

ADMINISTRATIVE MEMORANDUM

SUBJECT Board Action Concerning Investment
and Withdrawal Choices for
Retirement Accounts Within the
Optional Retirement Program

NUMBER 396

DATE June 9, 1999

On April 9, 1999, the Board of Governors adopted a “Resolution Concerning Certain Investment and Withdrawal Choices for Retirement Accounts Within the Optional Retirement Program of the University of North Carolina.” In accordance with the resolution, the Board of Governors:

- (1) Eliminated the requirement that an investment vehicle for an ORP annuity or trust agreement fall within a particular fund category, but left undisturbed any supplemental criteria of the President, including requirements for fund asset minimum and management duration.
- (2) Extended, to the degree permitted by the approved ORP vendors, the option of cashout of vested ORP account value attributable to employer contributions, with respect to the accounts of ORP participants who have not yet commenced annuitization.
- (3) Approved Fidelity Investments Tax-Exempt Services Company as an additional investment option for employer and employee contributions in behalf of participants in the ORP, and authorized the President, or her delegate, in behalf of the University, to enter into such trust agreement(s) and other agreements, for the receipt, retention, investment, and servicing of ORP contributions, as may be mutually acceptable to the parties.

The Board specified that each of these three actions was to be given effect at such time as the President, or her delegate, might deem appropriate.

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As a result of the elimination of fund categories under (1), above, the **TIAA Real Estate Account** (offered through the Teachers Insurance Annuity Association/College Retirement Equities Fund [TIAA-CREF]) has now been approved as a new investment vehicle under the ORP; and this Administrative Memorandum announces **the account's present availability** to ORP participants. The investment objective of the account is to seek a favorable long-term rate of return through rental income and capital appreciation from a diversified portfolio of commercial real estate. The account's quarterly fund performance information can be accessed via the Internet's World Wide Web at <http://www.ga.unc.edu/benefits>.

In consequence of (2), above, an ORP participant who has not yet begun to receive a retirement payout has been made eligible to receive at retirement or cessation of employment the cashout of vested ORP contributions attributable to both employee and employer accumulations, subject to the ORP carrier's restrictions. (For example, the ORP carrier may restrict full cashability of account contributions that are invested in fixed account assets.) By this Administrative Memorandum the **cashout of ORP account value attributable to vested employer contributions is made available on or after July 1, 1999, to retiring participants who have NOT otherwise first effected an election to receive a form of retirement payout that may restrict this option.** Each retiring participant should be encouraged to contact his or her ORP carrier(s) to determine cashout availability. It is important, though, to understand that, in consequence of G.S. 135-40.1(17), upon retirement, an ORP participant must be in receipt of an ORP monthly retirement benefit to continue participation in the State Health Plan. If an ORP carrier allows an ORP participant the opportunity to elect full cashability at retirement of both employer and employee accumulations, the individual's State Health Plan coverage will be lost unless the participant opts, instead, for some form of monthly ORP payout during retirement.

Approval by the Board of Governors of **Fidelity Investments as an ORP carrier**, reported in (3), above, was achieved with the assistance and advice of an independent consultant. The consultant assisted the University to conduct through a publicly advertised, competitive bid process the selection of a mutual fund family as an investment option for ORP participants' accounts, in addition to annuity contracts offered by the three currently authorized vendors. Addition of an ORP mutual fund option through Fidelity Investments will require that many administrative details first be addressed,

and a **fall 1999 implementation is expected**. Further information about this process will be made available from time to time.

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In addition to the standard distribution, this Administrative Memorandum is being provided directly to the institutional Senior Human Resource Administrators and Benefits Representatives. Questions concerning this Administrative Memorandum may be addressed to Ms. Kitty McCollum, Associate Vice President for Finance & University Benefits Officer.

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