

# Tax-Deferred 403(b) Plan Summary Plan Description

UNIVERSITY  
OF  
CALIFORNIA

Listed below are telephone numbers and website and correspondence addresses for some of the resources UC employees routinely use.

#### **UC EMPLOYEE WEBSITE**

[ucnet.universityofcalifornia.edu](http://ucnet.universityofcalifornia.edu)

#### **UC HUMAN RESOURCES**

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

Written correspondence should be sent to:  
UC Human Resources  
P.O. Box 24570  
Oakland, CA 94623-1570

#### **LOCAL BENEFITS OFFICES**

Your local Benefits Office is a 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:** 510-664-9000, option 3

**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:** 209-228-2363

**UC Riverside:** 951-827-4766

**UC San Diego:** 858-534-2816

**UC San Diego Medical Center:** 619-543-3200

**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:** 855-982-7284

**Lawrence Berkeley National Lab:** 510-486-6403

#### **RETIREMENT SAVINGS PROGRAM**

[myUCretirement.com](http://myUCretirement.com)  
866-682-7787 (Fidelity Retirement Services)

#### **INVESTMENT OVERSIGHT**

**UC Office of Chief Investment Officer**  
Chief Investment Officer's website: [ucop.edu/investment-office](http://ucop.edu/investment-office)

Written correspondence should be sent to:  
Office of the Chief Investment Officer of The Regents  
1111 Broadway, Suite 1400  
Oakland, CA 94607-4026

#### **IF YOU MOVE**

If you are an active UC employee, you can change your address at At Your Service Online, and Fidelity will be notified automatically. If you are no longer working for UC, please notify Fidelity Retirement Services directly by calling 866-682-7787 or by logging into [netbenefits.com](http://netbenefits.com), your Fidelity website.

# Tax-Deferred 403(b) Plan: Summary Plan Description

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The 403(b) Plan is a defined contribution plan described under §403(b) of the Internal Revenue Code (the IRC). Future benefits from the 403(b) Plan will be comprised of contributions made to the 403(b) Plan plus investment earnings. Vesting on all contributions and related earnings is immediate.

Employees who want to voluntarily participate in the 403(b) Plan designate a portion of their gross salary to be contributed on a pretax basis, thus reducing the participant's taxable income. Mandatory employee pretax and University contributions are made to the 403(b) Plan for eligible academic appointees who earn summer salary. Taxes on contributions and any investment earnings are deferred (that is, postponed) until the participant withdraws the money.

The designated Plan Administrator of the 403(b) Plan is the Vice President, Human Resources (VP-HR). The Office of the Chief Investment Officer (CIO) is responsible for monitoring a broad range of professionally managed investment options available to Plan participants. Currently, Fidelity Retirement Services performs recordkeeping duties. The relevant contact information is on the inside front cover. The Plan Administrator administers the 403(b) Plan for the sole benefit of Plan participants and their beneficiaries. Participants may also want to consult a tax advisor or financial planner before enrolling to make voluntary contributions. Individual investment strategies should reflect the participant's personal savings goals and tolerance for financial risk. UC, the Regents, the Office of the Chief Investment Officer, UC Human Resources and Fidelity Retirement Services are not liable for any loss that may result from participants' investment decisions. This plan summary reflects Plan provisions as in effect Jan. 1, 2018.

## Eligibility

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

The provisions of the Plan are subject to collective bargaining for represented employees.

### **ELIGIBILITY FOR ACADEMIC APPOINTEES**

Compensation that many academic appointees receive for summer session teaching or research is not considered covered compensation for determining primary retirement benefits. Therefore, effective Nov. 1, 2016, the Plan contains a provision to provide employer and employee contributions to the 403(b) Plan Pretax Account based on eligible summer salary. Prior to Nov. 1, 2016, eligible summer salary contributions were made to the DC Plan Pretax Account. Summer salary amounts in the DC Plan Pretax Account as of Oct. 31, 2016, remain in the DC Plan until distributed.

