Appalachian State University
East Carolina University
Elizabeth City State University
Fayetteville State University
NC A&T State University
North Carolina Central University
NC State University
UNC – Asheville
UNC – Chapel Hill
UNC – Charlotte
UNC – Greensboro
UNC – Pembroke
UNC – Wilmington
UNC School of the Arts
Western Carolina University
Winston-Salem State University
NC School of Science and Mathematics
Other Affiliates:
  – UNC Health Care
  – UNC Press
At the University, 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 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
- State’s 457 Deferred Compensation Plan
- State’s 401(k) Plan

Inside this decision 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 supplemental retirement plans at UNC.

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.

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 Retirement Programs, available at www.northcarolina.edu/hr/unc/benefits/retirement/index.htm.
Your UNC Supplemental Retirement Plan Options

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

<table>
<thead>
<tr>
<th>Plan</th>
<th>Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNC System 403(b) Plan</td>
<td>All employees who pay FICA are eligible to participate in the UNC System 403(b) Plan. This plan is offered through the University 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.</td>
</tr>
<tr>
<td>State’s 457 Deferred Compensation Plan</td>
<td>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.</td>
</tr>
<tr>
<td>State’s 401(k) Plan</td>
<td>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.</td>
</tr>
</tbody>
</table>
Your Contribution Options: Pre-Tax and After-Tax (Roth Account)

If you enroll in the UNC System 403(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) pre-tax and 6% to your 403(b) after-tax each month.

<table>
<thead>
<tr>
<th></th>
<th>Pre-tax Contributions</th>
<th>After-tax Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Contribution</td>
<td>$200</td>
<td>$200</td>
</tr>
<tr>
<td>Take-home pay after monthly contribution</td>
<td>$150</td>
<td>$200</td>
</tr>
</tbody>
</table>

*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 three supplemental retirement plans.

While this guide covers some of the basics about each plan, for detailed information, review the Plan Document available online via [www.northcarolina.edu/hr/unc/benefits/retirement/index.htm](http://www.northcarolina.edu/hr/unc/benefits/retirement/index.htm). You also may want to consult with your tax and/or financial advisor before making any investment decisions.

<table>
<thead>
<tr>
<th>Type of Plan</th>
<th>UNC System 403(b) Plan</th>
<th>State’s 457 Deferred Compensation Plan</th>
<th>State’s 401(k) Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td>Employees who pay FICA</td>
<td>• Full-time, part-time, or temporary employees</td>
<td>Permanent employees who participate in TSERS or ORP</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Elected or appointed officials</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Rehired retired employees</td>
<td></td>
</tr>
<tr>
<td>Approved Carriers</td>
<td>Fidelity Investments and TIAA-CREF</td>
<td>Prudential Retirement</td>
<td>Same as 457</td>
</tr>
<tr>
<td>Investment Options</td>
<td>Fixed accounts and mutual funds</td>
<td>North Carolina Institutional Funds=11 individual investment options and 12 Goalmaker profiles</td>
<td>Same as 457</td>
</tr>
<tr>
<td>Contribution</td>
<td>Pre-tax and Roth after-tax</td>
<td>Pre-tax and Roth after-tax</td>
<td>Pre-tax and Roth after-tax</td>
</tr>
<tr>
<td>Options</td>
<td>options</td>
<td>options</td>
<td>options</td>
</tr>
<tr>
<td>Roth Conversion</td>
<td>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.</td>
<td>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.</td>
<td>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.</td>
</tr>
<tr>
<td>Ownership of Account</td>
<td>Employee</td>
<td>Held in trust by the State of North Carolina exclusively for participants and their beneficiaries</td>
<td>Same as 457</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution Limits*</td>
<td>Minimum: $200 per calendar year</td>
<td>Minimum: None</td>
<td>Minimum: Same as 457</td>
</tr>
<tr>
<td></td>
<td>Maximum: $17,000 in 2012; participants who are age 50 by the end of the plan year may defer an additional $5,500 in 2012.</td>
<td>Maximum: 100% of taxable pay not to exceed $17,000 in 2012; participants who are age 50 by the end of the plan year may defer an additional $5,500 in 2012. 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.</td>
<td>Maximum: In 2012, 80% of gross pay not to exceed $17,000. Participants who are age 50 by the end of the plan year may defer an additional $5,500 in 2012.</td>
</tr>
</tbody>
</table>

