

UCRP Service Credit Buyback Provisions Expanded

Beginning May 1, 2009, The Regents approved new repayment provisions for buyback of UC Retirement Plan (UCRP) service credit for leaves of absence and redeposit of contributions by active employees. They also approved other changes to expand the election period and the amount of leave time that can be purchased.

What's New?

1. Repayment Options

Active employees (on UC pay status in an eligible appointment) will have several new options for completing a buyback or redeposit payment including:

- A trustee-to-trustee transfer of funds to UCRP from the UC plans—DC Plan, the 403(b) Plan or the 457(b) Plan.
- Direct rollover from a non-UC eligible plan, such as a tax-qualified 401(a), 401(k), 403(b) or governmental 457(b) plan, provided the employee would be eligible to take a distribution under the provisions of the source plan. (For example, a 403(b) participant generally cannot take a distribution until separation from service by the employer sponsoring the plan or reaching age 59 ½.)
- No taxes or penalties would apply to the UCRP buyback made with a trustee-to-trustee transfer or direct rollover.
- Expanded opportunities for after-tax lump sum payment.

2. Other Changes

The Regents also approved other changes that will expand buyback opportunities for employees. These expanded opportunities include:

- Ability to buy back more than two years of service credit. Previously, buybacks for leaves beginning on or after July 1, 1997 were limited to the purchase of no more than two years of service credit. Member cost of the buyback for the first two years of the leave would continue to be the normal plan cost. However, member cost to purchase service credit beyond the first two years would be based on individual actuarial cost.
- Ability to elect a buyback outside a three-year period. A buyback election within three years of returning from leave continues to be based on the Plan normal cost, and a redeposit election made within three years of reemployment continues to be based on the refunded amount plus interest. Leave buyback and redeposit elections made more than three years after returning from leave or reemployment will be permitted and will be based on an individual actuarial cost calculation.
- Ability to purchase part of a leave period. Currently employees who wish to buyback service credit for a leave must purchase the full leave period, up to two years. The changes allow purchase of part of a leave in full-year increments and purchase of more than two years of service.
- Flexible repayment period. Employees not choosing to purchase with a lump sum payment may pay for the buyback through pre-tax salary reduction over a period less than the full

leave period and up to a maximum period of five years. For leaves of more than one year, employees must buy back service credit in full-year increments.

What's Staying the Same?

3. Key Provisions for Leave Buybacks and Redeposites to Remain Unchanged

- Available only to active UCRP Members
- Buyback election for leave made within three-year window, use Plan Normal Cost
- Minimum leave buyback is four consecutive weeks
- Military, sabbatical, and extended sick leaves and leaves that began before July 1, 1997 are not subject to a maximum limit
- Consecutive leaves are considered one leave; a return to UC employment signals the end of a leave
- Redeposit election made within three-year window, cost is amount refunded, plus interest

How Much Will It Cost?

4. Leave Buyback Costs

Leaves beginning before July 1, 1997: Member cost is based on Plan Normal Cost if election is made within three years of returning from leave, and individual actuarial cost if election is made after three years of returning from leave.

Leaves beginning on or after July 1, 1997: Election made within three years of returning from leave, the Member cost is based on Plan Normal Cost for first two years of leave, and individual actuarial cost for any additional period of leave.

Leaves beginning on or after July 1, 1997: Election made after three years of returning from leave the Member cost is based on individual actuarial cost.

Note: Depending on the Member's age, the actuarial cost is likely to be more costly for the Member.

The total 2009 Plan Normal Cost is:
Members with or without Social Security: 17.50%
Safety members: 21.54%
Tier Two members: 8.75%

For example: As active UCRP Member with Social Security electing a leave buyback within three year window

Salary: \$5,000 per month
Length of leave: 6 months
 $\$5,000 \times .1750 = \875.00
 $\$875.00 \times 6 \text{ months} =$
 $\$5,250.00$ UCRP buyback cost

For this Member, the cost to establish six months of service credit is \$5,250.00, plus interest (currently 7.5% to date of payment).

Note: Not all examples of leave buybacks are included.

5. Redeposits (Prior UCRP Membership)

Elections made within three years of returning to University employment, the Member cost is the amount refunded plus interest. Elections made after three years of returning to University employment, Member cost is individual actuarial cost.

6. Eliminating the Noncontributory Offsets or Plan 02

The three-year window does not apply. Member pays their plan 02 balance, plus interest.

How to Request a Buyback Estimate?

Employees who are interested in obtaining a buyback estimate after reading this communication should read The UCRP Buyback Booklet available on the At Your Service website (http://atyourservice.ucop.edu/forms_pubs/misc/ucrp_buyback.pdf). For additional information regarding the buyback process, contact the Retirement Administration Service Center (RASC) Customer Service Center, Monday to Friday, 8:30 a.m. to 4:30 p.m., PT. Or, employees can submit an inquiry using the RASC Online Form (<https://secure.ucop.edu/secureapps/ays/csform.html>).

To obtain a buyback estimate, employees must submit a completed Service Credit Buyback Information Request UCRS 169 form obtained from RASC along with required supporting documentation, such as Personnel Action Form (PAF), Personnel Action Notice (PAN), or other equivalent authorized documentation showing inclusive dates, salary, and appointment rates obtained from their department's HR or Payroll administrator to: (RASC) – Retirement Services, University of California, P.O. Box 24570, Oakland, CA 94623-9911.

Summary of Changes

A chart of the new UCRP service credit buyback provisions are on HRWEB at:

http://hrweb.berkeley.edu/files/attachments/Summary_UCRP_Buyback_Changes_2009-05.pdf