

Your Arizona University System Optional Retirement Plan Design Changes

Effective July 2011

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What's Happening?

Renewed two investment provider contracts

- Fidelity Investments and TIAA-CREF

WHY? Fewer vendors equals lower administrative fees

Modified the 3-tier investment structure

- *Tier I Asset Allocation*
Lifecycle fund vs. Lifecycle & Core Investments
- *Tier II Core*
Monitored core investments vs. unmonitored funds and annuities
- *Tier III Specialty*
Mutual and exchanged-traded funds/select annuities vs. only mutual funds

WHY? To simplify and facilitate portfolio management

What's Happening?

Changed the Tier II Core Investment line-up

- Competitive investment classes
- Quarterly independent investment consultant reviews
 - Organizational and investment team stability
 - Performance and fees against index & comparable funds

WHY? To help faculty and staff build retirement savings

Reduced annuities during accumulation phase

- Often have higher administrative/recordkeeping fees
- Some annuities have 1% – 3% guaranteed return with 10-year withdrawal restrictions
- Can be purchased at retirement for monthly installments

WHY? Seek independent investment advice to determine if you should rebalance your portfolio for the best return

What's Happening?

Expanded Tier III Specialty Options

- **Select annuities continue to be available**
(outside the brokerage account)
- **Added exchange-traded funds in brokerage account**
(in addition to mutual funds)
- **No annual brokerage account fees**
(certain funds might have transaction fees)
- **No restrictions on new contributions or account balances**
that can be invested in self-directed brokerage account

WHY? To offer experienced investors more options

REMEMBER: You should carefully consider your investment objectives, risks, charges and expenses before making changes. We encourage you to seek both investment provider and independent investment guidance.

New Fund Lineup

TIER I – Asset Allocation

- Fidelity Freedom K Funds

TIER II – Core

- Vanguard Prime Money Market Fund
- Managed Income Portfolio
- PIMCO Total Return Fund
- Principal Diversified Real Asset
- Vanguard Institutional Index Fund
- Large Cap Stock Fund
 - 25% American Beacon Large Cap Value
 - 25% American Funds Fundamental Investors
 - 25% Fidelity Contrafund
 - 25% Fidelity Growth Company Fund
- Fidelity Diversified International Fund
- Eaton Vance Atlanta SMID Cap Fund

TIER III – Specialty

- Mutual Funds
- Exchange Traded Funds

TIER I – Asset Allocation

- TIAA-CREF Lifecycle Funds

TIER II – Core

- Vanguard Prime Money Market Fund
- Wells Fargo Stable Value
- PIMCO Total Return Fund
- Principal Diversified Real Asset
- Vanguard Institutional Index Fund
- Large Cap Stock Fund (Available Dec 13th)
 - 33% Vanguard Windsor II
 - 33% American Funds Fundamental Investors
 - 33% T. Rowe Price Growth Stock
- American Funds Euro Pacific Fund
- Eaton Vance Atlanta SMID Cap Fund

TIER III – Specialty

- Mutual Funds
- Exchange Traded Funds
- Annuities: TIAA Traditional; CREF Money Market Account and CREF Stock Account

ACTION ITEMS

Fidelity Participants

- 1) Carefully consider the investment objectives, risks, charges and expenses of the new Tier I, II, and III fund lineup.**
- 2) Review your elections and select your future contributions:**
 - a) Elect investments from Tier I and/or II fund lineup; and/or**
 - b) Contact your investment provider to establish a brokerage account by Sept. 2, then elect your existing or new mutual funds and/or exchange-traded funds in a self-directed brokerage account.**
- 3) If you elect to transfer your existing assets, ask your investment provider for the best time to transfer your account balances (to avoid any redemption fees).**
 - a) Transfer your assets to new Tier I and/or II fund lineup; and/or**
 - b) Establish a brokerage account before Dec. 5 and transfer assets to the Tier III mutual funds and/or exchanged-traded funds. (Share class differences and, if applicable, any transaction fees should be considered.)**

Read the Fidelity Fund communication with the mapping strategy for your future contributions / account balances that are not included in the new fund lineup.

ACTION ITEMS

TIAA-CREF Participants

- 1) Carefully consider the investment objectives, risks, charges and expenses of the new Tier I, II, and III fund lineup.**
- 2) Review your elections and select your future contributions:**
 - a) Elect investments from Tier I and/or II fund lineup; and/or**
 - b) Continue investing with TIAA Traditional, CREF Stock or CREF Money Market; and/or**
 - c) Contact your investment provider to establish a brokerage account and elect mutual funds and/or exchange-traded funds in a self-directed brokerage account.**
- 3) If you elect to transfer your existing assets, ask your investment provider for the best time to transfer your account balances (to avoid any redemption fees).**
 - a) Transfer your assets to new Tier I and/or II fund lineup; and/or**
 - b) Retain your balances in your existing annuity accounts; and/or**
 - c) Establish a brokerage account and transfer assets to mutual funds and/or exchanged-traded funds. (Share class differences and, if applicable, any transaction fees should be considered.)**

KEY DATES

Fidelity & TIAA-CREF Participants

If you have **NOT** elected options in the new fund lineup, elected annuity funds **OR** completed a brokerage account application and re-elected current options, your money may be moved on these dates:

- **SEPT 16 (TIAA-CREF)**
SEPT 19 at 1pm PST (Fidelity)
Your future contributions may be redirected to the new lineup.
- **DEC 13 (TIAA-CREF)**
DEC19 at 1pm PST (Fidelity)
Your account balances may be reallocated to the new lineup.

