

# Retirement Benefits Decision Guide

For eligible faculty and staff hired on or after July 1, 2016

UNIVERSITY  
OF  
CALIFORNIA





## Your UC Retirement Benefits

As a University of California employee, you help shape the quality of life for people throughout California and around the world. Every faculty and staff member plays an important role in UC's mission of education, research and public service.

UC's comprehensive benefits are among the ways we recognize our employees for their contributions, and are an important part of your compensation.

UC offers you a choice of primary retirement benefit options—Pension Choice or Savings Choice. Participation in one of the options is required, and you choose the one that's right for you.

# 1.

## Helping You Prepare for a Successful Retirement

Preparing for a successful retirement is one of the biggest financial responsibilities you'll face. All eligible new employees have a choice of primary (required) retirement benefits, with costs shared by you and UC. With this guide, we'll show you your options and explain how each one works, along with examples and other resources to help you choose the best option for your personal situation.

## Steps to Making Your Choice

LEARN ABOUT YOUR PRIMARY RETIREMENT BENEFIT OPTIONS—PENSION CHOICE OR SAVINGS CHOICE

**SEE HOW EACH OPTION WORKS**  
Pages 6–11

**SEE ILLUSTRATIONS OF DIFFERENT CHOICES**  
Pages 14–15

**COMPARE THE OPTIONS AND DECIDE WHICH PLAN IS RIGHT FOR YOU**  
[myUCretirement.com/choose](http://myUCretirement.com/choose)

GET HELP WITH YOUR DECISION

**ATTEND A WORKSHOP OR WEBINAR**  
[myUCretirement.com/classes](http://myUCretirement.com/classes)

**MEET WITH A RETIREMENT PLANNER**  
800-558-9182 or  
[getguidance.fidelity.com/universityofcalifornia](http://getguidance.fidelity.com/universityofcalifornia)

MAKE YOUR SELECTION

**CHOOSE YOUR OPTION ONLINE**  
[myUCretirement.com/choose](http://myUCretirement.com/choose)

### **IMPORTANT:**

Enrollment in primary retirement benefits is **prospective**. The sooner you enroll in Pension Choice or Saving Choice, the sooner you start receiving UC contributions (and service credit under Pension Choice). See page 13 to learn more about reasons to make your choice as soon as possible. Your enrollment window closes once you submit a choice.

If you don't choose a primary retirement option within 90 days of the date you became eligible, you automatically will be enrolled in Pension Choice (effective with your next pay period). In general, your eligibility date is your hire date. If you are uncertain about your eligibility date, please contact your benefits office.

# 2.

## Your Primary Retirement Benefit Options: Pension Choice or Savings Choice

When it comes to choosing your primary retirement benefits, you have two options—Pension Choice or Savings Choice. Both options help you build valuable retirement income in addition to Social Security benefits and any savings you may have. Here’s an overview of who’s eligible for these benefits, how each option works, and how long you have to make your choice. For complete details, please see your Summary Plan Description.

### WHO IS ELIGIBLE FOR RETIREMENT CHOICE?

You are eligible for a choice of primary retirement benefits if you:

- Are hired into an eligible faculty or career staff appointment on or after July 1, 2016; OR
- Are hired in an ineligible position on or after July 1, 2016 and then become eligible for retirement benefits.

### REHIRED, NEWLY ELIGIBLE AND FORMER CALPERS-COVERED EMPLOYEES

You may not be subject to the PEPR maximum (and your retirement benefit options may differ) if you:

- Previously worked for UC in an eligible appointment;
- Were hired before July 1, 2016 and became eligible for retirement benefits after July 1, 2016; OR
- Were a “Classic Member” under CalPERS and are eligible for reciprocity with UC.

If you believe you meet these criteria, or if you have questions, contact the UC Retirement Administration Service Center at 800-888-8267. New UC employees who were classified as a “Classic Member” under CalPERS and are also eligible for reciprocity with UC need to self-identify.

### UNION-REPRESENTED EMPLOYEES

If you’re represented by a union, your retirement benefits are governed by your union’s contract with UC and may be different than the benefits outlined here. Please refer to your collective bargaining agreement (available at [ucal.us/agreements](http://ucal.us/agreements)) for details.