Eligible academic appointees are those who:

- Have academic year appointments;
- Are active members of UCRP or Savings Choice (or who are eligible to become such members but have not yet begun participating in a primary retirement benefit option); and
- Earn eligible summer salary that is paid in accordance with Academic Personnel Policy 600 and which is compensation that is not covered compensation for calculating primary retirement benefits.

Eligible summer salary includes compensation for:

- Summer teaching
- Summer research
- Summer administrative service (generally payments to department chairs, vice chairs, etc., for administrative duties paid as "1/9ths")

Salary paid for teaching University Extension courses is not eligible for summer salary contributions.

## Contributions

Employee mandatory and voluntary pretax salary deferral contributions to the 403(b) Plan come only from income paid through the UC payroll system (or the payroll systems of Lawrence Berkeley National Laboratory or Hastings College of the Law). Employees may also roll over money from other qualified employer-sponsored plans, including the taxable portion of a lump sum or CAP distribution from the University of California Retirement Plan (UCRP; see "Rollovers: Into the Plan" on page 14).

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

Employee mandatory and voluntary pretax salary deferral contributions are deducted from gross salary (after certain pretax deductions including medical plan premiums), and income taxes are calculated on remaining pay (after all pretax deductions have been applied). Although employee pretax contributions reduce taxable income, they do not reduce any other salary-related University benefits such as vacation or sick leave, life or disability insurance benefits, or benefits payable from UCRP.

### **VOLUNTARY CONTRIBUTIONS**

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

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

### **ACADEMIC APPOINTEE SUMMER SALARY CONTRIBUTIONS**

The total contribution rate under this provision is 7 percent of eligible summer salary, which includes a mandatory employee pretax contribution of 3.5 percent and a University contribution of 3.5 percent (eligible summer salary is limited to  $\frac{1}{4}$  the IRC annual earnings limit). The University contribution is funded by the same source that provides the academic appointee's summer salary.

## LEAVES OF ABSENCE

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

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

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

During paid vacation or sick leave, contributions continue unchanged.

## TERMINATION OF EMPLOYMENT

If a participant leaves UC employment, contributions stop automatically. The payment options available for a participant’s accumulations are described in “Distributions, Former Employees” (see page 11).

## REAPPOINTMENT

If a participant leaves UC employment or retires and is later rehired into an eligible position, the participant may begin contributing to the Plan again. Mandatory summer salary contributions will also resume.

## MAXIMUM ANNUAL CONTRIBUTION LIMITS

The Internal Revenue Code (IRC) limits the amount participants may voluntarily defer annually to tax-advantaged retirement plans and imposes substantial penalties for violating contribution limits (see “Excess Salary Reductions,” below).

For 2018, the 403(b) Plan contribution limits on voluntary pretax salary deferral contributions are as follows:

**Regular contribution limit:** \$18,500<sup>1</sup>

**Participants who are age 50 or older any time during the year:** \$24,500<sup>1</sup>

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

### **SPECIAL CATCH-UP PROVISION**

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

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

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

## EXCESS SALARY REDUCTIONS

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

<sup>1</sup> Or 100 percent of adjusted gross salary, if less. Adjusted gross salary for any year is a participant’s gross University salary (including any shift differential, summer or equivalent term salary, health science faculty income over the base professorial salary, stipends and overtime), minus any required pretax contributions to other retirement plans (for example, mandatory contributions to the UC Defined Contribution Plan or to UCRP) and any pretax payments for UCRP (to establish, reestablish or convert prior periods of service credit or to eliminate the noncontributory offset).

