



The University of North Carolina System 403(b)
2023 Plan Summary



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East Carolina University

Elizabeth City State University

Fayetteville State University

North Carolina Agricultural and
Technical State University

North Carolina Central University

North Carolina State University

North Carolina School of
Science and Mathematics

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at Chapel Hill

University of North Carolina
at Charlotte

University of North Carolina
at Greensboro

University of North Carolina
at Pembroke

University of North Carolina
Wilmington

University of North Carolina
School of the Arts

Western Carolina University

Winston-Salem State University

Other Affiliates:

- University of North Carolina
Health Care
- University of North Carolina
Press

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Introduction

The University of North Carolina System (UNC System) offers eligible employees a number of benefit plans to help you plan for a secure retirement.

The UNC System offers a choice between the Teachers' and State Employees' Retirement System (TSERS) and the Optional Retirement Plan (ORP).

As a UNC System employee, you must choose to participate in either the ORP or TSERS. For this reason, these two plans are sometimes referred to as the "mandatory" retirement plans.

Participation in either the ORP or TSERS is a valuable opportunity to save for your retirement. However, you may want to consider boosting your retirement income by also participating in one or more of these supplemental retirement plans that are offered to you:

- The University of North Carolina System 403(b) Plan
- The University of North Carolina System 457(b) Plan
- State of North Carolina 457 Deferred Compensation Plan
- State of North Carolina 401(k) Plan

The supplemental plans share certain similarities, but each has its own features and rules as well. For more information about all of these plans, including a decision guide to help you choose which plan(s) you want to participate in, see <https://myapps.northcarolina.edu/hr/benefits-leave/retirement/>.

This summary provides you with an overview of the features of The University of North Carolina System 403(b) Plan, which we will refer to as the UNC System 403(b) Plan.

The designations "403(b)," "457(b)" and "401(k)" refer to the sections of the Internal Revenue Code that provide for and govern these types of plans.

Type of Plan

The UNC System 403(b) Plan is a “defined contribution” plan, as are the ORP and other supplemental retirement plans. This is different from TSERS, which is a “defined benefit” plan.

Under a defined benefit plan, the value of your retirement benefit is determined by a formula, which is usually based on your service, your pay and other factors. Under a defined contribution plan, the value of your retirement benefit is based on the contributions you make to the plan, how you invest them and the performance of the investment funds you select.

Planning for Retirement Income: The Big Picture

To prepare for a comfortable retirement, you should plan on having retirement income from several sources.

Sources of Retirement Income

ORP or TSERS
UNC System 403(b) Plan
UNC System 457(b) Plan
State’s 457 Deferred Compensation Plan
State’s 401(k) Plan
Personal Savings
Social Security

Most experts estimate you’ll need between 70-90% of your pre-retirement income to maintain your standard of living in retirement. Of course, how much income you need during retirement depends on several factors—including what you want to do (travel, buy a second home, etc.) and when you retire (which affects the number of years you’ll need your savings to last).

Participating in one of the UNC System’s mandatory retirement programs is a good start. Social Security benefits will also figure into your plans for retirement income, though experts estimate that Social Security only replaces about 40% of your pre-retirement income.

The UNC System’s supplemental retirement plans can boost your retirement income further, as can any other personal savings you may have.

One of the most important steps in preparing for retirement is setting your goals—you need to know how much income you need in order to plan how to achieve it. For help establishing your retirement savings goals, review all of the retirement program materials available at <https://myapps.northcarolina.edu/hr/benefits-leave/retirement/>.

UNC System 403(b) Plan Information

Eligibility

All persons, other than UNC Health Care employees, who receive compensation reportable on a Form W-2 and pay FICA (Social Security) tax are eligible to participate in the UNC System 403(b) Plan.

This does not include, for example, independent contractors and consultants.

As an eligible UNC System's employee, you may enroll as soon as you are hired, or any time afterward during your UNC System employment.

