

# Your Supplemental Retirement Plan 2019 Decision Guide



Appalachian State University

East Carolina University

Elizabeth City State University

Fayetteville State University

North Carolina Agricultural and  
Technical State University

North Carolina Central University

North Carolina State University

North Carolina School of  
Science and Mathematics

University of North Carolina  
at Asheville

University of North Carolina  
at Chapel Hill

University of North Carolina  
at Charlotte

University of North Carolina  
at Greensboro

University of North Carolina  
at Pembroke

University of North Carolina  
Wilmington

University of North Carolina  
School of the Arts

Western Carolina University

Winston-Salem State University

Other Affiliates:

– University of North Carolina  
Health Care

– University of North Carolina  
Press



# Supplemental Retirement Plans: Flexibility for Your Future

At the University of North Carolina System (UNC System), you have a valuable opportunity to save for your retirement future by participating in either the Teachers' and State Employees' Retirement System (TSERS) or the University of North Carolina Optional Retirement Program (ORP). While both of these options provide a valuable opportunity for you to prepare for your future, you may want to consider boosting your retirement savings by participating in one or more of these supplemental retirement plans:

- UNC System 403(b) Plan
- UNC System 457(b) Plan
- State's 457 Deferred Compensation Plan
- State's 401(k) Plan

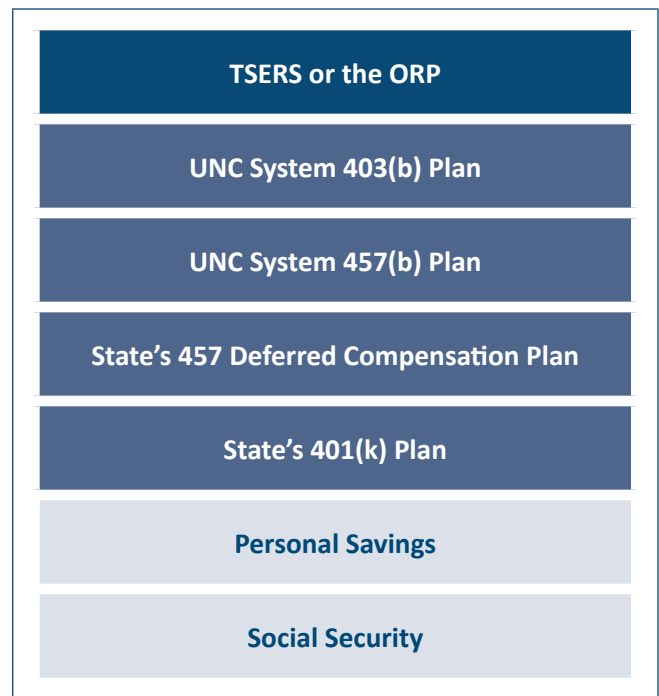
Inside this guide, we'll take a closer look at each of the supplemental retirement plans, explore how they can work with either TSERS or the ORP to help you maximize your opportunity to prepare for retirement, and direct you to online tools and resources that can help you make the right choice for your future.

## The Bigger Picture

Preparing for retirement is not a one-time event — it's a process that should span your entire career. The earlier you start and the more consistently you save, the more likely you are to enjoy the retirement you worked so hard to achieve. That's why it's so important to maximize your retirement savings opportunity while you are working — and the University's supplemental retirement plans can help you reach your retirement goals.

1. Once you enroll in either TSERS or the ORP, you've taken the first step — both plans offer a valuable retirement savings opportunity.
2. Next, consider whether you want to participate in one or more of the UNC System supplemental retirement plans.
3. Remember, Social Security and any personal savings you may have are also part of your financial picture in retirement, though experts estimate Social Security only replaces about 40% of your pre-retirement income.

### MAJOR SOURCES OF RETIREMENT INCOME



## Did you know?

Most experts estimate you'll need between 70-90% of your pre-retirement income to maintain your standard of living in retirement. Of course, how much you need in retirement depends on several factors — including what you want to do (travel, buy a second home, etc.) and how long you'll need your savings to last.

One of the most important steps in preparing for retirement is setting your goals — it helps keep your savings on track and ensures you get to enjoy the retirement you envision for yourself.