## Contributions

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

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

The IRC requires that excess salary reductions in any calendar year be refunded to the participant by April 15 of the following year to avoid tax penalties. If the excess is refunded by April 15, the excess is treated as ordinary income for the year in which the salary reductions were made. The refund will also reflect any earnings (or loss) generated by the excess salary reductions during that year. The earnings must be reported on tax returns for the year in which the refund is paid. For example, if a participant receives a refund of 2017 excess contributions in 2017, all amounts should be reported on tax returns for 2017. If the participant receives the refund in 2018, however, the excess contributions should be reported on 2017 tax returns and any earnings on tax returns for 2018.

Refunds of excess contributions and earnings are not eligible for rollover, nor are they subject to the penalty taxes on early distributions (see “Early Distribution Penalties” on page 12).

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

The IRC annual limit on pretax salary deferral contributions applies across all 403(b)/401(k) plans to which a participant contributes. The participant should consult a tax advisor on the applicable limitations on contributions.

### INVESTMENT OF CONTRIBUTIONS

Participants choose the investment options in which they want to invest their contributions. The investment options are explained on page 13.

Subject to payroll deadlines, participants may start, stop or change the amount of their voluntary deferral contributions to the Plan at any time on the Fidelity Retirement Services website or by calling Fidelity at 866-682-7787. They also may redirect future 403(b) Plan voluntary or mandatory contributions to one or more of the investment options and/or exchange (transfer) accumulations in the Plan among the investment options at any time. Direct transfers between certain investment options may be prohibited. See the Fidelity Retirement Services website ([netbenefits.com](http://netbenefits.com)) for more information.



## 403(b) Plan Loan Program

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

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

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

Loan proceeds will be taken pro rata across the participant's fund holdings unless the participant contacts Fidelity at 866-682-7787 to specify the funds from which the loan should be taken.

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

### **LOAN TERMS AND BORROWING LIMITS**

Loans are generally granted for a term of five years or less (general-purpose loans). Loans taken to purchase a principal residence can extend for a term of up to 15 years (principal residence loans). Before taking a loan from the 403(b) Plan to purchase a principal residence, participants should consult a tax advisor.<sup>2</sup>

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

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

<b>If Retirement Savings Program Vested Balance is:</b>	<b>Loan Limit is:</b>
\$1,000 to \$20,000	\$10,000, or 100% of 403(b) Plan balance (minus any current outstanding loan balance and not including any balance attributable to summer salary contributions), if less than \$10,000.
\$20,000 & over	\$50,000 <sup>3</sup> , 50% of combined Program vested balance or 100% of 403(b) Plan balance (minus any current outstanding loan balance and not including any balance attributable to summer salary contributions), whichever is less.

### **INTEREST RATES AND ADMINISTRATIVE FEES**

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

A nonrefundable loan initiation fee of \$35 will be deducted from the Plan balance at the end of the quarter in which the loan is taken. A \$15 annual maintenance fee is deducted (\$3.75 per quarter) for the life of the loan.

### **REPAYMENT**

Participants generally repay their loans through automatic after-tax payroll deduction. Monthly payments of principal and interest are credited proportionately among the investment options the participant has elected for future contributions. The minimum monthly payment is \$50, and the minimum repayment term is 12 months. The maximum repayment term is 60 months—or up to 180 months (15 years) if the loan is used to buy a principal residence.

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

<sup>2</sup> Interest on 403(b) Plan loans is not deductible for income tax purposes; therefore, a conventional home mortgage loan may be more advantageous for participants purchasing a principal residence.

<sup>3</sup> \$50,000 is the maximum amount of principal that a participant may borrow or have outstanding during any 12-month period. Further, the total amount of all outstanding 403(b) Plan loans within a 12-month period will affect the maximum amount that a participant may borrow during that period, even if the participant has paid off all amounts owed. The \$50,000 maximum is reduced by the total of any 403(b) loan balances outstanding during the preceding 12 months.

## 403(b) Plan Loan Program

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

- Make monthly payments
- Make full payment in advance for the period off pay status (not applicable to retirees) or
- Repay the outstanding loan amount in full

For employees returning from an approved leave without pay, Fidelity Retirement Services will automatically reamortize the outstanding loan balance, which may increase the amount of the monthly payment. Note: the total number of payments cannot exceed the term maximum (60 months for general purpose loans, 180 months for principal-residence loans).