Enrollment

To enroll in the UNC System 403(b) Plan:

1. Visit <https://myapps.northcarolina.edu/hr/benefits-leave/retirement/unc-403b/>.
2. Complete a new Salary Reduction Agreement (SRA)—forms and instructions are available at the website address given above. The SRA is a form that authorizes the UNC System to deduct contributions from your paycheck, in the amount you designate (subject to limits), and place them in the plan each pay period. Complete the SRA form, print a copy, sign it and send it to your institution's Human Resources/Benefits Office.
3. Select your investments and designate your beneficiary for the UNC System 403(b) Plan online by visiting the carrier's website:
 - Fidelity: www.netbenefits.com/unc
 - TIAA: www.TIAA.org/unc

If you fail to make an investment election, deferrals will be defaulted into the age appropriate Vanguard Target Date Fund.

If you have questions, contact the carriers directly. See "Contact Information" near the end of this summary.

Before you make your decisions, you may want to consider consulting with your personal tax or financial adviser.

When Your Participation in the UNC System 403(b) Plan Begins

Once you have made your investment decisions and your completed SRA form is received, your contributions to the plan will begin as soon as administratively possible.

Choosing a Beneficiary

When you enroll, you must choose one or more beneficiaries as the person(s) who receive the value of your UNC System 403(b) Plan benefit if you should die before you retire. (If you die after you begin receiving retirement benefits, whether payment is made to another person depends upon the form of payment you choose for receiving your benefit.)

Contributions

Your benefit is funded by contributions you make to the UNC System 403(b) Plan, deducted from each of your paychecks in the amounts that you choose (subject to the limits described under "Contribution Limits" later in this section).

Your contributions are allocated by you to various investment options, as described in "Investment of Contributions."

You have the option to make contributions on a pre-tax basis, and/or an after-tax basis through a Roth account.

Pre-Tax Contributions

Your pre-tax contributions are deducted from your pay before calculating federal and state income tax withholdings. Pre-tax contributions lower your current taxable income and reduce the amount you pay in current federal and state taxes. Distributions are taxable as ordinary income for federal and state income tax purposes.

Roth After-Tax Contributions

You also may designate some or all of your contributions to be deducted on an after-tax basis via a Roth account. Contributions are not taxed again at distribution. Further, any earnings on your Roth contributions are tax free when withdrawn as long as it has been at least five tax years since your first Roth account contribution and the distribution is a "qualified Roth distribution." A qualified Roth distribution is

a distribution (i) made on or after Age 59½, (ii) made to your beneficiary after your death, or (iii) made after you become disabled.

Unlike a Roth individual retirement account (IRA), there are no maximum income limits that may affect your eligibility to participate in a Roth 403(b) Plan.

Choosing Whether to Contribute on a Pre-Tax or Roth After-Tax Basis

If you make pre-tax contributions, you reduce your current taxes. On the other hand, if you contribute on a Roth after-tax basis, you are protected from future tax increases if you receive a qualified Roth distribution as outlined previously. Each approach has its own advantages, depending on your personal situation.

In general, if you expect your tax rate to be the same or higher in retirement, you may prefer to contribute on a Roth after-tax basis. However, a number of factors could influence your future tax rate, so you may wish to discuss this with your personal tax or financial adviser to decide what is best for you.

Roth Conversion Option

At any time, you may convert all or part of the pre-tax contributions you have already made to the plan, along with their interest and earnings, to a Roth account. The amount you convert is treated as taxable income in the year you convert it but will no longer be subject to federal or state taxes when you withdraw it as a “qualified Roth distribution.”

Contribution Limits

If you participate in the UNC System 403(b) Plan, you must contribute a minimum amount of at least \$200 per calendar year.

Federal law also sets limits on the maximum amount you can contribute to the UNC System 403(b) Plan each calendar year. For 2023, this limit is \$22,500.

If you are at least age 50 (by the end of the current plan year), you are also allowed to make an additional “catch-up” contribution each year. It is so called because it helps people who may not have been contributing enough in previous years to “catch up” as their retirement draws closer. For 2023, the maximum catch-up contribution is \$7,500.

Please note that the regular and catch-up contribution maximums include both pre-tax and Roth after-tax contributions, combined.

In addition, if you also participate in the State’s 401(k) Plan, then your combined contributions to both Plans count toward the regular and catch-up contribution maximums.