For help establishing your retirement savings goals, review all of the retirement program materials, including *Your Guide to Investing in the UNC System Retirement Programs*, available at

<https://myapps.northcarolina.edu/hr/benefits-leave/retirement/>.



# Your Supplemental Retirement Plan Options

The supplemental retirement plans provide an additional opportunity to help you reach your retirement goals.

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## **UNC System 403(b) Plan**

All employees, except UNC Health Care employees, who pay FICA are eligible to participate in the **UNC System 403(b) Plan**. This plan is offered through the UNC System. You own the account and have the opportunity to make contributions pre-tax and/or after-tax through a Roth account. Your earnings grow tax-deferred until retirement.

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## **UNC System 457(b) Plan**

All UNC System employees, including UNC Health Care employees, who pay FICA are eligible to participate in the **UNC System 457(b) Plan**. This plan is offered through the UNC System. Your contributions are made pre-tax and/or after-tax through a Roth account. Your earnings grow tax-deferred until retirement. Your account is held in a trust by the UNC System exclusively for participants and their beneficiaries.

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## **State's 457 Deferred Compensation Plan**

All North Carolina public employees are eligible to participate in the **State's 457 Deferred Compensation Plan**. Your contributions are made pre-tax and/or after-tax through a Roth account. And, your earnings grow tax-deferred until retirement. As with the 401(k) Plan, your account is held in a trust by the State of North Carolina exclusively for participants and their beneficiaries.

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## **State's 401(k) Plan**

All permanent employees who participate in TSERS or ORP are eligible to enroll in the **State's 401(k) Plan**. This State-sponsored plan also allows you to make contributions pre-tax and/or after-tax through a Roth account. And, your earnings grow tax-deferred until retirement. Your account is held in a trust by the State of North Carolina exclusively for participants and their beneficiaries.

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## Your Contribution Options: Pre-Tax and After-Tax (Roth Account)

If you enroll in the UNC System 403(b) Plan, the UNC System 457(b) Plan, the State's 401(k) Plan or the State's 457 Deferred Compensation Plan, you have the opportunity to make contributions pre-tax and/or after-tax through a Roth account.

Your pre-tax contributions are deducted from your pay **before** calculating federal and state income tax withholdings. Pre-tax contributions lower your current taxable income and often reduce the amount you pay in federal (and sometimes state) taxes. At retirement (at least age 59½), withdrawn funds are taxed as ordinary income.

You also may designate some or all of your contributions to be deducted on an after-tax basis via a Roth account. Interest and earnings on these contributions when withdrawn are generally tax-free. In the event of either retirement or termination, your earnings can be withdrawn tax-free as long as it has been five tax years since your first Roth account contribution and you are at least 59½ years old. Unlike Roth IRAs, there are no maximum income limits to participate in a Roth 403(b), 401(k) or 457 account.

### EFFECT OF CONTRIBUTIONS ON TAKE-HOME PAY

Example: You earn \$40,000 annually, and have elected to contribute 6% to your 403(b) Plan pre-tax and 6% to your 403(b) Plan after-tax each month.

	Pre-tax Contributions	After-tax Contributions
<b>Monthly Contribution</b>	\$200	\$200
<b>Take-home pay after monthly contribution</b>	\$150	\$200

*This hypothetical example is based solely on assumed federal income tax rate of 25%. No other payroll deductions are taken into account. Your own results will be based on your individual tax situation.*

When deciding whether a Roth account makes sense for you, there are various factors to consider, including your current income, whether you wish to pay taxes now or later, and future tax policy.

# Overview of the Supplemental Retirement Plans

To help you make an informed decision, below is a table showing a side-by-side comparison of all four supplemental retirement plans. While this guide covers some of the basics about each plan, for detailed information, review the Plan document available online via <https://myapps.northcarolina.edu/hr/benefits-leave/retirement/>. You also may want to consult with your tax and/or financial adviser before making any investment decisions.

