



UCRP Buyback Booklet

**Information about Purchasing Service Credit
to Increase your Retirement Benefit**



A buyback is a payment to establish service credit in the University of California Retirement Plan (UCRP) for certain leaves of absence, to reestablish service credit for previous UCRP membership for which you received a refund of accumulations, or to eliminate a noncontributory offset to your UCRP benefit. By choosing to make a buyback, you generally increase your retirement benefit. The buyback option is available only to active UCRP members. The provisions apply to new buybacks and certain previous buybacks you did not complete.

This booklet will help you understand:

- the rules regarding buybacks
- the payment options for buybacks
- how to do a buyback
- whether a buyback is a good investment for you

Benefits of Buyback

Buying back service credit for an approved leave or for previous UCRP membership may increase your UCRP benefits that are based on service credit:

- retirement income;*
- lump sum cashout;*
- disability income (although a leave buyback will not help you to meet the minimum service requirement for disability benefits); and
- benefits paid after your death to your spouse or other survivor, if your death occurs after you retire or become eligible to retire.

Service credit buyback also counts toward UCRP vesting and eligibility for preretirement survivor income. For more information about service credit and how it affects your UCRP benefits, see the appropriate summary plan description.

In many cases, buying back UCRP service credit is a significant investment. It's important to weigh all of your options. The section "Is a Buyback the Best Place for Your Money?" beginning on page 16 can help you determine if a buyback is a good investment for you. We also strongly recommend you consult a financial and/or tax advisor before deciding to elect a buyback.

The Buyback Option Applies to:

Approved Leaves

- approved leave without pay, partially paid sabbatical leave, extended sick leave, temporary layoff, or furlough (except during a partial-year career appointment); and
- Reduction in Workforce Programs
 - incomplete Time Reduction Incentive Plan (TRIP) agreement or completed TRIP agreement of less than 75 percent time; and
 - reduction in appointment under Temporary Reduction in Time (TRIT) from 7/1/93 to 10/28/93.

Previous UCRP Membership

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

Noncontributory Offsets

- to eliminate the noncontributory (Plan 02) offset (affects many who were active members during the period 7/1/66–6/30/71); and
- to eliminate the leave offset (affects all who took an approved leave during the period 7/1/66–6/30/71)

* A buyback will increase retirement income, lump sum cashout, and postretirement survivor income payable from UCRP unless it would cause the benefit to exceed the maximum allowable benefit. See the appropriate summary plan description.

The Buyback Option Does Not Apply to:

- any break-in-service period; in general, that is a period when you were not a UC employee;
- any period of ineligible service, such as casual/restricted or temporary employment, or indefinite layoff;
- any furlough during a partial-year career appointment;
- completed TRIP agreements of 75 percent time or more (You receive 100 percent service credit for the period**);
- a reduction in appointment (except under TRIT);
- any period in which you earn benefits from a governmental pension plan, such as CalPERS or CalSTRS (contact the governmental pension plan directly for buyback information);
- any period that preceded a lump sum cashout;
- any period of military leave 7/1/66 or later. (You may receive full service credit without making contributions.** For military leaves from 7/1/66 through 6/30/71, however, the leave offset applies);
- a distribution of your Capital Accumulation Payment (CAP) balance or a distribution from the DC Plan, the 403(b) Plan or the 457(b) Plan; and
- completed Staff and Academic Reduction in Time (START) agreements (You receive service credit for the period).

**Service credit for completed TRIP agreements or for military leave is not recorded automatically. Submit a *Service Credit Verification Request* form (UBEN 132) with appropriate documentation to the UC HR/Benefits Research Unit to have your records updated.



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Forms and publications mentioned in this booklet are available on At Your Service (atyourservice.ucop.edu) and from your local Benefits Office.

Buyback for Approved Leaves

A UCRP member who takes an approved leave earns no service credit while off pay status.* Upon returning from leave, the member has the option of making payment(s) to establish service credit for part or all of the leave period subject to certain rules.

Rules for Leave Buybacks

The rules for purchasing service credit for time on an approved leave are defined in the Internal Revenue Code. For purchases based on certain types of leaves, such as parental, medical and sabbatical leave (Unrestricted Purchase Leaves), there is no limit on the amount of service credit that may be purchased. For other types of leaves (Restricted Purchase Leaves), the Code limits the purchase to five years of service credit and requires that the member have at least five years of active participation in UCRP. These restrictions do not apply if you pay for the service attributable to a Restricted Purchase Leave with a trustee-to-trustee transfer from a 403(b) plan or 457(b) plan (See “Paying for a Buyback,” page 14). Be sure to contact your local Benefits Office to find out how the rules may affect your situation.

The terms of UCRP also establish certain conditions for purchasing service credit based on a leave. You can initiate a purchase at any time you are an active UCRP member on UC pay status, but the longer you wait to make the purchase, the more it is likely to cost (see The Cost of a Leave Buyback at right).

The minimum leave period a member may buy back is four consecutive weeks. Consecutive leaves are considered one leave; your return to UC employment signals the end of a leave.

For leaves of less than one year, members must purchase the whole leave period. For leaves of more than one year, members have the option to purchase a partial leave in full-year increments or the full leave period. (For example, for a 2½ year leave, the member has the option to purchase 1, 2, or 2½ years of service credit). Members who complete a partial leave purchase have the option to later purchase an additional portion.