### ABOUT PEPR AND RETIREMENT EARNINGS MAXIMUMS

The maximum amount of your compensation that counts toward your retirement benefits may be affected by a number of factors, including the 2013 California Public Employees’ Pension Reform Act (PEPRA) maximum, the IRS dollar maximum and UC guidelines about eligible pay.

Please note that the Plan year runs from July 1 to June 30.

#### **PEPRA Pensionable Earnings Maximum**

The maximum salary that counts toward your pension benefits is consistent with the maximum on pensionable earnings for the Plan year under PEPRA. This maximum also applies to other California public pension plans and is reviewed annually and may be adjusted. For the 2018 Plan year, the maximum is \$121,288.

#### **IRS Maximum**

The IRS sets a dollar maximum for annual earnings for the Plan year upon which retirement benefits and contributions may be based. This maximum is also reviewed and may be adjusted annually. For the 2018 Plan year, this maximum is \$275,000.

#### **Eligible Pay**

Retirement benefits are calculated based on “eligible pay” for the Plan year, which does not include certain types of compensation. For a list of types of compensation that are not considered “eligible pay” when calculating retirement benefits, see *A Complete Guide to Your UC Retirement Benefits* on UCalnet ([ucal.us/guidetoretirementben](http://ucal.us/guidetoretirementben)).

**HOW YOUR OPTIONS COMPARE<sup>1</sup>**

**PENSION CHOICE**

**How it Works**

Pension Choice includes a pension benefit under the UC Retirement Plan (UCRP), offering a predictable level of lifetime retirement income. Your pension benefit is based on eligible annual pay<sup>2</sup> for the Plan year up to the PEPRA maximum (\$121,288 in 2018).

Along with the pension benefit, some faculty and staff are eligible to build retirement savings through a supplemental 401(k)-style account.

UC makes decisions about the investments of the UCRP and assumes the investment risk. If you are eligible for the supplemental account, you select the investments from available fund options and you assume the investment risk.

The decision to participate in Pension Choice is irrevocable—you cannot change your participation to Savings Choice later.

**Shared Contributions<sup>3</sup>**

**You contribute** 7% of your eligible pay, before taxes. Your contributions on pay up to the PEPRA maximum will go toward the UCRP pension benefit. Contributions on pay above the PEPRA maximum up to the annual IRS pay maximum (\$275,000 for 2018) will go into your supplemental account.

**UC contributes:**

**Pension:** 8% of eligible pay up to the PEPRA maximum.

**Supplement for designated faculty<sup>4</sup>:** 5% on **all** eligible pay up to the IRS pay max.

**Supplement for staff and other academic employees:** 3% on eligible pay **above** the PEPRA maximum, up to the IRS pay maximum.

**Your Retirement Income**

You will “vest” in UCRP (become eligible to receive pension benefits, subject to plan rules) once you have earned five years of UCRP service credit. You begin to earn service credit for your time worked when you start making contributions.

When you retire, you will receive lifetime monthly retirement income based on your highest average 36 months of eligible pay (up to the PEPRA maximum), the amount of your service credit in UCRP, and your age at retirement.

UCRP also includes benefits for your eligible survivors, as well as disability income if you become totally and permanently disabled before retirement.

Your contributions to your supplemental account will vest immediately. UC’s contributions will vest after you have earned five years of UCRP service credit. Distributions are governed by plan rules.

When you retire, you can draw retirement income from your supplemental account. The balance of your account will depend on the amount contributed by you and UC and the performance of your investments.

You can designate a beneficiary for your supplemental account balance.

**SAVINGS CHOICE**

**How it Works**

Savings Choice works much like a 401(k) plan. Your mandatory pretax contributions, contributions from UC (based on your eligible pay<sup>2</sup>) and any investment earnings accumulate in a tax-deferred retirement account.

You select how to invest the contributions made to your account from a menu of available funds and you assume the investment risk. UC provides tools and resources to help you understand how to plan and invest for retirement.

UC is requesting IRS approval to offer you a one-time future opportunity to change your participation from Savings Choice to Pension Choice (see page 17).

**Shared Contributions<sup>3</sup>**

**You contribute** 7% of your eligible pay, before taxes, up to the annual IRS pay maximum (\$275,000 for 2018).

**UC contributes** 8% of your eligible pay, up to the IRS pay maximum.

**Your Retirement Income**

Your contributions to your account will vest immediately. UC’s contributions will vest after one year. Distributions are governed by plan rules.