Type of Plan	UNC System 403(b) Plan	UNC System 457(b) Plan	State's 457 Deferred Compensation Plan	State's 401(k) Plan
<b>Eligibility</b>	Employees who pay FICA	Employees who pay FICA	<ul style="list-style-type: none"> <li>• Full-time, part-time or temporary employees</li> <li>• Elected or appointed officials</li> <li>• Rehired retired employees</li> </ul>	Permanent employees who participate in TSERS or ORP
<b>Approved Carriers</b>	Fidelity Investments and TIAA	Fidelity Investments and TIAA	Prudential Retirement	Same as State 457 Deferred Comp Plan
<b>Investment Options</b>	Fixed accounts and mutual funds	Fixed accounts and mutual funds	North Carolina Institutional Funds – 11 individual investment options and 12 Goalmaker profiles	Same as State 457 Deferred Comp Plan
<b>Contribution Options</b>	Pre-tax and Roth after-tax contribution options	Pre-tax and Roth after-tax contribution options	Pre-tax and Roth after-tax contribution options	Pre-tax and Roth after-tax contribution options
<b>Roth Conversion Option</b>	Can convert part or all of your accumulated pre-tax 403(b) funds to a Roth 403(b) account. Amount converted is treated as taxable income in the year it is converted.	Can convert part or all of your accumulated pre-tax 457 funds to a Roth 457 account. Amount converted is treated as taxable income in the year it is converted.	Can convert part or all of your accumulated pre-tax 457 funds to a Roth 457 account. Amount converted is treated as taxable income in the year it is converted.	Can convert part or all of your accumulated pre-tax 401(k) funds to a Roth 401(k) account. Amount converted is treated as taxable income in the year it is converted.
<b>Ownership of Account</b>	Employee	Held in trust by the UNC System exclusively for participants and their beneficiaries	Held in trust by the State of North Carolina exclusively for participants and their beneficiaries	Same as State 457 Deferred Comp Plan
<b>Contribution Limits*</b>	Minimum: \$200 per calendar year  Maximum: \$19,000 in 2019; participants who are age 50 by the end of the plan year may defer an additional \$6,000 in 2019.  <b>Note:</b> Combined limit for pre-tax and Roth after-tax contributions.	Minimum: \$200 per calendar year  Maximum: 100% of taxable pay not to exceed \$19,000 in 2019; participants who are age 50 by the end of the plan year may defer an additional \$6,000 in 2019. As an alternative to the age 50 catch-up, a participant is eligible to defer up to twice the contribution limit in effect for the three years preceding the employee's normal retirement age, subject to eligibility.	Minimum: None  Maximum: 100% of taxable pay not to exceed \$19,000 in 2019; participants who are age 50 by the end of the plan year may defer an additional \$6,000 in 2019. As an alternative to the age 50 catch-up, a participant is eligible to defer up to twice the contribution limit in effect for the three years preceding the employee's normal retirement age, subject to eligibility.	Minimum: Same as State 457 Deferred Comp Plan  Maximum: In 2019, 80% of gross pay not to exceed \$19,000. Participants who are age 50 by the end of the plan year may defer an additional \$6,000 in 2019.

\* An annual calculation must be made for each individual situation.

