



# The University of North Carolina System 403(b) 2017 Plan Summary



Appalachian State University

East Carolina University

Elizabeth City State University

Fayetteville State University

North Carolina A&T State  
University

North Carolina Central  
University

North Carolina State University

North Carolina School of  
Science and Mathematics

University of North Carolina  
at Asheville

University of North Carolina  
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  
at 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 offers eligible employees a number of benefit plans to help you plan for a secure retirement.

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

As a University 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 [myapps.northcarolina.edu/hr/benefits-leave/retirement/](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 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 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

The 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 University’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 University’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 [myapps.northcarolina.edu/hr/benefits-leave/retirement/](http://myapps.northcarolina.edu/hr/benefits-leave/retirement/).

# 403(b) Plan Information

## Eligibility

All persons who pay FICA (Social Security) tax as an employee of the University are eligible to participate in the 403(b) Plan.

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

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

## Enrollment

To enroll in the 403(b) Plan:

1. Visit [myapps.northcarolina.edu/hr/benefits-leave/retirement/unc-403b/](http://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 University 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 campus Human Resources/Benefits Office.
3. Enroll in the plan with one or both of the two authorized carriers, Fidelity Investments and/or TIAA, and select the investment funds in which you wish to place your contributions. You can do this online at the website address given above.
4. If you have questions, you are invited to 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 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 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 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. At retirement (at least age 59½), withdrawn funds are taxed as ordinary income.

## 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. When you retire or leave employment with the University, your contributions as well as their investment earnings and interest can generally be withdrawn tax-free, as long as it has been at least five tax years since your first Roth account contribution and you are at least 59½ years old.

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. 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. It will no longer be subject to federal or state taxes when you withdraw it.

## Contribution Limits

If you participate in the 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 403(b) Plan each calendar year. For 2017, that limit is \$18,000.

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 2017, the maximum catch-up contribution is \$6,000.

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 contributions to both the 403(b) Plan and the State’s 401(k) Plan, combined, 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 403(b) Plan will accept rollovers into the plan from certain other qualified plans. For more information, contact your carrier or your campus Human Resources/Benefits Office.

## Investment of Contributions

If you enroll in the 403(b) Plan, you will have several decisions to make. You must choose the 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 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 403(b) Plan account funds from one carrier to another while you are employed with the University.

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 403(b) Plan carrier’s website at [myapps.northcarolina.edu/hr/benefits-leave/retirement/unc-403b/](http://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
- 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 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 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 University after reaching age 59½,

- When you leave employment with the University 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 University.

## Taxes

When you receive a distribution from the plan, the taxable (non-Roth) portion is subject to ordinary income taxes.

## Penalties for Early Withdrawals

Remember that the 403(b) Plan is intended to provide you with income after you retire. Therefore, if you take money out of the plan before you reach age 59½, you will have to pay a 10% tax penalty, in addition to the ordinary income tax that applies to the taxable portion of a distribution. (This does not apply to properly made rollovers or direct plan-to-plan transfers, as described later.)

## Required Distributions

Generally, you must begin to receive a distribution from the 403(b) Plan by the later of the April 1 following the year in which you reach age 70½ or retire.

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

Amounts attributable to contributions that were made to the 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 403(b) Plan before you reach age 59½ are not permitted, you may be able to take a loan from your plan account before that age.

Participants may take loans from the plan's current carriers (Fidelity and TIAA), or if an agreement is in place with The University, employees may take a loan from former carriers (agreements are in place with Horace Mann, ING, Lincoln Financial and VALIC). In addition, some carriers may 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 **all** your supplemental plan account balances while employed by The University (or \$10,000 if greater), or
- \$50,000 (reduced by the highest balance on all loans 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 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 before you reach age 59½, in some cases this may be allowed if you experience certain financial emergencies 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.
- A down payment on the purchase of your primary residence.
- Payments needed to avoid eviction from or foreclosure on your primary residence.
- Tuition and fees for higher education needs that you must pay within the next 12 months.
- Payment for burial or funeral expenses.
- Expenses incurred as a result of property damage to the employee's primary residence.

Amounts you take from the 403(b) Plan under a hardship withdrawal are subject to the 10% penalty tax for early withdrawals, in addition to being subject to the ordinary income taxes that apply.

To qualify for a hardship withdrawal, you must certify that you have no other alternative source of funds, including the possibility of taking a loan.

In addition, if you take a hardship withdrawal, you may not make contributions to the 403(b) Plan for six months after you receive your hardship withdrawal.

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

## Service Credit Transfers

While you are employed with the University, you may choose to have a portion of your 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 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 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 70½, 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 University before you retire, you have a number of options concerning your 403(b) Plan retirement benefit.

- You can leave your account balance in the 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 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 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 University, the value of your 403(b) Plan account will be payable to your designated beneficiary.

If you should die after you retire or leave employment with the University, the value of your 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 Campus Human Resources/Benefits Office	
	Authorized 403(b) Plan Carriers	
	Fidelity Investments	TIAA
To review detailed information about the 403(b) Plan investment carriers and/or their respective investment options, or for information about your investment accounts	<a href="http://www.netbenefits.com/unc">www.netbenefits.com/unc</a> 1-800-343-0860	<a href="http://www.TIAA.com/UNC">www.TIAA.com/UNC</a> or 1-800-842-2888
To speak with a representative by telephone	1-800-343-0860, Monday through Friday, 8 a.m. to midnight, Eastern time	1-800-842-2888, 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 an on-site confidential session	Fidelity Investments 1-800-642-7131	TIAA 1-800-732-8353

The information in this brochure is general in nature and may be subject to change. Neither The University of North Carolina, 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 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 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 403(b) Plan at [myapps.northcarolina.edu/hr/benefits-leave/retirement/unc-403b/](http://myapps.northcarolina.edu/hr/benefits-leave/retirement/unc-403b/). htm. The University reserves the right to amend the Plan documents.