Changing Your Contribution Amounts

At any time, you may change the amount of your contributions, or have them stopped. Complete a new Salary Reduction Agreement to cancel your deductions.

Rollover Contributions

The UNC System 403(b) Plan will accept rollovers into the plan from certain other qualified plans. For more information, contact your carrier or your institution’s Human Resources/Benefits Office.

Investment of Contributions

If you enroll in the UNC System 403(b) Plan, you will have several decisions to make. You must choose the UNC System 403(b) Plan carrier(s) with which you will invest your contributions, select the specific funds in which to invest, and review and redirect your investments in the future if needed.

Choosing Your Carrier(s)

There are two authorized carriers that each offer a variety of investment funds to participants in the UNC System 403(b) Plan. These carriers are:

- Fidelity Investments
- TIAA

You may invest your contributions with either carrier, or both. In addition, you may transfer your UNC System 403(b) Plan account funds from one carrier to another while you are employed with the UNC System.

We encourage you to thoroughly review the detailed information available at each carrier’s website before making your decision. You can find links to each carrier’s website at <https://myapps.northcarolina.edu/hr/benefits-leave/retirement/unc-403b/>. In addition, you can find website addresses and telephone numbers in the “Contact Information” section near the back of this summary.

The information provided by each carrier includes:

- Financial strength or stability of the carrier,
- Fees, charges and operating expenses,
- Explanations of the different forms in which you may receive payment of your benefit when you retire,
- Interest rate history, policies and guarantees,
- Descriptions and performance history of investment accounts, and
- Special features and services offered by the carrier.

Choosing Your Investment Fund(s)

Once you select your carrier(s), you must choose the appropriate investment funds that meet your investment objectives and retirement goals. Each carrier offers a variety of investment funds and a broad array of fund categories. Detailed information about each fund is available from the respective carrier.

Changing Your Investment Fund Allocations

At any time, you may request that your future contributions be changed in order to allocate them to different investment funds. Contact your UNC System 403(b) Plan carrier to make this request.

Withdrawing Money From the Plan (Distributions)

Any money withdrawn from the plan at any time is called a “distribution.” (Loans taken temporarily from the plan are not considered distributions, provided they are repaid.)

When You May Take Money From the Plan

You may elect to receive a distribution from your UNC System 403(b) Plan account:

- When you retire at age 59½ or later, as a retirement benefit (with various payment options available),
- While you are still employed by the UNC System after reaching age 59½,
- When you leave employment with the UNC System before retirement,
- If you become disabled, as provided by the rules of your agreement with your carrier, or
- If you need access to the funds due to a financial hardship, such as a hardship withdrawal, subject to certain rules.

In addition, a distribution from the plan will be paid to your designated beneficiary if you should die before you retire or leave employment with the UNC System.

Required Distributions

You must begin to receive distributions from the UNC System 403(b) Plan by April 1 following the year in which you reach age 72 or retire from the UNC System, whichever is later.

The minimum amount that you must receive is governed by the Internal Revenue Service. Amounts that should have been distributed, but are not, are subject to a 50% penalty tax.

Contributions made to the UNC System 403(b) Plan prior to January 1, 1987, are subject to different rules.

For more information, consult your legal or tax adviser.

Loans

Although withdrawals from the UNC System 403(b) Plan while you are working for the UNC System are generally not permitted before age 59½, you may be able to take a loan from your plan account before that age.

Employees may take loans from the plan's approved carriers (Fidelity and TIAA), or if an agreement is in place with the UNC System, from former carriers (agreements are in place with Horace Mann, Voya, Lincoln Financial and VALIC). In addition, some of the carriers place restrictions on which portion of your account can be used for loans:

- Fidelity Investments allows loans from both the pre-tax and Roth after-tax portions of your plan.
- TIAA allows loans from the pre-tax portion of your plan only.

MAXIMUM LOAN AMOUNT

The maximum loan amount is the lesser of:

- 50% of the value of your UNC System 403(b) plan account balance, or
- \$50,000 (reduced by the highest balance on all loans from your supplemental retirement plan account balances during the preceding 12 months).