Depending on the length of the leave purchased and the type of leave (parental, medical, sabbatical, etc.), your payment options may be limited.

Concurrent Service Credit

For leaves that begin 7/1/97 or later, members may not accrue service credit for the same period in UCRP and in any other publicly funded defined benefit plan, such as CalPERS or CalSTRS. This includes plans of federal, state, city or county retirement systems.

If you accrue service credit in another publicly funded defined benefit plan while on leave, you may not buy back the same period in UCRP unless you have received a refund of all contributions you may have made to the other plan and will not derive a benefit from that plan. You will be required to make a certification to this effect on the *Service Credit Buyback Information Request* form (UCRS 169).

If you contributed to a defined contribution plan, such as a 401(k) or 403(b) plan, with or without matching employer contributions while on a leave from UC, you may establish UCRP service credit through a buyback.

* Leaves during the noncontributory period 7/1/66–6/30/71 were handled differently. See “To Eliminate the Noncontributory Offsets” beginning on page 12.

The Cost of a Leave Buyback

Generally, the cost of a leave buyback depends on when the leave occurred, the length of the leave and how long you wait to elect the buyback. In most cases, the cost of your leave buyback is based on the Plan Normal Cost if you elect the purchase within three years of returning from a leave. If you elect a buyback after three years, the cost is based on the Individual Actuarial Cost.

Plan Normal Cost and Individual Actuarial Cost Methods

The **Plan Normal Cost Method** uses the Normal Cost in effect at the time your buyback cost is calculated. This method applies the Normal Cost rate to the salary (covered compensation) you would have received if you had not been on leave, plus interest. The interest is computed using the Plan's assumed earnings rate at the time of the buyback election, currently 7.5 percent. Interest is charged from the date you return to work to the date the buyback payment is completed.

The Plan Normal Cost is actuarially determined and may change from year to year. For 2009, the rates for Plan Normal Costs are:

Members with Social Security: 17.50%
Members without Social Security: 17.50%
Safety Members: 21.54%
Tier Two Members: 8.75%

The **Individual Actuarial Cost Method** more closely captures the actual cost of the additional benefit you will receive as a result of the buyback. It is based on your age and salary rate at the time of the buyback and industry mortality table; these factors are used to calculate the present value of the additional retirement benefit that will result from the buyback.

See pages 8 and 9 for examples of both calculation methods.

For leaves beginning on or after July 1, 1997

If you elect a buyback within three years of returning from the leave, your cost is based on the Plan Normal Cost for the first two years of leave (see Examples 1A and 2A on pages 8 and 9.) The cost for any additional leave buyback beyond two years is based on the Individual Actuarial Cost. (See Example 3 on page 9 for a calculation of a five-year period buyback based on both Plan Normal Cost and Individual Actuarial Cost.)

If you elect a buyback after three years of returning from the leave, your cost for the entire purchase is based on the Individual Actuarial Cost (see Examples 1B and 2B on pages 8 and 9).

For leaves beginning before July 1, 1997

If you elect a buyback within three years of returning from leave, your cost is based on the Plan Normal Cost. See Examples 1A and 2A on pages 8 and 9.

If election is made after three years of returning from leave, the member cost is based on the Individual Actuarial Cost Method. See Examples 1B and 2B on pages 8 and 9.

For leaves before November 1, 1990

If your buyback is within three years of returning from leave, you pay the sum of member contributions and University contributions that would have been made if you had not been on leave, plus interest. Contribution rates vary depending on the dates of the leave. Please see your Benefits Representative.

Interest is computed using the Plan's assumed earnings rate at the time of the buyback election, currently 7.5 percent. Interest is charged from the date you return to work to the date payment is completed.

Exception: For leaves from 7/1/66 through 6/30/71, interest is computed using the Plan's assumed earnings rates in effect during the applicable periods. Interest is charged to the date payment is completed.

If you buy back your leave service after three years of returning from leave, your cost is based on the Individual Actuarial Cost Method. See Examples 1B and 2B on pages 8 and 9.

Examples of Buyback Cost Calculations

The first two examples below compare the cost of using the Plan Normal Cost Method to the cost of using the Individual Actuarial Cost Method. Because age is also a significant factor in the calculations, examples for buyback purchases at age 60 and at age 35 are presented.

Example 1: Plan Normal Cost Method vs. Individual Actuarial Cost Method— Member age 60

