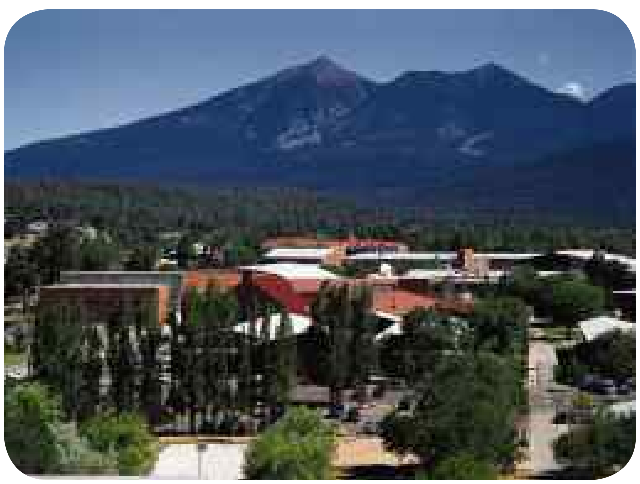
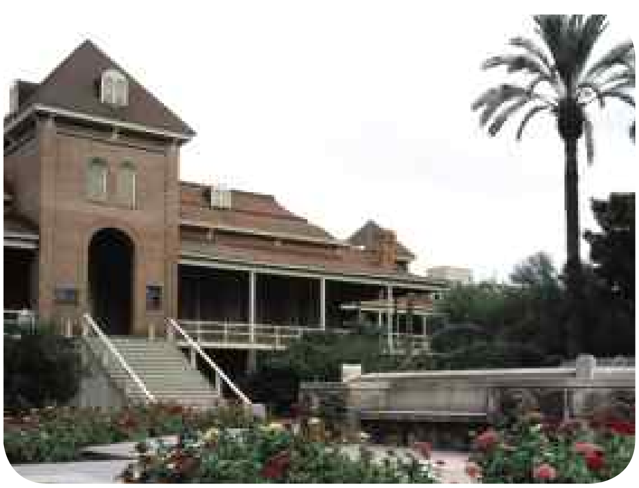
Arizona Board of Regents

Optional Retirement Plan

ASU Arizona State University



Northern Arizona University



The University of Arizona

Arizona's First University.

Table of Contents

General Information

Retirement Plan Selection

ORP Companies/Investment Options

Financial Education Tools

Investment Information in Back Pocket

- AIG VALIC Investment Choices and Fees
- Fidelity Investments Investment Choices and Fees
- TIAA-CREF Investment Choices and Fees

This information is updated periodically. Visit each ORP investment company website for the most up-to-date information on mutual fund choices and fee information.

The Arizona University System and the Optional Retirement Plan (ORP) investment companies prepared the information contained in this guide. It is intended to provide a brief overview of the plan and a summary of services provided by the approved ORP investment companies. The ORP plan is further defined in applicable federal and state statutes and regulations. Benefits derived from the ORP are dependent upon certain factors beyond the control or jurisdiction of the Arizona University System. Liability for benefits to be obtained through participation in the ORP plan rests solely with the participant.

Arizona Board of Regents

Optional Retirement Plan

This guide outlines information about the Arizona Board of Regents Optional Retirement Plan (ORP) and its approved investment companies. Decisions about your retirement alternatives are important as your future financial security will, to a great degree, depend upon your actions. To help you make an educated decision, this guide includes some basic financial tools and guidelines.

Your Human Resources Office is available to answer any questions you may have regarding the ORP, with the exception of investment-related questions, which may be addressed to approved investment companies and their representatives. Contact information is listed in this guide.

ARIZONA STATE UNIVERSITY
Office of Human Resources
University Services Building
PO Box 875612
Tempe, Arizona 85287-5612
480-965-2701
www.asu.edu/hr
askhr@asu.edu

ARIZONA STATE UNIVERSITY WEST
Human Resources Department
PO Box 37100
Phoenix, Arizona 85069-7100
602-543-8406
ltdewar@asu.edu

NORTHERN ARIZONA UNIVERSITY
Human Resources Department
Centennial Building
PO Box 4113
Flagstaff, Arizona 86011-4113
928-523-2223
www.hr.nau.edu
hr.contact@nau.edu

THE UNIVERSITY OF ARIZONA
Human Resources
888 N Euclid Avenue, Suite 114
PO Box 210158
Tucson, Arizona 85721-0158
520-621-3662
www.hr.arizona.edu
benefits@email.arizona.edu

THE UNIVERSITY OF ARIZONA
Arizona Health Sciences Center
Human Resources, Room 2233
1501 N Campbell Avenue
PO Box 245010
Tucson, Arizona 85724-5010
520-626-2600
www.ahsc.arizona.edu/hr

ARIZONA BOARD OF REGENTS
2020 N Central Avenue, Suite 230
Phoenix, Arizona 85004
602-229-2523
Mary.Adelman@azregents.edu

ORP Eligibility

Generally, you will be informed of your eligibility to participate in the ORP at the time of your initial employment. Eligibility is strictly determined by the job you perform and is not based on years of service or salary level. Your retirement plan participation defaults to the Arizona State Retirement System (ASRS) UNLESS you actively choose to participate in the ORP within 30 days of your eligibility date/notice of eligibility. If you have not made a retirement plan selection within the 30-day election period, your retirement participation will be defaulted into the ASRS. After the 30-day election period, your retirement plan choice or default is irrevocable for the duration of your continuous employment with the Arizona University System.

Who Is Eligible

The ORP is offered to employees in the following employment categories:

- Faculty
- Administrators
- Academic and Service Professionals

Retirement Plan Participation Requirements

If you are employed in an eligible position for at least 20 hours per week and 20 weeks per plan year or more, you are **required** to contribute to a retirement plan. Eligible employees have the option to choose either the Arizona State Retirement System or the Optional Retirement Plan. (Non-pharmacy clinical assistants, graduate assistants, students, and FICA-exempt employees are not eligible to participate in either the ASRS or the ORP retirement programs.)

ORP Contribution Rate

You and the University each contribute 7% of gross earnings on a pretax basis, up to the maximum amount of your compensation the IRS allows the plan to consider. University contributions are held in trust and invested by the University until you are fully vested, at which time the University contributions and related interest are transferred in a lump sum to your current ORP account.

ORP Vesting

You are immediately vested in your contributions. You are fully vested in the University contributions after five years. However, employees who have an active contract (monies on deposit) in a qualified defined benefit or defined contribution retirement program of a college, university, or higher education organization located in a state other than Arizona, or in a similar type of retirement plan in any country other than the United States, may be immediately vested in the University contributions upon verification of eligibility. It is your responsibility to provide the University with the necessary documentation for consideration of immediate vesting.

If you are appointed to an ORP-eligible position for the first time after your initial employment date, without a break in continuous retirement eligible employment in the Arizona University System, and you previously participated in the ASRS plan, your credited years of service under the ASRS plan will be applied toward your vesting period in the ORP.

Steps to Elect Your Retirement Plan

Important Notice

You have 30 days from the date you first become eligible for the ORP to make your irrevocable retirement plan election. Generally speaking, this is 30 days from your initial employment date with the Arizona University System. If you are appointed to an ORP-eligible position for the first time after your initial employment date, the 30-day election period begins on the date you are notified of your eligibility for the ORP. If you have not made a retirement plan election within the 30-day election period, your retirement plan participation will default to the ASRS. After the election period, your retirement plan choice or default is irrevocable for the duration of your continuous employment with the Arizona University System.

Step 1. Consider Your Retirement Options

Employees who are eligible to enroll in the ORP may choose from two retirement plan options:

- ASRS, a defined benefit plan, or
- ORP, a defined contribution plan.

a. Understand the difference between a *defined benefit plan* and a *defined contribution plan.*

In the ASRS, a *defined benefit plan*, your retirement benefit is defined by a standard formula payable at normal retirement age. You and the University make equal contributions to the plan of a specific amount established by Arizona legislation and the ASRS. The plan assumes the investment risk for plan assets from which the benefit will be paid.

