

HR/Benefits Review

News for University of California Faculty and Staff

March 2004

New beneficiary designation process

Employees urged to designate insurance beneficiaries using new process

We're pleased to announce a new online process for naming retirement and insurance plan beneficiaries, available in late March 2004.

Currently, each location maintains insurance beneficiary designations, and UC HR/Benefits maintains retirement plan designations. The process of centralizing designations will allow you to manage your beneficiary designations and allow the University to expedite beneficiary payments.

Retirement plan beneficiaries

The new online process will allow you to review your beneficiary designations at any time, and to name or change your beneficiary as necessary for retirement and savings plans.

Insurance plan beneficiaries

UC employees may also name or change their beneficiaries online for all UC-sponsored life insurance programs including Basic and Supplemental Life, Accidental Death and Dismemberment (AD&D), Senior Management Life, and Business Travel Insurance.

How to designate beneficiaries

To take advantage of this new process, log on to the At Your Service website (<http://atyourservice.ucop.edu>) and select

“Your Benefits Online” on the right side of the home page. You’ll find a link—“View Your Beneficiaries”—under both “Your Money” and “Your Health & Welfare.”

A new paper form has been developed for those who can’t use the online application. Forms will be available from your department, the local Benefits Office, or UC Customer Service Center (1-800-888-8267).

Designate retirement and insurance beneficiaries using the new process

When you go online you will see any primary beneficiaries that you designated for the retirement plan. However, you will not see any insurance beneficiaries or secondary retirement beneficiaries previously designated.

You should review your retirement beneficiary designations for accuracy and designate insurance beneficiaries. By 2006, we plan to obsolete any beneficiary designations not submitted using the new process and to base beneficiary payments on order of succession unless designations have been identified through the new process.

Review your beneficiaries regularly

Please remember to review your designations periodically and to change your designations if you’ve had a major life event—marriage, divorce, birth of a child, or a death. ▲

For related articles, see page 3

UC and the State Budget

For the most current update on the proposed state budget and its impact on the University, go to UC’s online Budget News site. The budget process is in the early legislative phase, so check the site regularly for developments.

(www.universityofcalifornia.edu/news/budget)

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New investment options available in April

As we reported in the December, 2003 *HR/Benefits Review*, two new UC-managed investment options will be available to participants in the Defined Contribution Plan and Tax-Deferred 403(b) Plan beginning in April: the TIPS (Treasury Inflation-Protected Securities) Fund and the Balanced Growth Fund (replacing the Multi-Asset Fund). The Money Market Fund will be closing and assets will be merged into the Savings Fund. Letters explaining what will happen to their balances in the Money Market Fund or the Multi-Asset Fund have been mailed to employees with balances in those funds.

The new funds

The new Treasury Inflation-Protected Securities Fund (TIPS Fund) is composed of United States Treasury Bonds whose principal will be adjusted for changes in the Consumer Price Index. The TIPS Fund will be a stand-alone investment option as well as a component of the new Balanced Growth Fund.

The Balanced Growth Fund is a blended fund composed of three UC funds with an allocation of 65 percent Equity Fund, 30 percent in the Bond Fund and 5 percent in the new TIPS Fund. The Money Market Fund and Savings Fund will not be part of the Balanced Growth Fund.

If you want to invest in the TIPS or Balanced Growth funds

If you want to direct future contributions to either fund, you can do so beginning with your April earnings. In order to contribute your April earnings, you must request a change before your local payroll deadline in April.

If you want any of your existing Defined Contribution Plan (DC Plan) or 403(b) Plan balance to be transferred into the Balanced Growth Fund or the TIPS Fund, you may do so now by logging onto At Your Service and choosing "Your Benefits Online." Transfers made by March 25 will be processed in April.

Because of processing time, your 403(b) Plan or DC Plan balances may not reflect your changes for a month or more. For example, transfer requests are processed once each month, and the cutoff date for processing transfers is the 25th of the month. If you request a transfer between March 26 and April 25, it will usually be reflected in your account balance around May 21, with an effective date of May 1. ▲

TIPS Fund Profile

Fund Objective

To provide total return and inflation-protection consistent with an investment in U.S. Government inflation-indexed securities.

Risks

The value of the TIPS Fund is subject to the effects of changes in market interest rates caused by factors other than inflation. Generally, when real interest rates rise, the value of inflation-indexed securities will fall and the fund's share value will decline. Interest rate risk should be moderate for the fund. The greatest risk occurs when interest rates rise and inflation declines.

In general, investors should expect the fund's unit price and total return to fluctuate within a wide range.

Performance

Between 1998 and 2002, the Lehman U.S. TIPS Index (the fund's performance benchmark) has posted annual returns as low as 2.38 percent and as high as 16.57 percent.

