

November 21, 2016

To: Business Officers (via SBADM-L)

From: Cindy Doherty, Director
Academic Personnel

Re: Revised APM190, Appendix G- Retirement Contributions on Academic
Summer Salary

ACADEMIC PERSONNEL POLICY ISSUANCE

Issued by Provost and Executive Vice President Aimée Dorr, revised Academic Personnel Policy Manual Section 190, Appendix G, Program Description - Retirement Contributions on Academic Appointee Summer Salary, is effective November 1, 2016.

The revisions to this APM section align policy for administering summer salary benefits for all faculty and academic appointees with the new retirement plan options that became available to those employed on July 1, 2016 or later.

The issuance documents are attached for your reference and can also be found online at:

<http://www.ucop.edu/academic-personnel-programs/academic-personnel-policy/policy-issuances-and-guidelines/revised-apm-190-appdx-g.html>

Questions regarding retirement contributions may be directed to the Retirement Administration Service Center (RASC) at 1 (800) 888-8267.



OFFICE OF THE PROVOST AND
EXECUTIVE VICE PRESIDENT FOR ACADEMIC AFFAIRS

OFFICE OF THE PRESIDENT
1111 Franklin Street, 12th Floor
Oakland, California 94607-5200

November 10, 2016

CHANCELLORS
LABORATORY DIRECTOR WITHERELL
ACADEMIC COUNCIL CHAIR CHALFANT
ANR VICE PRESIDENT HUMISTON

RE: Revision of Academic Personnel Policy Section 190, Appendix G of the Academic Personnel Manual: Program Description – Retirement Contributions on Academic Appointee Summer Salary (APM - 190, Appendix G)

Dear Colleagues:

I am formally transmitting revised Academic Personnel Manual Section 190, Appendix G, Program Description – Retirement Contributions on Academic Appointee Summer Salary (APM - 190, Appendix G). The policy, which is effective November 1, 2016, can be found online at: <http://ucop.edu/academic-personnel-programs/academic-personnel-policy/policy-issuances-and-guidelines/index.html>.

The revisions to this APM section align policy for administering summer salary benefits for all faculty and academic appointees with the new retirement plan options that became available to those employed on July 1, 2016 or later. In addition, language is modified to reflect that the summer salary retirement benefit for all faculty will be transferred, prospectively, from UC's Defined Contribution Plan ("DC Plan"), where summer session retirement contributions currently go, to UC's Tax Deferred 403(b) Plan. The changes are applicable to future contributions only, effective November 1, 2016. Prior summer salary benefit contributions and investment earnings will remain in the DC Plan. The existing definition of summer salary and the summer salary retirement contribution amounts are unchanged.

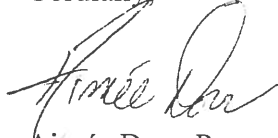
Proposed language for this section of the APM was circulated for Systemwide Review between September 13, 2016 and October 28, 2016. Reviewers assessed the revisions to be "reasonable," "in the best interests of the faculty," and "a pragmatic choice" given the new retirement plan options that became effective July 1, 2016 for faculty employed on or after that date. Several reviewers asked specific implementation questions. Attached are those questions and answers provided by Office of the President Human Resources-Pension and Retirement Programs Office staff.

November 10, 2016

Page 2

I wish to thank all members of the University community for their efforts to revise these important sections of the APM. Your contributions are deeply appreciated.

Cordially,



Aimée Dorr, Provost

Executive Vice President for Academic Affairs

Attachments: Revised APM – 190, Appendix G
Summer Salary Benefit Questions and Answers

cc: President Napolitano

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Program Description
Retirement Contributions on Academic Appointee Summer Salary

Compensation that many academic appointees receive for summer session teaching, summer research, or summer administrative service is not considered Covered Compensation for determining University of California Retirement Plan (UCRP) benefits or Defined Contribution Plan (DC Plan) contributions to fund the Savings Choice and Supplemental Savings Benefit option under the Retirement Choice Program. Since summer salary can be a significant portion of an academic appointee's annual earnings, The Regents determined in November 2000 that some coverage for retirement purposes is appropriate. Therefore, an employer and employee contribution to the DC Plan Pretax Account based on those summer earnings was approved by The Regents, to be effective with summer salary payments made on or after July 1, 2001. Effective November 1, 2016, future employer and employee pretax contributions on summer salary will be made to the Tax-Deferred 403(b) Plan.