In the ORP, a *defined contribution plan*, your retirement benefit is determined by the amount of contributions and the results of your investment choices. You and the University make equal contributions of a specific amount to the plan and you determine investment allocations. You accept full responsibility and risk for investment choices.

b. Use the ***Your Attitude Toward Investment Risk: A Worksheet*** on page 30 to consider your tolerance for investment risk.

c. Contact representatives from the ASRS and the ORP investment companies to discuss the options that will best meet your future retirement needs.

Arizona State Retirement System

www.azasrs.gov

Phoenix	602-240-2000
Tucson	520-239-3100
Outside the Phoenix or Tucson area	800-621-3778

Optional Retirement Plan Investment Companies:

AIG VALIC

www.aigvalic.com/enroll (code AZORP)*

Arizona ORP Hotline	800-892-5558, x89005
Client Service Professional	800-448-2542

Fidelity Investments

www.mysavingsatwork.com/azorp (plan number 67444)*

Retirement Services Specialist	800-343-0860
Schedule a consultation	800-642-7131

TIAA-CREF

www.tiaa-cref.org/azus (access codes: ASU – AZQ190; UA - AZ192; NAU – AZ193)*

National Contact Center	800-842-2776
Phoenix Office	866-548-3705

***IMPORTANT NOTE:**
Step 3 below must be completed within your 30-day election period to elect the ORP as your retirement plan. Opening an account with an ORP Investment Company DOES NOT satisfy the requirements for election of the ORP.

Step 2. Select a Retirement Plan (ORP or ASRS)

a. Review the **Comparison of the ORP and ASRS Retirement Plans** on pages 8–10
b. Select a retirement plan
- If ORP is selected, proceed to Steps 3, 4, and 6
- If ASRS is selected, proceed to Steps 3, 5, and 6

Step 3. Complete Your Election of Retirement Option Form

(Paper or electronic, as determined by your University Human Resources Office)

Must be completed within the 30-day election period

Follow the election instructions on your University Human Resources website.

- ASU—www.asu.edu/hr, select *Benefits*, select *Retirement for Faculty, Academic Professionals, Administrators, and Service Professionals*
- NAU—www.hr.nau.edu, select *Benefits*, select *Mandatory Retirement Plans*, select *Enroll in Retirement*
- UA—www.hr.arizona.edu, select *Benefits*, select *Mandatory Retirement Plan - Appointed Personnel*, select *Retirement Plan Enrollment*
- ABOR—See Human Resources for instructions

Step 4. Select an ORP Investment Company and Investment Allocations

Must be completed within the 30-day election period

a. Read ***What to Look for in an ORP Investment Company***, pages 13–14.

b. Review each ORP investment company's highlights, starting on page 16.

c. Review ***Understanding Investment Fees and Expenses*** on pages 22–23, and the AIG VALIC, Fidelity Investments, and TIAA-CREF Investment Choices and Fees inserts located in the back pocket of this guide.

d. Select your ORP investment company and outline your investment allocations.

e. Complete the online account enrollment with the investment company selected.

Step 5. Complete Your ASRS Retirement Plan Election

Must be completed within the 30-day election period

Complete the following ASRS forms, which can be found on your University Human Resources website, and return them to your University Human Resources Office:

- ASRS Enrollment Form
- ASRS Beneficiary Form

Step 6. Verify Your Retirement Election

a. Confirm your retirement plan election on your pay stub.

b. If enrolled in the ORP, verify your investment allocations on your ORP investment company's website.

Comparison of the ORP and ASRS Retirement Plans

Optional Retirement Plan (ORP)	Arizona State Retirement System (ASRS)
Plan Type: Defined Contribution Plan Qualified under Internal Revenue Code 401(a)	Defined Benefit Plan Qualified under Internal Revenue Code 401(a)
Contribution Amount: You and the University each contribute 7% of gross earnings on a pretax basis, up to the maximum amount the IRS allows the plan to consider.	You and the University each contribute an equal percentage of earnings on a pretax basis as set by Arizona State Statute. This percentage can vary from year to year. Check with your Human Resources Office for the current year's percentage.
Control of the Investments: You select the investment company and determine the investment allocations.	ASRS controls and monitors investments.
Retirement Benefits: The retirement benefit is based on the performance of investments you select. The ultimate account balance is a result of the amount of contributions deposited to your account and the performance of your chosen investments.	The retirement benefit is based on your years of service, your average monthly salary, and an actuarial formula.
Vesting: You are immediately vested in your contributions. Five years of ORP participation are required to be fully vested in the University contributions. You may be immediately vested in the University contributions if you have an active contract (monies on deposit) in a qualified defined benefit or defined contribution retirement program of a college, university, or higher education organization located in a state other than Arizona, or in a similar type of retirement plan with a higher education organization in any country other than the United States. If you are employed in an ORP-eligible position for the first time after your initial employment date, without a break in continuous retirement eligible employment, and you previously participated in the ASRS, your credited years of service under the ASRS will be applied toward your vesting period in the ORP.	You are immediately vested for your contributions. You are partially vested in the University contributions after five years of ASRS participation, with full vesting in University contributions after 10 years of ASRS participation.

Comparison of the ORP and ASRS Retirement Plans

	Optional Retirement Plan (ORP)	Arizona State Retirement System (ASRS)
Vesting (continued):	If prior to becoming vested in the ORP, you separate employment with all University employers, you will forfeit all non-vested University contributions up to the date of separation. If you are later rehired in an ORP-eligible position, and you select the ORP as your retirement plan, the years of credited service may be retained and applied toward your ORP vesting providing you have not commenced receiving benefits or withdrawn all or any portion of your contributions from your ORP account.	
Health Benefits upon Retirement:	Health and dental benefit plans are available through the Arizona Department of Administration or the ASRS upon retirement. There is no health insurance premium subsidy upon retirement.	Health and dental benefit plans are available through the Arizona Department of Administration or the ASRS upon retirement. A retiree health insurance premium subsidy is available with at least five years of credited service in the ASRS plan. The amount of the premium subsidy is based on your age and years of service.
Loans:	No loans are available.	No loans are available.
Long-Term Disability:	Long-term disability (LTD) is insurance coverage that will pay you a monthly benefit when you are disabled and unable to work for an extended period of time, generally six months or more. LTD coverage will pay up to 66⅔% of your first $15,000 of monthly pre-disability earnings, reduced by deductible income, during your disability. The cost of LTD coverage is paid by the University.	Long-term disability (LTD) is insurance coverage that will pay you a monthly benefit when you are disabled and unable to work for an extended period of time, generally six months or more. LTD coverage will pay up to 66⅔% of your monthly pre-disability earnings during your disability. The cost of LTD coverage is divided equally between you and the University. This coverage is required as part of ASRS participation.
Purchase of Service Credits:	Service credit purchases are not available.	You may be eligible to purchase service credits if you have forfeited or non-eligible years of service: • with a current or former public employer; • for an unpaid leave of absence with a current or former ASRS employer; or • for military service, including active military reserve and National Guard time. Contact ASRS for additional information.

Optional Retirement Plan (ORP)

Distribution Options at Retirement:*
The following distribution options may be available to ORP retirees:

- Full or partial cash withdrawal
- Systematic withdrawal
- Interest-only payments
- Minimum distribution payments
- Lifetime annuity option
- Life expectancy option

The distribution options listed above may not be offered by all approved ORP investment companies. Distribution options should be reviewed with your ORP investment company well in advance of your retirement date.

Not all distribution options will meet the requirements necessary for some retiree benefits. Contact your University Human Resources Office for additional information.

Distribution Options at Termination:*
The following distribution options are available upon separation of employment from all Arizona University System employers:

- Withdraw all or some of your vested funds;
- Roll over your account to an IRA or another qualified retirement account; or
- Leave retirement account on deposit for a future benefit.