Benchmark

Lehman Brothers U.S. TIPS Index

Who may want to invest?

Participants with a long-term investment horizon and/or those who want protection from the effects of inflation. Please note, however, that fluctuations in the market can cause the Fund's unit value to increase or decrease, and a period of sustained deflation could cause the Fund's value to fall.

Balanced Growth Fund Profile

Fund Objective

To provide long-term growth and income through a balanced portfolio of equity and fixed income securities held within UC-managed funds.

Risks

The component funds that make up the Balanced Growth Fund are subject to the broad market risk of fluctuating prices, which can potentially reduce the value of an investment. The Balanced Growth Fund seeks to moderate risk by investing in three separate funds.

In addition, the risks include:

- Individual stocks and bonds will vary in value according to factors related to a company's own performance.
- Fixed income holdings carry the risk that a company will be unable to repay its debt obligations. In addition, as interest rates rise, the value of fixed income investments normally falls.
- TIPS may lose value during periods of deflation.
- Foreign securities may carry greater risk than domestic securities for a variety of reasons such as increased political risks, smaller markets, higher transaction costs, less rigorous accounting and reporting standards for corporations, and changes in currency rates vs. the U.S. dollar.

Performance

With a more aggressive asset allocation mix than the Multi-Asset Fund, the Balanced Growth Fund's performance is likely to closely mirror the performance of the University of California Retirement Plan (UCRP).

Benchmark

Weighted sum of the benchmarks of the Equity, Bond and TIPS Funds.

Who may want to invest?

Investors at all points in their careers who are seeking growth with moderate market fluctuations. Investors with longer time horizons looking to maximize principal growth to fund retirement may want to use this Fund.

Changes to UCRP Retirement Plan

In January 2004, The Regents approved a change to the line of succession of beneficiaries for the University's retirement plans (UCRP, the UC 403(b) Plan, and the UC DC Plan) to include siblings. This change now aligns the succession of beneficiaries for the retirement plans and the life insurance plans. In the coming months, UC HR/Benefits will revise its procedures and communications to reflect this change.

Addition of siblings as eligible beneficiaries

If a plan member does not name a beneficiary, or the beneficiary designation is no longer effective, the person or persons (on a share and share alike basis) in the first of the following categories will be the beneficiary:

- legal spouse or domestic partner;
- child or child(ren);
- parent or parents;
- sibling or siblings.

Be sure to update/check your current beneficiary designations (see page 1). ▲

Fidelity Investments beneficiaries

If you have 403(b) Plan money with Fidelity Investments, you'll be pleased to know that Fidelity also has an online service to name or change your beneficiaries. The Online Beneficiaries Service, available through Fidelity NetBenefits, is a convenient process that takes just minutes.

For direct access, log on at <https://netbenefits.fidelity.com> and select "Beneficiaries" in the "My Profile" section. You can designate or update your beneficiary(ies) for your 403(b) account and receive instant online confirmation.

You can also access NetBenefits from the At Your Service website. Select "Your Benefits Online" on the right side of the home page. Under "Your Money," select the link to Fidelity Investments and log on under "Fidelity NetBenefits." Please note that UC maintains beneficiary designations for DC Plan investments at Fidelity. ▲

An overview of the University of California Retirement Plan

One of the most generous benefits of UC employment is the University of California Retirement Plan (UCRP). It is a defined benefit plan, meaning that when you retire (given you have met certain criteria) you are eligible to receive a specific amount based on your age at retirement, salary history and years of service. Close to 40,000 people received UCRP-funded benefits in 2003 totaling over \$1 billion. Where does this money come from?

UC Management

UC created UCRP in 1961 and funded it with employer and employee contributions. As of January 1, 2004, it is valued at over \$38 billion. This large pool of assets is managed by UC's Office of the Treasurer according to policies established by the Investment Committee of The Regents. UCRP's long term return has exceeded expectations, and the Plan is presently well situated to pay future benefits, alleviating the need for member contributions at this time.

Asset Allocation

In an effort to maximize growth while assuming appropriate levels of risk, The Regents adopted an asset allocation policy in 2000. UCRP's policy is to hold a pool of equity and fixed income securities diversified (as indicated) among the following asset classes: 53 percent U.S. Equity, 7 percent Non-U.S. Equity, 30 percent Fixed Income, 5 percent Private Equity and 5 percent Treasury Inflation-Protected Securities (TIPS). The policy is designed to aid UCRP in meeting its investment objectives over the long term, despite fluctuating market conditions.

Recovering Losses

The value of the assets as of January 1, 2004 is actually *greater* than on July 1, 2001, even after adjusting for the \$2.4 billion paid out to beneficiaries during that period. Despite the recent bear market, the Plan is recovering losses

incurred due to the burst of the internet/tech bubble. In fact, over the past 12 months, UCRP's total return was 22.2 percent. The Regents, in conjunction with the Office of the Treasurer, continue to seek ways to improve UCRP's structure. During fiscal year 2003-2004, a 5 percent allocation to Real Estate will be incorporated to enhance diversification.

