Q1. Why is The University making these changes?
At The University of North Carolina (UNC), we know how important it is to prepare for retirement. We are committed to making sure our retirement program keeps up with changes in the financial markets and meets all legal requirements. The changes are being made with your financial future in mind, and will enhance your savings opportunities in the various retirement plans. These changes will provide you with more streamlined investment choices, helping to simplify your retirement planning and decision-making. You will also benefit from lower recordkeeping and investment fund fees.

Q2. Do these changes affect my 403(b) account?
Yes. The change in the fund lineup for TIAA-CREF and Fidelity will affect UNC 403(b) Plan participants, as well as participants in the Optional Retirement Program (ORP) and The University of North Carolina Qualified Governmental Excess Benefit Arrangement (415(m) Plan); however, the removal of VALIC and Lincoln Financial Group does not apply to 403(b) participants since these investment carriers are not part of the system-wide UNC 403(b) Plan which became effective on January 1, 2009.

Fund Lineup Change
Q3. Why are we moving to a four-tier structure?
This structure has been designed to offer you a wide array of investment options from leading investment managers, while providing a simplified method for making decisions and categorizing the plan’s investment options.

The University adopted an Investment Policy Statement that establishes guidelines for investment options offered under the various UNC retirement programs. The statement also incorporates accountability standards that are used for monitoring investment fund performance. The investments offered in tiers 1 through 3 are monitored and reviewed on a regular basis.

Q4. What does the new four-tier structure look like?
The four new tiers include:

Tier 1: Target Date Funds
Target Date Funds are professionally managed funds designed for investors who prefer a single diversified fund. These options work by creating a complete investment portfolio within a single fund, based upon your expected date of retirement. The portfolio is regularly rebalanced and, as you move through your career toward retirement, automatically shifts to become more conservative over time. It is your responsibility to select the Target Date Fund based on your anticipated retirement age. The University has selected Vanguard as the Target Date Fund manager.
Tier 2: UNC Risk-Based Models
For investors who wish to choose an investment strategy based upon their personal risk tolerance, UNC offers five risk-based models. The five models include:

- UNC Capital Preservation Model
- UNC Conservative Model
- UNC Moderate Model
- UNC Growth Model
- UNC Aggressive Growth Model

Each model represents a mix of investment options from the core investment lineup (see Tier 3, below), and can be set to automatically rebalance. Unlike Target Date Funds, the UNC Risk-Based Models do not automatically adjust to become more conservative over time – it is your responsibility to select the model that best meets your objectives, and also to revisit your investment decisions from time to time and to make adjustments as needed if your risk tolerance or other factors change.

Tier 3: Core Lineup
The Core Lineup represents a diversified array of investment options, including both actively managed and passive (or, index) funds. The Core Lineup is designed for investors who wish to construct and manage their own investment portfolios to meet their specific objectives. The Core Lineup gives you a great degree of flexibility, and the responsibility to rebalance and manage the portfolio over time, and as your situation changes.

Tier 4: Self Directed Brokerage Services (for employee-only contributions)
For experienced investors seeking maximum flexibility, the UNC Retirement Programs offer a Self-Directed Brokerage “window” that allows you to select from a wide array of mutual funds for “employee contributions.” Investors may use this feature to add diversification above and beyond the Core Lineup. However, please note that some mutual funds offered through the self-directed brokerage window may have additional fees and/or expenses. It is your responsibility to determine if this option is appropriate for you and you need to monitor these investments over time, and make adjustments to your portfolio when necessary. Investments through a brokerage window are not monitored by UNC. Note that only employee contributions are eligible to be invested through the brokerage window.

Q5. What funds will be available after July 1, 2014?
The investment funds available in the enhanced fund lineup will be provided in the transition guide that will be available early May.