A. Plan Normal Cost Method (within three-year window)		Payment Options	
Service credit	2 years	Single sum:	\$26,988
Buyback period	12/31/05–12/31/07	12 monthly payments:	\$2,338
Salary rate (rate at time of leave)	\$5,800	24 monthly payments:	\$1,211
Normal Cost Rate	17.50%	36 monthly payments:	\$836
Total Normal Cost: $12 \times \$5,800 \times 17.5\% \times 2$	\$24,360	48 monthly payments:	\$649
Interest @ 7.5%*	\$2,628	60 monthly payments:	\$538
Total Cost using Plan Normal Cost Method	\$26,988		
Benefits of Buyback** $2 \text{ years} \times 2.5\% \times \text{HAPC} (\$5,800 - \$133) = \283			
B. Individual Actuarial Cost Method (beyond three-year window)		Payment Options	
Service credit	2 years	Single sum:	\$41,758
Buyback period	12/31/05–12/31/07	12 monthly payments:	\$3,618
Salary rate (rate at time of buyback)	\$5,900	24 monthly payments:	\$1,874
Actuarial Cost Factor (for member coordinated with Social Security)	29.49% of salary	36 monthly payments:	\$1,294
Total Cost using Individual Actuarial Cost Method: $12 \times \$5,900 \times 29.49\% \times 2$	\$41,758	48 monthly payments:	\$1,005
		60 monthly payments:	\$832
Benefits of Buyback** $2 \text{ years} \times 2.5\% \times \text{HAPC} (\$5,900 - \$133) = \288			

HAPC = highest average plan compensation

* Amount of interest will vary depending on the plan's assumed interest rate, the amount of time between the date you return to work and the date you begin a buyback, and the length of the buyback payment period you elect.

**Estimated increase in monthly benefit payable at age 60 (or actual age if older)

**Example 2: Plan Normal Cost Method vs. Individual Actuarial Cost Method—
Member age 35**

A. Plan Normal Cost Method (within three-year window)		Payment Options	
Service credit	2 years	Single sum:	\$22,335
Buyback period	12/31/05–12/31/07	12 monthly payments:	\$1,935
Salary rate (rate at time of leave)	\$4,800	24 monthly payments:	\$1,003
Normal Cost Rate	17.50%	36 monthly payments:	\$692
Total Normal Cost: 12 x \$4,800 x 17.5% x 2	\$20,160	48 monthly payments:	\$537
Interest @ 7.5%*	\$2,175	60 monthly payments:	\$445
Total Cost using Plan Normal Cost Method	\$22,335		
Benefits of Buyback** 2 years x 2.5% x HAPC (\$5,000 – \$133) = \$243			

B. Individual Actuarial Cost Method (beyond three-year window)		Payment Options	
Service credit	2 years	Single sum:	\$17,784
Buyback period	12/31/05–12/31/07	12 monthly payments:	\$1,541
Salary rate (rate at time of buyback)	\$5,000	24 monthly payments:	\$798
Actuarial Cost Factor (for member coordinated with Social Security)	14.82% of salary	36 monthly payments:	\$551
Total Cost using Individual Actuarial Cost Method: 12 x \$5,000 x 14.82% x 2	\$17,784	48 monthly payments:	\$428
		60 monthly payments:	\$354
Benefits of Buyback** 2 years x 2.5% x HAPC (\$5,000 – \$133) = \$243			

Example 3: Buyback of Five Years of Service Credit—Member age 61 years, 9 months

A. Member purchases 2 years of service credit at Normal Cost			
Service credit	2 years		
Buyback period	7/1/04–6/30/06		
Salary rate (rate at time of leave)	\$5,000		
Normal Cost Rate	17.50%		
Total Normal Cost: 12 x \$5,000 x 17.5% x 2	\$21,000		
Interest @ 7.5%*	\$2,266		
Total Normal Cost and Interest for first 2 years of Buyback	\$23,266		

B. Member purchases remaining 3 years under Individual Actuarial Cost		Payment Options	
Service credit	3 years	Single sum:	\$82,878
Buyback period	7/1/06–6/30/09	12 monthly payments:	\$7,181
Salary rate (rate at time of buyback)	\$5,800	24 monthly payments:	\$3,720
Actuarial Cost Factor (for member coordinated with Social Security)	28.55% of salary	36 monthly payments:	\$2,569
Total Actuarial Cost: 12 x \$5,800 x 28.55% x 3	\$59,612	48 monthly payments:	\$1,994
		60 monthly payments:	\$1,651
Total Cost = A (Total Normal Cost: \$23,266) + B (Actuarial Cost: \$59,612)	\$82,878		
Benefits of Buyback** 5 years x 2.5% x HAPC (\$5,800 – \$133) = \$708			

* Amount of interest will vary depending on the plan's assumed interest rate, the amount of time between the date you return to work and the date you begin a buyback, and the length of the buyback payment period you elect.

**Estimated increase in monthly benefit payable at age 60 (or actual age if older)

Buyback for Previous UCRP Membership

A UCRP member who leaves UC employment and receives a refund of UCRP accumulations forfeits all UCRP benefits based on prior service. Upon returning to UC and UCRP membership, the member has the option of making payment(s) to reestablish service credit for the previous period.

Please note that you may not have contributed to UCRP during part or all of your employment if you were a UCRP member during either of the following periods:

- 7/1/66–6/30/71*; or
- 11/1/90 or later

If you made no contributions to UCRP during the entire period of your previous employment—and, therefore, received no refund of UCRP accumulations—no payment is required. Likewise, if your previous UCRP membership was in Tier Two, you made no contributions to UCRP, and no payment is required.