When you retire, you can draw money from your account. Your account balance will depend on the amount contributed by you and UC and the performance of your investments.

Savings Choice does not include disability or survivor benefits, but you can designate a beneficiary for your account balance. Employee-paid disability and employee-paid supplemental life insurance are available.

<sup>1</sup> See *A Complete Guide to Your UC Retirement Benefits* on UCnet for more information.

<sup>2</sup> Some types of compensation not considered “eligible pay” when calculating retirement benefits are:

- Pay that exceeds the full-time rate or established base pay rates for regular, normal positions;
- Pay that exceeds the base salary (X+X’) under the Health Sciences Compensation Plan.
- Overtime pay (unless for compensatory time off);

<sup>3</sup> Employer and employee contribution rates are set periodically by the UC Regents. The total UC contribution rate to UCRP is currently 14%, which includes approximately 6% toward UC’s unfunded pension liability. Provisions of the 2016 Retirement Choice Program are subject to collective bargaining for represented employees. Please refer to the appropriate collective bargaining agreement, as benefits and other provisions may vary.

<sup>4</sup> The designated faculty eligible for a 5% UC contribution to the supplemental benefit (on all eligible pay up to the annual IRS maximum) are as follows:

- Ladder-rank faculty and equivalent titles (Professorial and Equivalent titles, which include Agronomists, Astronomers, Clinical Professor of Dentistry [over 50%] and Supervisor of Physical Ed)
- Professor in Residence series
- Professor of Clinical (X) series
- Acting full, associate and assistant professors
- Lecturers/Senior Lecturers (full-time) with Security of Employment or Potential Security of Employment (excluding UC Hastings Lecturers/Senior Lecturers)
- Adjunct Professor series
- Health Science Clinical Professor series



## Retirement Options at a Glance

This at-a-glance summary is intended to help you understand the key features and differences of the two options. Remember, the sooner you make your choice, the sooner you start receiving UC contributions (and service credit under Pension Choice). If you don't make an election within 90 days from your date of hire (or your eligibility date), you automatically will be enrolled in Pension Choice.

| PENSION CHOICE  | SAVINGS CHOICE  |
|---|---|
| <b>Description</b>  |   |
| Pension benefit based on eligible pay up to PEPRA maximum (\$121,288 in 2018); 401(k)-style supplemental account for those faculty and staff who are eligible   | Stand-alone 401(k)-style benefit<br>Based on eligible pay up to IRS maximum (\$275k for 2018)   |
| <b>Eligibility for choice</b>   |   |
| Eligible employees hired on or after July 1, 2016   |   |
| <b>Mandatory employee pretax contributions to annual cost of benefits</b>   |   |
| 7% up to IRS maximum  | 7% up to IRS maximum  |
| <b>UC contributions to annual cost of benefits</b>  |   |
| <b>Pension benefit for all employees:</b><br>8% up to PEPRA maximum   | 8% for all employees up to IRS maximum  |
| <b>Supplement for designated faculty:</b><br>5% on all eligible pay up to IRS maximum   |   |
| <b>Supplement for eligible staff and other academic appointees:</b><br>3% on eligible pay above PEPRA maximum up to IRS maximum   |   |
| <b>Vesting</b>  |   |
| 5 years UCRP service credit   | 1 year from eligibility date  |
| <b>Disability and survivor benefits</b>   |   |
| UCRP provides disability and survivor benefits for qualifying eligible members and survivors. Continued UC health and welfare benefits may be available to an eligible member (who becomes totally and permanently disabled before retirement) and eligible dependents. | No survivor or disability benefits under UCRP; and no continuation of UC health coverage that may be provided with eligibility for UCRP disability income. You can designate a beneficiary for your account balance and opt for employee-paid disability and/or supplemental life insurance group coverage. |
| <b>Choice / Default</b>   |   |
| <b>Initial choice:</b> Eligible employees choose one option within an initial 90-day enrollment period. Your enrollment window closes once you submit a choice.   |   |
| <b>Default:</b> Employees who do not make a choice within the 90-day period will be enrolled prospectively in Pension Choice by default.  |   |
| <b>Second choice:</b> UC is requesting IRS approval to offer employees who choose Savings Choice a one-time future opportunity to switch to Pension Choice prospectively.   |   |

# 3.

## Pension Choice or Savings Choice: Which One is Right for You?

Deciding which option is right for you depends on a number of factors, including your age, the length of time you expect to work for UC, your personal financial situation, your investing style and risk tolerance, and how much retirement income you expect from other sources (e.g., Social Security).