Type of Plan	UNC System 403(b) Plan	UNC System 457(b) Plan	State's 457 Deferred Compensation Plan	State's 401(k) Plan
<b>Aggregation with Other Plans</b>	Yes. If both 403(b) and 401(k) plans are utilized, the amount of the contribution to both plans cannot exceed the 403(b) plan limit, assuming the 401(k) contribution amount does not exceed the IRS's 402(g) limit (currently \$19,000 for 2019). The age 50 catch-up is a combined amount with 401(k).	Aggregation required with other 457(b) plans, if participating in more than one program.	Aggregation required with other 457(b) plans, if participating in more than one program.	Same as 403(b) Plan
<b>Brokerage Services</b>	Brokerage account available from Fidelity Investments and TIAA for self directed investments in mutual funds not directly available as investments in the plan. Fees may apply, check with the vendor before enrolling.	Brokerage account available from Fidelity Investments and TIAA for self directed investments in mutual funds not directly available as investments in the plan. Fees may apply, check with the vendor before enrolling.	Not available	Not available
<b>Investment Adviser Services</b>	Independent Investment Adviser fees may be deducted from an employee's 403(b) account.	Independent Investment Adviser fees may be deducted from an employee's 457(b) account.	Not available	Not available
<b>Transfers among Carriers while Actively Employed</b>	Yes, to another approved carrier's 403(b)(1) account or 403(b)(7) contract only (Fidelity Investments and TIAA).	Yes, to another approved carrier's 457(b) account or contract only.	Yes, to another approved carrier's 457(b) account or contract only.	Not applicable while actively employed unless over age 59½.
<b>Portability (i.e., Transfers) for Terminated Employees</b>	Easily transferable to other employers.	See "Distribution Options at Termination of Employment" below.	See "Distribution Options at Termination of Employment" below.	May continue participation if employed with other North Carolina state or local governmental employers. (See "Distribution Options at Termination of Employment" below.)
<b>Loan Provisions</b>	<ul style="list-style-type: none"> <li>Fidelity Investments: Permits loans from both pre-tax and Roth accounts</li> <li>TIAA: Permits loans from pre-tax accounts only</li> <li>Loans are also available from existing UNC 403(b) accounts with former carriers (VALIC, Lincoln, ING and Horace Mann)</li> </ul>	<ul style="list-style-type: none"> <li>Fidelity Investments: Permits loans from both pre-tax and Roth accounts</li> <li>TIAA: Permits loans from pre-tax accounts only</li> </ul>	Yes, subject to availability by each agency or University	Yes
<b>Withdrawal Provisions</b>	<ul style="list-style-type: none"> <li>Separation from employment, death, disability, hardship or attainment of age 59½</li> <li>Purchase of allowable service credits with the State Retirement System</li> <li>Hardship withdrawals are available from the plan's approved carriers (Fidelity Investments and TIAA) and from existing UNC System 403(b) accounts with former carriers (VALIC, Lincoln, ING and Horace Mann)</li> </ul>	<ul style="list-style-type: none"> <li>Severance from employment, regardless of age</li> <li>Death</li> <li>Permanent disability</li> <li>Financial hardship</li> <li>Purchase of allowable service credits with the State Retirement System</li> <li>Benefits less than \$5,000</li> </ul>	<ul style="list-style-type: none"> <li>Severance from State employment, regardless of age</li> <li>Death</li> <li>Permanent disability</li> <li>Financial hardship (sudden and unexpected emergency that no other source may satisfy, as approved by the Plan's Board of Trustees)</li> <li>Purchase of allowable service credits with the State Retirement System</li> <li>Benefits less than \$5,000</li> </ul>	<ul style="list-style-type: none"> <li>Retirement</li> <li>Age 59½ and still employed</li> <li>Permanent disability as determined by the State Retirement System</li> <li>Separation from employment at any age</li> <li>Death</li> <li>Financial hardship (as defined by 401(k) Plan document in accordance with Internal Revenue Code)</li> <li>Purchase of allowable service credits with the State Retirement System</li> </ul>
<b>Distribution Options at Termination of Employment</b>	May receive distribution according to contract/account terms, or may rollover to another 403(b) plan, or to an IRA.	Flexible distribution options according to Plan document, or may be rolled over to IRA, 401(k), 403(b), 457 or other qualified retirement plans.	Flexible distribution options according to Plan document, or may be rolled over to IRA, 401(k), 403(b), 457 or other qualified retirement plans.	Same as State 457 Deferred Comp Plan



# Meet Our Supplemental Retirement Program Investment Carriers

Fidelity Investments and TIAA are our approved carriers for the UNC System Plans. Prudential Retirement is the approved carrier for the State’s 457 Deferred Compensation Plan and the State’s 401(k) Plan.

All of these carriers offer a variety of investment funds and a broad array of fund categories. These include both fixed and variable account investment options and mutual funds. Before making your selection, we strongly encourage you to review the appropriate carriers’ websites and/or call the carriers’ customer service centers.