Read detailed information on the mapping of your future contributions and account balances sent to you by Fidelity or TIAA-CREF (via mail or, if you elected, email) and by the Office of Human Resources (via ASU email) on **AUGUST 17, 2011.**

ACTION ITEMS

VALIC Participants

- 1) Carefully consider the investment objectives, risks, charges and expenses of the new Tier I & II funds lineup.**
- 2) Choose a new investment provider.**
 - Talk to both a Fidelity and a TIAA-CREF representative.**
 - Consider their Tier III – Specialty Options, too.**
- 3) Open an account with Fidelity or TIAA-CREF to redirect your future contributions.**
- 4) Complete the Election of Retirement Option form to change your payroll contributions.**
- 5) Discuss account balance transfers with Fidelity or TIAA-CREF; your VALIC accounts should not have any redemption fees.**

Read the transition letter with the mapping of your future contributions and account balances to Fidelity if you do not make new elections.

KEY DATES

VALIC Participants

- **Sept 9** paycheck – Last VALIC contribution (unless you direct otherwise sooner)
- **Sept 12 at 1 pm PST** - Last day VALIC will accept withdrawal requests (if you are no longer employed within the Arizona University System)
- **Sept 15** – Last day to submit Election of Retirement form to change investment provider
- **Sept 19 at 1 pm PST** – VALIC Blackout Period begins
- **Sept 23 & 28** – Your VALIC contributions/account balances will be mapped to Fidelity Investments (unless you direct otherwise before the blackout period begins)

EXISTING VALIC ACCOUNT BALANCES

VALIC Participants

- **Mutual funds will be transferred to Fidelity if you do not elect to move them to Fidelity/TIAA before the deadline**
- **Unrestricted annuity fund account balances can be moved if you elect to do so**
- **Restricted annuity fund account balances can be moved within the limits outlined in your contract (i.e., 20 percent per year)**

***Contact VALIC or an Independent Investment Consultant
For Information About Your Existing Funds***

KEY DEADLINES

VALIC Participants

VALIC BLACKOUT PERIOD

Sept 19 – Week of Oct 9

- **No future contributions or account balance transfers.**
- **If Election of Retirement Option form is not submitted by Sept 15, new contributions will be mapped to Fidelity Investment funds in the Sept 23 paycheck.**
- **If no changes are made to account balances by Sept 19, existing balances will be mapped to Fidelity Investment funds on Sept 28.**

SEPT 19 (at 1 pm PST) DEADLINE

You can avoid the VALIC blackout period if you elect new future contributions and transfer your account balances before Sept 19.

Examples: Mapping of Funds

Current contributions directed to these current investment options	Will be redirected to the following investment options if you do not make new contribution elections
Fidelity ABC Fund	XYZ Fund on Sept 19
TIAA-CREF ABC Fund	GHI Fund on Sept 16
VALIC XYZ Money Market Investment	ABC Money Market on Sept 23
Remaining balances in these current investment options	Will be reallocated to the following investment options if you do not elect to transfer your funds
Fidelity ABC Fund	XYZ Fund on Dec 19
TIAA-CREF ABC Fund	GHI Fund on Dec 13
VALIC XYZ Money Market Investment	ABC Money Market on Sept 28
NOTE: TIAA-CREF and VALIC annuities will not be transferred, unless initiated by the ORP participants (faculty and staff); transfer restrictions may apply. Contact your new investment provider for instructions.	

Your To Do List

- Carefully consider the investment objectives, risks, charges and expenses of the new fund lineup
 - Review August transfer and mapping communications from the investment providers
- Review the Notice of Optional Retirement Plan Changes
 - Make note of your key deadlines and consider options
- Speak to Fidelity and/or TIAA-CREF representatives
 - Which funds have a redemption (sell) or transaction (buy) fee?
 - Which mutual and exchange traded funds are available in Tier III?
 - What are the cost (share class) for funds offered in Tier III?
- Seek advice from an independent investment counselor
 - What is my risk tolerance?
 - Should I invest in Tier I or II options only?
 - Is a brokerage account right for me?

May the investment providers and I answer your questions?

Fidelity Workplace Planning and Guidance Consultant Group

800.328.6608

www.mysavingsatwork.com/atwork/abor.htm

TIAA-CREF Counseling Center

800.842.2252

www.tiaa-cref.org/azus

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