### HOW YOUR OPTIONS COMPARE

#### CONSIDER PENSION CHOICE IF YOU

- Expect to work for UC for most of your career.
- Want predictable retirement income payments.

#### CONSIDER SAVINGS CHOICE IF YOU

- Want a portable retirement benefit you can roll over into an IRA or another employer's retirement plan if you leave UC.
- Are comfortable choosing and managing your retirement investments.

### RESOURCES TO HELP YOU CHOOSE

#### RETIREMENT DECISION TOOL

Use this interactive tool to compare your primary retirement benefit options and make your choice.

[myUCretirement.com/choose](https://myUCretirement.com/choose)

#### PERSONAL RETIREMENT COUNSELING

UC offers you one-on-one, personal help with your retirement benefits decisions. Meet with a Retirement Planner by phone or in person, when and where it's convenient for you. This service is available at no cost to you.

**800-558-9182**

[getguidance.fidelity.com/universityofcalifornia](https://getguidance.fidelity.com/universityofcalifornia)

#### CLASSES AND WEBINARS

Attend an onsite class or webinar to learn about your retirement benefit options, understand how to make your choice and get answers to your questions. A schedule of upcoming classes and webinars is available online.

[myUCretirement.com/classes](https://myUCretirement.com/classes)

### THE SOONER THE BETTER:

This is an important decision, so make sure you take advantage of UC's resources to help you make the choice that's right for you. At the same time, it pays to enroll as soon as you've decided. Here's why:

- If you wait 90 days to enroll or default into Pension Choice, you lose up to three months of UC contributions and service credit—delaying vesting and decreasing your benefits.
- If you wait until the deadline to enroll in Savings Choice, you lose up to three months of UC and personal pretax contributions—reducing your retirement savings contributions for the year.

So make your choice and start building your retirement benefits as soon as you can.

# 4.

## Illustrations of Different Choices

Everyone's circumstances and retirement income needs vary, so it's important to think carefully about which option will best help you meet your goals. Here are five illustrations of different types of employees with different circumstances, intended to help you decide which option is right for you.

### Meet Madhu

**ASSOCIATE PROFESSOR, 36**

#### HER CHOICE: PENSION CHOICE

"Pension Choice was an easy decision for me, since I'm planning to be with UC for a long time. Since I knew I wanted Pension Choice, I was tempted to save myself time and just wait to be defaulted into Pension Choice after 90 days. Once I realized that waiting the 90 days meant sacrificing several months of UC contributions and service credit, I enrolled right away."

### Meet Mike

**ANALYST, 31**

#### HIS CHOICE: SAVINGS CHOICE

"The interactive modeler on myUCretirement.com really helped me understand how the two options worked over time. I'm early in my career, and I'm not sure how long I'll be with UC. I like the fact that I can take my Savings Choice account with me if I leave, and I'm learning a lot about investing by managing my account. I enrolled as soon as I decided so I wouldn't lose any UC contributions."

### Meet Debra

**PROFESSOR, 51**

#### HER CHOICE: PENSION CHOICE

"I met with a Retirement Planner to help me understand the supplemental benefit under Pension Choice. She explained that because of my position, I'm eligible for a supplemental account in addition to my pension

benefit, with a 5 percent contribution from UC on all of my eligible pay to my supplemental account.

Since I plan to stay at UC for the long term, Pension Choice was the right option for me."

### Meet Javier

**HEALTH PROFESSIONAL, 37**

#### HIS CHOICE: PENSION CHOICE

"I had a 401(k) with my former employer, so at first I thought Savings Choice might make sense. After doing more research, though, I decided that Pension Choice was the best option for me. I'm hoping to spend a good portion of my career at UC, and since my income is above the PEPR maximum I'll also receive UC contributions to a supplemental account."

### Meet Jiro

**ASSISTANT PROFESSOR, 42**

#### HIS CHOICE: SAVINGS CHOICE

"I took a retirement benefits webinar to make sure I understand my options, and I was at first very interested in Pension Choice. The idea of having a predictable stream of income throughout my retirement is really attractive.

