Retirement Choice Program Second Choice Window (2CW)

UCRS Advisory Board meeting
December 4, 2020

Regents Item Details

Savings Choice participants Second Choice Window should open:

Staff

5 years from hire

Faculty

5 years from hire, or 1 year from tenure decision, if later

Lecturers

5 years from hire, or 1 year from security of employment decision, if later

IRS Closing Agreement

UCRP and DC Plan documents were reviewed by IRS and deemed qualified, including DCP section 3.02:

> "A Savings Choice Participant shall continue as an active Savings Choice Participant… until he or she incurs a Break in Service unless, ***consistent with procedures established by the Plan Administrator***, such ***Participant is allowed to and subsequently elects to participate prospectively in the Pension Choice*** option rather than in the Savings Choice option."

Outside Counsel Guidance

- To satisfy IRS rules, initial and subsequent choice may be offered to employees if ***employee contributions*** are the ***same percentage*** of the ***same compensation base*** for all options

- The more times a choice is offered, the more likely the program is to draw the attention of the IRS

- The IRS appears to prefer at least a five year period –
  - determined on an individual basis (*e.g.*, rolling five years on the employee's Anniversary Date) - *or* -
  - set five year election windows (*e.g.*, July 2021, July 2026, etc.)

TFIR/Academic Personnel

- *Retirement Policy met with the Faculty Welfare's Task Force on Investment and Retirement (TFIR) and Academic Personnel to discuss some proposals for implementing a Second Choice Window*

- *Both TFIR and Academic Personnel endorsed the proposal referenced as the "Elapsed Time Model"*

Elapsed Time Model

The Second Choice Window…

OPENS

January 1 of the 5th calendar year anniversary of the year in which Savings Choice was elected

CLOSES

May 31 following the 5-year anniversary of the calendar year in which the window opened.

Electing a Second Choice

*Elections to switch may be submitted by an **active participant** at **any time during the year***

*Elections received on or before May 31 would become **effective** the **July 1** immediately following*

After a Second Choice is made

Savings Choice Service Credit will count towards ***vesting*** *in UCRP*

There will not be an option to purchase UCRP service credit based on time worked under Savings Choice

The election is irrevocable