

# North Carolina Public School Teachers' and Professional Educators' Investment Plan

## Key Provisions of Proposed Contracts

- I. Background: A Special Meeting of the Supplemental Retirement Board of Trustees (the "Board") is being called for March 7, 2013 so the Board can authorize the execution of contracts to be entered into in connection with the statewide 403(b) retirement savings program. In 2011, the North Carolina General Assembly authorized the Department of State Treasurer to establish a state-wide 403(b) program (the "Program") for the benefit of local K-12 school boards ("Employers"). After a thorough state procurement process conducted in 2012 by the Department of State Treasurer ("DST") and the Board, Teachers Insurance and Annuity Association ("TIAA-CREF") was awarded the contract to be the third-party record keeper and to be the vendor of retirement offerings for the Program.

Below is a list of the contractual documents that will be entered into by the Board and the DST in order to begin implementation of the Program. In addition, there is a listing of documents necessary for the Program but to which the Board is not a party. Important key terms of the agreements are described below. If you would like copies of these documents or wish to discuss them in detail prior to the March 7 meeting, please contact Mary Laurie Cece at [mary.cece@nctreasurer.com](mailto:mary.cece@nctreasurer.com) or 919-508-5972.

- II. Contractual documents: The documents to be executed by the DST and the Board acting on behalf of the Employers that choose to adopt the Program as part of their 403(b) plan offering are:
- A. **The Recordkeeping Services Agreement** entered into by TIAA-CREF, the DST and the Board. Among the important provisions are:
- (i) Fees: See the Fee Schedule attached to this memorandum. This fee schedule provides participants with significant fee savings compared to the current market conditions. In addition, TIAA-CREF receives no benefit from fund revenue sharing. Any fund revenue sharing provided by a mutual fund goes back to the Participant's account by way of an offset to TIAA-CREF's recordkeeping fee;
  - (ii) Employer Enrollment: TIAA-CREF has responsibility for enrolling Employers who wish to adopt the Program as part of their 403(b) plan either as the sole vendor or as part of a multi-vendor framework;

- (iii) Participant records: TIAA-CREF will maintain all participant account records and will provide educational materials for participants enrolled in the Program under their Employer's plan;
- (iv) Compliance Third Party Administrators: TIAA-CREF will coordinate and work with an Employer's compliance third party administrator ("TPA"), if any, after having performed due diligence to determine the TPA has sufficient processes in place to monitor the restrictions and guidelines under the Employer's plan. Such restrictions include: adhering to contribution limits, conforming to loan policies, monitoring hardship withdrawal amounts, etc. TIAA-CREF will perform this due diligence initially on an ongoing basis with the Employer's TPA;
- (v) Education: TIAA-CREF will provide, at no additional fee, a service that delivers investment and savings education to participants for enrollment and ongoing account maintenance. This education is available in person, on-line and via the call center;
- (vi) Advice: TIAA-CREF will provide, at no additional fee, a service that delivers investment and savings advice to participants by leveraging an independent third party provider (Ibbotson Associates). This advice is available in person, on-line and via the call center;
- (vii) Registered Investment Advisors: TIAA-CREF will offer a service that provides participants, if they so choose, with pre-screened registered investment advisors. TIAA-CREF receives no compensation. Advisors are vetted through an independent third-party initially and then monitored on an on-going annual basis. Advisors serve in a fiduciary capacity to participants. Additional fees for this service are charged by the advisor and advisors that are accepted into TIAA-CREF's program can be paid from the participant's pre-tax accumulations. North Carolina has capped this fee at 1% per annum;
- (viii) The Invitation to Bid prepared by DST, and the Responses to the Invitation to Bid and Finalist Presentation prepared by TIAA-CREF are a part of the Recordkeeping Services Agreement and incorporated by reference;
- (ix) All applicable North Carolina standard contract terms and conditions were incorporated in the Recordkeeping Agreement.

**B. The Master Custodial Account Agreement entered into by JP Morgan Chase, DST, the Board and TIAA-CREF.** This agreement provides for JP Morgan Chase to be the custodian for mutual funds held in a participant's account under the

Program. TIAA-CREF pays the fee of JP Morgan. No additional fees are paid by the Program.

- C. **The TIAA Retirement Choice Plus Annuity Contract and the TIAA Stable Value Contract.** These agreements provide for TIAA-CREF to be the custodian for the TIAA-CREF Real Estate Fund and the TIAA Stable Value Fund held in participant accounts under the Program. TIAA-CREF receives no additional fee for these custodial services.

### III. Other Important Documents:

- A. **The Specimen Base Plan Document and Adoption Agreement.** These plan documents have been prepared by the DST for Employers who wish to adopt the Program and do not have a 403(b) plan document or who wish to re-state an outdated 403(b) plan document. Both documents will be submitted to the IRS for approval to be used as volume submitter 403(b) plan document. This approval is anticipated to take approximately 12 weeks, but a school district may use the specimen plan documents prior to IRS approval.
- B. **The Program Establishment Guide.** This guide is to be filled out and acknowledged by Employers in order to adopt the Program. In this guide Employers acknowledge their 403(b) plans contain all provisions consistent with offering the Program and, importantly, they acknowledge that the Board, or its designee, has the sole authority to change investment options under the Program.

## SCHEDULE B to Recordkeeping Agreement

### Fees:

Breakpoint Pricing For Gross TIAA-CREF Plan Servicing Fee*:	Sole Recordkeeper	Multivendor
\$0 to \$250 million	46 bps <sup>1</sup>	49 bps
\$250 million to \$300 million	42 bps	45 bps
\$300 million to \$350 million	36 bps	39 bps
Over \$350 million	29 bps	32 bps

\*All fees include 5 bps charge for State of North Carolina Administrative Fee Reimbursement.

Loan Initiation Fee: A one-time fee of \$75 will be imposed on each loan (\$125 for a principal residence loan) and will be taken from loan proceeds.

Maximum Network Registered Investment Advisor Fee: 1.00% per annum

### Notes:

1. All prices include One-Time Plan Expense Payment of \$50,500 and One-Time Payment of \$50,000 for Custom Plan Document.
2. Certain fund options under the Program provide TIAA with a fund-level reimbursement. TIAA will use these fund-level reimbursements to offset the TIAA Plan Servicing Fees paid by a Participant invested in such fund. Therefore, in no event shall TIAA receive a Plan Servicing Fee total greater than that set forth in this Schedule B. Such fund-level reimbursement paid to TIAA may change from time to time, which may affect amounts offset in a Participant's account. TIAA shall disclose changes in administrative fee offsets to the Participant on the Participant's quarterly statement. To the extent the offset is in excess of applicable administrative fees under this Schedule B, such fees shall be rebated to applicable Participant plan accounts.
3. Additional investment advisor and/or TPA fees may be incurred by an Employer or Employer Plan that hires an outside advisor or third party administrator. Such fees may be collected by TIAA from Participant accounts if a separate agreement is entered into between TIAA and the Employer.

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<sup>1</sup> "bps" = "basis points"