Q6. What is “mapping”?
Mapping refers to the process by which fund assets are transferred from one fund to another. If you have a current balance or investment election in a TIAA-CREF or Fidelity investment option that will no longer be part of the Core Lineup, your balance and any investment elections for future contributions will be automatically transferred (or “mapped”) on June 30, 2014 (after 4 p.m., ET), to a new investment fund, which has been identified by our investment consultants.
Q7. What if I need help making investment choices?
Beginning July 1, 2014, you will be able to participate in a one-on-one investment advice meeting with CAPTRUST, the University’s third-party investment advisory firm. Access to CAPTRUST’s independent financial advisors is being provided by the University to help you understand the new investment options, review your current retirement investment strategy and assist you with choosing a new retirement provider.

In the fall, CAPTRUST, TIAA-CREF and Fidelity will host group meetings on all UNC campuses, during which you will be able to ask questions and learn more. Additionally, you will continue to have access to your TIAA-CREF and Fidelity representatives. Watch for information about the on-campus meetings, as well as how to schedule a phone appointment with CAPTRUST.

We also recommend you consult your personal tax or financial advisor before making any decisions to ensure you make the right choices about your University retirement program.

Q8. What should I expect from a one-on-one counseling session with CAPTRUST?
CAPTRUST will meet with you to explain the options available under both the TIAA-CREF and Fidelity offerings, help you choose your investment mix based upon a number of factors specific to your needs and work with you to determine if you are on track to achieve your retirement goals.

A typical meeting with CAPTRUST, either in person or over the phone, will take about 30 minutes. You will be asked to have your current retirement plan information such as your most recent account statement and access to your account (user name and PIN) so that you are able to review your account and to initiate CAPTRUST’s advice if you so desire.

Q9. Can I bring my spouse or another person to the session?
Yes. Participants can bring anyone they choose to individual counseling sessions.

Q10. When can I meet with an investment counselor to discuss my questions/concerns?
You can meet with a CAPTRUST investment counselor beginning July 1, 2014. Information on how to schedule a meeting will be included in the transition guide.

In addition, financial counselors are available through both Fidelity and TIAA-CREF. You can contact each carrier directly.

We also recommend you consult your personal tax or financial advisor before making any decisions to ensure you make the right choices about your University retirement programs.

Q11. Where can I find out more about the new investment options offered under TIAA-CREF and Fidelity?
You will receive a transition kit in early May providing details about the changes and what you need to do. Fund prospectuses also will be available on the TIAA-CREF and Fidelity websites.
Q12. Will there be a blackout period before the new fund lineup becomes effective (July 1, 2014)?
No. The existing balances in TIAA-CREF and/or Fidelity accounts that are no longer part of the Core Lineup will be automatically transferred to the new fund lineup based on the mapping outlined in the transition guide. On or after July 1, 2014, you will have access to the new fund lineup. Remember, if you do not like how your funds are mapped, you can change your investment elections and/or reallocate your existing balances at any time to the fund(s) of your choice by contacting TIAA-CREF or Fidelity directly.

Q13. Do I currently pay fees to make investments in the Plan?
All investment options have expense ratios and other fund-specific fees that can be found in the prospectuses located on each investment carrier’s website. Some investment options may also have redemption fees.

Q14. The fund lineups are very similar between the two vendors under the new four-tier structure. How do I choose between vendors?
Choosing an investment partner is a personal choice. Even though the funds offered by TIAA-CREF and Fidelity are similar, the services each carrier provides are different. We recommend you research both carriers to see which carrier best suits your needs.

Q15. If I have accounts and/or contracts with several providers what do I need to be aware of?
If you have investments with Fidelity and TIAA-CREF, these funds will be mapped to the new investment options offered under the UNC retirement programs. If you have investments with VALIC and/or Lincoln Financial Group, you have until the end of this year to enroll with TIAA-CREF or Fidelity and to transfer your funds. If you take no action, your VALIC or Lincoln Financial Group account balances will automatically be transferred to TIAA-CREF and invested in a Vanguard Target Date Fund. Review the transition guide, which will be available in May, to determine the impact on your various accounts and/or contracts.