Review detailed information about the approved carrier and/or their respective investment options including:

- Financial strength
- Contract fees, charges and operating expenses
- Interest rate history, policies and guarantees
- Descriptions and performance history of investment accounts
- Special features and services offered by the carrier

Plan	Approved Carriers	Contact Information
<b>UNC System 403(b) Plan</b> <b>UNC System 457(b) Plan</b>	Fidelity Investments	800-343-0860 <a href="http://www.netbenefits.com/unc">www.netbenefits.com/unc</a>
	TIAA	800-842-2888 <a href="http://www.TIAA.org/unc">www.TIAA.org/unc</a>
<b>State’s 457 Deferred Compensation Plan</b> <b>State’s 401(k) Plan</b>	Prudential Retirement	866-627-5267 <a href="http://www.ncplans.prudential.com">www.ncplans.prudential.com</a>



# Before You Enroll

Before you make any decisions about your retirement savings or investments, it's essential to understand your options and the implications of your choices.

Here's a checklist that can help guide your thinking.

- Review this guide and the Your Mandatory Retirement Plan Decision Guide** carefully to make sure you understand how the UNC System retirement programs work and what your options are. These guides are also available online at <https://myapps.northcarolina.edu/hr/benefits-leave/retirement/>.
- Consider your overall financial goals** — or establish them if you haven't already — and study all your sources for retirement income, including the UNC System's retirement program, Social Security and any other personal savings you (and/or your spouse) may have. Then, determine how one of the supplemental retirement plans could best fit into your bigger financial picture and help you work toward your savings goals.
- Explore the investment options** to help you decide which supplemental retirement plan — and which investment options — will best help complete your retirement savings portfolio. Remember to think about your risk tolerance and the return your investments will need to generate to help you reach your goals. Also, consider how these options will help you build a diverse portfolio suited to your needs.
- Consult your personal tax or financial adviser** before making any decisions to ensure you make the right choices about your UNC System retirement program.

All UNC System retirement program participants have access to independent financial advisers through CAPTRUST, the UNC System's investment adviser. These advisers can help you:

- Choose between enrolling in TSERS or the ORP,
- Provide detailed information about the investment options offered under the UNC System retirement program and help you choose the right options for you, and
- Plan for retirement.

For more information, visit [www.captrustadvice.com](http://www.captrustadvice.com) or call 800-967-9948.



# Ready to Enroll

Follow the instructions below to enroll in any of the supplemental retirement plans.

## UNC System 403(b) Program

1. Visit <https://myapps.northcarolina.edu/hr/benefits-leave/retirement/unc-403b/>.
2. Complete a Salary Reduction Agreement (form and instructions are available on the website).
3. Enroll in the 403(b) Plan with Fidelity Investments and/or TIAA.

## UNC System 457(b) Plan

1. Visit <https://myapps.northcarolina.edu/hr/benefits-leave/retirement/unc-457/>.
2. Complete a Voluntary Deferral Agreement (form and instructions are available on the website).
3. Enroll in the 457(b) Plan with Fidelity Investments and/or TIAA.

## State's 457 Deferred Compensation Plan

1. Visit [www.retirement.prudential.com/cws/ncplans](http://www.retirement.prudential.com/cws/ncplans).
2. Complete an NC 457 Deferred Compensation Plan Enrollment Form (forms and instructions are available on the website).
3. Send the form to:  
NC Plans Processing Center  
P.O. Box 5340  
Scranton, PA 18505  
Or  
Fax: 866-439-8602

## State's 401(k) Plan

1. Visit [www.retirement.prudential.com/cws/ncplans](http://www.retirement.prudential.com/cws/ncplans).
2. Complete an NC 401(k) Plan Enrollment Form (forms and instructions are available on the website).
3. Send the form to:  
NC Plans Processing Center  
P.O. Box 5340  
Scranton, PA 18505  
Or  
Fax: 866-439-8602

The information in this guide is general in nature and may be subject to change. Neither the University of North Carolina (UNC), Prudential Retirement, TIAA, Fidelity Investments, nor any of their agents, can give legal or tax advice. Applicable laws and regulations are complex and subject to change. For legal and tax advice concerning your situation, you should consult your attorney or tax adviser.

For more information about any of the authorized supplemental retirement carriers or their products, including investment options, charges and expenses, please contact a company representative for a prospectus. Please read the prospectus carefully before selecting a carrier or investment option. In the event of a conflict between this guide and the Plan documents, the Plan documents will control. UNC System reserves the right to amend the Plan documents.

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