However, if you contributed to UCRP during any part of your earlier employment and you received a refund of your UCRP accumulations, you cannot receive credit for any portion of the service unless you make payment through buyback. For example, if your earlier period of employment was from 1985 to 1995, you may have received a refund of your UCRP accumulations in, for example, 1996. While there were no required UCRP contributions from November 1, 1990 through 1995, you continued to earn interest on your earlier contributions, and your refund would have included both the contributions and the interest earned up to the time of the refund. Therefore, you must make payment through a buyback of the refund of UCRP accumulations in order to receive service credit for the 1985 to 1995 period.

Please note that at the time you left UC, you may have received distributions from your UCRP accumulations (member contributions plus interest); and/or your Capital Accumulation Payment (CAP) balance. You may also have received a distribution from your Retirement Savings Program accounts (DC Plan, 403(b) Plan and/or 457(b) Plan). You may redeposit your UCRP accumulations when you return to UC and UCRP membership. However, you may not redeposit CAP, DC Plan, 403(b) Plan or 457(b) Plan distributions.

The Cost of a Buyback of Previous UCRP Membership

The cost of a buyback of previous UCRP membership depends on when you elect the buyback.

For redeposit elections made within three years of returning to University employment, the cost is the amount of the refund plus interest. Interest is computed using the Plan's assumed earnings rate at the time of the buyback election, currently 7.5 percent. Interest is charged from the date of the refund to the date payment is completed.

For redeposit elections made after three years of returning to University employment, the member cost is the Individual Actuarial Cost (see page 8). The example on page 11 compares the cost of buyback of previous UCRP membership within the three-year window and beyond the window.

* The period 7/1/66–6/30/71 is known as the noncontributory (Plan 02) period. See “To Eliminate the Noncontributory Offsets” on page 12.

**Redeposit of refunded accumulations inside vs. outside three year window—
Member age 60**

Member wants to redeposit contributions made during a four-year period of prior service, part of which is after 1990 (noncontributory)

Amount Refunded plus Interest Member is within three-year window

Service credit reestablished for period 1/1/88–12/31/91		Payment Options	
Service credit	4 years	Single sum:	\$15,111
Refund Amount	\$4,500	12 monthly payments:	\$1,309
Interest @ 7.5%*	\$10,611	24 monthly payments:	\$678
Total Cost Including Interest	\$15,111	36 monthly payments:	\$468
Benefits of Buyback		48 monthly payments:	\$364
<i>Estimated increase in monthly benefit payable at age 60 (or actual age if older) 4 years x 2.5% x HAPC (\$5,000 – \$133) = \$487</i>		60 monthly payments:	\$301

Individual Actuarial Cost Member is beyond three-year window

Service credit reestablished period 1/1/88–12/31/91		Payment Options	
Service credit	4 years	Single sum:	\$70,776
Current salary rate	\$5,000	12 monthly payments:	\$6,132
Actuarial Cost Factor (for member coordinated with Social Security)	29.49% of salary	24 monthly payments:	\$3,177
Actuarial Cost of Buyback: 12 x \$5,000 x 29.49% x 4	\$70,776	36 monthly payments:	\$2,194
Benefits of Buyback		48 monthly payments:	\$1,703
<i>Estimated increase in monthly benefit payable at age 60 (or actual age if older) 4 years x 2.5% x HAPC (\$5,000 – \$133) = \$487</i>		60 monthly payments:	\$1,410

* Amount of interest will vary depending on the plan’s assumed interest rate, the amount of time between the date you return to work and the date you begin a buyback, and the length of the buyback payment period you elect.

Buyback to Eliminate the Noncontributory Offsets

From July 1, 1966 until June 30, 1971, the University contributed to UCRP and active members earned service credit but were not required to make contributions unless they:

- had been members for at least one year, and
- had reached age 30.

Members who were under age 30 or had less than one year of service could choose to contribute during this period, although not many did.

This period is known as the noncontributory (Plan 02) period.

Beginning July 1, 1971, new members were required to contribute to UCRP. Continuing members were not required to contribute until they reached age 30.

Plan 02 Offset

If you did not contribute to UCRP during any part of the noncontributory period, a Plan 02 account was established to keep track of the contributions that would have been deducted from your paychecks if you had been a contributing member. The account has been maintained over the years, with interest computed at UCRP's assumed earnings rates.

When you retire, your benefit will be reduced by the amount in your Plan 02 account to reflect the contributions you did not make. This reduction is called the noncontributory offset or Plan 02 offset. Your retirement benefit will be calculated to reflect the offset in two ways:

- A. Basic retirement income is calculated based on your total service credit. The Plan 02 offset is then calculated (see "How the Plan 02 Offset Is Derived," above right) and subtracted from your basic retirement income.
- B. Your service credit is reduced by the noncontributory service and then basic retirement income is calculated.

Your benefit is the greater of A or B. See an example of the calculations on page 13.

How the Plan 02 Offset Is Derived

The Plan 02 offset is derived by dividing your Plan 02 account total as of your retirement date by a life expectancy factor—called the single premium factor or SPF—for your age at retirement. The SPF is subject to change periodically, based on UCRP actuarial assumptions.

The amount of the offset varies greatly according to the individual case. In general, the longer you worked without contributing to UCRP, the higher the Plan 02 account total and the greater the offset.