Arizona State Retirement System (ASRS)

The ASRS offers annuity and non-annuity options.

The ASRS retirement annuity options listed below provide a monthly benefit for life. When you retire you may choose one of the following annuity options:

- Straight Life Annuity
- Life Annuity, 5 Year Certain
- Life Annuity, 10 Year Certain
- Life Annuity, 15 Year Certain
- Joint and Survivor, 100%
- Joint and Survivor, 66⅔%
- Joint and Survivor, 50%

Alternatively, you may select from one of the following payment options that may not provide benefits for the rest of your life:

- Partial Lump Sum Distribution
- Level Income Alternative
- Optional Premium Benefit Program

The following distribution options are available upon separation of employment from all ASRS employers:

- Obtain a refund of the vested portion of your account;
- Roll over pretax contributions to an IRA or another qualified retirement account; or
- Leave retirement account on deposit with ASRS in an inactive membership status for a future benefit.

**Distributions may be subject to taxes and IRS penalties.*

ORP Investment Company Overview

The following investment companies are approved to offer a variety of investment products and services:

AIG VALIC
Fidelity Investments
TIAA-CREF

Overview of Products and Services Offered

TIER 1 Investments and Life Cycle Funds

These fund options are selected by the ORP investment companies and reviewed annually by an independent financial analyst. The Tier 1 investments are composed of a selective, highly competitive investment fund from each of the following 18 core asset classes.

Money Market	Stable Value Fund
U.S. Treasury Bond	Core Fixed Income Fund
Balanced Fund	Large Cap Growth Fund
Large Cap Blend Fund	S&P 500 Index Fund
Large Cap Value Fund	Mid Cap Growth Fund
Mid Cap Blend Fund	Mid Cap Value Fund
Small Cap Growth Fund	Small Cap Blend Fund
Small Cap Value Fund	Socially Responsible Fund
International Equity Fund	Global Equity Fund

This tier of investments also includes a series of Life Cycle Funds. Life Cycle Funds offer a way to make a single choice of a predetermined, diversified portfolio that is based on your expected year of retirement. Generally, these funds gradually adjust their asset allocation to be more conservative as they reach their target date. Life Cycle Funds are not reviewed annually by an independent financial analyst.

TIER 2 Investments

Tier 2 mutual fund options are selected and offered at the discretion of the ORP investment company. They offer a wider selection of investment options not offered in Tier 1 and may include higher costs.

TIER 3 Investments

This option offers a Self-Directed Brokerage Account (SDBA). The SDBA allows participants the opportunity to personalize their portfolio by selecting from thousands of mutual funds not available in Tier 1 or Tier 2. Participants may transfer up to 50% of their account balance to the SDBA. Depending on the investment company, there may be an annual fee to participate, as well as transaction-related fees. The SDBA is intended for the experienced investor who prefers a more active role directing their retirement investments.

Financial Education and Guidance Services
All investment companies offer online tools to provide investment education and guidance to participants. Participants may schedule a meeting with Field Service Representatives. These representatives hold individualized one-on-one meetings on campus. Participants may also contact Customer Service Representatives for assistance by toll-free telephone numbers.

Investment Advisory Services
Several of the investment companies provide participants with direct access to investment advice through an independent financial services firm. The services offered through the independent firm may include wealth forecasts, asset allocation, investment selection, and asset management. The fees may vary with the investment advice provided through the independent firm. Check with your ORP investment company regarding the specific services offered and applicable fees.

ORP Investment Company Websites
Each ORP investment company provides a customized website specific to the ORP, where participants may open a new account, research available funds, and make account allocation changes online.

Frequent Trading Restrictions
Excessive trading may be harmful for long-term investors because it can be disruptive to the fund and increase the fund's expenses. All of the ORP investment companies have policies to discourage excessive trading and market timing, and they are highlighted here. Please contact your ORP investment company for a full copy of its restrictions.

AIG VALIC—Investor Trading Policy
- Participants are permitted up to 15 transfers per calendar year between investment options. Additional transfer requests are required to be submitted in writing and may be restricted to one transfer every 30 days.

Fidelity Investments—Excessive Trading Rules
- Participants are limited to one round-trip transaction (when a participant exchanges in and then out of a fund option within 30 days) per fund within any rolling 90-day period, subject to an overall limit of four round-trip transactions across all funds over a rolling 12-month period.
    - Participants with two or more round-trip transactions in a single fund within a rolling 90-day period will be blocked from making additional purchases or exchange purchases of the fund for 85 days.
    - Participants with four or more round-trip transactions across all funds within a plan during any rolling 12-month period will be limited to one exchange day per calendar quarter for a one-year period.

TIAA-CREF—Transfer Restrictions
- Participants who make more than three transfers during a calendar month out of any one of the TIAA or CREF Accounts or the TIAA-CREF mutual funds available under the ORP (other than the CREF Money Market Account), will have their ability to make telephone, fax and Internet transfers suspended for a six-month period.

What to Look for in an ORP Investment Company

All efforts have been made to offer quality ORP investment companies through a periodic competitive process. Although each investment company has a commitment to high-quality service to their clients, each offers these services in its own way. As you research these companies to determine the best fit with your preferences, you may wish to consider these areas.

Communication/Education

ORP investment companies periodically provide financial communication information to participants to assist with investment decisions. The investment companies may also participate in financial planning workshops and fairs at the University.

Investment Advisory Services

Several of the ORP investment companies offer investment advisory services through an independent third party.

Telephone Services

All ORP investment companies offer participants personal service from telephone customer service representatives, as well as automated services through a voice response system (VRS). Through these services, participants may access general account information, complete fund transfers, change investment allocations, and request forms. Each company offers different hours during the week for the customer service representatives, and TIAA-CREF offers this service on Saturdays. The VRS is available 24 hours a day, 7 days a week, for all companies. AIG VALIC and Fidelity offer a Spanish-speaking VRS, and TIAA-CREF has Spanish-speaking customer service representatives.

Online Services

Customized websites offer several features. All first-time participants will open an account online. After the account has been established, participants may view their accounts, make fund transfers, and change investment allocations. The websites offer financial planning and research tools, calculators, and prospectuses.

Field Service Representatives

The ORP investment companies offer participants the opportunity to meet individually with field service representatives. Representatives visit campuses on a regular basis. Some representatives may be available for evening and weekend appointments.

Investment Offerings

All ORP investment companies offer mutual funds in each of the 18 core asset classes and life cycle funds that make up the Tier 1 option. In addition, each investment company offers additional mutual funds in the Tier 2 option. Review the information in the back pocket of this guide or on each investment company's website for a complete list of funds offered by each investment company.

Fees

Each ORP investment company may charge different fees, even for the same fund. More information on fees is available on pages 22–23. Additionally, you will find each ORP investment company's list of investment funds and fees in the back pocket of this guide and on each investment company's website.

Self-Directed Brokerage Accounts

Each ORP investment company offers Self-Directed Brokerage Account services with their respective companies listed below:

AIG VALIC—Charles Schwab's Personal Choice Retirement Account®
Fidelity Investments—Fidelity BrokerageLink® offered by Fidelity Brokerage Services LLC
TIAA-CREF—Pershing, LLC

Your Investment Choices

The following pages contain information prepared by each ORP investment company. This information is intended to promote these companies and should be considered promotional material. Although promotional in nature, you should consider it to be educational and not an offer to sell. As always, it is recommended that you obtain and review an investment's prospectus before making an investment decision.

