

ADMINISTRATIVE MEMORANDUM

SUBJECT Board Action Concerning Implementation of
Fidelity Investments Tax-Exempt Services Company
under the Optional Retirement Program

NUMBER: 398

DATE: September 27, 1999

Administrative Memorandum Number 396 (dated June 14, 1999) reported that the Board of Governors approved Fidelity Investments Tax-Exempt Services Company as an additional investment option for employer and employee contributions in behalf of participants in the Optional Retirement Program (ORP). On September 10, 1999, the Board of Governors also made conforming amendments to the ORP Plan Document, accommodating the use of custodial accounts (trusts), such as Fidelity mutual funds, to underwrite ORP participants' accounts. The ORP will now allow contributions to be made to Fidelity Investments, Lincoln Life, TIAA-CREF, and VALIC commencing with the October 1999 pay period for ORP participants who have properly authorized those contributions with their campus benefits office. An ORP participant may elect to allocate both employer and employee contributions to a single ORP carrier or split employer and employee contributions between two carriers. In addition, any existing ORP accumulations may be transferred to any other of the approved ORP carriers, subject to the original carrier's contractual limitations.

Fidelity Investments has been providing investors with professionally managed mutual funds and investment services since 1946 and is the nation's largest mutual fund company. A fact sheet describing Fidelity's available products, contract features, account information, retirement payout options, and range of services is enclosed. Fidelity has also prepared informational packets and is in the process of disseminating this information to each ORP participant.

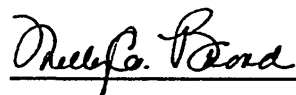
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Informational meetings are scheduled to be held at each of the constituent institutions beginning the last week in September and during the months of October and November. Campus-specific information about each of these meetings will be included in Fidelity's "Good News" flyer and will be sent to each ORP participant. Fidelity representatives will be available at these meetings to provide information about their products and services to interested ORP participants. They will also be available at a later date for individual counseling sessions. The ORP booklet, "Choosing A Retirement Program," and the various ORP enrollment and change forms are in the process of being revised, and a supply will be disseminated to the campuses within the next few weeks.

In addition to the standard distribution, this Administrative Memorandum is being provided directly to institutional senior human resource administrators and benefits representatives. Questions concerning this Administrative Memorandum may be addressed to Ms. Kitty McCollum, associate vice president-finance and university benefits officer.

A handwritten signature in dark ink, appearing to read "Molly Corbett Broad", is written over a horizontal line.

Molly Corbett Broad

Enclosure



FIDELITY

Fidelity Investments has been providing investors with professionally managed mutual funds and investment services since 1946. As the nation's largest mutual fund company, Fidelity Investments is committed providing investors a range of investment options, responsive customer service, and the educational resources to help you plan successfully for your retirement. Our investment philosophy is to seek out the best stock, bond, and short-term investments around the world through careful analysis and on-site visits to companies.

Fidelity Investments® Tax-Exempt Services Company

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Retirement Services
(800) 343-0860

www.fidelity.com
<http://netbenefits.non-profits.com>

Available Products

Fidelity offers a variety of mutual funds that are divided into categories known as investment disciplines. **Growth Funds** invest primarily in common stocks for long-term capital appreciation, and therefore, have high potential for fluctuations in value based on a variety of factors, including market conditions. Share price and return will vary. **Growth and Income Funds** blend the growth potential of common stocks with regular income and stability of bonds. Share price, yield, and return will vary. **Income (or Bond) Funds** invest mainly in bonds with the goal of achieving regular income. Share price, yield, and return will vary. **Money Market Funds** are the most conservative of all mutual funds. They are managed to maintain a stable \$1.00 share price and pay a variable rate of monthly income. While Money Market funds seek to maintain a \$1.00 share price, there is no assurance that they will be able to do so. An investment in a Money Market Fund is not insured or guaranteed by the FDIC or any other government agency. **Asset Allocation Funds** allocate investments among stocks, bonds, and short-term instruments seeking high total return with reduced risk over the long term. Share price, yield, and return will vary. We also offer a range of **Lifestyle Funds**, which offer a simpler, one-step way to invest for retirement. Some of the mutual funds made available by Fidelity are:

Growth Funds

Fidelity Aggressive Growth
Fidelity Blue Chip Growth
Fidelity Dividend Growth

Growth and Income Funds

Fidelity Equity Income
Fidelity
Fidelity Spartan US Equity Index

Bond Funds

Fidelity Capital and Income
Fidelity Intermediate Bond
Fidelity US Bond Index
PIMCO Total Return (Admin Class)

