



Date: February 11, 2022

To: UNC Retirement Program Participants

From: **Brian Usischon**
Senior Associate Vice President for Human Resource Services

Subject: Important Information About Your UNC Retirement Program

The University of North Carolina (UNC) System is committed to periodically reviewing its retirement programs to make sure they continue to help you meet your retirement and financial goals. Among the things considered are the range of investment options available through the plans, investment option performance and value, and whether the plans give you access to services that complement your accounts.

As a result of a recent review, the UNC System has decided to make some changes to the UNC System Optional Retirement Plan (ORP) and the UNC System 403(b) and 457(b) Plans. The purpose of this email is to inform you of these changes and how you may be affected.

You do not need to take action unless you have funds invested in an option that is being replaced and do NOT want your funds to be transferred to the replacement option.

What's Changing

Fund Mergers and Expense Ratio Reductions

Vanguard Institutional Target Retirement Funds are scheduled to be merged into their respective Vanguard Target Retirement Funds on **February 11, 2022**. The new share class will offer you the same investment strategy and risk, but the overall expenses will be lower. The current expense ratio is 0.09% (9 basis points) for Vanguard Institutional Target Retirement Funds and 0.12% to 0.15% (12 to 15 basis points) for Vanguard Target Retirement Funds. Following the mergers, Vanguard expects that each combined fund's expense ratio will be reduced to 0.08% (8 basis points).

The following funds will no longer be offered under the UNC System 403(b) Plan. If you currently invest in one of these options, your existing balance and future contributions will be transferred to a new fund as shown below. The transfer of balance will appear as an exchange on your account history and quarterly statement. You may receive a prospectus as a result of this transaction.

CURRENT			REPLACEMENT	
Investment Option and Share Class	Ticker		Investment Option and Share Class	Ticker
Vanguard Institutional Target Retirement 2015 Fund	VITVX	>>	Vanguard Target Retirement 2015 Fund	VTXVX
Vanguard Institutional Target Retirement 2020 Fund	VITWX	>>	Vanguard Target Retirement 2020 Fund	VTWNX
Vanguard Institutional Target Retirement 2025 Fund	VRIVX	>>	Vanguard Target Retirement 2025 Fund	VTTVX
Vanguard Institutional Target Retirement 2030 Fund	VTTWX	>>	Vanguard Target Retirement 2030 Fund	VTHRX
Vanguard Institutional Target Retirement 2035 Fund	VITFX	>>	Vanguard Target Retirement 2035 Fund	VTTHX
Vanguard Institutional Target Retirement 2040 Fund	VIRSX	>>	Vanguard Target Retirement 2040 Fund	VFORX
Vanguard Institutional Target Retirement 2045 Fund	VITLX	>>	Vanguard Target Retirement 2045 Fund	VTIVX
Vanguard Institutional Target Retirement 2050 Fund	VTRLX	>>	Vanguard Target Retirement 2050 Fund	VFIFX
Vanguard Institutional Target Retirement 2055 Fund	VIVLX	>>	Vanguard Target Retirement 2055 Fund	VFFVX
Vanguard Institutional Target Retirement 2060 Fund	VILVX	>>	Vanguard Target Retirement 2060 Fund	VTTSX
Vanguard Institutional Target Retirement 2065 Fund	VSXFX	>>	Vanguard Target Retirement 2065 Fund	VLXVX
Vanguard Institutional Target Retirement Income Fund	VITRX	>>	Vanguard Target Retirement Income Fund	VTINX

Changes to Mutual Fund Options

The UNC System will replace several mutual funds currently offered under the ORP and 457(b) Plan to Collective Investment Trust (CIT) arrangements no later than June 30, 2022. A CIT is a pooled investment vehicle that is only available to qualified retirement plans and offers a lower cost alternative to institutional share classes of mutual funds.

The following mutual funds will no longer be offered under the plans. If you currently invest in one of these options, your existing balance and future contributions will be transferred to a new CIT arrangement as shown below.

