

Changes in the UNC Optional Retirement Program



The UNC Optional Retirement Program (ORP) Investment Advisory Committee, assisted by a national benefits consulting firm, has conducted its 2009-2010 annual review of the ORP and made several recommendations that have been approved by the President of the University. **This is to inform you about these recommendations including the closing of six ORP funds; the addition of six new replacement funds; and the replacement of several ORP mutual funds with lower expense share classes.**

Funds to Be Eliminated

Listed below are six ORP funds that will be closed to contributions after December 31, 2010.

ORP Carrier	Asset Class	Fund to Be Closed
Fidelity	Mid-Cap Core Equity	Third Avenue Value (TAVFX)
	Large Cap Growth	Fidelity Large Cap Growth (FSLGX)
	Large Cap Value	Fidelity Large Cap Value (FSLVX)
VALIC	Real Estate	American Century Real Estate A (AREEX)
	Large Cap Growth	Calvert Large Cap Growth A (CLGAX)
	Mid-Cap Value	Pioneer Mid-Cap Value R (PCMRX)

If you are currently directing contributions to any of these funds, please be aware that these fund options will no longer be available after December 31, 2010. **After this date, any contributions directed to any one of these funds will be automatically invested in an age-appropriate default lifecycle fund until you change your election.** Please visit the UNC ORP website (its URL is listed on Page 3 below) to direct your future contributions among the available investment options.

Existing balances in these funds will not be affected; however, you may wish to review your investment strategy in light of these changes. Existing money invested in these funds may be transferred to any available core fund at any time. However, since these closed funds will no longer be included in the core investment fund lineup, you will not be able to transfer money from other investment funds into these closed funds after December 31, 2010. **As a result of the removal of these funds from the core investment lineup, the UNC ORP Investment Advisory Committee will no longer monitor the performance, objectives, and returns within these accounts.**

New Funds Available

The ORP Investment Advisory Committee has recommended the addition of six new funds to the ORP lineup, all of which meet the performance objectives in the UNC Investment Policy Statement. **These funds will become available in July 2010:**

ORP Carrier	Asset Class	Fund Name	Reason For Fund Addition
Fidelity	Mid-Cap Core Equity	Aston/Optimum Mid-Cap N (CHTTX)	Consistent style and outperformed peer group and benchmarks. This fund has an investment style that is more consistent with the Mid-Cap asset class and has outperformed its peer group and the Russell Mid-Cap benchmark over rolling 3-year periods and is being added to replace the Third Avenue Value fund in the Fidelity lineup.
	Large Cap Growth	T. Rowe Price Instl Large Cap Growth (TRLGX)	Outperformed peer group and benchmarks. This fund's 1, 3 and 5-year returns have outperformed the Russell 1000 Growth benchmark and are above median for the peer group. Its expense ratio is also well below the peer group median. It is being added to replace the Fidelity Large Cap Growth fund.
	Large Cap Value	American Beacon Large Cap Value Inst (AADEX)	Outperformed peer group and benchmarks. This fund's 1, 3 and 5-year returns have outperformed the Russell 2000 Value benchmark and are above median for the peer group. Its expense ratio is also well below the peer group median. It is being added to replace the Fidelity Large Cap Value fund.
VALIC	Real Estate	First American Real Estate Securities A (FREAX)	Consistent style and outperformed peer group and benchmarks. This fund has outperformed its peer group and the NAREIT All REITs benchmark over rolling 3-year periods and is being added to replace the American Century Real Estate fund in the VALIC lineup.
	Large Cap Growth	Calvert Social Investment Equity A (CSIEX)	Outperformed peer group and benchmarks. This fund has outperformed its peer group and the Russell 1000 Growth benchmark over rolling 3-year periods and is being added to replace the Calvert Large Cap Growth fund in the VALIC lineup.
	Mid-Cap Value	RidgeWorth Mid-Cap Value Equity A (SAMVX)	Outperformed peer group and benchmarks. This fund has outperformed its peer group and the Russell Mid Cap Value benchmark over rolling 3-year periods and is being added to replace the Pioneer Mid Cap Value fund in the VALIC lineup.

While the investment objective of each of these new funds is similar to the respective fund in the same asset class being eliminated above, we encourage you to review the revised fund lineup and consider how the new funds might affect your investment strategy. For your long-term retirement security, you should give careful consideration to the importance of a well-balanced and diversified investment portfolio, taking into account all your assets, income, and investments.

New Share Classes

A single mutual fund may offer more than one "class" of shares to investors. Each class represents the same interest in the mutual fund's portfolio, but has different fees and expenses. **Fidelity and TIAA-CREF are now**

offering new share classes for certain mutual funds under the ORP with assets from existing funds automatically transferred into the new share class funds effective mid-July 2010. The fees associated with these new share classes are approximately 10 to 15 basis points (.1% to .15%) lower than the current retirement share classes. **If you are currently investing in any of these funds, you need do nothing since these funds will be automatically transferred (mapped) to the new share classes.**

These new share classes include:

ORP Carrier	Share Class	Fund Name
Fidelity	K Share	Fidelity Freedom series of Lifecycle Funds
TIAA-CREF	Premier Share	TIAA-CREF Large-Cap Value (TRCPX) TIAA-CREF Mid-Cap Growth (TRGPX) TIAA-CREF Mid-Cap Value (TRVPX) TIAA-CREF Lifecycle Funds TIAA-CREF Small Cap Equity (TSRPX) – This fund was previously eliminated from the ORP Core fund lineup but any existing assets previously invested in this fund will be mapped to the new Premier Share class.

In addition to offering these new share classes at lower fees, some of the ORP carriers have agreed to provide a budget to reimburse the University for qualified expenses for managing the ORP. The University has decided to accept this reimbursement for 2010 only, and will explore the feasibility of continuing this type of arrangement with all of the ORP carriers on an ongoing basis. Our continuing goal will be to ensure that fees to participants remain at the lowest possible level.

Before contributing to any investment fund option, please carefully consider the objectives, risks, charges, and expenses. To learn more about the investment funds offered through your investment carrier and how to redirect your future contributions, you may access your ORP carrier's dedicated website as follows:

- o **Fidelity Investments:** www.mysavingsatwork.com/uncorp
- o **Lincoln Financial Group:** www.lfg.com/unc
- o **TIAA-CREF:** www.tiaa-cref.org/uncorp
- o **VALIC:** www.valic.com/uncorp

You may also wish to visit the UNC system-wide benefits website for more detailed information about the ORP at: <http://www.northcarolina.edu/content.php/hr/benefits/retirement/orp/UnivWideORPMain.htm>.