

Changes in the UNC System Voluntary 403(b) Retirement Program Fund Lineup



The 2009-2010 annual review of the UNC System and UNC Health Care Voluntary 403(b) Retirement Program Tier 2 Core Investment options has recently been conducted by the Optional Retirement Program (ORP) Investment Advisory Committee, assisted by a national benefits consulting firm. The Committee made several recommendations that have been approved by the President of the University. **This is to inform you about these recommendations including the removal of three 403(b) funds from the Tier 2 Core investment options lineup; the addition of three new replacement funds to the Tier 2 Core lineup; and the replacement of several 403(b) mutual funds with lower expense share classes under the Tier 1 Lifecycle funds, Tier 2 Core investment options and Tier 3 Expanded Selection.**

Fidelity Funds to Be Removed from Tier 2 Core Investment Options

Listed below are three 403(b) funds that will be removed from the Tier 2 Core Investment Options lineup after December 31, 2010.

403(b) Carrier	Asset Class	Fund to Be Removed
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)

If you are currently directing contributions to any of these three funds, please be aware that these fund options will no longer be available as Tier 2 Core investment options after December 31, 2010. However, these fund options will continue to be available under the Tier 3 Expanded Selection. **Since the UNC ORP Investment Advisory Committee only monitors the Tier 1 Lifecycle funds and Tier 2 Core investment options, the performance, objectives, and returns for these funds will no longer be monitored after December 31, 2010. Existing balances invested in these funds will not be affected but may be transferred to any available core fund at any time.**

The Tier 3 Expanded Selection options are intended for those investors who either use an investment advisor or who are very comfortable managing their own portfolio and understand how to research, evaluate, and monitor a wide variety of investments with different risk and return characteristics. In light of the removal of these three funds from the core fund lineup, you may wish to review your investment strategy. Please visit the UNC 403(b) website (its URL is listed on Page 3 below) if you wish to direct your future contributions among the available investment options under Tier 2.

New Fidelity Funds Available

The ORP Investment Advisory Committee has recommended the addition of three new funds to the 403(b) Tier 2 Core investment options lineup. These meet the performance objectives in the UNC 403(b) Investment Policy Statement. **These funds will become available in July 2010:**

403(b) 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.

While the investment objective of each of these new funds is similar to the respective fund in the same asset class being removed 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 system wide 403(b) program 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:

403(b) Carrier	Share Class	Tier	Fund Name
Fidelity	K Share	Tier 1 – Lifecycle Funds	Fidelity Freedom series of Lifecycle funds
TIAA-CREF	Premier Share	Tier 1 – Lifecycle Funds	TIAA-CREF series of Lifecycle Funds
		Tier 2 – Core Investments	TIAA-CREF Large-Cap Value (TRCPX) TIAA-CREF Mid-Cap Growth (TRGPX) TIAA-CREF Mid-Cap Value (TRVPX)
		Tier 3 – Expanded Selection	TIAA-CREF Growth & Income (TRPGX) TIAA-CREF International Equity (TREPX) TIAA-CREF International Equity Index (TRIPX) TIAA-CREF Real Estate Securities (TRRPX) TIAA-CREF Small-Cap Equity (TSRPX) TIAA-CREF Social Choice Equity (TRPSX) TIAA-CREF Large-Cap Growth (TILPX) TIAA-CREF High-Yield (TIHPX) TIAA-CREF Bond Plus (TBPPX) TIAA-CREF Short-Term Bond (TSTPX)

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 403(b) carrier's dedicated website as follows:

- **Fidelity Investments:** www.mysavingsatwork.com/atwork/unc403b.htm
- **TIAA-CREF:** <http://enroll.tiaa-cref.org/unc403b/>

The 403(b) carriers will also be notifying their respective participants about these fund changes.

You may also wish to visit the UNC system 403(b) website for more detailed information at: [www.northcarolina.edu/403\(b\)](http://www.northcarolina.edu/403(b)) or the UNC Health Care benefits website at www.unchcsbenefits.com