

Helping You Maximize Your Retirement



New 403(b) Program Guide
The University of
North Carolina System



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
School of Science
and Mathematics
North Carolina State
University
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
at Wilmington
University of
North Carolina
General
Administration
and Affiliates
University of
North Carolina
Health Care System
University of
North Carolina
School of the Arts
Western Carolina
University
Winston-Salem
State University



The University of North Carolina institutions and affiliates decided to combine efforts and implement a new system-wide voluntary 403(b) retirement program as of January 1, 2009. This brochure provides you with important information on what you need to know during the transition to the new program. On the following pages, you will learn more about...

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The Need for Change

What's happening?

The Internal Revenue Service (IRS) mandated some important changes for all 403(b) retirement plans by public institutions like the University of North Carolina. The new program requirements must be up and running by January 1, 2009. Through a competitive bid process, the University selected Fidelity Investments and TIAA-CREF, two financial service companies, to provide a wide range of services and investment options through their own funds and other investment managers in the industry. Both companies will make available resources and tools to help participants plan their investment strategy.

What do I need to do?

If you already use TIAA-CREF and/or Fidelity as your only 403(b) provider(s)...

- Now is a good time to review your account.
- All contributions will continue to be allocated as previously elected.

If you make contributions to another 403(b) provider(s) *other than* Fidelity or TIAA-CREF...

ACTION IS REQUIRED TO CONTINUE CONTRIBUTIONS:

If you use a provider(s) other than Fidelity or TIAA-CREF for some or all of your 403(b) contributions, you will need to take action.

NEW ENROLLMENT FORM:

You must complete new enrollment forms to direct all of your FUTURE 403(b) contributions to Fidelity or TIAA-CREF by your campus' published January 2009 payroll deadline. All other providers will be considered "deselected" providers, and they can no longer receive contributions after January 1, 2009.

IF YOU DON'T TAKE ACTION:

If you don't enroll through Fidelity or TIAA-CREF, all of your 403(b) contributions will stop as of January 1, 2009, until you complete the necessary forms. Contact your campus benefits office for information about the January payroll deadlines.

- For more information on how to enroll, please visit the University of North Carolina website for this new program, and follow the steps below:

www.northcarolina.edu/403b

Step 1 – Complete a New Salary Reduction Agreement (forms and instructions available on the website)

Step 2 – Enroll in the Plan with Fidelity and/or TIAA-CREF

If you would like to discuss your account, please contact Fidelity Investments at 1-800-343-0860 or TIAA-CREF at 1-800-842-2888.

What about the money I have already contributed?

YOUR EXISTING ASSETS (LEAVE THEM OR MOVE THEM):

Even though you can't add new contributions to a "deselected" vendor (any vendor other than Fidelity or TIAA-CREF) after December 31, 2008, you may elect to leave your existing assets held by a "deselected" vendor or transfer them to Fidelity or TIAA-CREF. You may transfer your assets to Fidelity or TIAA-CREF at any time you choose.

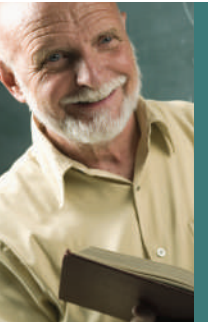
CONTACT YOUR CURRENT VENDOR:

We encourage you to contact your current vendor before you make any transfers. Ask them to explain any fees, transfer restrictions, or surrender charges that you might incur if you transfer your assets.

TRANSFERS TO FIDELITY OR TIAA-CREF:

If you have retirement accounts with one of the "deselected" vendors and you would like to consolidate those assets into your new 403(b) Retirement Program with Fidelity or TIAA-CREF, you will need to request a transfer of assets, as follows:

- To transfer to Fidelity Investments, call 1-800-343-0860, Monday through Friday, 8 a.m. to midnight Eastern time or visit www.fidelity.com/atwork.
- To transfer to TIAA-CREF, call 1-800-842-2888, Monday through Friday, 8 a.m. to 10 p.m., or Saturday 9 a.m. to 6 p.m. Eastern time, or visit www.tiaa-cref.org.



About Fidelity Investments



Chances are you already know Fidelity Investments by reputation. Founded in 1946, and America's largest privately held investment company, Fidelity has always been committed to providing exceptional money management, outstanding customer service and state-of-the-art technology.

Fidelity is committed to providing a range of investment options, proven long-term performance, educational resources, and superior customer service to all our participants to help them plan for retirement.

