

# ADMINISTRATIVE MEMORANDUM

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**SUBJECT** Implementation of revisions  
to the Optional Retirement Program

**NUMBER** 323

**DATE** June 19, 1992

This Administrative Memorandum is issued to implement certain revisions to the Optional Retirement Program (ORP) adopted by the Board of Governors of The University of North Carolina on October 12, 1990, and October 11, 1991. This Administrative Memorandum supplements pages III-S-1 and -2 in The Administrative Manual of The University of North Carolina. This Administrative Memorandum will itself be supplemented as needed and may be superseded at such time as statements of the policies and regulations for the ORP are consolidated.

1. Effective date. The Optional Retirement Program as amended by the Board of Governors on October 11, 1991, to add as approved carriers Lincoln National Life Insurance Company and the Variable Annuity Life Insurance Company (VALIC), shall be effective July 1, 1992.
2. Election of the ORP. Persons eligible to participate in the ORP are required by state statute to elect either the ORP or the Teachers' and State Employees' Retirement System (TSERS) "at the same time of entering upon eligible employment." This will be understood to mean that an eligible employee has 30 days from the date of commencing eligible employment to execute the form electing the ORP and submit it to the employing institution. Failure to meet this deadline means that the employee should be enrolled in TSERS; this is, effectively, an irrevocable election.
3. Ownership of annuity contracts.
  - a. TIAA-CREF annuity contracts of participants in the ORP who enrolled prior to July 1, 1992, will continue to be held in the name of the individual participant. [Contributions to those contracts through June 30, 1985, are tax-favored under IRC section 403(b); contributions after that date are tax-favored under IRC section 403(a).]
  - b. Should a participant transfer all or part of an investment account established prior to July 1, 1992, from TIAA-CREF to another carrier, the new annuity contract issued in consequence to that transfer will continue to be in the name of the participant to the extent that transferred balances are attributable to pre-July 1, 1985, contributions. Such transferred account balances will be placed in the name of The University of North Carolina for the benefit of the participant to the extent that they are attributable to post-June 30, 1985, contributions.

- c. Annuity contracts of participants enrolling in the ORP on or after July 1, 1992, will be issued in the name of The University of North Carolina for the benefit of the participant.
  - d. Former ORP participants who are 100% vested in their accounts on termination of employment occurring on or after July 1, 1992, will receive as a distribution an annuity contract in their name.
  - e. Persons who terminate employment with The University of North Carolina and enroll in a like retirement plan of an institution of higher education that offers an annuity contract from an insurer with whom they had participated in the ORP, will be issued an annuity contract in their own name.
4. Selection of ORP carrier(s). A participant in the ORP may elect to allocate both the participant's ORP contributions and the employer's ORP contributions to any one of the three authorized carriers or may direct the participant's contributions to one carrier and the employer contributions to another. (Such allocations may be changed with respect to any future month for which the pertinent payroll office can accommodate the change.) In addition, those participating in the ORP prior to July 1, 1992, may elect to retain their prior contributions with TIAA-CREF as well as elect to allocate future ORP contributions in the manner of those enrolling in the ORP on or after July 1, 1992. This would permit ORP participants enrolled prior to July 1, 1992, to have investment accounts with one, two, or all three approved carriers. Any election by an ORP participant to allocate contributions to more than one carrier will be subject to the capacity of the employing institution's payroll office to allocate ORP contributions to more than one carrier.
5. Vesting of retirement contributions.
- a. The participant's contributions to the ORP vest to the benefit of the participant immediately; the University's contributions vest to the benefit of the participant following five years of eligible service under the ORP.
  - b. A year of eligible service means completion of the number of months during a contract year of the participant sufficient to satisfy the service requirement of the employment agreement for that contract year. Service completed during a contract year totaling less than the total months of the contract year will be credited as a fraction whose numerator is the number of months of completed service during that contract year and whose denominator is the number of months of that contract year (e.g., 5/9, 9/9, 10/12, 12/12).
  - c. Should a participant in the ORP cease employment within The University of North Carolina and either retire or proceed to employment for which the participant does not continue, as the participant's core retirement plan, the account(s) held for the participant by the account carrier(s) previously subscribed under the ORP, those ORP account contents attributable to contributions by The University of North Carolina will be forfeited and paid over to the State of North Carolina as provided by law.
  - d. If a participant leaves employment within the The University of North Carolina having less than five years of eligible service and commences employment outside the The University of North Carolina but continues to subscribe as the participant's core retirement plan to the fund(s) that constituted the participant's ORP retirement plan immediately prior to

ceasing ORP eligible service, the ORP account contents attributable to contributions by The University of North Carolina with respect to the participant's eligible service will not be forfeited.

6. Transfer of account funds and reallocation of ORP contributions. Transfer and reallocation options for ORP assets by ORP participants, former ORP participants, and retirees are set forth on the attached Chart of Transfers and Reallocations (Appendix to this Administrative Memorandum).

In addition to the standard distribution, this Administrative Memorandum is being provided directly to the institutional Faculty Benefits Officers. Questions concerning policy of this Administrative Memorandum may be directed to Mr. David Edwards, Special Assistant to the President. Questions concerning related payroll matters or financial administration should be directed to Mr. Jeffrey Davies, Associate Vice President for Finance.



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C. D. Spangler, Jr.

CHART OF TRANSFERS AND REALLOCATIONS

Class of individuals	Transfer of vested funds*	Transfer of non-vested funds*	Reallocation of future contributions*	
ORP participant	Yes, to any approved carrier.	Yes, to any approved carrier.	Yes, to any approved carrier.	
Former ORP participant	Inactive	Yes, to any approved carrier.	No.	N/A
	Employed by non-UNC employer	As permitted by new employer if former ORP account(s) active as new core retirement plan; otherwise, no.	N/A	As permitted by new employer under successor core retirement plan.
Retiree (currently annuitizing ORP account(s))	As permitted by the carrier(s).	N/A	N/A	

\*Transfers and reallocations permitted under this chart are also subject to the limitations set forth in Section 4 of this Administrative Memorandum and to limitations of the relevant annuity contract(s).