My partner hasn't found a position in the area yet, though, so there's a chance we may need to relocate before I can vest in the pension. I had a 403(b) plan at my last job, so I'm comfortable with the way it works, especially since the UC contribution vests after a year."



# 5.

## Making Your Choice

Remember, your enrollment is **prospective**. The sooner you enroll in Pension Choice or Savings Choice, the sooner you start receiving UC contributions (and service credit under Pension Choice). Your enrollment window closes once you submit a choice. If you don't choose a primary retirement option, you automatically will be enrolled in Pension Choice at the end of the 90-day period.

### READY TO MAKE YOUR SELECTION?

1. Go to [myUCretirement.com/choose](http://myUCretirement.com/choose). You can begin the tutorial for a quick refresher on the options, and use an interactive modeler to compare how your retirement benefits may grow over time with Pension Choice or Savings Choice.
2. When you're ready to choose, you'll need to log in. If you haven't already registered, you'll be taken to the NetBenefits site to complete the registration process.
3. There are several steps before you make and confirm your choice, with the option along the way to return to the tutorial for more information. Your election is final once you click **confirm choice**.
4. You'll receive a confirmation statement—check to ensure it accurately records your enrollment in Pension Choice or Savings Choice.
5. Your contributions will begin to be deducted from your paycheck following your choice (usually within one to two pay periods).

### IMPORTANT:

UC is requesting IRS approval to offer employees hired on or after July 1, 2016 a one-time future opportunity to change from Savings Choice to Pension Choice. Enrollment in Pension Choice is irrevocable. If UC's request is approved, it's important to understand that, if an employee switches from Savings Choice to Pension Choice:

- The time spent in Savings Choice will count toward vesting in Pension Choice benefits. Service credit toward Pension Choice benefits will begin to accrue at the point the employee switches to Pension Choice.
- Accumulated balances in the Savings Choice account will remain in the employee's account until retirement. Distributions are governed by plan rules.
- The timing of the one-time future opportunity to switch to Pension Choice may depend on job type.

# 6.

## After You've Enrolled: Additional Opportunities to Save

Once you've enrolled in your primary (required) retirement benefits—Pension Choice or Savings Choice—it's a good idea to consider whether you'll need additional savings to reach your retirement goals. UC's voluntary savings opportunities and retirement planning resources can help.

### VOLUNTARY RETIREMENT SAVINGS PROGRAM

#### **UC 403(b), 457(b) AND DEFINED CONTRIBUTION PROGRAM**

In addition to your primary (required) retirement benefits, you may need to save additional money to prepare for retirement. UC's voluntary 403(b) and 457(b) pretax savings plans and after-tax Defined Contribution Plan help you build additional retirement savings to augment your primary UC retirement benefits, Social Security, and other non-UC retirement income.

- UC's 403(b) and 457(b) Plans let you add to your retirement savings with pretax contributions. Taxes are deferred until you withdraw the money.
- UC's Defined Contribution Plan also lets you add to your retirement savings, but with after-tax contributions. Taxes on your investment earnings are deferred until you withdraw the money.

You can enroll in these plans at any time. For more information, see the Retirement Savings Program page on UCnet ([ucal.us/ucrs](http://ucal.us/ucrs)).

### RETIREMENT EDUCATION AND COUNSELING RESOURCES

UC offers comprehensive resources to help you with all of your retirement benefits decisions.

#### **PERSONAL RETIREMENT COUNSELING**

Retirement Planners are available to meet with you by phone or in person—at no cost to you.

**800-558-9182**

**[getguidance.fidelity.com/universityofcalifornia](http://getguidance.fidelity.com/universityofcalifornia)**

#### **RETIREMENT CLASSES AND WEBINARS**

Onsite classes or webinars offer information about all of UC's retirement plans and programs, and about creating a budget, building a portfolio and saving for your children's college expenses. A schedule of upcoming classes and webinars is available online.

**[myUCretirement.com/classes](http://myUCretirement.com/classes)**

#### **MYUCRETIREMENT.COM**

Explore articles and classes designed to help you make informed financial decisions.

**[myUCretirement.com](http://myUCretirement.com)**

#### **UCNET**

UCnet is your source for information about UC benefits. You'll find videos, fact sheets and FAQs about your retirement plan options here, as well as tools and resources, information about the university, and more.

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

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 your 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.