With Fidelity, you can count on:

- More than 60 years of investment experience
- More than 20 years of experience helping people plan for retirement
- Powerful online tools, experienced professional support, and easy access that can help make you a wiser investor.

Investment Options—When it comes to mutual funds, Fidelity has a long-standing commitment to research and performance. By investing your 403(b) contributions at Fidelity, you have access to hundreds of investment products, all categorized in an easy-to-understand format.

Customer Service—At Fidelity, we do more than just provide investment opportunities. We also offer the types of tools and resources that can help you become a better investor. Our commitment to investor education means you have easy access to the people and information you need to help you make informed investment decisions.

Fidelity NetBenefits®—Simply log on to www.fidelity.com/atwork, virtually anywhere, any time, for immediate access to your account. You can view your account balances, request exchanges between investment options, track your contributions, access fund information, and more.

1-800-343-0860—Call us toll free, virtually 24 hours a day, seven days a week, for account balance transactions and more. And with our system's natural language capabilities, you can quickly and easily monitor and manage your account by using simple phrases and voice commands.

Additionally, the Fidelity Retirement Services Center is available each business day from 8 a.m. to midnight Eastern time. Fidelity's representatives are knowledgeable, dedicated, professional, and committed to helping you take full advantage of your retirement plans with the University of North Carolina.

On-campus, in-person meetings—To view the latest schedule of on-campus meetings with a Fidelity Retirement Counselor, and reserve an appointment for yourself, you are invited to visit www.fidelity.com/atwork/reservations or call 1-800-642-7131.

About TIAA-CREF



TIAA-CREF is a \$398 billion¹ full-service financial services organization that for more than 90 years has dedicated itself to helping those in the academic, medical, cultural, and research fields plan for and live in retirement. We do this with a full array of financial products and services to help our participants live to and through retirement and invest for life's other goals along the way.

TIAA-CREF offers the following advantages:

- **Investment experience:** We have more than 90 years of experience in investing for our participants' retirement and other financial goals.
- **Financial strength:** For its stability, sound investments, claims-paying ability, and overall financial strength, TIAA currently holds top ratings from all four leading insurance company rating agencies.²
- **Low costs:** TIAA-CREF's investment fees are among the lowest in the variable annuity and mutual fund industries.³ (Note that lower expenses do not mean higher returns.)
- **Broad array of investment choices:** In addition to our retirement savings accounts, we offer a full range of other investment products and services, including mutual funds, brokerage services, and education savings.
- **Honest, objective guidance:** Our team of noncommissioned consultants are compensated primarily on how well they serve you rather than what they sell you.⁴ So you can count on always getting answers that are in your best interest and that give you the help you need to make informed decisions.

Get Personalized Help from TIAA-CREF

To schedule an appointment with a TIAA-CREF consultant, call **1-800-732-8353**, Monday through Friday, 9 a.m. to 6 p.m. Eastern time.

To schedule an appointment online, visit www.tiaa-cref.org/services/meetings/.

For information about how to enroll or to discuss your account, call 1-800-842-2888, Monday through Friday, 8 a.m. to 10 p.m. and Saturday 9 a.m. to 6 p.m. Eastern time.

¹Asset levels are as of 9/30/08.

²A++, A.M. Best Company (as of 9/08); AAA, Fitch Ratings (as of 8/08); Aaa, Moody's Investors Service (as of 7/08); AAA, Standard & Poor's (as of 8/08) — the highest possible ratings from these independent analysts. These ratings do not apply to variable annuities, mutual funds, or any other product or service not fully backed by TIAA's or TIAA-CREF Life's claims-paying ability.

³Morningstar Direct (February 2008) based on Morningstar expense comparisons by category.

⁴Our consultants receive no commissions. They are compensated through a salary-plus-incentive program.

Insurance and annuity products are issued by TIAA (Teachers Insurance and Annuity Association), New York, N.Y., and TIAA-CREF Life Insurance Co., New York, N.Y. TIAA-CREF Individual & Institutional Services, LLC, and Teachers Personal Investors Services, Inc., members FINRA, distribute securities products. Brokerage services are provided by TIAA-CREF Brokerage Services, a division of TIAA-CREF Individual & Institutional Services, LLC, members FINRA and SIPC.

The information contained on this page has been provided by TIAA-CREF and is solely the responsibility of TIAA-CREF.

Frequently Asked Questions

Question: Why are changes being made to the 403(b) plan?

Answer: This year marks the first comprehensive regulatory changes to 403(b) plans in more than 40 years. These changes require employers who choose to offer a 403(b) plan to play a more active role in monitoring the plans and ensuring that new compliance requirements are met. In order to fulfill these new responsibilities in a manner that best meets the interests of all employees, a new model was required.

