

## Voluntary Supplemental Retirement Programs

Whether you are just beginning your career or thinking about retirement, it is important to start saving now. Financial planners agree that it takes your pension, Social Security and personal savings to ensure a comfortable retirement. While your pension and Social Security provide a good foundation for retirement income, you will need additional personal savings in order to sustain your current standard of living following retirement. Today's financial world offers you a variety of investment vehicles from which to choose while increasing your responsibility for managing the outcome of these investments. Planning for the future is a dynamic process in which you must continuously assess the financial risks and opportunities available to you.

A significant part of this retirement planning process may include voluntary supplemental retirement plans that offer significant tax advantages. The University makes such plans available to eligible employees of The University of North Carolina as authorized under Sections 403(b)(1), 403(b)(7), 457(b) and 401(k) of the Internal Revenue Code. The purpose of this brochure is to provide you with information about these plans. A supplemental retirement plan allows you to make contributions through payroll reduction to a variety of investment vehicles and postpone paying tax on these contributions until after you retire. At that time, your income will probably be less and therefore, may be taxed at lower rates.

### Tax-Sheltered Annuity [Section 403(b)(1) & 403(b)(7)]

Voluntary Tax-Sheltered Annuities, provided under Section 403(b)(1) or 403(b)(7), are tax-advantaged retirement savings programs designed primarily for employees of educational, religious and charitable organizations. The employee's eligible contributions, made through salary reduction agreements, are sheltered from Federal and State income taxes (but not Social Security taxes) until an annuity is received or the contributions are withdrawn.

The following is a list of companies (including addresses and telephone numbers) with whom the University has contribution arrangements. This listing of companies includes 403(b)(1) insurance annuity contracts that primarily offer fixed and variable accounts and 403(b)(7) custodial accounts that invest in mutual funds. Detailed information on these plans may be obtained by contacting the companies directly.

#### APPROVED 403(B) INSURANCE COMPANIES

##### Lincoln Financial Group

305 Angier Road  
Fuquay-Varina, NC 27526  
Telephone: 919-557-5520, 1-800-561-8682

##### Metropolitan Life Resources

11 Prosperity Place, 10130 Mallard Creek Road,  
Suite 120  
Charlotte, NC 28262  
Telephone: 800-492-3553 Ext. 28172

##### Reliastar/ING (formerly Northern Life Insurance Company)

137 E. Franklin Street, Chapel Hill, NC 27514  
Telephone: 919-942-9111

##### TIAA-CREF

6350 Quadrangle Drive, Building III  
Suite 100  
Chapel Hill, NC 27517  
Telephone: 1-866-904-7804

##### AIG Retirement

3100 Tower Blvd., Suite 1601  
Durham, NC 27707  
Telephone: 919-401-3200

#### APPROVED 403(B)(7) MUTUAL FUND COMPANIES

##### Fidelity Investments

82 Devonshire Street, MC2E, Boston, MA 02109-3614  
Telephone: 1-800-343-0860

##### Verity Investments

3100 Tower Boulevard, 808 University Tower, Durham, NC 27707  
Telephone: 919-490-6717, 1-800-247-6717

### North Carolina Deferred Compensation Plan [Section 457(b)]

The State of North Carolina Deferred Compensation Plan (NC 457 Plan), provided under Section 457(b) of the Internal Revenue Code (IRC), is available to all permanent University employees. IRC Section 457(b) provides for a supplemental retirement plan written specifically for governmental employees. The Plan, as created by North Carolina State Statute, is overseen by a Board of Trustees. The Plan's Board has contracted with Great West Retirement Services<sup>SM</sup> to be the Plan Administrator. Tax-sheltered contributions may be invested in fixed and variable accounts under this Plan, including publicly-traded mutual funds. Account contributions and earnings are required by law to be held in a separate trust for the exclusive benefit of participants and their beneficiaries. If you wish

more information on the Plan, you may call Great West Retirement Services<sup>SM</sup> at 1-888-600-2763.

### North Carolina 401(k) Plan

The Supplemental Retirement Income Plan of North Carolina, also known as the NC 401(k) Plan, is a supplemental retirement savings plan that meets the requirements of Section 401(k) of the Internal Revenue Code. The Plan is sponsored by the State of North Carolina and governed by the Department of State Treasurer and the Plan's Board of Trustees. The Department of State Treasurer and the Board of Trustees contract with Prudential Retirement to be the administrator. All permanent employees who participate in either the N.C. Teachers' and State Employees' Retirement System or the UNC Optional Retirement Program are eligible to participate on a voluntary basis. All contributions are by salary reduction and are tax-sheltered from federal and state income taxes. Contributions continue to grow tax-deferred until they are distributed from the Plan.

Under the NC 401(k) Plan, nine investment options are available. These options include a stable value fund and eight no load mutual funds. The stable value fund offers investors a fixed rate of return that is stated at the beginning of each calendar quarter. The Plan also offers a Roth 401(k) feature that allows you to designate some or all of your contributions to the NC 401(k) Plan on an after-tax basis. In addition, the Plan offers a free and optional asset allocation tool called GoalMaker that is designed to help Plan members with their investment choices on the basis of their years to retirement and their personal comfort level and knowledge of investing. The Plan offers automatic account rebalancing or account rebalancing on demand. The Plan includes loan provisions and hardship provisions, providing access to funds while employed. If you would like more information about the NC 401(k) Plan, you may call toll-free at 1-866-624-0151 or visit online at [www.nc401k.prudential.com](http://www.nc401k.prudential.com). Local education and enrollment managers are also available to meet with you to discuss the benefits of the Plan.