AIG VALIC

Southwest Region
11201 N. Tatum Blvd., Ste. 100
Phoenix, AZ 85028

Arizona ORP Hotline:
800-892-5558, ext. 89005

Client Service Professional Account Information
800-448-2542

www.aigvalic.com

Enrolling In Your Retirement Plan Is Easy

1. Review the enrollment material
2. Choose your investments
3. Follow the election instructions on your University Human Resources website:
   - **Arizona State University**—www.asu.edu/hr, select *Benefits*, select *Retirement for Faculty, Academic Professionals, Administrators, and Service Professionals*
   - **Northern Arizona University**—www.hr.nau.edu, select *Benefits*, select *Mandatory Retirement Plans*, select *Enroll in Retirement*
   - **The University of Arizona**—www.hr.arizona.edu, select *Benefits*, select *Mandatory Retirement Plans – Appointed Personnel*, select *Retirement Plan Enrollment*
   - **Arizona Board of Regents**—See Human Resources for instructions
4. Set up your Arizona Board of Regents Optional Retirement Plan account with AIG VALIC
   - go to www.aigvalic.com/enroll
   - enter the plan code AZORP
   - follow the easy instructions

These steps must be completed by the 30th day of your election period, including submitting your election decision to your Human Resources Office.

Investment Options All contributions to your account will be invested in the AIG VALIC *Academic Freedom* Retirement Program with mutual funds from some of the best-known fund families that cover a wide array of asset classes.

Investment Flexibility The wide array of investment options that we offer gives you the investment flexibility you need to create a portfolio that suits your time horizon, personal investment risk tolerance and overall retirement plan. Investment values will fluctuate and there is no assurance that the objective of any fund will be achieved. Mutual fund shares are redeemable at the then current net asset value, which might be more or less than their original cost.

No Need To Make Decisions On Your Own Developing a personal retirement investment plan is not as difficult or tedious as you might think when you choose us as your ORP investment company. Your VALIC financial advisor will meet with you—face to face —to develop a sound and personalized retirement and investment plan, help you implement it and then help you keep it on track.

Information About Your Account

- You can also access your account information 24 hours a day, seven days a week, through AIG VALIC Online (www.aigvalic.com) or through AIG VALIC by phone (800-448-2542).
- Quarterly account statements detailing account transactions and balance(s) are mailed directly to you.

Distribution Options For When You Need Your Money When you retire, or if you terminate employment before retirement, you can tailor your benefits to meet your individual needs. Benefit options include:

- Purchasing an annuity to receive regular income payments—including a lifetime income option that neither you nor your spouse can outlive (guarantee subject to VALIC's claims-paying ability)
- Leaving funds on deposit
- Taking systematic withdrawals
- Taking a lump-sum withdrawal
- Taking a full or partial cash distribution
- Taking a loan following termination of employment

Remember that your plan was established to encourage long-term savings. Income taxes are payable upon withdrawal. Plus, federal restrictions and a 10% federal tax penalty might apply to withdrawals prior to age 59½.

AIG VALIC

For assistance

AIG VALIC
Southwest Region
11201 N. Tatum Blvd., Ste. 100
Phoenix, AZ 85028

Arizona ORP Hotline
1-800-892-5558, ext. 89005

Client Service Professional
Account Information
1-800-448-2542

www.aigvalic.com

RELAX NOW. Relax Later.

Making retirement planning easy so you can take it easy in retirement.

If you're concerned about how comfortable you'll be in your retirement—RELAX. AIG VALIC can advise you on how to reach your financial retirement goals and manage your assets. It's a program that takes the worry, confusion and uncertainty out of retirement planning so you can use your time to relax—now and in retirement. It's called Guided Portfolio Services℠.

Guided Portfolio Services is a service-oriented program that will:

- Help you establish retirement goals based on your personal situation;
- Advise you on investment selection by recommending exactly what funds to buy;
- Guide you on just how much you need to invest; and
- Demonstrate the probability of meeting your retirement goal.

With Guided Portfolio Services by AIG VALIC, it's easy—and comforting—to get a cost-effective and diversified investment offering, overseen and implemented by industry experts.

Securities and investment advisory services are offered by VALIC Financial Advisors, Inc., member NASD, SIPC and an SEC-registered investment advisor.

AIG VALIC is the marketing name for the group of companies comprising VALIC Financial Advisors, Inc.; VALIC Retirement Services Company; and The Variable Annuity Life Insurance Company (VALIC); each of which is a member company of American International Group, Inc.

Houston, Texas
www.aigvalic.com
VL 16052-AZORP (11/2006) J54104

AIG VALIC
WE KNOW RETIREMENT.℠

Fidelity Investments

Fidelity Investments
82 Devonshire Street
Boston, MA 02109-3614
800-343-0860

www.mysavingsatwork.com/azorp

Discover the value of choosing Fidelity as your plan provider. If you're like most people, you're willing to put your hard-earned money only into investments and a company you feel comfortable with. Fortunately, the Arizona Board of Regents ORP offers you a workplace savings plan through Fidelity Investments.

Why Fidelity? Chances are you already know Fidelity Investments by reputation. Fidelity is committed to providing workplace savings plan participants with the range of investment options, proven long-term performance, low fees, educational resources, and superior customer service they need to help plan successfully for retirement.

Trust in the strength, commitment, and expertise of a reputable company

Founded in 1946, and America's largest privately held investment company, Fidelity has always been committed to top-notch customer service and state-of-the-art technology. From making account information available on a daily basis, to convenient online account access, Fidelity continues to revolutionize the way people take care of the important business of retirement planning.

Explore a range of investment options that could help you achieve your retirement goals

Available through your ORP at Fidelity, choose from a variety of investment options covering a range of risk and return characteristics to help you build your retirement portfolio. You may be able to achieve appropriate asset allocation by choosing one of our professionally managed Fidelity Freedom Funds®, a single fund choice with "automatic" asset allocation built in. These funds are subject to the volatility of the financial markets in the U.S. and abroad, and may be subject to the additional risks associated with investing in high-yield, small-cap and foreign securities. You can find more information on the ORP investment options available by visiting **www.mysavingsatwork.com/azorp**.

Low Fees, Expense Ratios and Fund Performance

Fidelity does not have annual account maintenance fees. Log on to **www.mysavingsatwork.com/azorp** for fund performance results and fund expense ratios. Or you may call Fidelity for a free mutual fund prospectus.

Experience the superior planning support and customer service you deserve

At Fidelity, we do more than just provide investment opportunities. We also offer the types of tools and resources that can help you become a better investor. Accessible from your personal computer, **www.mysavingsatwork.com/azorp** gives you easy and direct access to a wealth of tools and resources. It's also your link to Fidelity NetBenefits®—an exclusive website for Fidelity plan participants.

Enroll with Fidelity

1. Follow the instructions on your University Human Resources website:
   - ASU—www.asu.edu/hr, select *Benefits,* select *Retirement for Faculty, Academic Professionals, Administrators, and Service Professionals*
   - NAU—www.hr.nau.edu, select *Benefits,* select *Mandatory Retirement Plans,* select *Enroll in Retirement*
   - UA—www.hr.arizona.edu, select *Benefits,* select *Mandatory Retirement Plan – Appointed Personnel*, select *Retirement Plan Enrollment*
   - ABOR—See Human Resources for instructions

2. To set up your account with Fidelity go to **www.mysavingsatwork.com/azorp**. Just follow the prompts for each section; all you will need is your ORP plan number 67444. Be sure to include your beneficiary designation; you will need your beneficiary(s) name, Social Security number, date of birth and address.

These steps must be completed by the 30th day of your election period, including submitting your election decision to your Human Resources Office.

Fidelity Investments

Easy access to Fidelity NetBenefits®
View account information, make transactions in your account, or take advantage of the planning and goal-setting tools.

Tools and resources
View the investment options available in the ORP. Schedule an individual consultation with a Fidelity Retirement Counselor. Or find an array of educational and planning resources, including calculators, educational guides, interactive worksheets, e-Learning self-paced workshops, and more.

Guidance provided by Fidelity is educational in nature, is not individualized and is not intended to serve as the primary or sole basis for your investment or tax-planning decisions.

Need help? We've got answers.