Question: Why is the University only using two service providers?

Answer: The University is partnering with two providers, TIAA-CREF and Fidelity, to give employees access to interactive online tools and a wide array of investment options (TIAA-CREF and Fidelity funds, as well as funds from other investment managers in the industry). At the same time, working with two service providers helps the University stay in compliance with the new regulations in a manner that is affordable to both the University and employees.

Question: What will happen to my existing account that is currently with a provider other than TIAA-CREF or Fidelity?

Answer: You can leave existing funds (those funds remitted prior to January 1, 2009) with your current service providers, or you may transfer these funds to TIAA-CREF or Fidelity. Check with your current deselected vendor about any fees, transfer restrictions, or surrender charges you might incur if you transfer your assets.

Question: Does the new plan provide for loans or financial hardship distributions?

Answer: Yes, if your account is either with TIAA-CREF or Fidelity, loans and hardship distributions are permitted.

Question: I'm currently repaying a loan. What happens to it?

Answer: The transition will not affect your existing loan payment or loan term. Payments on a loan should continue to be paid in the current manner that you are repaying your loan.

Question: Do I need to complete new forms to instruct my campus benefits office how to direct my 403(b) contributions as of January 1, 2009?

Answer: If you are currently having payroll deductions sent to a service provider other than TIAA-CREF or Fidelity, you will need to complete a new salary reduction agreement by your campus' January 2009 payroll deadline. Check with your campus benefits office to determine the payroll deadline for redirecting your contributions. If you are currently having payroll deductions sent only to TIAA-CREF and/or Fidelity, no changes need to be made.

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Investment Tiers

Fidelity and TIAA-CREF offer a wide variety of investment products. For your convenience, we have categorized your options into four tiers, ranging from more conservative to more aggressive, listed below:

Tier 1 Lifecycle funds

These are professionally managed mutual funds designed for investors who want a simple yet diversified approach to investing. Lifecycle funds have asset allocations that generally become more conservative as they approach their target retirement date. The fund manager periodically rebalances the fund's assets to keep the fund in line with the target asset allocation.

Tier 2 Core investment options

This tier includes a limited menu of annuity accounts and mutual funds that invest primarily in the three major asset classes (stocks, bonds, and short-term investments). These funds were reviewed and selected by UNC based on information provided by the service providers. You may want to consider these options if you are comfortable diversifying your investments on your own or with the assistance of an investment advisor and/or asset allocation tools. The core investment options are monitored by UNC, and may change based on performance measures over time.

Tier 3 Expanded selection

This tier typically includes a much larger menu of additional investment options for more sophisticated investors. You may want to consider investing in these options if you are very comfortable managing your portfolio, either on your own or with the help of your investment advisor, and you understand how to research, evaluate, and monitor a wide variety of investments with different risk and return characteristics.

Tier 4 Self-directed brokerage option

This tier offers you the investment choice and flexibility of a brokerage account. It's a way for you to invest in different options for retirement and to design a portfolio that's uniquely yours. You may want to consider this tier if you are a sophisticated investor who is willing to take on additional risk and you are prepared to assume the responsibility of more closely monitoring this portion of your portfolio. However, if you do not feel comfortable actively managing a portfolio of options beyond those offered through your plan's core investment options, then a self-directed brokerage account may not be appropriate for you.

Fidelity Investment Choices



When it comes to mutual funds, Fidelity has a long-standing commitment to research and performance. By investing your contributions at Fidelity, you have access to hundreds of investment options, all categorized in an easy-to-understand format:

- **Tier 1: Lifecycle:** Fidelity Freedom Funds®—Choose a fund based on your expected retirement date
- **Tier 2: Core Investments:** Select from a concise menu of mutual funds representing the primary asset classes (stocks, bonds, short-term instruments)

Categories to the left have potentially more inflation risk and less investment risk

Categories to the right have potentially less inflation risk and more investment risk

