10 QUESTIONS FROM THE RESIDENT AND FELLOW AFFAIRS COMMITTEE

UCSF RETIREMENT BENEFITS

Joe Hager, Senior Retirement Counselor from Fidelity Retirement Services®, answers resident and fellow questions about the UC Retirement Savings Program, retirement investing and planning. Joe joined Fidelity as a Sr. Retirement Counselor for UC in 2007. A registered securities representative, he holds a bachelor’s degree in economics from Boston University.

1) Is there money automatically being placed into my UCSF retirement account each month?
Yes, you are automatically enrolled in UC’s Defined Contribution Plan (the “DC Plan”). In lieu of contributions to Social Security, Residents and Fellows contribute 7.5% of each paycheck into the DC Plan, on a pretax basis.

2) What happens to the money in my retirement account? Is it automatically invested, and if so, how is the investment chosen?
You direct how your contributions are invested by setting an investment election for your contributions. If you don’t select investments, your contributions to your DC Plan account are automatically invested in the UC Savings Fund, one of the more conservative investments in the Plan.

3) What are my investment options within the UC Retirement Savings Program?
To help you meet your investment goals, the Program offers you a range of options. There is a variety of over 200 individual options available that allow you to diversity your investments across stocks, bonds and stable value options. The Core funds are a diverse group of investment options selected and monitored by the UC Office of the Treasurer. Expanded Core Fund choices are available for participants who may want to build their own portfolio, but are not monitored by the Office of the Treasurer. Other mutual funds are available through a self directed brokerage account.

To learn more about asset allocation and diversification, attend the “Building a Portfolio for any Weather” class.

4) What if I’m not sure where to invest?
The UC Pathway Funds, part of the UC Core Funds, let you make a single fund choice based on the year you expect to begin withdrawing money from the plan. The fund provides automatic reallocation based on the fund’s target date, growing more conservative as they near that retirement target date.

Note: The investment risks of each target date Pathway Fund change over time as the Fund’s asset allocation changes. Assets held in the Pathway Funds are subject to the volatility of the financial markets, including equity and fixed income investments in the U.S. and abroad and may be subject to risks associated with investing in high yield, small cap and foreign securities. Principal invested is not guaranteed at any time, including at or after their target dates.

5) What other opportunities do I have to save for retirement?
As an employee of the University of California, you can also participate in the other plans in the UC Retirement Savings Program: the Tax-Deferred 403(b) Plan and the 457(b) Deferred Compensation Plan. These plans are not available to students who normally work fewer than 20 hours per week. Additional information is available online www.ucfocusonyourfuture.com.
6) What is the difference between the 403(b) and 457(b) plans?
The key difference between the 2 plans is how you can access your money. It may boil down to when you expect to leave UC and the flexibility you need in access your money.

With the 403(b) Plan, you have access to the funds in your account while you are still employed via a loan or a “hardship” withdrawal (if you meet the plan requirements). Also, you can take an “in-service” distribution at or after age 59-1/2.

If you terminate employment and take a withdrawal from the 403(b) Plan prior to age 59-1/2, you will generally incur a 10% early withdrawal penalty in addition to being taxed (since this money is pre-tax money), unless you terminate during or after the year in which you reach age 55, or another exception applies.

With the 457(b) Plan, in-service withdrawals for “unforeseeable emergencies” are available (if you meet the plan requirements), but loans are not. In-service distributions are available in and after the calendar year you reach age 70-1/2. A small ($5,000 or less), one-time, in-service withdrawal is available under certain circumstances. With the 457(b) Plan, you generally have no early withdrawal penalty.

See the 403(b) Plan and 457(b) Plan Summary Plan Descriptions (SPDs) for more information about these plans. The SPDs can be found online under the Getting Started? tab on www.ucfocusonyourfuture.com.

To learn more about plan features, attend the “Getting Started with your UC Plan” class.

7) What is a safe harbor and why is it important?
The safe harbor provision is necessary to satisfy state and federal requirements. With safe harbor, certain University of California employees who are not otherwise covered by a retirement system contribute to the University of California Defined Contribution Plan (the DC Plan or the Plan) in lieu of paying Social Security taxes. The DC Plan is qualified under section 401(a) of the Internal Revenue Code (IRC). Administered by the University of California Retirement System (UCRS) for the sole benefit of the participants and their beneficiaries, the DC Plan provides retirement benefits based on participants’ contributions, plus earnings. The Plan is part of the UC Retirement Savings Program, recordkept by Fidelity Retirement Services. Additional information on the plan is provided in the Summary Plan Description available online through atyourservice.ucop.edu or www.netbenefits.com.