Convenient account management services
Once you begin making contributions or transfer eligible plan assets to Fidelity, management of your retirement savings will be just a mouse click or a phone call away. Log on to **www.mysavingsatwork.com/azorp** or call a Fidelity Retirement Services Specialist at **1-800-343-0860,** Monday through Friday, 5:00 A.M. to 9:00 P.M. PT.

One-on-one consultations
To schedule an appointment with a Fidelity Retirement Counselor, call 1-800-642-7131 or schedule an appointment online at www.mysavingsatwork.com/azorp.

Experienced representatives
Call a Fidelity Retirement Services Specialist at **1-800-343-0860,** Monday through Friday, from 5:00 A.M. to 9:00 P.M. PT, for account information and assistance. Fidelity's representatives are knowledgeable and dedicated professionals committed to helping you take full advantage of your workplace savings plan.

24-hour automated account access by phone
Call **1-800-343-0860** toll free, virtually 24 hours a day, seven days a week, for account balances and transactions, mutual fund performance numbers, and more. And with our system's natural language capabilities, you can quickly and easily monitor and manage your account by using simple phrases and voice commands.

Before investing in any investment option, please carefully consider the investment objectives, risks, charges and expenses. For this and other information, call Fidelity at 1-800-343-0860 or visit www.fidelity.com for a free mutual fund prospectus. Read it carefully before you invest.

Information about mutual fund performance: Past performance is no guarantee of future results. Each fund's share price, yield, and return will vary, and you may have a gain or loss when you sell your shares. For more information about total returns, or any mutual fund available through the plan, call Fidelity Investments.

It is your responsibility to select and monitor your investments to make sure they continue to reflect your financial situation, risk tolerance, and time horizon. Most investment professionals suggest that you reexamine your investment strategy at least annually or when your situation changes. In addition, you may want to consult an investment advisor regarding your specific situation.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.

Fidelity Investments Tax-Exempt Services Company
A division of Fidelity Investments Institutional Services Company, Inc.
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414540

TIAA-CREF

Teachers Insurance and Annuity Association
College Retirement Equities Fund

Phoenix Office
2398 E. Camelback Rd., Ste. 1000
Phoenix, AZ 85016
866-548-3705

National Contact Center
800-842-2776

www.tiaa-cref.org/azus

Retirement Is Closer Than You Think
FORTUNATELY, SO ARE WE

Why Choose TIAA-CREF? If you're like most higher education professionals, then chances are you know TIAA-CREF. Through our group of companies, we've served the long-term financial needs of employees in the non-profit, educational, research and medical fields since 1918. Today, you'll find we offer you a wide range of investment choices, personalized advice, and outstanding service. What's more, our local staff of knowledgeable representatives is located right here in Arizona at 2398 East Camelback Road in Phoenix.

The Place For Advice And Wealth Management

Need advice about your retirement investments? TIAA-CREF uses the Ibbotson Associates independent planning tool to give you the impartial analysis that considers all of your investment accounts and funds. What's more, if you have significant assets, our Wealth Management Advisors can provide you with customized guidance on investment management, special assets, tax and accounting issues, estate planning, charitable giving, and much more.

High Priority

Helping you reach your long-term financial goals is our highest priority. We offer a range of investment options so you can build and maintain a portfolio targeted to *your* changing financial goals and tolerance for risk. Just as important, compare TIAA-CREF's retirement account charges with any other financial firm's, and we think you'll see we're committed to keeping expenses low. That means more of your money keeps working for you.

Retirement Is Not Far Away

Over three million people in the academic, medical, and cultural communities rely on TIAA-CREF. So when it comes to choosing where to put your retirement money, we think the solution is clearer and closer than ever. Why wait? Call us for a consultation. We're sure that you'll find that when it comes to serving the people in Arizona, whose lifework serves the greater good, TIAA-CREF is in a class by itself.

TIAA-CREF

To schedule an appointment:

Visit us online at **www.tiaa-cref.org/azus** and click on Set Up a Meeting. We have scheduled dates at all of the campuses.

To Enroll With TIAA-CREF

1. Follow the election instructions on your University Human Resources website:

- **ASU—**www.asu.edu/hr, select *Benefits;* select *Retirement for Faculty, Academic Professionals, Administrators and Service Professionals*
- **NAU—**www.hr.nau.edu, select *Benefits;* select *Mandatory Retirement Plans;* select *Enroll in Retirement*
- **UA—**www.hr.arizona.edu, select *Benefits;* select *Mandatory Retirement Plan—Appointed Personnel;* select *Retirement Plan Enrollment*
- **ABOR—**see Human Resources for instructions

2. To set up your account with TIAA-CREF go to **www.tiaa-cref.org/azus**, and click on Enroll Now and enter your campus access code:

Arizona State University – AZQ190

University of Arizona – AZQ192

Northern Arizona University – AZQ193

Steps 1 and 2 must both be completed by the 30th day of your election period, including submitting your election decision to your Human Resources Office.

Come visit us at:

TIAA-CREF
2398 East Camelback Road
Suite 1000
Phoenix, AZ 85016
866-548-3705

Investors should consider the investment objectives, risks, charges and expenses carefully before investing. Please call 877-518-9161, or go to www.tiaa-cref.org for a current prospectus that contains this and other information. Read the prospectus carefully before investing.

TIAA CREF
FINANCIAL SERVICES FOR THE GREATER GOOD℠

Understanding Investment Fees and Expenses

The following information provides a basic overview of ORP fees and expenses. It is not intended to be a substitute for the advice of a retirement plan investment professional.

Fees and expenses vary between investment companies and investments. An informed participant in a defined contribution plan reviews these costs as a routine part of managing a retirement account. The fund prospectus and the investment company's online materials offer significant information to help you in this review.

Generally, these costs are not itemized on your statement, and are deducted from your investment account before returns (loss or gain) are posted to it.

Plan Administration

The daily operation of a retirement plan involves expenses for basic administrative services, such as recordkeeping (account activity) and custodial (establish and maintain the plan) fees. Investment companies may charge an asset-based fee, a percentage of your total assets the company manages for you. The ORP has been designed to minimize administrative fees.

Self-Directed Brokerage Account (SDBA)

Investors who choose to participate in the SDBA may be charged an annual participant fee and transaction-related fees.

Financial Advisory Services

Investment companies may charge a fee for investment advisory services to help you design your personalized portfolio. Advisory services may be offered online, in person, and/or through an objective third-party company.

Mutual Funds

Mutual funds may charge a front-end load (sales charge on your fund purchase), a back-end load/redemption fee (sales charge on your fund sale), and in-service transfer fees (transferring assets between different approved investment companies). Mutual funds also may charge 12b-1 fees, which are defined under the Investment Company Act of 1940 and are ongoing fees paid out of your assets to pay sales commissions, advertising, and other promotional costs.

Variable Annuities

A variable annuity is an insurance product that is funded by variable investments. Variable annuities may carry insurance-related charges, including the insurance component, mortality risk charges, and the cost of issuing and administering contracts. An insurance company may charge withdrawal/surrender and transfer fees when a participant terminates a contract or makes a withdrawal before the contract term expires.

Basis Points (BPs)

Basis points are used in calculating the costs (such as expense ratios, administrative fees, etc.) for a financial instrument. Basis points may also be used to indicate the change in the value of a financial instrument. A basis point is a unit equal to 1/100th of 1%.

The relationship between costs or percentage changes and basis points can be summarized as follows:
For example, 0.01% cost = 1 basis point or 1% change = 100 basis points.

Expense Ratio

An expense ratio, also known as management expense ratio, is the percentage of total fund assets used to cover expenses associated with the operation of a mutual fund. This amount is taken out of the fund's assets and lowers the return that fundholders achieve. These expenses include management fees and operating expenses. Although expense ratios are important, it can be misleading to focus on one measurement without also identifying key factors that influence that measurement. Here are factors that affect the calculation of the investment expense ratio.

