

THE UNIVERSITY OF NORTH CAROLINA
OFFICE OF THE PRESIDENT

ADMINISTRATIVE MEMORANDUM

SUBJECT **Recovery of Outstanding UNC ORP
Employer Contributions from Nonvested
TIAA-CREF Participant Accounts**

NUMBER: 400

DATE: October 22, 1999

From 1972 to July 1, 1992, employees of the University of North Carolina who participated in the Optional Retirement Program (ORP), authorized by G.S. 135-5.1, were issued retirement annuity contracts in their individual names by the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF) to fund their benefits under the ORP. Pursuant to these contracts ORP participants made employee contributions and the State of North Carolina (through the University) made employer contributions. Under the ORP statute, accumulations from employer contributions that failed to vest in the ORP participant were to be returned to the University (for remission to the N. C. Teachers' and State Employees' Retirement System [TSERS]). Such contributions do not vest if the participant leaves employment in the University before five years of ORP participation and either (1) retires or (2) otherwise fails within 12 months of cessation of University employment to enter employment with a higher education employer having a substantially similar retirement plan in which the employee enrolls, using as an underwriter one of the UNC-approved ORP carriers.

The University and TSERS have reason to believe that, in many cases over the years, recovery of nonvested ORP account value funded by employer contributions was not effected as contemplated by law. In the past several months we have been working with TIAA-CREF to resolve this matter, and recently the University and TSERS reached a compromise agreement with TIAA-CREF to pursue jointly any outstanding nonvested funds. Under the agreement, to the extent that an ORP participant voluntarily authorizes recovery to the State of nonvested

funds and subject to certain conditions, TIAA-CREF will seek, and TSERS will accept, return of sums comprising nonvested UNC employer contributions made between July 1, 1985, and July 1, 1995, without seeking return also of the interest or investment experience on these contributions.

In February 1999 UNC-Charlotte agreed to undertake a pilot effort to identify any of its former ORP participants with outstanding nonvested accounts and to assist in developing generalized steps for doing so at all the constituent institutions. At the same time, UNC General Administration began working with TSERS and TIAA-CREF to develop a preliminary list of former UNC ORP participants, throughout the University, who have accounts in which UNC employer contributions made between 1985 and 1995 may have been subject to recovery. Attached to this Administrative Memorandum, based on information supplied by TIAA-CREF on September 22, 1999, are lists of your former employees who were ORP participants, broken out as follows:

1. ORP participants without any UNC money in the deferred stage (List 1). This includes individuals who have already begun annuity income from either the ORP or another institutional account, or they are deceased. You need do nothing with List 1; it is provided only for your information.
2. ORP participants with UNC money and no subsequent employer (List 2).
3. ORP participants with UNC money who, within 12 months of their last UNC contribution, went to a new employer using TIAA-CREF (List 3). You need do nothing with List 3; it is provided only for your information.
4. ORP Participants with UNC money who went to a new employer using TIAA-CREF. However, the time between the last UNC premium and the first premium at the new employer was more than 365 days (List 4).

A copy of each of these lists, a diskette containing each list, and a file description are being sent directly to your campus human resources director. Please note that no participant list is conclusive as to an individual's vesting status; rather, it only provides a cohort out of which individuals with nonvested status may later be determined.

Using Lists 2 and 4 as a basis for beginning the identification process, you should retrieve from your institutional files the original Form ORP-1 that was signed by each ORP participant when first employed by your institution and submit a copy of each such form to Kitty McCollum in

the University Benefits Office at UNC General Administration. This should be accomplished **no later than November 30, 1999**. General Administration will then forward these forms to TIAA-CREF. Accounts that TIAA-CREF then identifies as nonvested will cause General Administration to forward the corresponding participant's Form ORP-1 to the State Retirement System.

Upon receipt of the nonvested participant's original Form ORP-1, the Director of the State Retirement System will send to the participant a letter describing the forfeiture recovery process, a copy of the participant's Form ORP-1, and a statement that explains the voluntary procedure. The Director will request that the participant complete and return a recovery authorization form to UNC General Administration within 90 days. This form will then be forwarded to TIAA-CREF and, upon receipt there, TIAA-CREF will process the recovery, returning the nonvested employer contributions to General Administration for transmission to TSERS.

Please give this process your institution's early and earnest attention. In doing so, please provide your human resources office with the necessary support to carry out the process for recovering these outstanding UNC ORP employer contributions.



Molly Corbett Broad

cc: Mr. Harlan Boyles, State Treasurer
Mr. Dave Shunk, Executive Vice President, TIAA-CREF
Chief Financial Officers
UNC Human Resource Directors
UNC Benefits Representatives