International/Global Funds

Fidelity Diversified International
Fidelity Overseas
Templeton World I (Class A)

Small Cap Funds

Ariel
Baron Asset
Fidelity Low Priced Stock
Fidelity Small Cap Selector

Mid Cap Funds

Ariel Appreciation
Fidelity Mid Cap Stock

Balanced Fund

Fidelity Puritan

Social Responsibility Fund

Domini Social Equity

Life-Cycle Funds

Fidelity Freedom Income
Fidelity Freedom 2000
Fidelity Freedom 2010
Fidelity Freedom 2020
Fidelity Freedom 2030

Money Market Fund

Fidelity Retirement Money Market

For more detailed information about the Fidelity products, you can access The University of North Carolina Benefits Office home page through the Internet's World Wide Web. Internet: www.ga.unc.edu/benefits

Contract Features

Allocation of Funds

You may allocate your contribution in any manner among the Fidelity Funds. Your allocations must be in whole number percentages.

Transfer of Funds

Employees have the ability to exchange among the Fidelity fund options.* You can call 1-800-343-0860 or contact us online at <http://netbenefits.non-profits.com> to reallocate your investments as your needs change. Fidelity does not charge surrender fees.



Account Information

You will receive quarterly statements from Fidelity summarizing your account activity.

- ◆ For information about your account or any Fidelity Funds, or to order a prospectus, call a Fidelity Retirement Services Specialist at 1-800-343-0860, 8:00 a.m. to 12:00 midnight EST, Monday through Friday, or contact us online at <http://netbenefits.non-profits.com>.

Retirement Payout Options

Your investments need to be working for you before and after retirement. Everyone's retirement needs are different. Our spectrum of distribution options means you have real choice and control at retirement on how you take your payout. We offer:

- ◆ **Systematic withdrawal programs:** You can establish a regular schedule of account withdrawals from your Optional Retirement Program.
- ◆ **Full or partial withdrawals:** You can distribute all of your retirement assets in one lump sum or defer the payout beyond the mandatory age of 70 1/2 and withdraw the minimum required distribution amount.
- ◆ **Income annuities:** You can convert your account into a stream of income with either a fixed or variable income annuity.
- ◆ **IRA rollovers:** You can elect a direct rollover of your eligible assets to an IRA.

Range of Services

Fidelity gives you access to the financial planning tools you need to become a more informed retirement investor. These tools help you determine if you will have enough savings to retire and figure out what asset allocation might be right for you.

- ◆ Our counselors are experienced in retirement planning and available to provide retirement education and personal investment counseling at your campus.
- ◆ A number of investment education publications can be ordered by calling **1-800-343-0860**.
- ◆ Fidelity Retirement Services Specialists are available Monday through Friday, 8:00 a.m. to 12:00 midnight EST, by calling **1-800-343-0860**. They can provide you with information and answer questions concerning your account and investment options.
- ◆ Automated account access is available virtually 24 hours a day, seven days a week for mutual fund prices, yields, account balances, exchanges, and more.
- ◆ You can visit Fidelity any time on the Internet for current Fidelity fund performance, interactive worksheets and two-way email. *Internet:* www.fidelity.com
- ◆ You can access your account online at <http://netbenefits.non-profits.com> to view your latest account balances, current share prices of funds, recent contributions, current fund selections, historical performance of the mutual funds and to move money between funds or change your fund selections.
- ◆ You will receive a personalized account statement on a quarterly basis.

For more complete information about Fidelity mutual funds, including fees and expenses, call Fidelity for free prospectuses or access them on the Internet at www.fidelity.com. Read them carefully before you make investment choices.

*Fidelity mutual funds reserve the right to modify or withdraw the exchange privilege.

Unless otherwise noted, transaction requests confirmed after the close of the market, normally 4:00 p.m. (EST), or on weekends or holidays will receive the next available closing share price.

Annuities are distributed by Fidelity Brokerage Services, Inc., member NYSE, SIPC; Fidelity Insurance Agency, Inc.; and Fidelity Investments Insurance Agency of Texas, Inc.

Information about mutual fund performance: Past performance is no guarantee of future results. A fund's share price, yield and return will vary, and you may have a gain or loss when you sell your shares. For more information about total returns or any Fidelity mutual fund, call Fidelity Investments.

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