

ADMINISTRATIVE MEMORANDUM

SUBJECT Amendments to the Optional Retirement Program

NUMBER 295

DATE October 19, 1990

In 1972 the University's Optional Retirement Program was established by the General Assembly as an alternative to the Teachers' and State Employees' Retirement System (TSERS) for eligible individuals within The University of North Carolina. At the time the ORP was established, Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF) was chosen by the University under applicable statutory standards to provide retirement annuities purchased with contributions of the employee and the State to the ORP participant's retirement account. In response to self-analysis and to facilitative actions by the Securities and Exchange Commission, CREF has made available new options for investment within CREF, the opportunity for transfer of CREF investments to funding vehicles outside CREF, and the option of withdrawing funds in lump sum from the CREF account. These new options were studied by both the Faculty Welfare Committee of our Faculty Assembly and a committee of chief academic and finance officers of the University. After a study of the responses by these two committees of University colleagues, recommendations were made to the Board of Governors for amending the Optional Retirement Program.

The Board considered these recommendations and, on October 12, 1990, adopted each of them, thereby amending the ORP in six significant ways. The Board's action is reflected in the following seven Items.

ITEM 1 - The ORP is amended to authorize as an additional investment alternative the CREF Bond Market Account (which "will invest in a diversified portfolio of U.S. government, corporate, and mortgage-and-other-asset-backed bonds").

ITEM 2 - The ORP is amended to authorize as an additional investment alternative the CREF Social Choice Account (which will "take both financial and social responsibility criteria into consideration in investing in a diversified portfolio, including stocks, bonds, and short-term securities").

ITEM 3 - The ORP is amended to authorize an ORP participant to withdraw up to 50% of the value of the participant's CREF account, at the time of retirement, irrespective of age, or at any time(s) thereafter. This may be in the form of a fixed-period payment option. This option is available to both current and future retirees under the ORP.

ITEM 4 - The ORP is amended to authorize a limited number of companies as alternative retirement plan carriers to TIAA-CREF. These companies are subject to approval by the Board of Governors upon recommendation to the Board by the President and following a professional study in accordance with the standards set forth in G.S. 135-5.1(d) for selection by the Board of such companies.

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ITEM 5 - The ORP is amended to permit a participant, in the participant's discretion, to transfer some or all funds from one CREF funding vehicle to another, from CREF to TIAA or to another approved retirement plan carrier, and, subsequently, between approved carriers, to the extent permitted by the respective carriers.

ITEM 6 - The ORP is amended to provide that a participant who leaves employment within The University of North Carolina is subject to the rules of the subsequent employer, if any, with respect to transfer of vested retirement plan assets after cessation of University employment.

ITEM 7 - The President is authorized to see to the drafting of, and to sign, documents to effect these amendments.

Please note that these amendments significantly increase the transfer and withdrawal options for CREF retirement accounts. However, the amending actions by the Board, of themselves, did nothing to alter an ORP participant's retirement annuity account with TIAA-CREF; these actions only authorized the choosing of certain new options on the initiative of the participant. Further, authorization by the Board of Governors of additional ORP funding vehicles, other than TIAA or CREF, did not operate to authorize current University employees to transfer any retirement account funds outside TIAA-CREF unless the specific additional funding vehicle has been examined under the statutory standards for choosing annuity contract carriers and, upon recommendation by the President, has been approved by the Board of Governors.

TIAA-CREF has been informed of these ORP amendments and will make available the newly authorized options within a few weeks. This office will advise you further of any communications with TIAA-CREF concerning the implementation of the new options. In the meantime, please furnish this information to ORP participants at your institution.

Questions concerning this Administrative Memorandum may be addressed to Mr. David Edwards, Special Assistant to the President.


C. D. Spangler, Jr.