Leaves during the Noncontributory Period

If you went on leave, including military leave, during the period July 1, 1966 through June 30, 1971, you earned service credit even though neither you nor the University contributed to UCRP during your absence. At retirement, your benefit will be reduced to account for the total contributions that would have been made by you and the University if you had been a contributing member, plus interest that would have been earned. This reduction is called the leave offset.

Buyback to Eliminate Plan 02 and/or Leave Offsets

If you are an active UCRP member, you can eliminate the Plan 02 and/or leave offset through buyback at any time.

Eliminating the Plan 02 or leave offset may increase your future UCRP retirement income or lump sum cashout.* It may also increase benefits paid after your death to your spouse, domestic partner or other eligible survivor.

For more information about your UCRP benefits, see the appropriate summary plan description.

* The buyback will increase retirement income, lump sum cashout, and postretirement survivor income payable from UCRP unless the benefit exceeds the maximum allowable benefit. See the appropriate summary plan description based on UCRP member classification. The noncontributory offsets do not affect UCRP disability benefits or eligibility for UC-sponsored medical and dental coverage.

Cost of Buybacks

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

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

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

Example: In the following example, basic retirement income is calculated at age 60 for a member with ten years of noncontributory (Plan 02) service. The member's retirement benefit is calculated in two ways, with the member receiving the higher amount.

UCRP membership date:	7/1/70 (age 20)	Age factor for age 60:	.0250
Noncontributory service credit:	10 years	Average Salary (HAPC*):	\$5,400
Plan 02 total 7/1/10:	\$80,088	SPF** for age 60:	154.20
Retirement date:	7/1/10 (age 60)	Social Security:	not covered
Total service credit:	40 years		

A. With noncontributory service credit and offset

$$40 \text{ years (service credit)} \times .0250 \text{ (age factor)} \times \$5,400 \text{ (HAPC)} = \$5,400 \text{ basic retirement income}$$

$$\$80,088 \text{ (Plan 02 total)} \div 154.20 \text{ (SPF @ age 60)} = \$519.38 \text{ (Plan 02 offset)}$$

$$\$5,400 \text{ (basic retirement income)} - \$519.38 \text{ (Plan 02 offset)} = \$4,880.62 \text{ monthly benefit}$$

B. Without noncontributory service credit and offset

$$30 \text{ years (service credit)} \times .0250 \text{ (age factor)} \times \$5,400 \text{ (HAPC)} = \$4,050 \text{ basic retirement income and monthly benefit}$$

The member receives the greater benefit (A), or \$4,880.62 per month.

If Offset is Eliminated Through Buyback

If the member elects to eliminate the offset, the buyback cost is \$80,088 as of 7/1/10, plus interest to the date payment is completed. The monthly retirement benefit will be as follows:

$$40 \text{ years (service credit)} \times .0250 \text{ (age factor)} \times \$5,400 \text{ (HAPC)} = \$5,400 \text{ basic retirement income (unreduced)}$$

* HAPC = Highest average plan compensation

** SPF = Single premium factor

Payment Options

Single sum:	\$80,088
12 monthly payments:	\$6,939
24 monthly payments:	\$3,595
36 monthly payments:	\$2,482
48 monthly payments:	\$1,927
60 monthly payments:	\$1,595

The example is based on UCRP provisions and actuarial assumptions as of July 2009, which are subject to change.

Paying for a Buyback

Active UCRP members who elect a leave buyback have several payment options, subject to the Internal Revenue Code (IRC) Section 415(c) annual limit on contributions to a defined benefit plan (\$49,000 for 2009).

Your buyback election is a binding contract, and cannot be changed or cancelled. You are strongly encouraged to consult a financial or tax advisor before electing a buyback.

The payment options include:

- **Pretax payroll deduction for up to five years.** Members may choose to pay for the buyback through payroll deductions from one to five years (full years only). Payments are made on a pretax basis—reducing your taxable income. If the purchase is associated with a Restricted Purchase Leave (see “Rules for Leave Buybacks,” page 6), you can purchase a maximum of five years of service credit with pretax contributions. You also must have five years of active participation in UCRP in order to complete such a purchase.
- **After-tax lump-sum payment in accordance with IRC limits.** Members may choose a single lump-sum, after-tax payment, subject to the IRC 415(c) annual limit. Please note that a lump-sum buyback payment may limit your ability to contribute to a DC Plan After-Tax account in the year you pay for the buyback. If the purchase is associated with a Restricted Purchase Leave (see “Rules for Leave Buybacks,” page 6), you can purchase a maximum of five years of service credit with pretax contributions. You also must have five years of active participation in UCRP in order to complete such a purchase.
- **Pretax trustee-to-trustee transfer from the UC Retirement Savings Program plans (DC Plan, 403(b) Plan, and/or 457(b) Plan).** Members may use money in their Retirement Savings Program accounts to pay for a buyback via a trustee-to-trustee transfer. Money may be transferred from

one or several accounts. For example, you may use only funds from your 403(b) Plan or a combination of funds from your 403(b) and DC Plans. If the purchase is associated with a Restricted Purchase Leave (see “Rules for Leave Buybacks,” page 6), you can purchase a maximum of five years of service credit with a trustee-to-trustee transfer from the DC Plan. You also must have five years of active participation in UCRP in order to complete such a purchase. However, if the trustee-to-trustee transfer is from the 403(b) Plan and/or the 457(b) Plan, the limitations are waived. The trustee-to-trustee transfer payment option is not available for Plan 02/leave offset elimination or Tier Two conversion.