Eligible employees are academic appointees who:

- have academic year appointments;
- are active Members of UCRP (or a defined benefit plan to which UC contributes), or are active Savings Choice participants, or are eligible for full retirement benefits but have not yet elected or commenced membership in a primary retirement plan option under the Retirement Choice Program; and
- earn eligible summer salary, as defined below.

For purposes of the retirement contribution, eligible summer salary is additional compensation that is not Covered Compensation for purposes of UCRP benefits (or benefits from other defined benefit retirement plans to which UC contributes) or the DC Plan Supplemental Saving Benefit or Savings Choice contributions and that is paid in accordance with Academic Personnel Policy 600 for:

- summer research;
- summer teaching; and/or
- summer administrative service (generally, payments to department chairs, vice chairs, etc. for administrative duties paid as "1/9ths").

Payments from University Extension are excluded.

The total contribution rate will be 7% of eligible summer salary, based on an employee pretax contribution of 3.5% and an employer pretax contribution of 3.5%. The employer contribution will be attributed to the same funding source that provides the academic appointee's summer salary.

Summer Salary Benefit Questions and Answers
University of California Office of the President
Human Resources – Pension and Retirement Programs

No changes are made to the requirements and/or features of the summer salary benefit as originally approved by the Regents in November 2000; and, no changes are made to any administrative requirements clarified in the DC Plan Regulations (to be replicated in the 403(b) Plan effective 11/1/16), other than the change in plan to which the contributions are made on/after November 1, 2016.

- (1) Is there no longer an obligation to contribute to the DC Plan using summer salary?

There is no longer an obligation to contribute to the DC Plan using summer salary. However, the obligation for both the eligible academic appointee and the University to make contributions on summer salary now resides under the 403(b) Plan.

- (2) Is there a requirement to make contributions from summer salary to the 403(b) or is it optional?

As was previously the case under the DC Plan, summer salary contributions to the 403(b) are mandatory.

- (3) If it is not optional, should contributions in other months be adjusted if someone is already maximally contributing to the 403(b)?

No adjustment is needed to either the academic appointee's mandatory summer salary contributions to the 403(b) Plan or to the individual's voluntary pretax contributions to the 403(b) Plan. Because the summer salary contributions are required, they do not reduce the limit on voluntary pretax contributions to the 403(b) Plan (or the 457(b) Plan).

- (4) What payments from UNEX are excluded?

Any payments from University Extension are excluded for purposes of the summer salary benefit. UNEX pay has historically been excluded for purposes of providing a benefit on summer salary, even under the programs previous to the current summer salary benefit that became effective on 7/1/2001. UNEX pay was specifically excluded in the [May 17, 2000 Regents Item](#) on the summer salary benefit.

- (5) How did the IRS limits have bearing on the change to the 403(b) Plan? Is there a non-technical explanation?

The change results from a complex set of requirements on two fronts: (1) technical issues involved in the ability to offer rehired eligible employees a choice between primary retirement options, and (2) the interplay of the IRS annual compensation limit with contributions to the DC Plan under either option for new faculty starting after July 1, 2016 who may also be (or become) eligible for the summer salary benefit.

Summer Salary Benefit Questions and Answers
University of California Office of the President
Human Resources – Pension and Retirement Programs

- (6) Do the amendments affect all employees (i.e., before and after the 2016 tier) or only the 2016 tier?

All academic appointees who make/receive summer salary contributions made on or after 11/1/16 are affected in as much as future summer salary contributions for all eligible academic appointees will be directed to the 403(b) Plan.

- (7) Will the changes reduce payments or otherwise negatively affect faculty?

No.

Contact:
Retirement Administration Service Center (RASC)
Customer Service 1 (800) 888-8267