Future Contributions

It is important to note that UCRP's funding status (percentage above or below its ability to meet payment obligations) is determined by a combination of two elements, both of which may fluctuate: 1) the value of the investment portfolio, and 2) the expected liability (payment obligation) stream. Historically, liabilities tend to increase and the asset value has fluctuated along with fluctuations in the securities markets. Because of the complexity of the interaction of these elements, actuarial studies are done on a regular basis to determine the Plan's ability to pay its obligations. While the funded status of UCRP has allowed for the temporary suspension of contributions, studies have shown an increased likelihood of required contributions within the next several years.

Additional Contributions Help for Retirement

Remember, UCRP benefits alone may not be sufficient to meet all of your retirement needs. Some of your retirement income may have to come from your own savings and investments, meaning much of your financial security after retirement will depend on decisions you make while you're still working. Consider participating in UC's Tax-Deferred 403(b) Plan, in which you elect to defer some amount of your salary (tax deferred) into available investments.

You can find more information on UCRP and UC's 403(b) Plan, including an interactive retirement benefits calculator, online at <http://atyourservice.ucop.edu>. ▲

Associate Vice President Boyette receives award recognizing UC's progress in providing employee benefits that champion equality

Judy Boyette, associate vice president for human resources and benefits, has been named the 2003 Out and Equal Champion for Workplace Equality. The award recognizes the University's efforts to provide workplace equality to lesbian, gay, bisexual, and transgender (LGBT) employees.

Boyette recently received the individual award "for a non-LGBT person who has played a pivotal role in championing equal treatment of LGBT employees on the job" from **Out and Equal™ Workplace Advocates**, a national organization devoted to the LGBT community in workplace settings.

Boyette was nominated for the award by UCSF Director of Lesbian, Gay, Bisexual, Transgender, and Intersex (LGBTI) Resources Shane Snowdon, former chair of the Universitywide LGBTI Association.

Snowdon said that Boyette's efforts, combined with those of UC's LGBTI organizations, have "placed UC at the very forefront of U.S. employers in terms of equal benefits. UC has largely equalized retirement benefits, sick leave policies and Family and Medical Leave Act provisions for same-sex couples, and extended health benefits to transgender employees."

Boyette said that the public recognition given to the University in receiving the award "furthers our efforts to achieve equality in all areas—and achieving equality isn't just possible, but it is the only acceptable result." ▲



Above: Judy Boyette (center, holding award statue) and Shane Snowdon (standing, second from far left, same row as Boyette), join staff and student members of the Systemwide UC LGBTI Association at the Irvine campus for a celebration of the University's award.

Inset: Judy Boyette and Alexander Vaughan, president of the **Out and Equal™** Board of Directors, at the recent awards ceremony in Minneapolis.

UC benefits for domestic partners

- *UC Retirement Plan survivor income*—for eligible same- and opposite-sex domestic partners, and partner's eligible child(ren) in some circumstances
- *Health and Welfare Benefits insurance coverage*—for eligible same-sex domestic partners, and partner's child(ren) or grandchild(ren)
- *Leave policies*—use of sick leave or Family and Medical Leave Act (FMLA) leave in case of illness or death of same- and opposite-sex partners or their children(ren)

For detailed plan provisions and rules, domestic partnership documentation and eligibility requirements, and enrollment procedures, see the *University of California Benefits for Domestic Partners* booklet, available online at <http://atyourservice.ucop.edu>.

Los Alamos National Laboratory also was recognized in 2003 by Out and Equal™ for "significant accomplishments," and was one of four finalists for an award. The LANL LGBTI Diversity Working Group, lead by Julie Johnston, and Diversity Office nominated the Laboratory in view of its expanded inclusive definition of "family," which recognizes domestic partners and their children, as well as for employee recruitment efforts in the LGBTI community.

Reminders

Maximize 403(b) Contributions

Sign up for or increase your Tax-Deferred 403(b) Plan contribution through the At Your Service website: select “Your Benefits Online—Begin/Change Plan Contributions.” The 2004 403(b) Maximum Annual Contribution Limit is \$13,000 if you are under age 50, and \$16,000 if age 50 or greater in 2004.

If you had at least 15 years of UC employment as of December 31, 2003, you may be able to qualify for the Special Catch-Up Provision that allows up to an additional \$3,000 contribution over and above the 2004 limit. Find more information online: select “Retirement & Savings” and “Tax-Deferred 403(b) Plan,” or check with your local Benefits Office. ▲

Dependent Care Reimbursement Account (<http://atyourservice.ucop.edu/employees/health/depcare>)

April 15, 2004: All 2003 DepCare claims must be received by SHPS, the company hired to administer the plan. Please note that the IRS requires that you forfeit any unclaimed money in your DepCare account after the claims deadline.

