

2. Authorization to Add a 457(b) Supplemental Retirement Savings Plan to the University of North Carolina retirement savings options. ....Thomas Shanahan/Brian Usischon

**Situation:** Employees of the University, including the UNC Health Care System, currently have access to two University-maintained retirement savings plans. By adding a 457(b) Plan to the menu of options, with the same providers, the University can provide another employee-funded retirement savings vehicle for all University employees, which can serve as a substitute plan for UNC Health Care employees who will no longer be able to access the 403(b) Plan. .

**Background:** The University maintains two retirement savings plans for employees: the University of North Carolina Optional Retirement Program (ORP) and the University of North Carolina Section 403(b) Plan (403(b) Plan). The ORP is a defined contribution plan, which functions as an alternative to the North Carolina Retirement Systems defined benefit plan, and is funded by employer and employee contributions. The 403(b) Plan is funded entirely by employee contributions. Both plans offer investment options through TIAA-CREF and Fidelity. The University currently does not offer a 457(b) savings option, which can serve as another employee-funded savings option. In addition, it is anticipated that UNC Health Care System employees will no longer be able to contribute to the 403(b) Plan due to an expected change in UNC-HCS's 501(c)(3) tax-exempt status. Adding a 457(b) option will provide an additional employee-funded savings arrangement for University employees, and serve as a University-sponsored alternative to the 403(b) for UNC-HCS employees.

**Assessment:** The Board of Governors has the authority to authorize the President to establish a 457(b) plan option for the University. The President is responsible for the administration and oversight of the ORP and 403(b) Plan, both of which are administered pursuant to an Investment Policy Statement, with support from professional staff and a qualified investment advisor. Given the need for an alternative to the 403(b) Plan and the range of investment options and pricing offered to employees under the current arrangements, it is recommended that the Board of Governors authorize President to establish an IRC section 457(b) plan option with the same providers for University employees.

**Action:** This item requires a vote.

## Authorization to Add a 457(b) Supplemental Retirement Savings Plan to the University of North Carolina Retirement Savings Options

The University maintains two retirement savings plans for employees: the University of North Carolina Optional Retirement Program (ORP) and the University of North Carolina Section 403(b) Plan (403(b) Plan). The ORP is a defined contribution plan, which functions as an alternative to the North Carolina Retirement Systems defined benefit plan, and is funded by employer and employee contributions. The 403(b) Plan is funded entirely by employee contributions. Both plans offer investment options through TIAA-CREF and Fidelity. The University currently does not offer a 457(b) savings option, which can serve as another employee-funded savings option. In addition, it is anticipated that UNC Health Care System employees will no longer be able to contribute to the 403(b) Plan due to an expected change in UNC-HCS's 501(c)(3) tax-exempt status. Adding a 457(b) option will provide an additional employee-funded savings arrangement for University employees, and serve as a University-sponsored alternative to the 403(b) for UNC-HCS employees.

Employees of the University, including the UNC Health Care System, currently have access to two University-maintained retirement savings plans. By adding a 457(b) Plan to the menu of options, with the same providers, the University can provide another employee-funded retirement savings vehicle for all University employees, which can serve as a substitute plan for UNC Health Care employees who will no longer be able to access the 403(b) Plan.

The University established The University of North Carolina Section 403(b) Plan effective January 1, 2009. Each of the constituent institutions of The University are considered

eligible employers in the plan; however, IRC Section 403(b) defines participation by eligible employers as follows:

- A State, but only with respect to an employee of the State performing services for a public school;
- A tax-exempt organization qualified under Code Section 501(c)(3) with respect to any employee of the Code Section 501(c)(3) organization;
- Any employer of a minister described in Code Section 414(e)(5)(A), but only with respect to the minister; or
- A minister described in Code Section 414(e)(5)(A), but only with respect to a retirement income account established for the minister.

Upon a change by the IRS of UNC Health Care's Section 501(c)(3) status, UNC Health Care will no longer be considered an eligible employer to participate in the UNC 403(b) Plan.

The Board of Governors has the authority to authorize the President to establish a 457(b) plan option for the University. The President is responsible for the administration and oversight of the ORP and 403(b) Plan, both of which are administered pursuant to an Investment Policy Statement, with support from professional staff and a qualified investment advisor. Given the need for an alternative to the 403(b) Plan and the range of investment options and pricing offered to employees under the current arrangements, it is recommended that the Board of Governors authorize President to establish an IRC section 457(b) plan option with the same providers for University employees.