8) Can I enroll anytime in the retirement plan? Can I make changes anytime in my retirement plan?
Eligible participants may enroll in the UC Retirement Savings Plan at anytime by calling 1-866-682-7787 or online at www.ucfocusonyourfuture.com.

Changes to investments can also be done over the phone or online. Participants should consider any potential short term trading policy their investment options may have prior to changing investments.

9) What happens to the money in my retirement fund when I leave UCSF? (547083.3.0 pg. 2)
If you leave UC employment, you may:
• Keep your money in the Plan if your balance is at least $2,000;
• Arrange for a direct rollover of your money to a traditional or Roth IRA or another employer plan that accepts rollovers;
• Request a distribution to be paid directly to you;
• Receive periodic payments from the Plan; or
• Arrange to purchase an annuity through UC’s group insurance contract.

Participants who leave UC employment and have a balance of less than $2,000 in the Plan cannot leave their money in the Plan. Account balances of $1,000 or less will automatically be distributed at the end of the quarter to participants who have not provided distribution directions. Balances greater than $1,000 but less than $2,000 will be rolled over into an IRA in the participant’s name unless the participant provides
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distribution directions. A participant whose balance is defaulted to an IRA will be notified of the default and the name of the IRA custodian. It is important that you maintain your address records to assure delivery of your distribution.

10) Can I roll over retirement savings from a previous plan?
Yes, rollovers of eligible assets from tax-deferred retirement plans are allowed into the UC Retirement Savings Program. Reasons to consider rolling over include cost, investment choice and convenience. For assistance with potential rollovers, call 800-558-9182.

11) Is it appropriate to be contributing to retirement while I’m still paying off student loans and other debt? How should I balance these obligations?
Prioritization of debt versus savings is case specific to the individual. Factors to consider include interest rates, deductibility of interest, tax status and future financial goals.

To learn more about prioritizing your debt, attend the “Understanding the Power of Debt” class.

12) What resources are available to learn more about the UC Retirement Savings Program and financial education in general?
In Person: You may attend any of the Financial Education Classes offered at UCSF, at no cost to you. To register for a class, visit [http://getguidance.fidelity.com/universityofcalifornia](http://getguidance.fidelity.com/universityofcalifornia)

Over the Phone: Employees can call 866-682-7787 between 5am PST and 9pm PST

Online: visit [www.ucfocusonyourfuture.com](http://www.ucfocusonyourfuture.com)

Before investing in any investment option, please carefully consider the investment objectives, risks, charges and expenses. This and other information on the UC Core Funds is available, free of charge, online at [www.netbenefits.com](http://www.netbenefits.com) or by calling Fidelity® Retirement Services at 1-866-6UC-RSVP (1-866-682-7787). This and other information on mutual fund options that are part of the UC Core Funds lineup and other mutual funds outside the UC Core Fund lineup can be found in each mutual fund's prospectus or, if available, a summary prospectus, which can be obtained, free of charge, at the same website and toll-free phone number. Read the information carefully before you invest.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.

The taxable portion of your withdrawal that is eligible for rollover into an individual retirement account (IRA) or another employer’s retirement plan is subject to 20% mandatory federal income tax withholding, unless it is directly rolled over to an IRA or another employer plan. (You may owe more or less when you file your income taxes.) If you are under age 59½, the taxable portion of your withdrawal is also subject to a 10% early withdrawal penalty, unless you qualify for an exception to this rule. The plan document and current tax laws and regulations will govern in case of a discrepancy. Be sure you understand the tax consequences and your plan’s rules for distributions before you initiate a distribution. You may want to consult your tax adviser about your situation.

Any assets distributed from your governmental 457(b) plan will be taxed as ordinary income in the year withdrawn; if you are under age 59½ at the time of the distribution, a 10% early withdrawal penalty may apply to any amounts which were rolled into the plan from an IRA or a plan other than another governmental 457(b) plan. If the distribution is eligible to be rolled over, but is not directly rolled over to an eligible plan or IRA, 20% mandatory withholding of federal income tax applies. Federal income tax will not be withheld if an eligible plan-to-plan transfer is made to another employer’s 457(b) plan that accepts the transfer. Be sure you understand the federal and state tax consequences of any distribution before you initiate one. You may want to consult your tax adviser about your situation.

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