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

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

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

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

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

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

## Distributions

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

### CURRENT UC EMPLOYEES

The Plan does not permit distribution of summer salary accumulations to current employees. Summer salary accumulations may be distributed only if you leave UC employment.

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

- Has attained age 59½ or
- Experienced a hardship as described in the next section

### HARDSHIP DISTRIBUTIONS

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

- Eligible medical expenses
- The purchase of a principal residence (excluding mortgage payments)
- Tuition payments and/or room and board for the next 12 months of post-secondary education for the employee, his/her spouse, primary beneficiary, child or dependents
- Payments necessary to prevent foreclosure on the mortgage of, or eviction from, a principal residence
- Burial and/or funeral expenses for a family member
- Loss or damage as a result of a natural disaster (for example, earthquake, flood, fire, etc.) or
- Other circumstances determined by the Internal Revenue Service

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

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

A hardship distribution is generally taxed as ordinary income in the year in which it is issued and may not be rolled over to an IRA or any other retirement account. In accordance with IRS regulations, Fidelity Retirement Services will withhold 10 percent for federal taxes and 1 percent for California state taxes (unless the participant elects no withholding). Early distribution penalties may apply.

There are specific federal tax-withholding rules that apply to all distributions from retirement and savings plans (see "Taxes on Distributions" on page 12).

### **FORMER EMPLOYEES**

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

- Leave the assets in the Plan if the Plan balance totals at least \$2,000, subject to minimum required distribution rules. Although participants may no longer contribute, they may transfer funds among the investment options, subject to the transfer/exchange rules, and roll over money into the Plan.
- Take a full or partial distribution (payable to the participant or directly rolled over to a traditional IRA, a Roth IRA or employer-sponsored plan); see page 12 for information on early distributions.
- Arrange for systematic withdrawals. This option enables the participant to receive regular, periodic distributions without having to make a specific request for each one.

If the participant's assets are less than \$2,000, the participant must take a distribution or roll the funds over to an IRA or another employer-sponsored plan.

In general, participants cannot request a distribution until 31 days after their employment ends. However, the 31-day period is waived for participants in the voluntary 403(b) Plan who are age 59½ or older. Summer salary accumulations may not be distributed until the participant leaves employment, regardless of age.

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

The following Plan rules apply to distributions of small accounts after the participant has terminated UC employment:

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

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

### **BENEFICIARIES**

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

Subject to restrictions on small accounts, a beneficiary may elect to take his or her benefit as a lump sum or in periodic payments over a term that meets the Internal Revenue Code requirements on minimum distributions. If a beneficiary fails to make an election, the benefit will be distributed to the beneficiary in a lump sum by the last day of the calendar year in which the fifth anniversary of the participant's death occurs.

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

## Distributions

If no beneficiary has been named, or if the beneficiary dies before the participant, the 403(b) Plan “default” beneficiary designation rules require that any amount remaining be distributed to the participant’s survivors in the following order of succession:

- Surviving spouse or surviving domestic partner or, if none,
- Surviving children, biological or adopted, on an equal-share basis (children of a deceased child share their parent’s benefit) or, if none,
- Surviving parents on an equal-share basis or, if none,
- Brothers and sisters on an equal-share basis or, if none,
- The participant’s estate

A will or trust does not supersede a designation of beneficiary, nor does either supersede the Plan’s “default” beneficiary rules (described above) that apply in the absence of a valid beneficiary designation.

It is the participant’s responsibility to keep information on beneficiaries, including addresses, up to date. You can name or change your beneficiary information by contacting Fidelity Retirement Services (netbenefits.com or 866-682-7787). The address of record is binding for all purposes of the 403(b) Plan.