Q16. How do I set up a self-directed brokerage account for my employee contributions in the ORP?
Self-directed brokerage accounts are typically used by experienced investors seeking maximum flexibility. This feature will require you to complete additional account documentation and may involve additional fees. If you want to establish a brokerage account for “employee” contribution or balances, please contact CAPTRUST, TIAA-CREF or Fidelity.
Discontinuation of VALIC and Lincoln Financial Group as ORP Investment Carriers

Q17. Do I have to wait until the end of the year to move my funds from VALIC and/or Lincoln Financial Group?
No. The new fund lineup with Fidelity and TIAA-CREF will be available on or after July 1, 2014. This should give you ample time to review the lineup, meet with a financial counselor, and complete your investment elections and reallocation of your investments prior to the end of the year.

Q18. What happens if I don’t take any action prior to January 1, 2015?
If you currently have investments with VALIC and/or Lincoln Financial Group and take no action prior to the end of the year, the following will take place:

1. Future group annuity or mutual fund investment elections will be redirected to the Vanguard Target Retirement Date Fund with the target retirement date closest to the year you might retire, based on your current age and assuming a retirement age of 65. You can reallocate from there at any time to the fund(s) of your choice.

2. Existing group annuity or mutual fund balances from VALIC and Lincoln Financial Group will also be redirected to the Vanguard Target Retirement Date Fund. Money invested in the fixed interest account will be moved into the Vanguard Target Retirement Date Funds in 20% increments over five years beginning in 2015. This arrangement will remain in place until you take the action to transfer those amounts in whole.

   If you are invested in VALIC or Lincoln Financial Group contracts that cannot be mapped, those contracts will remain with either VALIC or Lincoln Financial Group unless you choose to transfer the funds in these accounts into new investment options.

Q19. What if I do not like the funds I’ve been mapped to? Can I change and choose other funds?
You can change your investment election and/or reallocate your existing balances at any time to the fund(s) of your choice.

Q20. If I currently invest in a VALIC and/or Lincoln Financial Group fund(s) and transfer my funds to TIAA-CREF or Fidelity, will I need to update my beneficiary?
When you enroll with TIAA-CREF or Fidelity, you will select your investment and beneficiary elections at that time. You will also need to complete UNC’s Notice of Change in Retirement Vendors (Form ORP-2).

Q21. Will these changes impact my retiree healthcare benefits?
Under the ORP, you may be eligible to continue healthcare insurance under the North Carolina State Health Plan when you retire and elect a monthly retirement benefit. If you are already receiving an annuity payment from VALIC or Lincoln Financial Group, this will not impact your healthcare benefits; however, if you are receiving systematic withdrawals or still have an active accumulating balance with VALIC or Lincoln Financial Group, you will need to take some action. If you are retired, we recommend that you meet with a representative from CAPTRUST, TIAA-CREF or Fidelity to ensure continuity of your retirement income and your health benefits.
Q22. What happens if I’m in phased retirement and receiving an annuity from VALIC or Lincoln Financial Group?

There will be no impact to annuity payments being received from VALIC or Lincoln Financial Group; however, if you are receiving systematic withdrawals or still have an active accumulating balance with VALIC or Lincoln Financial Group, you will need to take some action. If you are in the phased retirement program on your campus, we recommend that you meet with a representative from CAPTRUST, TIAA-CREF or Fidelity to ensure continuity of your retirement income and your health benefits.

Q23. If my current distribution meets the requirements set forth under the Bailey Settlement, will my distribution continue tax-free when I move my funds to TIAA-CREF and/or Fidelity?

Yes. The Bailey settlement affects the taxation of retirement benefits paid to former employees of the State of North Carolina who were enrolled in the ORP prior to August 12, 1989. If you move your funds to TIAA-CREF or Fidelity you will continue to be covered under the Bailey settlement; however, if you move your funds to an IRA, you will lose the favorable tax treatment of retirement benefits.