- **Rollover from an eligible plan** (including UC and outside plans) such as a tax-qualified 401(a), 401(k), 403(b) or governmental 457(b) plan, provided the member is eligible to take a distribution from that plan. (Rollovers directly from Individual Retirement Accounts (IRA) cannot be used to purchase a buyback.) If the purchase is associated with a Restricted Purchase Leave (see “Rules for Leave Buybacks,” page 6), you can purchase a maximum of five years of service credit with a rollover contribution. You also must have five years of active participation in UCRP in order to complete such a purchase. The rollover from an eligible plan payment option is not available for Plan 02/leave offset elimination or Tier Two conversion.

You can use more than one payment option for a single buyback. For example, you can combine a pretax trustee-to-trustee transfer and an after-tax lump-sum payment for a single buyback purchase.

True-Up Policy

The cost of a buyback is related to your anticipated retirement benefit and is calculated based on your salary at the time you elect a buyback and certain actuarial assumptions about how much your salary will grow until your retirement. If you receive a

25 percent or greater salary increase within the first year after electing a buyback, the actual cost of your future retirement benefit will be significantly more than you are paying for your buyback. Because your buyback purchase no longer covers the actual cost of your future benefit, your buyback cost may be recalculated based on your new salary and your buyback payment may increase. If you do not pay the additional cost, the amount of service credit purchased will be prorated.

For example, a 60-year-old faculty member earns \$7,500 per month (\$90,000 per year) and in April, 2009 begins buying back a two-year leave using Individual Actuarial Cost. The lump sum cost of the buyback is \$53,082 and will increase the member's monthly retirement benefit by \$368. In September, 2009, the faculty member accepts a position as a dean with a 30 percent salary increase to \$9,750 per month (\$117,000). As a result of the salary increase, the member's anticipated retirement benefit will increase 30 percent. The buyback now increases the member's benefit by \$481 per month, and the member must pay for that additional increase in benefit. Therefore, the dean's buyback purchase would be recomputed, and the new cost would be \$69,007.

If You Leave the University

If you pay for your buyback on a monthly basis and you leave University employment before completing your buyback payments, you will receive proportional service credit or a proportional reduction in your Plan 02 or leave offset.

If you have made 12 or more monthly buyback payments, you may make a lump sum, after-tax payment to complete your buyback. You must make the payment within 60 days after leaving the University, and payment is subject to the IRC 415(c) annual limit (except if the payments represent a redeposit of prior employee contributions, plus interest).

If, for budgetary reasons, you are being laid off or involuntarily losing University employment, and if you can meet UCRP vesting requirements only through service credit buyback, you may be able to complete a buyback by making a one-time, lump-sum payment before you leave University employment. Your payment options may include a lump sum after-tax payment, a trustee-to-trustee transfer from the UC 403(b) or 457(b) Plan, or a rollover from a UC plan or another qualified plan. If you are in the process of buying back service credit, you may complete the buyback with a one-time, lump-sum, after-tax payment made within 60 days after leaving the University.

Is a Buyback the Best Place for Your Money?

Buying back UCRP service credit is an investment and may increase your UCRP benefits that are based on service credit. By evaluating your cost and estimated benefit, you can decide if a buyback is an investment you want to make.

Unlike many investments, electing to buy back UCRP service credit is an irrevocable decision. Once you make the commitment, you can't cancel it unless you leave University employment, and you cannot change the amount or duration of the payments.

Before you make the investment, estimate how much the buyback will increase your monthly pension or lump sum cashout and estimate how long it will take to recoup your cost once you retire. See the example below:

Example

Say the buyback cost (investment) is \$2,880. The buyback will increase the member's retirement benefit at age 60 by an estimated \$80 per month (return).

Total cost ÷ Monthly age 60 benefit increase = Months to recoup cost

$\$2,880 \div \$80 = 36$ months.

If you retire at age 60, it will take 36 months to recoup the buyback cost. Three years after retirement, the buyback has paid for itself.

Your Buyback Total cost ÷ Monthly age 60 benefit increase = Months to recoup cost

_____ ÷ _____ = _____ months

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

Other Considerations

Lump Sum Cashouts

If you are considering a lump sum cashout, you should do a similar comparison of the cost of a buyback with the expected increase in your lump sum cashout. In general, you are more likely to increase your future lump sum cashout if you elect a buyback within three years of returning to employment, there by paying the Plan Normal Cost, which is generally less costly than the Individual Actuarial Cost.

Section 415 Limits on Benefits

Internal Revenue Code 415(b) limits the maximum annual amount that a defined benefit plan such as UCRP can pay to any individual. In some cases, proceeding with a buyback may result in your benefit exceeding the IRC limit. In that circumstance, benefits from the University of California 415(m) Restoration Plan generally make up the difference between the amount UCRP can pay under IRC 415(b) and your earned benefit. The 415(m) Restoration Plan is not identical to UCRP: it is paid from the general assets of the University, not funded from UCRP trust assets; it has different payout options; and it is subject to termination by the Regents. See the *IRC 415 Factsheet* for more information.