Please keep in mind that \$50,000 is the maximum amount that you may borrow or have outstanding during any 12-month period. The total amount of outstanding loans within a 12-month period will affect the maximum amount you may borrow during that period, even if you have paid off all amounts previously borrowed. To borrow the maximum, you must have no outstanding loan balance for 12 consecutive months.

If you take loans from the plan through more than one carrier, these maximums and limits apply to all of your loans combined.

REPAYMENT OF LOANS

Provisions for repaying your loan are subject to the rules of the specific carrier.

TAXES AND PENALTIES OF LOANS

Amounts that are not repaid to the UNC System 403(b) Plan, or amounts that exceed the maximum loan amount limits, may be considered an early withdrawal from the plan and may be subject to tax penalties as well as ordinary income tax. See your carrier for more details concerning loans from the plan.

Hardship Withdrawals

Although you are generally not allowed to withdraw money from the Plan while you are working for the UNC System before age 59½, in some cases this may be allowed if you experience an immediate and heavy financial need and have no other resources available.

A hardship withdrawal may be made for:

- Medical expenses for you, your spouse or dependents, if those expenses are not reimbursed by a health plan.
- The purchase (excluding mortgage payments) of your primary residence.
- Payments needed to avoid eviction from or foreclosure on your primary residence.
- Tuition and related educational fees for the next 12 months of post-secondary education for you, your spouse, your children, or your dependents.
- Burial or funeral expenses for your deceased parent, spouse, children, or dependents.
- Expenses incurred as a result of property damage to your primary residence.

Hardship withdrawals are available from the plan's currently approved carriers (Fidelity and TIAA) and from UNC System 403(b) accounts with former carriers (VALIC, Lincoln, Voya and Horace Mann). Other rules may apply under the arrangement with your UNC System 403(b) Plan carrier. Contact your carrier for details.

Taxes

When you receive a distribution from the plan, any taxable amounts are subject to ordinary income taxes.

Penalties for Early Withdrawals

Remember that the UNC System 403(b) Plan is intended to provide you with income after you retire. To discourage distributions before retirement, the federal government imposes a 10% additional penalty tax on early withdrawals of taxable amounts. This 10% additional penalty tax will not apply if at the time of your distribution:

- You are age 59½ or older;
- You are disabled;
- You terminated employment from the UNC System in or after the year you reached age 55;
- The payment form you elect results in substantially equal periodic payments over your life (or the joint lives of you and your beneficiary);
- The payment is a direct rollover to an IRA or an eligible employer plan or;
- Within 60 days from receipt of payment, you roll over the distribution into an eligible employer plan or IRA.

Other exceptions to the 10% penalty tax may also apply. For legal and tax advice concerning your situation, you should consult your attorney or tax adviser.

Service Credit Transfers

While you are employed with the UNC System, you may choose to have a portion of your UNC System 403(b) Plan transferred directly into the Teachers' and State Employees' Retirement System in order to purchase allowable service credits with the State Retirement System.

Forms of Payment for Your Retirement Benefit

You will have the opportunity to designate one of several payment options for receiving your benefit when you retire.

The available options for payment may vary, depending on your carrier. You must contact your carrier to find out which payment options are available to you.

However, some of the most common methods of payment are outlined below. Just bear in mind that both carriers may not offer all of these options, details may vary, and various restrictions and rules may apply.

- One common method of payment is an **annuity**, which is a series of payments made over a specified period of time.
 - A **single-life annuity** (also called a **life-only annuity**) pays you a monthly benefit for as long as you live. The exact amount of your monthly benefit depends upon the value of the benefit you have accumulated in the UNC System 403(b) Plan when you begin receiving benefits, and your life expectancy at that time.
 - Under a **two-life annuity** (also called a **joint-and-survivor annuity**), the plan pays you a monthly benefit for as long as you live. Upon your death, it continues to pay a monthly benefit to another designated recipient, sometimes called an annuity partner, for as long as he or she lives. Under some versions of a two-life annuity, the monthly payment that is paid to your surviving annuity partner is equal to the monthly payment you received; under other versions, your surviving annuity partner receives a percentage of the monthly amount you had been receiving. If your annuity partner dies before you do, payments cease upon your death—unless the payment option includes a **specified minimum number of payments**. In this case, if both you and your annuity partner die before the minimum number of payments have been made, the remaining payments are made to a designated beneficiary. (If there is no surviving designated beneficiary, payment is made to other persons as specified by the carrier's rules.)