### Calculation of Annual Contribution Limits

An individual calculation must be made each year to determine your annual contribution limit to a supplemental retirement plan. The annual dollar limit on your contribution is \$15,500 in 2008 with indexing in \$500 increments after that.

The 403(b)(1), 403(b)(7), 457(b), and 401(k) plans have certain "catch-up" provisions that may permit an eligible employee to shelter or defer a greater share of salary than would otherwise be allowed, including a provision that permits a catch-up for participants who are age 50 by the end of the plan year. In addition, an aggregation of 403(b)(1) or (7), and 401(k) plan contributions must be made if you participate in more than one plan during a calendar year. For example, if you contribute to the 401(k) plan in addition to the 403(b) plan, the combined amount of the contribution to both plans in

2008 cannot exceed the elective deferral plan limit of \$15,500 (in addition to the higher 403(b) 15-year "catch-up" limit).

### Coordination With Other Pre-Tax Plans

The annual contribution limit to a 403(b)(1) or 403(b)(7) Voluntary Tax-Sheltered Annuity is based on a percentage of adjusted salary or "includible compensation." This means that your gross salary must be reduced by the amount of annual employee pre-tax contributions made to the N.C. Teachers' and State Employees' Retirement System or the UNC Optional Retirement Program before a calculation of the annual contribution limit can be made.

#### EXAMPLE

An employee's gross salary during the calendar year is \$30,000. State Retirement System contributions are reduced on a tax-sheltered basis in the amount of \$1,800 (6 percent of \$30,000). The adjusted salary or "includible compensation" used in the calculation to determine the annual contribution limit for a 403(b) tax-sheltered annuity, is determined as follows:

Current Calendar Year Gross Salary	\$30,000
State Retirement System Contribution	- 1,800
<b>Includible Compensation</b>	<b>\$28,200</b>

The annual contribution limit to the NC 457 Plan is based on a percentage of taxable pay up to a dollar limit. This means that your gross salary must be reduced by the amount of annual employee pre-tax contributions made to sponsored retirement plans (in which your contributions are tax-sheltered) and other voluntary pre-tax benefit plans before a calculation of the annual contribution limit can be made. The annual contribution to the NC 401(k) Plan is based on a percentage of gross salary up to a dollar limit. (See the Annual Maximum Contribution Limits section in the attached table for the 401(k) year-end calculation limit.)

Employee contributions to the following plans will affect supplemental retirement program annual contribution limits as specified below.

- N.C. Teachers' and State Employees' Retirement System or UNC Optional Retirement Program (affects "includible compensation" under 403(b) and 403(b)(7) plans and "taxable pay" under the NC 457 Plan)
- NC Flex and the State's N.C. Comprehensive Major Medical Plan (affect "taxable pay" under the NC 457 Plan)
- 403(b) and 401(k) Voluntary Supplemental Retirement Plans (affect 402(g) elective deferral limit). The NC 457 Plan affects the 403(b) 15-year catch-up limit.

### How to Enroll and Make Future Changes

You may begin participation in a 403(b)(1) or 403(b)(7) program at any time. In order to enroll, you should contact the company representative directly for information about the program including annual contribution limitations and the application process. You must also contact your Benefits Representative to obtain a Salary Reduction Agreement form to initiate your payroll deduction or visit the Human Resources website at <http://www.northcarolina.edu/content.php/hr/opforms.htm> and print a form which can be found under Benefits, Retirement, 403(b). Your Benefits Representative can advise you about any employer limits on the number of Salary Reduction Agreements you may enter into during a tax year under 403(b)(1) and 403(b)(7) arrangements. The effective date for the deduction to begin will vary depending on the payroll processing deadlines. Participation in more than one program is permitted.

If you wish to enroll or make future changes in the NC 457 Deferred Compensation Plan, you should contact Great West Retirement Services<sup>SM</sup> at 1-888-600-2763. You can also visit the Plan website at [www.ncdefcomp.com](http://www.ncdefcomp.com) and print an enrollment form or change form, which can be found under the Enroll Now or Forms tab.

You may begin participation in the NC 401(k) Plan at any time. If you wish to enroll or make future changes in the NC 401(k) Plan, you may contact Prudential Retirement at 1-866-627-0151. Enrollment or changes to your account can be completed over the telephone, or you can contact your Benefits Representative for the appropriate form. You can also visit the Plan website at [www.nc401k.prudential.com](http://www.nc401k.prudential.com) and print an enrollment form or change form, which can be found under the Forms tab.

### Program Comparison

Attached to this brochure you will find a comparison of the voluntary supplemental retirement plans. This comparison is general in nature and subject to change. Since the applicable laws and regulations are complex, you should consult a company representative or other qualified financial or tax professional before making a decision about which of these plans best meets your retirement objectives. Once you have made a decision, it is important to have a company representative assist you in calculating your annual maximum contribution limit.

As part of the retirement planning process, you should assess your retirement needs; consider your career pattern, personal preference and tolerance for risk; carefully review these voluntary supplemental retirement plans; and, talk to a company representative. Remember, in order to sustain your current standard of living following retirement, it is important to start saving now.

01/08

## The University of North Carolina

# VOLUNTARY SUPPLEMENTAL RETIREMENT PROGRAMS

### *Saving for Retirement in 2008*

- **403(b)**
- **457(b)**
- **401(k)**

UNC General Administration  
Human Resources Division  
Telephone: (919) 962-4530