Benefit Higher (or Lower) Than the Estimate

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

Cost-of-Living Adjustments (COLAs)

All UCRP monthly benefits are eligible for COLA increases each year, based on a percentage of the benefit. If you increase a benefit through buyback, you also increase any COLA payable.

Survivor Benefits

If your death occurs after you retire (or while you are eligible to retire), buyback may increase benefits payable to your surviving spouse and/or any other person you name as your contingent annuitant.

Disability Income

If you become eligible for UCRP disability income before you retire, your buyback could increase your disability benefit, depending on your years of service credit. Buyback for previous UCRP membership will help you meet the minimum service credit requirement for vesting purposes, but buyback for a leave will not. Payment to eliminate the noncontributory offset has no effect on disability income.

Medical and Dental Benefits

UCRP buyback may help you qualify to continue UC-sponsored medical and dental benefits after you retire, or may increase the UC contribution toward the monthly premiums. For more information, see the *UC Group Insurance Eligibility Factsheet*, available on the At Your Service website (atyourservice.ucop.edu).

No Guarantees

A buyback increases future retirement benefits unless you reach the maximum allowable benefit payable from UCRP. If you leave University employment or die before becoming eligible to retire, you/your survivors may not benefit from a buyback. Because a buyback election is irrevocable, no refunds will be granted.

Could You Get a Better Return Elsewhere?

Rather than investing in a UCRP buyback, you could invest the same money elsewhere. For example, you could deposit the amount of the monthly buyback payment in a savings account at your bank. Or you could have contributions taken from your paycheck and placed in one of the UC Retirement Savings Program plans. For comparison purposes, contributions to the 403(b) Plan or the 457(b) Plan are most similar to buyback payments in that your deductions are taken on a pretax basis. How would the returns compare to the UCRP buyback benefit? See “Comparing Investment Returns” below for an example of how one buyback investment compares with other investments.

Comparing Investment Returns

A 31-year old member is considering a buyback with monthly payments of \$100 per month for four years for a total cost of \$4,800. If she invested the same \$100 per month in other ways, would she get a better return when she retires at age 60?

Buyback	Bank Savings Account	403(b) Plan/457(b) Plan
\$100 per month for 48 months	At 2% interest, her total at the end of 48 months = \$4,991 At 2% interest, her total at age 60 = \$8,188 with taxes due on interest earned each year	At 6% annual earnings, her total at the end of 48 months = \$5,392 At 6% annual earnings, her total at age 60 = \$23,142 with taxes deferred until she takes a distribution
Retirement benefit increases \$50 per month	At retirement, purchase annuity with \$61 monthly payout	At retirement, purchase annuity with \$170 monthly payout

Your Investment—Comparison Worksheet

A UCRP buyback is different from most other investments. Only UCRP provides additional benefits (see “Other Considerations” on pages 16–17). Only a UCRP buyback requires an irrevocable commitment from you, the investor. You cannot stop paying for a buyback whereas you can discontinue deposits to a

savings account or contributions to the 403(b) Plan or 457(b) Plan at any time.

In spite of these differences, a comparison can be worthwhile as part of your evaluation.

Use this worksheet to compare the anticipated investment returns from a UCRP buyback to another investment vehicle of your choice.

UCRP buyback

Enter the figures for your proposed buyback. Items A, B, and C are on your Buyback Calculation.

A. Enter your monthly buyback payment. A. \$ _____

B. Enter your buyback payment period. B. _____ years

C. Enter the estimated increase in your age 60 UCRP retirement benefit. C. \$ _____

D. Add your current age and the buyback payment period on line B.

_____ + _____ = D. _____ years
 age line B

E. Subtract line D from 60 to determine the number of years from completion of payment to age 60.

60 - _____ = E. _____ years
 line D

Alternate investment vehicle

1. Select an interest rate. (See page 20.) 1. _____%

2. From Table I, find the factor for the interest rate on line 1 and payment period from line B. 2. _____

3. Multiply the factor on line 2 by the monthly payment on line A.

_____ X _____ = 3. \$ _____
 line 2 line A

This result is the estimated savings balance at the end of the payment period.

Projecting your savings balance to age 60

4. From Table II, find the factor for the interest rate on line 1 and years to age 60 from line E. 4. _____

5. Multiply line 3 by line 4.

_____ X _____ = 5. \$ _____
 line 3 line 4

This is your projected balance at age 60.

Converting savings to lifetime income

6. Multiply line 5 by .995 (California premium tax is 1/2% or .005).

$$\begin{array}{r} \text{-----} \\ \text{line 5} \end{array} \times .995 = 6. \$ \text{-----}$$

This is the estimated amount upon which your monthly income will be based.

7. Divide line 6 by 133.8 (estimated annuity factor for age 60)*

$$\begin{array}{r} \text{-----} \\ \text{line 6} \end{array} \div 133.8 = 7. \$ \text{-----}$$

This is the estimated monthly income you could receive based on your savings.

Comparing investment returns

8. Compare the investment returns from your alternate investment vehicle to your UCRP buyback (line C on page 19):

$$\begin{array}{r} \text{-----} \\ \text{line 7} \end{array} \text{ vs. } \begin{array}{r} \text{-----} \\ \text{line C} \end{array} \text{ plus COLA and additional benefits}$$

* Annuity factor for age 60 is estimated at 133.8. Annuity factors are based on life expectancy tables as well as market conditions, and therefore fluctuate frequently.