Money Market/Short-Term	Managed Income or Stable Value	Bond	Balanced/Hybrid	Domestic Equity			International/Global Equity	Specialty
Fidelity Retirement Money Market Portfolio	Principal Fixed Annuity	PIMCO Total Return Fund—Administrative Class <u>INFLATION-PROTECTED</u> PIMCO Inflation-Protected Bond Fund	Fidelity Balanced Fund	<u>LARGE VALUE</u> Fidelity Large Cap Value Fund <u>MID VALUE</u> Fidelity Value Fund <u>SMALL VALUE</u> Allianz NFJ Small-Cap Value Fund—Administrative Class Mainstay Small Cap Opportunity Fund—Class I	<u>LARGE BLEND</u> Spartan® U.S. Equity Index Fund—Investor Class <u>MID BLEND</u> <u>SMALL BLEND</u> Fidelity Small Cap Stock Fund	<u>LARGE GROWTH</u> Fidelity Contrafund® Fidelity Large Cap Growth Fund <u>MID GROWTH</u> Morgan Stanley Institutional Fund Trust Mid Cap Growth Portfolio—Class P Shares <u>SMALL GROWTH</u> Columbia Acorn USA Fund—Class Z	Fidelity Diversified International Fund Fidelity International Small Cap Fund Fidelity Worldwide Fund Third Avenue Value Fund	Fidelity Real Estate Investment Portfolio

This spectrum, with the exception of the Domestic Equity category, is based on Fidelity's analysis of the characteristics of the general investment categories and not on the actual investment options and their holdings, which can change frequently. Investment options in the Domestic Equity category are based on the options' Morningstar categories as of 9/30/2008. Morningstar categories are based on a fund's style as measured by its underlying portfolio holdings over the past three years and may change at any time. These style calculations do not represent the investment options' objectives and do not predict the investment options' future styles. Investment options are listed in alphabetical order within each investment category. Risk associated with the investment options can vary significantly within each particular investment category and the relative risk of categories may change under certain economic conditions. For a more complete discussion of risk associated with the mutual fund options, please read the prospectuses before making your investment decisions. The spectrum does not represent actual or implied performance.

- **Tier 3: Expanded Selection**—An offering of hundreds of choices from various fund families, including all Fidelity mutual funds not included in Tier 2 and Funds from American, T. Rowe Price, and Vanguard
- **Tier 4: Fidelity BrokerageLink®**—Offers you the flexibility to select from numerous mutual funds—beyond those you already have in your company's plan

For more information about the complete menu of investments in your plan, including a risk spectrum for levels not shown above, please visit www.fidelity.com/atwork or call 1-800-343-0860.

An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in these funds.

Investments in smaller companies may involve greater risk than those in larger, more well-known companies.

Because of their narrow focus, sector funds may be more volatile than funds that diversify across many sectors.

Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation.

In general, bond prices rise when interest rates fall, and vice versa. This effect is usually more pronounced for longer-term securities.

Before investing in any mutual fund, please carefully consider the investment objectives, risks, charges and expenses. For this and other information, call or write Fidelity for a free prospectus. Read it carefully before you invest.

TIAA-CREF Investment Choices



TIAA-CREF's long-term investment philosophy and expertise position our mutual funds and annuities to help you achieve your financial goals. Our broad range of investment choices allows you to build a portfolio that's right for your unique savings needs. For full descriptions of all these account/fund choices, please visit <http://enroll.tiaa-cref.org/unc403b>

- **Tier 1:** *TIAA-CREF Lifecycle Funds*—Asset class and fund weightings automatically adjusted based on your age; choose a fund based on your expected retirement date.¹
- **Tier 2:** *Core Investments*—Proprietary and non proprietary accounts and funds representing the major asset classes—fixed income, money market, stocks, and real estate.

Categories to the left have potentially more inflation risk and less investment risk

Categories to the right have potentially less inflation risk and more investment risk

GUARAN-TEED	MONEY MARKET	BOND	MODERATE ALLOCATION	Domestic Equity			INT'L EQUITY ⁵	REAL ESTATE
TIAA Traditional Retirement Account ²	CREF Money Market Account ³	CREF Bond Market Account INFLATION-PROTECTED CREF Inflation-Linked Bond Account	CREF Social Choice Account	LARGE-CAP VALUE TIAA-CREF Institutional Large-Cap Value Retirement	LARGE-CAP CORE TIAA-CREF S&P 500 Fund CREF Stock Account	LARGE-CAP GROWTH T. Rowe Price Institutional Large-Cap Growth Fund TIAA-CREF Large-Cap Growth Index Fund	American Funds® EuroPacific Growth Fund®—Class R5 CREF Global Equities Account	TIAA Real Estate Account ⁶
				MID-CAP VALUE ⁴ TIAA-CREF Institutional Mid-Cap Value Retirement	MID-CAP CORE ⁴ TIAA-CREF Mid-Cap Blend Index Fund	MID-CAP GROWTH ⁴ TIAA-CREF Institutional Mid-Cap Growth Retirement		
				SMALL-CAP VALUE ⁴ TIAA-CREF Small-Cap Value Index Fund	SMALL-CAP CORE ⁴ Royce Pennsylvania Mutual Fund—Investment Class	SMALL-CAP GROWTH ⁴ TIAA-CREF Small-Cap Growth Index Fund		