- **A fund's asset size.** As fund assets increase, the expense ratio typically declines.
- **A fund's investment category.** Specialty funds have higher expense ratios than equity funds, which, in turn, have higher expense ratios than bond funds. International funds have higher expense ratios than comparable domestic funds.
- **Whether a fund is an index fund or an institutional fund.** Index funds and funds that are available only to institutional investors generally have lower expense ratios than other types of funds.
- **Asset size of the fund group.** On average, members of the smallest fund families have higher expenses than other funds. Funds that are part of large fund families (in terms of asset size) tend to have lower expense ratios than funds that are part of small fund families. These findings may reflect economies for the investment adviser.
- **Amount of portfolio turnover.** Funds with higher portfolio turnover tend to have higher expense ratios.[1]

[1] *December 2000 Division of Investment Management: Report on Mutual Fund Fees and Expenses, U.S. Securities and Exchange Commission.*

Understanding the Prospectus

Before you purchase shares of any mutual fund, make sure you are equipped with information about that fund's goals, strategies, fees, expenses, and level of risk. This information and more is available to you in a single document—the fund prospectus.

It's no secret that the size of a prospectus and the type of information inside can be hard to tackle. But don't be too overwhelmed. Here is a brief overview of a prospectus, why it is important, and what items you may want to carefully review. It is recommended that you review the full prospectus before making an investment decision.

Know the Basics
A prospectus is a formal document, required by the Securities and Exchange Commission (SEC), that describes the details of a fund. The prospectus is a legally binding contract between the fund and the fund holder. It's easy to get lost in the legal jargon and miss the information that matters most.

- **Investment objectives.** The prospectus outlines the fund's goals and it describes the types of securities the fund will purchase in order to achieve its goals. With this information, you can determine whether the fund is in line with your personal investment strategy.
- **Level of risk.** This section assesses the risks associated with the securities a fund holds. This information will help you determine if you are comfortable with these risks.
- **Cost of the fund.** This section is extremely important to consider because fees and expenses reduce your total investment return. In this section of the prospectus, you will find information on any sales load charges, 12b-1 fees, and the expense ratios.
- **Past performance.** The prospectus reports the fund's performance for the past 10 years, or since its inception date if the fund is less than 10 years old. This information can be used to compare the fund's performance with that of its index. The fund's past performance is no guarantee of future results.
- **Fund management.** The prospectus provides information about the current fund manager's investment strategy. You may consider how the fund's management will affect fees and returns, the length of time the fund manager has been managing the fund, and how long the fund has been in operation.
- **Withdrawal, transfer, and distribution restrictions.** Some funds may impose restrictions on transfers, withdrawals, and distributions. These restrictions are disclosed in the prospectus.

Frequently Asked Questions

New Eligibility and Enrollment

1. **Q.** How long do I have to elect participation in the ORP?

   A. You have 30 days from the date you first become eligible for the ORP to make your irrevocable election. Generally, this is 30 days from your initial employment date with the Arizona University System. If you are employed in an ORP-eligible position for the first time after your initial employment date, the 30-day election period begins on the day you are notified of your eligibility for the ORP.

2. **Q.** What happens if I don't make an election within the 30-day period?

   A. You will automatically be enrolled in the ASRS plan for the duration of your ORP-eligible employment with the Arizona University System. This is an irrevocable default election that you cannot change while continuously employed with the Arizona University System.

3. **Q.** Where may I obtain additional information about the ASRS plan and the ORP?

   A. **Arizona State Retirement System:**

www.azasrs.gov	
Phoenix	602-240-2000
Tucson	520-239-3100
Outside the Phoenix or Tucson area	800-621-3778

AIG VALIC

www.aigvalic.com/enroll (code AZORP)	
Arizona ORP Hotline	800-892-5558, ext. 89005
Client Service Professional	800-448-2542

Fidelity Investments

www.mysavingsatwork.com/azorp (plan number 67444)	
Retirement Services Specialist	800-343-0860
Schedule a consultation	800-642-7131

TIAA-CREF

www.tiaa-cref.org/azus (access codes: ASU – AZQ190; UA – AZ192; NAU – AZ193)	
National Contact Center	800-842-2776
Phoenix Office	866-548-3705

IMPORTANT NOTE:
Opening an account with an ORP Investment Company DOES NOT satisfy the requirements for election of the ORP.

4. **Q.** If I become dissatisfied with the retirement plan I am participating in, can I change to the other one?

   A. No. You have 30 days from the date you first become eligible for the ORP to make your irrevocable retirement election. Your election is irrevocable for as long as you remain in an ORP eligible position with the Arizona University System.

5. **Q.** Are all the investment companies on the list equal?

   A. Each company has its own individual strengths. You have the opportunity to select the one that most closely meets your individual investment goals and service needs. The information included in this guide is provided to assist you in making your choice. The choice of which ORP investment company you select is totally yours.

6. **Q.** Am I responsible for making sure the ORP investment company or investment allocations I select perform well?

   A. You have the ultimate responsibility for monitoring your ORP investment performance. The ORP investment companies offer you resources to assist you with your investment decisions. Advice through an independent financial services firm may also be available. There may be an additional charge for this service.

7. **Q.** What is the Arizona University System?

   A. The Arizona University System consists of the three state universities, Arizona State University, Northern Arizona University, and The University of Arizona, and all their campuses, as well as the Arizona Board of Regents office.

8. **Q.** I have investments with a company that is not on the approved ORP investment company list. May I direct my ORP contributions or account balance to this company?

   A. No. As long as you are employed with the Arizona University System, you may direct ORP contributions only to an approved ORP investment company.

9. **Q.** May I select more than one ORP investment company and thereby “split” my payroll contributions?

   A. No. You may direct your current payroll deductions to only one ORP investment company. You may change investment companies once in each fiscal year (July 1–June 30).

Current ORP Participant

1. **Q.** May I change ORP investment companies any time I wish?

   A. You may change ORP investment companies once each fiscal year (July 1–June 30) at any time during the year. Changes may only be made to one of the three approved ORP investment companies. To redirect current contributions, you must complete the University Retirement Plan Election change form (paper or electronic) and set up your new account online for the ORP investment company of your choice. Contact your Human Resources Office for more information on changing your ORP investment company for future payroll contributions.

2. **Q.** What happens to the contributions the University is making on my behalf prior to my vesting date?

   A. The University contributions are held in trust and invested by the University until you are fully vested, at which time the University contributions and related interest are transferred in a lump sum to the ORP investment company you have selected for your current payroll deductions. If you terminate your employment with the Arizona University System prior to your vesting date, you will forfeit the University contributions and related interest.

3. **Q.** May I borrow money by using my ORP account as collateral?

   A. No. Funds in your ORP account are not available for withdrawal until your Arizona University System employment is terminated, your retirement date, or your death. A lending organization will not consider your ORP account as collateral since the funds are not available for loans while the account owner is actively employed by the Arizona University System.

4. **Q.** May I direct future contributions to one of the approved ORP investment companies without transferring funds held by my present company?

   A. Yes. You may keep funds invested with your current investment company even if you want to send future payroll contributions to another approved ORP investment company.

5. **Q.** I am recently divorced and have a Domestic Relations Order (DRO) to be processed. Whom should I contact?

   A. Contact the ORP investment company/companies that hold your ORP account balance(s).

6. **Q.** I have returned to work after being called to active military duty. I am interested in making up the contributions I missed while on unpaid military leave from my job at the University. May I do this?

   A. Yes. Under the provisions of the Uniformed Services Employment and Reemployment Rights Act (USERRA), you have the right to make after-tax contributions to the ORP to make up the 7% of compensation contributions that you would have made during the period of your unpaid military leave. The make-up contributions must be made during the grace period, which begins on the date of your reemployment and ends at the earlier of (1) three times the period of your military leave, or (2) five years.

7. **Q.** Will the University match my unpaid military leave make-up contributions?

