporate listed distributions that do not qualify as an Eligible Rollover Distribution.

**UNIVERSITY OF CALIFORNIA DEFINED CONTRIBUTION PLAN, TAX-DEFERRED 403(b) PLAN AND 457(b) DEFERRED COMPENSATION PLAN - (continued)**

- Effective January 1, 2000, the DC Plan and the 403(b) Plan were amended to accommodate provisions in the IRC for conformance with 38 U.S.C. §§4300-4333, as amended by the Uniformed Services Employment and Reemployment Rights Act (USERRA). Allowed an employee who has been on military leave and returns to employment with the University the ability to “make up” elective deferrals missed during the period of military leave. The period in which an employee may make up these contributions is the lesser of five years or three times the period of the military leave. For the 403(b) Plan, this amendment also allowed an employee to suspend loan repayment for the period of the military leave provided specified conditions are met.
- Effective March 2000, a new asset allocation strategy was adopted to maximize Equity and Bond Fund returns within acceptable risk parameters. For holdings in the Equity Fund, increases the percentage of assets allocated to investments in private equities and non-US equities and invests certain percentages in broadly diversified US equity and non-US equity index funds. For fixed income investments in the Bond Fund, reduces the overall maturity of the bonds in the portfolio and limits the percentage of fixed income assets that can be invested in lower quality bonds and foreign bonds.

Additionally, changed the benchmarks (the representative financial market indices against which fund performance is measured) from the S&P 500 to the Russell 3000 (for the Equity Fund) and from the Lehman Long-Term Government/Credit Index to the Lehman Aggregate Bond Index (for the Bond Fund).

## **2001**

- Effective for Participant deaths January 1, 2001 and after, all eligible 403(b) Plan Beneficiaries are allowed to elect to leave monies on deposit with the 403(b) Plan indefinitely, subject to annual Minimum Required Distributions as required.
- Effective July 1, 2001, the DC Plan is amended to provide for contributions on academic appointee summer salary. To be eligible for the contributions, academic appointees must be Active Members of UCRP (or a defined benefit plan to which UC contributes) with academic year appointments who earn additional compensation for summer teaching, summer research or summer

**UNIVERSITY OF CALIFORNIA DEFINED CONTRIBUTION PLAN, TAX-DEFERRED 403(b) PLAN AND 457(b) DEFERRED COMPENSATION PLAN - (continued)**

administrative service which is not covered compensation for UCRP (or a defined benefit plan to which UC contributes). All eligible academic appointments are required to participate. Payments from University extension are excluded. The total contribution rate is 7% of eligible summer salary, based on an employee pretax contribution of 3.5% and an employer pretax contribution of 3.5%. The employer contribution will be attributed to the same funding source that provides the academic appointee's summer salary.

- Effective September 1, 2001, investment options with The Calvert Group were expanded to include all Calvert Group socially responsible funds.

## **2002**

- Effective January 1, 2002, the DC Plan was amended to accommodate the following provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA): rollover options for distributions from the DC Plan were expanded; rollovers were permitted into the DC Plan from 403(b) and governmental 457(b) plans, in addition to 401(a) and 401(k) plans previously allowed; IRC Section 415(c), which limits the amount of After-Tax voluntary contributions of an Active Participant to the DC Plan together with any annual additions, was increased to the lesser of \$40,000 or 100% of the Participant's compensation.
- Effective January 1, 2002, the 403(b) Plan was amended to accommodate the following EGTRRA provisions: rollover options for distributions from the 403(b) Plan were expanded, rollovers were permitted into the 403(b) Plan from 401(a), 401(k), and governmental 457(b) plans, in addition to 403(b) plans previously allowed; the limit on Participant contributions was increased to \$11,000 and an additional Catch-Up provision was added for Participants age 50 and older; the Maximum Exclusion Allowance and Special Elections A, B, and C were eliminated.
- Effective July 1, 2002, the DC Plan was amended for the increase in the IRC Section 401(a)(17) Compensation Limit for annual earnings upon which Member contributions and benefits are based to \$200,000 for those employees who became UCRP Members on or after July 1, 1994. (For employees who became UCRP Members before July 1, 1994, the maximum annual earnings limit is \$295,000).

**UNIVERSITY OF CALIFORNIA DEFINED CONTRIBUTION PLAN, TAX-DEFERRED 403(b) PLAN AND 457(b) DEFERRED COMPENSATION PLAN - (continued)**

**2003**

- Effective July 1, 2003, the DC Plan and 403(b) Plan were amended to add Domestic Partner to the default line of succession in the definition of Beneficiary and to align the 403(b) Plan and DC Plan with UCRP.