* An annual calculation must be made for each individual situation.
<table>
<thead>
<tr>
<th>Type of Plan</th>
<th>UNC System 403(b) Plan</th>
<th>State’s 457 Deferred Compensation Plan</th>
<th>State’s 401(k) Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregation with Other Plans</td>
<td>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 $17,000 for 2012). The age 50 catch-up is a combined amount with 401(k).</td>
<td>No coordination of contribution limits is required.</td>
<td>Same as 403(b)</td>
</tr>
<tr>
<td>Transfers among Carriers while Actively Employed</td>
<td>Yes, to another approved carrier’s 403(b)(1) account or 403(b)(7) contract only.</td>
<td>Not applicable while actively employed.</td>
<td>Not applicable while actively employed unless over age 59½.</td>
</tr>
<tr>
<td>Portability (i.e., Transfers) for Terminated Employees</td>
<td>Easily transferable to other employers. (See “Distribution Options at Termination of Employment” below.)</td>
<td>May continue participation if employed with other North Carolina state or local governmental employers. (See “Distribution Options at Termination of Employment” below.)</td>
<td></td>
</tr>
<tr>
<td>Loan Provisions</td>
<td>• Fidelity: Permits loans from both pre-tax and Roth accounts&lt;br&gt;• TIAA-CREF: Permits loans from pre-tax accounts only</td>
<td>Yes, subject to availability by each agency or University.</td>
<td>Yes</td>
</tr>
<tr>
<td>Withdrawal Provisions</td>
<td>• Separation from employment, death, disability, hardship, or attainment of age 59½&lt;br&gt;• Purchase of allowable service credits with the State Retirement System</td>
<td>• Severance from State employment, regardless of age&lt;br&gt;• Death&lt;br&gt;• Permanent disability&lt;br&gt;• Financial hardship (sudden and unexpected emergency that no other source may satisfy, as approved by the Plan’s Board of Trustees)&lt;br&gt;• Purchase of allowable service credits with the State Retirement System&lt;br&gt;• Benefits less than $5,000</td>
<td>• Retirement&lt;br&gt;• Age 59½ and still employed&lt;br&gt;• Permanent disability as determined by the State Retirement System&lt;br&gt;• Separation from employment at any age&lt;br&gt;• Death&lt;br&gt;• Financial hardship (as defined by 401(k) Plan Document in accordance with Internal Revenue Code)&lt;br&gt;• Purchase of allowable service credits with the State Retirement System</td>
</tr>
<tr>
<td>Distribution Requirement</td>
<td>Generally, participation must begin to receive distribution no later than April 1 following the year in which age 70½ or retirement is attained, whichever is later. A 50% penalty tax will be levied on amounts that were not, but should have been distributed. Contributions made prior to 1/1/87 are subject to different rules.</td>
<td>Participant must begin to receive distribution no later April 1 following the year in which age 70½ or retirement is attained, whichever is later. A 50% penalty tax will be levied on amounts that were not, but should have been distributed.</td>
<td>Same as 457 plan</td>
</tr>
<tr>
<td>Distribution Options at Termination of Employment</td>
<td>May receive distribution according to contract/account terms, or may rollover to another 403(b) plan, or to an IRA.</td>
<td>Flexible distribution options according to Plan Document, or may be rolled over to IRA, 401(k), 403(b), 457, or other qualified retirement plans.</td>
<td>Same as 457 plan</td>
</tr>
</tbody>
</table>
Meet Our Supplemental Retirement Program Investment Carriers

Fidelity Investments and TIAA-CREF are our approved carriers for the UNC System 403(b) Plan. 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

<table>
<thead>
<tr>
<th>Plan</th>
<th>Approved Carriers</th>
<th>Contact Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNC System 403(b) Plan</td>
<td>Fidelity Investments</td>
<td><a href="http://www.plan.fidelity.com/unc">www.plan.fidelity.com/unc</a> 1-800-343-0860</td>
</tr>
<tr>
<td></td>
<td>TIAA-CREF</td>
<td><a href="http://www.tiaa-cref.org/unc">www.tiaa-cref.org/unc</a> 1-800-842-2888</td>
</tr>
<tr>
<td>State’s 457 Deferred Compensation Plan or State’s 401(k) Plan</td>
<td>Prudential Retirement</td>
<td><a href="http://www.ncplans.prudential.com">www.ncplans.prudential.com</a> 1-866-627-5267</td>
</tr>
</tbody>
</table>
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 University retirement programs work and what your options are. These guides are also available online at www.northcarolina.edu/hr/unc/benefits/retirement/index.htm

- Consider your overall financial goals — or establish them if you haven’t already — and study all your sources for retirement income, including the University’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 advisor before making any decisions to ensure you make the right choices about your University retirement program.
Ready to Enroll

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

**UNC System 403(b) Program**

1. Visit [www.northcarolina.edu/hr/ga/benefits/retirement/Suppmtl-Ret/403bMain.htm](http://www.northcarolina.edu/hr/ga/benefits/retirement/Suppmtl-Ret/403bMain.htm).
2. Complete a Salary Reduction Agreement (form and instructions available on the website).
3. Enroll in the Plan with Fidelity and/or TIAA-CREF.

**State’s 457 Deferred Compensation Plan**

2. Complete an NC 457 Deferred Compensation Plan Enrollment Form (forms and instructions available on the website).
3. Send the form to:
   - NC Plans Processing Center
   - P.O. Box 5340
   - Scranton, PA 18505
   - Or
   - Fax: 1-866-439-8602

**State’s 401(k) Plan**

2. Complete an NC 401(k) Plan Enrollment Form (forms and instructions available on the website).
3. Send the form to:
   - NC Plans Processing Center
   - P.O. Box 5340
   - Scranton, PA 18505
   - Or
   - Fax: 1-866-439-8602
The information in this guide is general in nature and may be subject to change. Neither the University of North Carolina, Prudential Retirement, TIAA-CREF, Fidelity, 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 brochure and the Plan documents, the Plan documents will control. UNC reserves the right to amend the Plan documents.