

General Questions

1. Why is UC providing a CAP II allocation?

Due to the recent economic downturn and the resulting decline in state revenues, UC received significantly reduced state funding for 2001–2002 salary increases. To help offset these reductions, the UC Regents approved the CAP II. CAP II provides a supplement to University of California Retirement Plan (UCRP) retirement benefits for eligible employees.

2. What are the eligibility requirements for the allocation?

CAP II is provided to active UCRP members as of April 1, 2002, who received UC covered compensation (see question #3) during the previous 12 months. Active members include those on sabbatical or approved leave of absence. Inactive and retired members and those receiving UCRP disability income are not eligible.

3. How much is the CAP II allocation?

The CAP II allocation is equal to 3 percent of the member's eligible covered compensation earned and paid from April 2001 through March 2002. Covered compensation is used to calculate UCRP retirement benefits and is the gross pay that an active member is paid by UC for a regular and normal appointment. Covered compensation does not include pay for overtime or additional appointments. For a full definition of covered compensation, please refer to the *UCRP Summary Plan Description*.

4. Is the CAP II allocation taken from my paycheck?

No. UCRP funds the cost of this benefit.

5. When is my CAP II allocation vested?

A CAP II allocation is vested immediately. For example, if you received a CAP II allocation and left University employment on April 2, 2002, your allocation is vested. UC reserves the right to adjust a CAP II balance or completely revoke the allocation if it is later determined that a member was ineligible for the allocation.

6. If I buy back a leave that occurred between April 1, 2001 and March 31, 2002, will my CAP II allocation increase?

No. A buyback has no effect on a CAP II allocation.

7. If I receive a retroactive pay increase after the CAP II period is over, will my CAP II balance be adjusted?

No. A retroactive adjustment that is made after March 31, 2002 will not be included in the CAP II allocation. The CAP II allocation is based upon your eligible covered compensation earned and paid from April 2001 through March 2002.

Please note that every effort has been made to ensure accuracy of the initial calculation of CAP II allocations; however, there may be some instances in which members who do not meet the eligibility criteria receive allocations. Therefore, the final determination of eligibility for and the amount of the CAP II benefit will be made at the time of distribution.

8. My work appointment is less than 100 percent; will my CAP II allocation be based on a projection of my pay at full-time?

No. The CAP II allocation is based on compensation that is actually paid; for example, a member with a

50 percent appointment will receive a CAP II allocation based on 50 percent of full-time compensation.

9. How does the CAP II differ from my previous CAP allocations?

The five previous CAP allocations (April 1992 through July 1994) earn an annual percentage yield of 8.5 percent. The CAP II allocation accrues interest based on the UCRP assumed earnings rate (currently an annual percentage yield of 7.5 percent). This rate may change if and when The Regents approve a change to the UCRP assumed earnings rate.

For record-keeping purposes, the CAP and CAP II have separate UCRP plan codes (22 and 23, respectively) due to the different interest rates. For all CAP allocations, interest is posted monthly until the balance is distributed.

10. How will my CAP II balance be reported to me?

Your CAP II balance will be included in your UC Semi-Annual Account Statement mailed each February

and August. Additionally, you may access your combined CAP and CAP II balance at any time through:

- the UCbencom website (www.ucop.edu/bencom); select “Your Benefits Summary” or “UCRS Account Balances,” or
- [bencom.fone \(1-800-888-8267\)](tel:1-800-888-8267); select “Personal Accounts and Transactions,” and follow the prompts to request a Statement on Demand. Individual CAP and CAP II balances are also included in the Statement on Demand.

UCbencom and [bencom.fone](tel:1-800-888-8267) both require you to enter your Social Security number and UC PIN.

11. If the Regents change the CAP II interest rate, when would a change be effective and how will I be notified?

If The Regents approve a UCRP assumed earnings rate change, the CAP II interest rate will change the following January 1. Members will be notified via newsletters, local media, and the UCbencom website (www.ucop.edu/bencom). The total interest will be reflected on the UC Semi-Annual Account Statements.

Financial Questions

12. Will the CAP II allocation change the value of my UCRP monthly retirement income or lump sum cashout?

No. Just like the CAP, CAP II is a separate benefit that supplements your UCRP retirement income or lump sum cashout amount. It will be distributed to you after you elect UC retirement income or a lump sum cashout or if you are approved for UCRP disability income.

13. Can I choose how my CAP II allocation is invested?

No. The UC Treasurer’s Office invests the CAP II funds. There are no additional UC or non-UC investment options available for your CAP II allocation.

14. Does my CAP II allocation affect how much I can contribute to the Tax-Deferred 403(b) Plan?

No. The CAP II allocation does not factor into the Tax-Deferred 403(b) Plan contribution limit.

15. Can I borrow from my CAP and CAP II balance or withdraw the money in case of emergency?

No. Members are not allowed to borrow against their CAP and CAP II balance or withdraw their funds while actively employed at UC.

16. Is the CAP II allocation included when measuring my retirement benefit against the Internal Revenue Code §415(b) limits?

Yes. The CAP II allocation is part of your UCRP retirement benefit and is included in §415(b) calculations. If your UCRP benefits must be reduced, the reduction will apply to your monthly income rather than to your CAP II balance. For information about section 415(b), see UC's *IRC §415 Factsheet*.

Distribution Questions

17. Can I leave my CAP II on deposit with UC when I leave UC employment?

Yes, if you are a vested UCRP member.

A vested member is generally one who has earned five or more years of UCRP service credit and therefore is eligible for future UCRP benefits.

If you are not vested in UCRP when you leave UC employment, you must take a distribution of your entire CAP II and CAP, if applicable. However, you may roll your balance into UC's DC or 403(b) plan, provided your resulting balance is at least \$2,000.

18. When can I request a distribution of my CAP II allocation?

When you elect monthly UCRP retirement income, a lump sum cashout, or begin receiving UCRP disability income, you will be required to elect a CAP II and CAP distribution, if applicable, at the same time.

19. How do I request a distribution of my CAP II allocation?

When you elect monthly UCRP income or a lump sum cashout, your CAP II distribution will be part of the election process. If you are approved for UCRP disability income or you leave UC employment as a non-vested UCRP member, you will be required to complete a *Distribution Request—CAP Balance* (UBEN 142CAP) form.

20. Is the CAP II allocation taxable?

Yes. Any CAP payment is taxable income in the year you receive it as a distribution. When you leave UC employment, you may also elect a direct rollover to an Individual Retirement Account or to an employer's 401(a), 401(k), 403(b), or governmental 457 plan, including UC's DC or 403(b) plans. See the *Special Tax Notice for Plan Distributions* for additional details about your options, income tax withholding, and possible early distribution penalty taxes.

21. If I die before receiving my CAP allocation, what becomes of my allocation?

In the event of your death, your CAP allocation(s), like your other UC retirement account balances, are payable to your designated UCRP beneficiary.

By authority of The Regents, University of California Human Resources and Benefits, 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 (1-800-888-8267). 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, annuitants, 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. Contact your Human Resources Office for more information.

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 Director Mattie Williams, University of California Office of the President, 300 Lakeside Drive, Oakland, CA 94612 and for faculty to Executive Director Sheila O'Rourke, University of California Office of the President, 1111 Franklin Street, Oakland, CA 94607.

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University of California Retirement Plan (UCRP)

Frequently Asked Questions About the Capital Accumulation Provision II (CAP II)