- **Tier 3:** *Expanded Selection*—A broader menu of annuity accounts and mutual funds offered by TIAA-CREF, representing a broad array of asset classes and investment styles.
- **Tier 4:** *TIAA-CREF Brokerage Services*—Allows you to build and manage a portfolio by providing you with access to numerous mutual funds, beyond those available within Tiers 1, 2, and 3 of the plan.

For more information about the complete menu of investment options available in your plan, visit www.tiaa-cref.org or call **1-800-842-2888**.

¹TIAA-CREF Lifecycle Funds share the risks associated with the types of securities held by each of the underlying funds in which they invest. In addition to the fees and expenses associated with the Lifecycle Funds, there is exposure to the fees and expenses associated with the underlying mutual funds as well.

²Any guarantees under annuities issued by TIAA are subject to TIAA's claims-paying ability. TIAA Traditional Annuity is a guaranteed insurance contract and not an investment for federal securities law purposes.

³An investment in the CREF Money Market Account is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

⁴Small-cap and mid-cap stocks may have limited marketability and may be subject to more abrupt or erratic market movements than large-cap stocks.

⁵Funds that invest in foreign securities are subject to special risks, including currency fluctuation and political and economic instability.

⁶Real estate securities are subject to various risks, including fluctuations in property values, higher expenses or lower income than expected, and potential environmental problems and liability.

Annuity account options are available through contracts issued by TIAA or CREF. These contracts are designed for retirement or other long-term goals, and offer a variety of income options, including lifetime income. Payments from the variable annuity accounts are not guaranteed and will rise or fall based on investment performance. Mutual funds do not offer the range of income options available through annuities.

Investing in securities involves market risks.

Investment products are not FDIC insured, may lose value, and are not bank guaranteed. You should consider the investment objectives, risks, charges, and expenses carefully before investing. Please call 800-842-2776 or visit www.tiaa-cref.org for a prospectus that contains this and other information.

Please read the prospectus carefully before investing.

TIAA-CREF Individual & Institutional Services, LLC and Teachers Personal Investors Services, Inc., members FINRA, distribute securities products. Annuity products are issued by TIAA (Teachers Insurance and Annuity Association), New York, N.Y.

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Whom do I contact if I need assistance?

To start the enrollment process, please visit the website below and follow the steps listed:

www.northcarolina.edu/403b

Step 1 – Complete a New Salary Reduction Agreement (forms and instructions available on the website)

Step 2 – Enroll in the Plan with Fidelity and/or TIAA-CREF

If you have questions, you are invited to contact the service providers directly:

Fidelity Investments: 1-800-343-0860, Monday through Friday, 8 a.m. to midnight Eastern time.

TIAA-CREF: 1-800-842-2888, Monday through Friday, 8 a.m. to 10 p.m. and Saturday 9 a.m. to 6 p.m. Eastern time.

Retirement Representatives

Representatives from Fidelity Investments and TIAA-CREF will be available for on-site confidential sessions by appointment only. To make an appointment, contact:

Fidelity Investments

1-800-642-7131

www.fidelity.com/atwork/reservations

TIAA-CREF

1-800-732-8353

www.tiaa-cref.org/services/meetings/



Although this booklet was prepared for the University of North Carolina by Fidelity Investments for the convenience of plan participants, certain pages in it were supplied by non-Fidelity plan providers.

Each provider offering products and services to the plan or its participants is solely responsible for the content on its applicable pages, and does not assume any responsibility or liability for the content supplied by any other provider.

The investment options available through the plan reserve the right to modify or withdraw the exchange privilege.

Unless otherwise noted, transaction requests confirmed after the close of the market, normally 4 p.m. Eastern time, or on weekends or holidays, will receive the next available closing prices.

Be sure you understand the plan guidelines and impact of taking a loan before initiating a loan from your plan account. Please be sure you understand the tax consequences of any withdrawal from the plan.

This brochure provides only a summary of the main features of the University of North Carolina System 403(b) Program and the plan documents will govern in the event of any discrepancy.

The individual providers referenced here are independent entities and are not affiliated with one another.

The content supplied by each provider and on each provider's website is the responsibility of each provider.

Fidelity Brokerage Services, LLC, Member NYSE, SIPC

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