   A. Yes. The University is obligated to match the contributions you choose to make up for unpaid military service. The matching contributions will be in the same amount and will be made at the same time that you make your contributions, provided that the University contributions do not exceed the contributions that would have been required to be made during your period of military leave.

8. Q. Will the time I was on unpaid military leave count toward my five-year vesting period?

   A. Yes. Upon your reemployment the length of time you were on unpaid military leave will be credited toward your ORP vesting time whether or not you choose to pay any make-up employee contributions to the ORP.

9. Q. May I make up contributions upon returning from an unpaid leave of absence?

   A. No. With the exception of unpaid military leave, as explained in question six on the previous page.

10. Q. May I take a loan from my ORP account?

    A. No. Loans are not available while you are actively employed.

11. Q. I have a retirement account with a former employer. May I roll these funds into my ORP account?

    A. You may be able to roll the account into your ORP account. Contact your current ORP investment company to discuss the availability of the rollover to your ORP account.

12. Q. May I move any portion of my account balance from one approved ORP investment company to another approved ORP investment company without changing my payroll election?

    A. Yes. You may move any portion of your ORP account balance from one approved ORP investment company to another within the limitations of your investment company and investment selections. This transfer will not affect your current payroll election.

13. Q. May I withdraw my ORP funds when I transfer from one University to another University within the Arizona University System?

    A. No. For purposes of withdrawals, Arizona State University, Northern Arizona University, The University of Arizona, and the Arizona Board of Regents are considered one employer.

Ending Employment with the Arizona University System

1. Q. If I retire under the ORP, may I return to work at a later date within the Arizona University System?

   A. Yes. However, at the time of your retirement, you may not have a prearranged verbal or written agreement to return to work. If you return to an ORP-eligible position within the Arizona University System, you will have a new retirement election period and may make a new retirement plan election to participate in the ORP or ASRS. Prior to accepting a reemployment offer, you are advised to speak with the hiring University's Human Resources Office. Returning to work after your retirement may have an effect on retirement benefits you are receiving from your ORP account and other retiree benefits for which you are currently eligible.

2. Q. When I leave the Arizona University System, may I take my retirement contributions in a lump sum?

A. Yes. Upon separation of service from the Arizona University System, you may withdraw any or all of your ORP account. Distributions may be restricted based on your investment choices and restrictions imposed by your investment company. Upon taking a full distribution from the ORP, you will forfeit your rights to any future retirement benefits under the plan. The distribution will be subject to federal and state income tax, and it may also be subject to IRS early withdrawal penalties if not rolled over to another eligible plan.

3. Q. Will I lose the University's contributions if I leave the University System, prior to my vesting date?

A. Yes, the University's contributions will be made available to you only after you have reached your vesting date.

Your Attitude Toward Investment Risk: A Worksheet

Your answers to the following questions may help you better understand your tolerance for investment risk.

1. How do you feel about the volatility in the value of your long-term investments?
   - ❑ a. I would be uncomfortable with a lot of fluctuation. If I could be sure that much of my accumulation were guaranteed to rise in value, I would be content with a slower rate of growth.
   - ❑ b. I would not mind if the value of my accumulation fluctuates, as long as some of it is guaranteed not to decrease.
   - ❑ c. I can tolerate swings in my total account value (including the possibility of losses) if there is potential for greater long-term growth.

2. What kinds of investments do you prefer?
   - ❑ a. Guaranteed investments that will protect me from loss of principal.
   - ❑ b. A range of investment types (stocks, bonds, real estate), so that if one market is down, segments of my total account may continue to grow.
   - ❑ c. A highly diversified mix of stocks, offering the potential for long-term growth within acceptable risk limits.

3. To increase your potential of having a greater retirement income, would you be willing to take more risk
   - ❑ a. with none of your long-term investments?
   - ❑ b. with some of your long-term investments?
   - ❑ c. with all of your long-term investments?

4. You have allocated much of your contributions to a variable account. Suddenly, the value of that account drops by 15%. Your reaction?
   - ❑ a. Change my allocation to a less volatile account.
   - ❑ b. Reexamine how all of my other funds are allocated to see if I am comfortable with that degree of change.
   - ❑ c. Do nothing about a short-term drop in price if the long-term prospects for growth remain good.

5. In order to meet my long-term financial goals, I think that my retirement dollars will have to
   - ❑ a. simply keep pace with inflation.
   - ❑ b. grow at a rate modestly higher than inflation.
   - ❑ c. increase in value substantially.

Based on your answers…

- If you chose (**a**) for most of your answers, you are probably most concerned with preserving your existing accumulation and most comfortable with a lower level of investment risk and more conservative investments.
- If you chose (**b**) for most of your answers, you are probably looking to strike a fairly even balance between safety and growth opportunity. You may consider yourself a more moderate investor.
- If you chose (**c**) for most of your answers, you are probably comfortable with a somewhat higher level of investment risk.

Remember to consider your investment time horizon and other sources of retirement income before allocating your investments. Historically, a well-diversified portfolio helps reduce the impact of risk over the long term.

Spectrum of Investment Risk and Return

← Less POTENTIAL RETURN More →

	Conservative		Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	
Asset Class	**Fixed Account/ Cash**	**Bond Funds**	**Balanced Funds**	**Large-Cap Stock Funds**	**Mid-Cap Stock Funds**	**Small-Cap Stock Funds**	**International Stock Funds**

← Less POTENTIAL RISK More →

This worksheet is intended to be educational material that may or may not assist you with assessing your investment risk tolerance.

Glossary of Investment Terms

12b-1 Fees
Ongoing fees paid out of fund assets that may be used to pay commissions to brokers or other salespersons, to pay costs of promoting the funds, and to pay for advertising, including the printing and mailing of prospectuses.

Administrative Expenses
The cost of operating the plan including, but not limited to, marketing expenses. This expense is usually subtracted prior to the calculation of the fund performance.

Advisory Service Fee
The fee charged by an investment company for online, in-person, and/or third-party investment guidance.

Annuity
A type of contract usually issued by an insurance company that provides income for a specified period of time or for the remainder of the holder's life.

Asset-Based Fee
Administration fee charged by an investment company based on the assets in the participant's account at a given point in time.

Balanced Fund
A fund that provides total return by investing in a combination of equity and fixed-income securities.

Basis Point (BP)
A basis point is a unit that is equal to 1/100th of 1%, and is commonly used to express the change in a financial instrument.

Bond
A debt investment with which the investor loans money to an entity (company or government) that borrows the funds for a defined period of time at a specified interest rate.

Capital
Assets of a business. Also refers to claims on the corporation's assets represented by its outstanding securities.

Capital Growth
Increase in market value of securities.

Cash Equivalent
Includes receivables, U.S. government securities, short-term paper, short-term municipal bonds, and corporate bonds and notes.

Commercial Paper
Short-term, unsecured promissory notes issued by corporations to finance short-term credit needs.

Common Stock
A security representing ownership of a corporation's assets.

Common Stock Premium
Percentage above asset value at which the stock sells.

Conversion
The exchange of a convertible type of asset into another type of asset, usually at the predetermined price, on or before a predetermined date. The conversion feature is a derivative and is valued separately from the underlying security and added to the overall value of the security.

Custodial Fee
A fee charged annually and used to establish and maintain the plan.

Custodian
Bank or trust company holding all securities and cash owned by an investment company.

Debenture
Bond secured only by the general credit of a corporation.

Deferred Sales Charge (Back-End Fee or Load)
Fee charged at the time the fund is sold. The rates are usually calculated on a declining scale based on the length of time the funds have been held.

Deferred Variable Annuity
Insurance contract providing for variable annuity payments to commence at some future date based on stocks or a fluctuating bond portfolio.

Defined Benefit Plan
A retirement plan that provides a benefit based on a formula. Example: Years of Service x Multiplier Factor x Average Salary = Benefit.

