

DRAFT

TALKING POINTS

**The University of North Carolina
Optional Retirement Program (ORP)**

- An ORP Investment Advisory Committee was established in June 2004 to advise the University Benefits Officer in the development of a proposed ORP Investment Policy Statement that describes how the UNC Board of Governors will carry out its fiduciary responsibilities for the program.
- The Advisory Committee, assisted by a national benefits consulting firm and a university attorney, is made up of employees in the University of North Carolina who have investments and/or benefits-related knowledge and/or experience.
- The purpose of the Investment Policy Statement is to strengthen the ORP in the selection and monitoring of the investment options under the program and to provide a basis for consistent decision making over time.
- With the proliferation of investment options and concerns about fiduciary responsibilities within the investment industry, the Advisory Committee believes that the Investment Policy Statement will serve as an effective communication tool for conveying investment goals and priorities to participants and other key stakeholders.
- The Investment Policy Statement serves as a roadmap for managing the plan's investments including roles and responsibilities, asset classes to be offered, performance objectives and criteria, and definition of peer groups and benchmarks to be used for each fund alternative.
- In addition to the development of the Investment Policy Statement, the Advisory Committee conducted a thorough review of the four ORP vendors including their funds, fees and services and made recommendations to the University Benefits Officer.
- The Advisory Committee made the following recommendations:
 - Adopt the proposed Investment Policy Statement as the investment protocol for the UNC ORP.
 - Retain the current ORP vendors--AIG VALIC, Fidelity, Lincoln Life, and TIAA-CREF.
 - Conduct annual reviews of vendors to ensure that they are continuing to meet the needs of participants.
 - Implement AIG VALIC's, Lincoln's and TIAA-CREF's new mutual fund platforms that provide a spectrum of strategically selected investment options.

- Allow each vendor to offer no more than 20 funds in their respective core fund line up.
Note: Each vendor was asked to (1) propose up to 20 funds to be included in the core fund line up and (2) ensure that each fund was appropriately categorized in its class, and was among the best in its class. The Advisory Committee reviewed and approved each vendor's proposal based on performance, fees and other factors. This new core fund lineup will become effective July 1, 2006.
 - Conduct quarterly reviews of core funds.
 - Designate lifestyle funds (instead of money market funds) offered by each carrier as the default fund in a situation where a participant does not make a fund selection. (A lifestyle fund is an investment that features an asset mix determined by the level of risk and return that is appropriate for an individual investor. Factors that determine this mix include an investor's age, appropriate level of risk, the investment's purpose and the length of time until the principal will be withdrawn. Lifestyle funds can feature conservative, moderate or aggressive growth strategies. Aggressive growth lifestyle funds are targeted to investors in their late 20s, while conservative growth lifestyle funds are targeted to investors in their late 50s.)
 - Allow an ORP participant to keep ORP money in "deselected funds" (funds previously available but not approved by the committee going forward) after June 30, 2006; however, in situations where an existing fund is not part of the core fund lineup, have each ORP vendor provide a mapping strategy alternative so that a participant can direct future contributions and existing balances to an approved fund with a similar objective.
 - Prohibit new contributions to deselected funds after December 31, 2006.
 - Provide a six-month window, beginning July 1, 2006, for ORP participants to reallocate (and map if they choose) their existing balances and contributions to approved funds that are part of the new core fund lineup. If no election is made during this period, have vendor direct contributions to the new default fund.
- The University Benefits Officer must submit these recommendations to the President and UNC Board of Governors for their approval.
 - Upon approval of these recommendations, a number of targeted communications will be sent to ORP participants through December 2006 to announce these changes, provide information about the implementation process, and explain how voluntary supplemental retirement plans can be used to compliment and supplement the ORP.