**2004**

- Effective April 1, 2004, the DC Plan and 403(b) Plan were amended to:
  - Revise the Multi-Asset Fund's asset allocation and re-balancing policy, and change the Fund's name to the Balanced Growth Fund
  - Create a Treasury Inflation Protected (TIPS) Fund.
  - Merge the Money Market Fund into the Savings Fund.
- Effective October 1, 2004, the 457(b) Deferred Compensation Plan (457(b) Plan) was established.

**2005**

- Effective January 1, 2005, the 403(b) Plan, the DC Plan and the 457(b) Plan were amended to permit compliance with a court order assigning plan benefits issued in connection with a termination of a domestic partnership to the extent required by California law.
- Effective January 1, 2005, the 403(b) Plan, DC Plan and 457(b) Plan's definition of Domestic Partner was changed to include an individual of the same sex as the Member whose legal union, other than marriage, was validly formed in another jurisdiction and is substantially equivalent to a state-registered domestic partnership.
- Effective July 1, 2005, the 403(b) Plan, DC Plan and 457(b) Plan were amended to clarify fiduciary oversight structures and processes, reflect a new investment structure for participants, including a new core funds menu, and update and expand participant services through a new record keeping platform. Expanded services include daily valuation of UC funds and a new fee structure for 403(b) Plan loans.

**UNIVERSITY OF CALIFORNIA DEFINED CONTRIBUTION PLAN, TAX-DEFERRED 403(b) PLAN AND 457(b) DEFERRED COMPENSATION PLAN - (continued)**

- Effective July 1, 2005, the 403(b) Plan and DC Plan were amended to facilitate the required distribution of Plan accounts of former UC employees with a balance less than \$2,000, and to establish residual accounts and a forfeiture/reinstatement account for unclaimed Plan accounts of missing participants.
- Effective December 1, 2005, the 403(b) Plan, DC Plan and 457(b) Plan were amended to redirect specified University contributions on behalf of certain Senior Management Group employees. The benefits accrued under these plans that are attributable to the employer contributions, are equivalent to, and in lieu of, the benefit that would have been provided under the terms of the former Senior Management Severance Pay Plan.

**2007**

- Effective for rollovers after December 31, 2006, rollover distribution provisions were expanded as provided for in the Pension Protection Act of 2006:
  - The 403(b) Plan, DC Plan, and 457(b) Plan were amended to allow non-spouse beneficiaries to roll over eligible distributions from these plans to eligible IRAs. Previously, only spousal beneficiaries had this option.
  - The DC Plan was amended to accept after-tax rollover amounts from IRC Section 403(b) plans in addition to the after-tax rollovers currently accepted from Section 401(a) and 401(k) plans. The 403(b) Plan was amended to accept rollovers of after-tax amounts from Section 401(a) and 401(k) plans in addition to the after-tax rollovers currently accepted from other Section 403(b) plans.
- Effective January 18, 2007, the 403(b) Plan, DC Plan, and 457(b) Plan were amended to conform and clarify the authority of the Plan Administrator to adopt plan amendments to comply with mandatory changes in California law consistent with the Plan Administrator's current authority to adopt amendments to comply with changes in Federal law.



**UNIVERSITY OF CALIFORNIA DEFINED CONTRIBUTION PLAN, TAX-DEFERRED 403(b) PLAN AND 457(b) DEFERRED COMPENSATION PLAN - (continued)**

**2008**

- Effective for rollovers after December 31, 2007, rollovers of eligible distributions from the 403(b) Plan, DC Plan, and 457(b) Plan to Roth IRAs are allowed, as provided for by the Pension Protection Act of 2006.
- Effective October 23, 2008, the DC Plan and 403(b) Plan were amended to authorize the transfer of balances of \$1,000 or more maintained in the DC Plan or 403(b) Plan on behalf of Participants, who separated from service prior to July 1, 2005 and have failed to provide distribution directions, to an IRA custodian where they will be maintained on behalf of the affected Participants.

**2009**

- Effective May 1, 2009, the DC Plan, 403(b) Plan and 457(b) Plan were amended to allow active UCRP Members to take advantage of recent Internal Revenue Code (IRC) changes that provide for more payment alternatives for UCRP Service Credit buybacks and redeposits than previously allowed.

**2010**

- Effective with May 2010 earnings, the DC Plan was amended to terminate the redirection of member contributions to the Plan, subject to collective bargaining for represented employees.