You may obtain a Reimbursement Claim form or an Electronic Funds Transfer (EFT) form (direct deposit) on the web (www.myshps.net/download.stm) or by calling SHPS (1-877-270-3915) directly. You may fax claim forms to SHPS at 1-502-267-2233. ▲

Lump Sum Payment for UCRP Service Credit Buybacks to Vest

Non-vested UCRP members who meet the eligibility requirements will be able to buy back service credit for eligible leaves of absence or a prior refund of accumulations in order to satisfy the UCRP vesting requirement. A buyback under this amendment is allowed only when the member is being laid off (as opposed to voluntary separation) or losing employment for budgetary reasons. The buyback can only be made with a lump-sum after-tax payment. Contact your local Benefits Office for more details. ▲

Evaluate your Need for Insurance

You may wish to consider the total cost of your UC-sponsored insurance plans and determine where you feel your dollars will be best spent.

- If you have accrued 30 days of sick leave, you might want to reduce the monthly cost of your Supplemental Disability insurance by increasing your waiting period. Remember that UC's disability insurance plan works in coordination with paid sick leave, so you must always use 30 calendar days of sick leave prior to disability benefits beginning, even if your waiting period is only seven days.
- If you're nearing retirement and have a large accrual of sick leave, you might consider discontinuing your Supplemental Disability coverage altogether.
- If your children are grown, you may want to reduce or discontinue any Supplemental Life insurance you have purchased.

Please be aware that some of these changes may be irreversible, so talk with staff in your location's benefits office who can help you evaluate your needs before you make changes. ▲

Health Care Reimbursement Account (HCRA) (<http://atyourservice.ucop.edu/employees/health/hcra>)

April 15, 2004: All 2003 HCRA claims for you, your legal spouse or your tax dependents must be received by SHPS, the company hired to administer the plan. Please note that the IRS requires that you forfeit any unclaimed money in your account after your claims deadline.

You may obtain a Reimbursement Claim form or an Electronic Funds Transfer (EFT) form (direct deposit) on the web (www.myshps.net/download.stm) or by calling SHPS directly (1-877-270-3915). You may fax claim forms to SHPS at 1-502-267-2233. ▲

What you can do to influence the cost of your UC-sponsored insurance

The cost of medical plans increased substantially for 2004 and all indications lead us to believe that we should expect the same type of increases for 2005. These double-digit increases, coupled with the State's budget deficit, will challenge UC to find creative solutions to ensure that all families have access to the best benefits possible. While UC can help by continuing to offer high quality plans, you may be asked to share a larger burden of the total cost of your health benefits.

Shouldering more of the cost may make you wonder what you can do to help reduce the burden. Here are some suggestions, which you may wish to evaluate:

Investigate wellness programs

Our UC-sponsored medical plans all offer wellness programs to help you maintain a healthy, active lifestyle. The quality of your health and level of wellness help contain plan costs for everyone.

You can explore the wellness offerings through our At Your Service website. You'll find not only the programs available from your plan, but can also get general ideas about wellness measures by exploring each medical plan's site. The plans offer some of the following options: exercise programs, weight control, nutrition, smoking cessation, health education, and disease management and help for chronic conditions such as asthma, diabetes, high blood pressure, and hypertension. If you do not have access to the internet, call your plan directly for details.

Consider your options for prescriptions

The increasing cost of prescription drugs continues to be the item which is most influencing the increase in our medical costs. You can help minimize this impact by talking with your doctor or pharmacists about generic alternatives to your brand name drugs. Not only will you save money, but it will reduce costs for our medical plans, helping to keep monthly premiums in check. If you take prescription medication on an ongoing basis, check with your plan about a Mail Service Prescription benefit which may offer multiple refills at a reduced copay.

If you are a Blue Cross plan member, you may obtain mail service prescription quantities through UC Medical Center pharmacies. Our At Your Service website also has details. Contact your local UC Medical Center pharmacy for details.

Evaluate your coverage

In the past couple of years, the University has provided a larger contribution towards the cost of your health care than to that of your spouse/same-sex domestic partner. If your spouse or partner has access to medical coverage through his or her own employer, you should evaluate whether keeping him/her on your plan is cost effective.

Stay informed

Changes in our health care system and on the federal and state legislative front will continue to have an impact on UC's benefit offerings. Things such as prescription drug coverage under Medicare may help UC reduce its costs, while state mandates such as California's recent "Pay or Play" law may increase costs. Being informed and participating in the legislative process through your elected officials ensures that you have a voice. ▲

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