CURRENT			REPLACEMENT	
Investment Option and Share Class	Ticker		Investment Option and Share Class	Ticker
JP Morgan Bond R6* <i>Expense Ratio: 0.34%</i>	JCBUX	>>	JP Morgan Core Bond CIT <i>Expense Ratio: 0.300%</i>	N/A
Vanguard Total Bond Market Index InstPls <i>Expense Ratio: 0.03%</i>	VBMPX	>>	Vanguard Total Bond Market Index Trust <i>Expense Ratio: 0.024%</i>	N/A
Metropolitan West Total Return Bond Plan <i>Expense Ratio: 0.38%</i>	MWTSX	>>	Metropolitan West Total Return Bond Trust C <i>Expense Ratio: 0.300%</i>	N/A
Vanguard Institutional Index InstPls <i>Expense Ratio: 0.02%</i>	VIIIIX	>>	Vanguard Institutional Index Trust <i>Expense Ratio: 0.013%</i>	N/A
Vanguard Extended Market Index InstPls <i>Expense Ratio: 0.04%</i>	VEMPX	>>	Vanguard Extended Market Index Trust <i>Expense Ratio: 0.035%</i>	N/A
MFS Intl Intrinsic Value R6* <i>Expense Ratio: 0.63%</i>	CSRIX	>>	MFS Intl Intrinsic Value CIT CI 4 <i>Expense Ratio: 0.570%</i>	N/A
MFS Intl Intrinsic Value R4** <i>Expense Ratio: 0.73%</i>	MINHX	>>	MFS Intl Intrinsic Value CIT CI 4 <i>Expense Ratio: 0.570%</i>	N/A
Vanguard Total International Stock Index InstPls <i>Expense Ratio: 0.07%</i>	VTPSX	>>	Vanguard Total International Stock Index Trust <i>Expense Ratio: 0.059%</i>	N/A
Fidelity Managed Income Portfolio Class 1** <i>Expense Ratio: 0.71%</i>	N/A	>>	Fidelity Managed Income Portfolio II - Class 1 <i>Expense Ratio: 0.510%</i>	N/A

Expense Ratios as of January 19, 2022

* This option only applies to TIAA participants.

**This option only applies to Fidelity participants.

You will receive confirmation directly from TIAA and/or Fidelity once your balances are transferred to the CITs.

CREF Money Market Fee Waiver Expired on December 31, 2021

As you may recall, when interest rates dropped due to the COVID-19 pandemic in early 2020, TIAA established a fee waiver arrangement to help mitigate the CREF Money Market Account going negative. This original expense waiver was set to expire on December 31, 2020 but TIAA secured a short-term extension to minimize disruption to participants and plan sponsors. That extension expired on December 31, 2021.

As a result, if you are currently investing in the CREF Money Market Account, you should be prepared for negative returns due to the current low interest rate environment. Negative returns occur when the yields of the account's investments are insufficient to cover the costs of managing the account. CREF operates at-cost, which means it does not generate any profit and therefore cannot provide fee waivers to the Money Market Account without regulatory approval. TIAA is evaluating several options to establish a long-term solution to help mitigate negative yield risk. However, there is no guarantee that a viable solution will be available and/or approved by regulators. If an option is approved, we will notify you.

WHAT YOU NEED TO DO

If you do not want your existing balances and future contributions to transfer as shown above, you must contact your investment carrier directly before 4:00 p.m. ET on the date of the change (i.e., **February 11, 2022** for changes related to the Vanguard Institutional Target Retirement Income Funds). UNC recordkeepers, TIAA, and Fidelity, will communicate to you about the upcoming Vanguard Target Retirement Fund merger and all other mutual funds converting to CITs. They will also inform you of any deadline to move any existing balances prior to the transfer date.

If you don't contact your carrier by the deadline, when the market closes on the date of the change:

- All existing balances in the current fund will be automatically transferred to the new investment options as indicated in the charts above.
- Any future contributions will be invested in the new investment trust as shown above, unless you contact TIAA or Fidelity to change your contributions.

You will receive a confirmation statement from your retirement carrier. Changes to your account(s) will also be noted online and on your next statement.

Questions?

If you would like more information about the new investment options or existing investment options in your plan, please contact your carrier directly. Don't forget, you can change your current contribution allocation and current balance asset allocation at any time by contacting TIAA or Fidelity directly. And, if you need help choosing the right investment options for you or planning for retirement, you also can contact CAPTRUST, the UNC System's investment advisor, to schedule an appointment with a Retirement Counselor at no cost to you.

TIAA	Fidelity	CAPTRUST
By phone: 800-842-2252, Monday through Friday, 8 a.m. to 10 p.m. ET and Saturday, 9 a.m. to 6 p.m. ET Online: www.tiaa.org/unc	By phone: 877-862-4032, Monday through Friday, 8:30 a.m. to 8:00 p.m. ET Online: www.netbenefits.com/unc	By phone: 800-967-9948 Online: www.captrustadvice.com

You can also contact your University Benefits Administrator.