### COMMUNITY PROPERTY

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

Procedures established for the University of California Retirement Plan (UCRP) are used to determine whether a domestic partner is included in the order of succession above. Generally, the procedures require that an individual must be designated as a participant’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 (UBEN 250) and supporting documentation with the UCRP administration

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

### TAXES ON DISTRIBUTIONS

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

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

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

### EARLY DISTRIBUTION PENALTIES

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

- The distribution is made to a participant who leaves UC employment during or after the year the participant reaches age 55
- The participant is permanently disabled under IRS rules or dies
- The participant receives a series of substantially equal distributions over his/her life/life expectancy (or his/her and beneficiary’s lives/life expectancies)
- The distribution does not exceed deductible medical expenses for the taxable year
- The distribution is paid to an alternate payee under a QDRO
- The distribution is made on account of certain tax levies or
- The distribution is made on account of other exceptions defined by the IRS

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

## Additional 403(b) Plan Information

### MINIMUM REQUIRED DISTRIBUTIONS

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

- The year in which they reach age 70½ or
- The year in which they leave UC employment

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

Minimum required distributions are not eligible for rollover.

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

### INVESTMENT OPTIONS

Plan participants can choose from a broad range of professionally managed investment options that are monitored by the Office of the Chief Investment Officer of the Regents (CIO) based on criteria established by the Regents. The UC Retirement Savings Program (UC RSP) fund menu includes the UC Pathway Funds, each of which adjusts its asset mix as the fund approaches its target date, plus additional investment funds that represent a comprehensive range of asset classes with different objectives and risk and return characteristics. Most funds offered on the UC RSP fund menu are designed to have lower expenses than many similar publicly traded mutual funds. A complete description of each of these options is available on [netbenefits.com](http://netbenefits.com).

Participants may also invest in mutual funds that are not included in the UC RSP fund menu by opening a self-directed brokerage window account. Participants must agree to the terms and conditions that govern the account, including an acknowledgment of the risks involved and the special fees that may apply.

Information about investment objectives, risks, changes and expenses of all options is available, free of charge, from Fidelity Retirement Services ([netbenefits.com](http://netbenefits.com) or 866-682-7787).

### PLAN ADMINISTRATION AND FEES

The Vice President of Human Resources is the Plan Administrator with responsibility for the day-to-day management and operation of the Plan. The Office of the Chief Investment Officer (OCIO) selects and monitors the investment options available under the Plan.

### INVESTMENT MANAGEMENT FEES

Funds that are included in the UC RSP fund menu charge an investment management fee (i.e., expense ratio), which is netted from the investment experience of the funds. There are no front-end or deferred sales loads or other marketing expenses charged by funds that are included in the UC RSP fund menu.

### ADMINISTRATIVE FEES

Effective June 1, 2017, a quarterly fee (currently \$8.75) will be deducted from your account balance for administrative services. The administrative services fee covers expenses for recordkeeping services for your account(s), communications, financial education, internal UC staff support for the Plan, and other non-investment services. If you have more than one Retirement Savings Program account (for example, a 403(b) Plan account and a DC Plan account), you will be charged only one administrative services fee per quarter.

## Additional 403(b) Plan Information

### LOAN FEES

Fidelity charges a \$35.00 fee for the initiation of a plan loan and \$15.00 per year (\$3.75 charged quarterly) for the ongoing administration of an outstanding loan. The fees paid by participants for the origination of a plan loan or for the ongoing administration of an outstanding loan will be deposited to a Plan Expense Account and used by UC to offset the recordkeeping fees charged by Fidelity Retirement Services.