Compared to a similar single-life annuity, monthly benefits under a two-life annuity will be smaller because two life expectancies must be taken into account rather than just one.

- You may be able to withdraw funds from your UNC System 403(b) Plan account as a **cash payment**, either all at once as a one-time **lump sum**, or as a series of **systematic withdrawals** depending on your carrier's rules. Other restrictions may apply.
- **Fixed period withdrawals**, if available, may allow you to receive income for a specified number of years, after which you will have received the total value of your plan benefit and payments will stop.
- **Interest-only payments**, if available, allow you to receive the current interest earned on your plan account while your principal remains intact and in the plan. This form of payment may only be available until you reach age 72, when specified minimum payments from the plan are required.

Again, this is only a sampling of some common payment options. Check with your carrier to find out about the specific payment options that are available to you.

If You Leave Employment Before You Retire

If you leave employment with the UNC System before you retire, you have a number of options concerning your UNC System 403(b) Plan retirement benefit.

- You can leave your account balance in the UNC System 403(b) Plan until you begin receiving a retirement benefit under one of the various payment options available to you.
- As an alternative, under the UNC System 403(b) Plan your retirement benefit is portable.
 - If you change employers, your benefit is easily transferable to other employers. You may continue to use the same carrier under your new employer’s plan, if the same carrier is available under that plan.
 - You may transfer or roll over your benefit into an individual retirement account (IRA) or the qualifying plan of your new employer, if it accepts rollovers.

Keep in mind that if you withdraw money from the UNC System 403(b) Plan before age 59½ without properly making a direct transfer or rollover into an IRA or other qualified plan, you will be subject to tax penalties. Various rules must be followed in order to avoid this. For legal and tax advice concerning your situation, you should consult your attorney or tax adviser.

Distributions in the Event of Your Death

If you should die before you retire or leave employment with the UNC System, the value of your UNC System 403(b) Plan account will be payable to your designated beneficiary.

If you should die after you retire or leave employment with the UNC System, the value of your UNC System 403(b) Plan account will be paid according to the payment option arrangements that apply to your carrier.

Contact Information

Information	Contact	
General information about the UNC System 403(b) Plan	Your institution’s Human Resources/Benefits Office	
	Authorized UNC System 403(b) Plan Carriers	
	Fidelity Investments	TIAA
To review detailed information about the UNC System 403(b) Plan investment carriers and/or their respective investment options, or for information about your investment accounts	www.netbenefits.com/unc 877-862-4032	www.TIAA.org/unc or 800-842-2888
To speak with a representative by telephone	877-862-4032, Monday through Friday, 8 a.m. to midnight, Eastern time	800-842-2888, Monday through Friday, 8 a.m. to 10 p.m. and Saturday 9 a.m. to 6 p.m., Eastern time
When you need information to help make an enrollment decision, you may call this number to make an appointment for a confidential session	Fidelity Investments 800-642-7131	TIAA 800-732-8353

The information in this brochure is general in nature and may be subject to change. Neither the University of North Carolina (UNC), Fidelity Investments, TIAA nor any of their agents/representatives can give legal or tax advice. Applicable laws and regulations are complex and subject to change. For legal and tax advice concerning your situation, you should consult your attorney or tax adviser.

For more information about any of the authorized UNC System 403(b) Plan carriers or their products, including investment options, charges and expenses, please contact a company representative for a prospectus. Please read the prospectus carefully before selecting a UNC System 403(b) Plan carrier or investment option. In the event of a conflict between this brochure and the Plan documents, the Plan documents will control. You can find the Plan document for the UNC System 403(b) Plan at <https://myapps.northcarolina.edu/hr/benefits-leave/retirement/unc-403b/>. UNC reserves the right to amend the Plan documents.