Choosing an interest rate: The rate represents the average interest you assume your savings will earn over time. You may want to make several estimates based on various interest rates. For each estimate, use the same interest rate throughout (steps 2 and 4).

Tax implications are mentioned only briefly in this booklet—although their impact can be significant. Generally, UCRP pre-tax buyback payments and 403(b) or 457(b) contributions reduce your current taxable income. Taxes are not payable until you retire and begin receiving your benefits.

Deposits to your savings account, on the other hand, do not reduce your current taxable income. In addition, taxes on any interest earned are due each year.

Making Your Decision

Only you can decide if a buyback is an investment you want to make. This booklet has posed some important questions—but you may have additional concerns.

At Your Service can help: atyourservice.ucop.edu

At Your Service offers an interactive modeling program that may help you with your buyback decision.

- **UC Retirement Plan Benefit Estimator** allows you to estimate UCRP retirement income based on information you provide.

We recommend that you discuss your investment options and tax situation with a qualified investment advisor.

Table I—Simple Interest Table

Years	2%	4%	6%	8%	10%
1	12.11	12.22	12.33	12.43	12.54
2	24.46	24.93	25.39	25.86	26.34
3	37.06	38.14	39.24	40.37	41.51
4	49.91	51.89	53.92	56.03	58.20
5	63.02	66.18	69.49	72.94	76.56

Table II—Compound Interest Table

Years	2%	4%	6%	8%	10%
1	1.0200	1.0400	1.0600	1.0800	1.1000
2	1.0404	1.0816	1.1236	1.1664	1.2100
3	1.0612	1.1249	1.1910	1.2597	1.3310
4	1.0824	1.1699	1.2625	1.3605	1.4641
5	1.1041	1.2167	1.3382	1.4693	1.6105
6	1.1262	1.2653	1.4185	1.5869	1.7716
7	1.1487	1.3159	1.5036	1.7138	1.9487
8	1.1717	1.3686	1.5938	1.8509	2.1436
9	1.1951	1.4233	1.6895	1.9990	2.3579
10	1.2190	1.4802	1.7908	2.1589	2.5937
11	1.2434	1.5395	1.8983	2.3316	2.8531
12	1.2682	1.6010	2.0122	2.5182	3.1384
13	1.2936	1.6651	2.1329	2.7196	3.4523
14	1.3195	1.7317	2.2609	2.9372	3.7975
15	1.3459	1.8009	2.3966	3.1722	4.1772
16	1.3728	1.8730	2.5404	3.4259	4.5950
17	1.4002	1.9479	2.6928	3.7000	5.0545
18	1.4282	2.0258	2.8543	3.9960	5.5599
19	1.4568	2.1068	3.0256	4.3157	6.1159
20	1.4859	2.1911	3.2071	4.6610	6.7275
21	1.5157	2.2788	3.3996	5.0338	7.4002
22	1.5460	2.3699	3.6035	5.4365	8.1403
23	1.5769	2.4647	3.8197	5.8715	8.9543
24	1.6084	2.5633	4.0489	6.3412	9.8497
25	1.6406	2.6658	4.2919	6.8485	10.8347
26	1.6734	2.7725	4.5494	7.3964	11.9182
27	1.7069	2.8834	4.8223	7.9881	13.1100
28	1.7410	2.9987	5.1117	8.6271	14.4210
29	1.7758	3.1187	5.4184	9.3173	15.8631
30	1.8114	3.2434	5.7435	10.0627	17.4494



How to Make a Buyback Purchase

1. Obtain an Estimate

- Complete the *Service Credit Buyback Information Request* form (UCRS 169) available from your Benefits Office and obtain the required records noted on the form.
- Ask your local Benefits Office to estimate the cost and payment options for your buyback (based on your completed UCRS 169). Also ask your Benefits Office for an estimate of the approximate benefit you would receive at retirement with and without the buyback. This information should give you a good indication of whether the buyback is financially feasible for you and whether it will be a good investment.

2. Request a Formal Buyback Calculation

- If you are still interested in a buyback, make photo copies of the UCRS 169, documentation and buyback estimate for your records.
- Send the original UCRS 169, along with your documentation and your buyback estimate, to:
UC Retirement Administration Research Unit
P.O. Box 24570
Oakland, CA 94623-1570

3. Review Your Election Materials

- Within 60 days after receiving your request form, UC Retirement Administration will send you a buyback election packet. The packet will include your buyback cost, payment options, and a buyback election form.
- When you receive the packet, talk with your financial advisor and consider your decision carefully. Remember that your buyback election, once submitted, is irrevocable.
- Submit your election form within 30 days of receipt to avoid additional interest charges.
- If you choose the trustee-to-trustee transfer or rollover payment options, be sure to submit the requested forms to the appropriate institutions within the same 30-day period.

Neither the Regents of the University of California 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 contributions should not be construed in any respect as judgment regarding the prudence or advisability of such investments or as tax advice.

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Website address: atyourservice.ucop.edu



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