### ROLLOVERS: INTO THE PLAN

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

- Other employer-sponsored plans, including 401(a), 401(k), 403(b) and governmental 457(b) Plans
- Lump sum cashouts and CAP distributions from the UC Retirement Plan
- Traditional IRAs

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

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

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

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

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

### ROLLOVERS: FROM THE PLAN

All 403(b) Plan distributions except those listed below are eligible for direct rollover (distribution made payable to a traditional IRA, a Roth IRA or another employer plan). As long as the check for the distribution is payable directly to the plan, no taxes should be withheld and the funds will retain tax-deferred status. If a direct rollover is to a Roth IRA, the pretax portion of the rollover will be reported as taxable income in the year of distribution.<sup>4</sup> If made payable to the participant, taxable distributions are subject to mandatory 20 percent federal tax withholding.

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

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

- Minimum required distributions
- Refunds of excess contributions (plus earnings)
- Systematic withdrawals and
- Hardship distributions

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

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

<sup>4</sup> It is recommended that participants considering a rollover to a Roth IRA consult with a financial or tax advisor.

## ACCOUNT ACTIVITY

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

- Participants who have Internet access can find current, comprehensive information about their accounts and make certain online Plan transactions by visiting the Fidelity Retirement Services website (netbenefits.com).
- Participants can retrieve personal financial information about their accounts and make transactions on the Fidelity Retirement Services toll-free telephone line (866-682-7787).

Annual reports containing audited financial statements are available on the UC Office of the President website ([ucal.us/UCRSannualreport](http://ucal.us/UCRSannualreport)) or from the UC Retirement Administration Service Center.

Plan summaries are available on UCnet, the Fidelity Retirement Services website or from your local Benefits Office or the UC Retirement Administration Service Center.

Participants may view the University of California Tax-Deferred 403(b) Plan document online ([ucal.us/UCRSdocuments](http://ucal.us/UCRSdocuments)).

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

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

## CLAIMS PROCEDURES

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

If the claimant's request is denied by the contract administrator, the claimant may submit a written request for an independent review by the Plan Administrator within 60 days of receiving the denial. The request for an independent review should be forwarded to the Plan Administrator, P.O. Box 24570, Oakland, CA 94623-1570. The request should be accompanied by all supporting documentation. The Plan Administrator may require the claimant to submit additional documentation within 30 days of a written request. The Plan Administrator will make a full review of the request within 120 days of the date the appeal was filed, unless the circumstances require a longer period. If the Plan Administrator upholds the contract administrator's denial, the Plan Administrator will notify the claimant. The decision of the Plan Administrator will be final and conclusive on all persons.

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

### **For service of process, send to:**

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

## Additional 403(b) Plan Information

### **PLAN CHANGES**

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

### **ASSIGNMENT OF BENEFITS**

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

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

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

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

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

California law has established procedures for dividing property in connection with the termination of a state-registered domestic partnership. For more information, call Fidelity Retirement Services.

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

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

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

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

If a participant's accumulations were \$1,000 or more as of October 23, 2008, the accumulations were transferred to an IRA custodian or trustee selected by the Plan Administrator to be held on behalf of the participant.

If you think you may be entitled to funds in an ineligible account, contact the UC Retirement Administration Service Center at 800-888-8267.



## Employee Information Statement

Participants in defined contribution plans are responsible for determining which, if any, investment vehicles best serve their retirement objectives. The 403(b) Plan assets are invested in accordance with the participant's instructions; if no instructions are given, assets are invested in the UC Pathway Fund with a target date near the participant's expected retirement date. The participant should periodically review whether his/her objectives are being met, and if the objectives have changed, the participant should make the appropriate changes. Careful planning with a tax advisor or financial planner may help to achieve better supplemental retirement savings.

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

All elections concerning contributions to the 403(b) Plan are subject to payroll transaction and fund valuation deadlines.

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

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

In conformance with applicable law and University policy, the University is an affirmative action/equal opportunity employer. Please send inquiries regarding the University's affirmative action and equal opportunity policies for staff to Systemwide AA/EEO Policy Coordinator, University of California, Office of the President, 1111 Franklin Street, 5th Floor, CA 94607, and for faculty to the Office of Academic Personnel and Programs, University of California, Office of the President, 1111 Franklin Street, Oakland, CA 94607.