Defined Contribution Plan
A retirement plan that provides a benefit based on account balance at the time of retirement. During the years of employment, the employee makes payments (contributions) of a specific amount.

Distribution
A removal of assets from a retirement account that is paid to the retirement account owner or beneficiary.

Dividend
Distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders.

Earnings
Per common share equals net income after all charges, divided by number of common shares outstanding.

Equity
Stock or any other security representing an ownership interest.

Exchange Traded Fund (ETF)
A fund that is similar to an index fund in that it will primarily invest in securities that are included in a particular market index.

Expense Ratio
Percentage of total fund assets used to cover expenses associated with the operation of a mutual fund.

Fixed Annuity
Insurance contract guaranteeing the owner/beneficiary a specified monthly amount, even if the insured outlives his/her life expectancy.

Fixed-Income Fund
A fund that seeks current income and preservation of capital with slightly higher risk levels compared to stable value funds.

Front-End Fee (Sales Charge or Load)
Fee charged at the time the fund is purchased.

Global Equity Fund
A fund that seeks capital appreciation primarily in equities of issuers located around the world, including the United States.

Growth Stock
Stock that is intended to show better than average growth in earnings and whose growth is expected to continue.

Income
Gross income is the total amount of dividends, interest, etc. (but not capital gains), before deduction of expenses. Net income is the balance after deduction of expenses, fixed charges, and taxes.

Income Fund
A fund that seeks current income as the primary objective.

Index Fund
A type of mutual fund whose objective is to achieve the same return as a certain market index, such as the S&P 500.

International Equity Fund
A fund that seeks capital appreciation through investment, primarily in equities, of issuers located outside the United States.

Joint and Survivor Option
A type of annuity that makes payments for the lifetime of two or more beneficiaries.

Large Cap Blend Fund
A fund that provides long-term growth of capital by investing in large capitalization portfolios that may invest in value-oriented and growth-oriented equities.

Large Cap Growth Fund
A fund that provides long-term growth of capital by investing in large capitalization portfolios that primarily invest in growth-oriented equities.

Glossary of Investment Terms

Large Cap Value Fund
A fund that provides long-term growth of capital by investing in equities believed to be trading below their fundamental worth.

Life Cycle Fund
A fund that seeks total return in a combination of equities and bonds. Generally, the level of risk is based on a retirement date, and funds with a date further in the future carry a higher risk.

Life Expectancy Option
A payout option available at termination of employment at an age earlier than the minimum distribution age. The payment is calculated by dividing the accumulation by the life expectancy of the individual. Life expectancy may incorporate a second person. Life expectancy is recalculated on an annual basis.

Lifetime Annuity
Monthly payments for the life of the owner, regardless of how long he/she lives.

Liquid
Easily converted into cash or exchangeable for other values.

Load
Sales charge paid by the investor.

Management Company
Organization that, directly or through subsidiaries, provides management and/or distribution facilities for mutual funds.

Management Fee
Payment made to an investment company for the supervision of its portfolio. Also known as investment management fee.

Mid Cap Blend Fund
A fund that seeks capital appreciation by investing in medium capitalization portfolios that may invest in value-oriented and growth-oriented equities.

Mid Cap Growth Fund
A fund that seeks capital appreciation by investing in medium-capitalization portfolios that invest in stocks believed to have above-average potential for growth.

Mid Cap Value Fund
A fund that seeks capital appreciation by investing in medium-capitalization stocks believed to be trading below their fundamental worth.

Minimum Distribution Age
The age at which the IRS requires the beginning of tax-deferred accumulation distributions. The distribution must begin by April 1 of the calendar year following the year in which the participant turns 70½, retires, and/or separates from service, whichever is later.

Minimum Distribution Payment
A payout option available at the minimum distribution age, 70½, and after termination of employment. This payment is calculated by dividing the accumulation by the life expectancy of the individual. Life expectancy may incorporate a second person. The life expectancy is recalculated on an annual basis.

Money Market Fund
A fund that seeks to invest in fixed-income securities with little or no risk. Funds in this category typically invest in Treasury bills, commercial paper, banker's acceptances, negotiable certificates of deposit, repurchase agreements, and short-term debts of U.S. government agencies.

Mutual Fund
A fund that is an open-end investment that invests money of its shareholders in a usually diversified group of securities of other corporations.

Net Asset Value
The total value of the fund's portfolio less liabilities, usually calculated on a daily basis.

No Load Funds
A mutual fund or annuity that does not assess a sales charge.

Portfolio
The group of assets, such as stocks, bonds, and mutual funds, held by an investor.

Preferred Stock
A stock entitled to receive earnings and assets before common stock is entitled to receive earnings and assets.

Proprietary Fund
Generally, a mutual fund made available exclusively by the issuing investment company.

Prospectus
An official document describing the shares of a security issue. Applies to mutual funds, variable annuities, and closed-end companies only when new capital is raised. It must be supplied to each investor.

Redemption Fee
A fee charged by some funds to shareholders when they sell their shares. Although a redemption fee is deducted from redemption proceeds just like a deferred sales load, it is not considered to be a sales load. A redemption fee is typically used to defray fund costs associated with a shareholder's redemption and is paid directly to the fund.

Reinvestment Privilege
Special service offered by most mutual funds through which dividends from investment income may be invested automatically in additional full and fractional shares.

Rollover
A method of transferring tax-deferred funds from one tax-deferred program to another. The funds remain tax deferred.

Self-Directed Brokerage Account (SDBA)
Investment option that allows the participant more control over the investments selected. This option makes thousands of mutual funds and exchange traded funds available for investment.

Short-Term Trading Fee
A fee that is charged for holding funds for a short period of time, often less than 30 days.

Small Cap Blend Fund
A fund that seeks capital appreciation by investing in small capitalization portfolios that may invest in value-oriented and growth-oriented equities.

Small Cap Growth Fund
A fund that seeks capital appreciation by investing in small capitalization portfolios that invest in stocks believed to have above-average potential for growth.

Small Cap Value Fund
A fund that seeks capital appreciation by investing in medium-capitalization stocks believed to be trading below their fundamental worth.

Socially Responsible Equity Fund
A fund that seeks capital appreciation by investing in companies and industries identified for having qualities that meet certain "socially responsible" criteria. Funds in this category typically do not invest in companies engaged in the production of tobacco, weapons, nuclear energy, and other products deemed to be hazardous to the greater society.

Stable Value Fund
A fund that seeks to invest in a diversified portfolio of fixed-income securities and investment contracts through a strategy to achieve returns in excess of money market rates, but with low levels of risk.

Standard & Poor's (S&P) 500 Index Fund
A fund that seeks to provide long-term growth of capital by approximating the return and risk profile of the S&P 500® Index.

Stock
A type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings.

Straight Life Annuity
An insurance product that makes periodic payments to the annuitant until his or her death, at which point the payments stop completely. These products do not allow annuitants to designate a beneficiary.

Glossary of Investment Terms

Surrender or Withdrawal Charge (Back-End Load)
A fee charged at the time the fund is sold. The rates are usually calculated on a declining scale based on the length of time the funds have been in the account.

Systematic Withdrawal
A payment option that allows the recipient to designate the payment amount to be received and the frequency of the payments.

Tax-Free Exchange Fund
A fund held by an investment company organized to permit investors holding individual securities, selling at appreciated prices, to exchange such securities for the shares of the fund without payment of capital gains tax.

Tier 1 (ORP-specific term)
Selective, highly competitive investment funds in each of 18 core asset classes. These funds are selected by the investment company and are reviewed annually by an independent financial analyst. Life cycle funds are included in this tier, but are not included in the annual review.

Tier 2 (ORP-specific term)
A variety of investment options selected by the investment company.

Tier 3 (ORP-specific term)
The Self-Directed Brokerage Account investment option that allows the participant more control over the investments selected. This option makes thousands of mutual funds and exchange traded funds available for investment.

Total Return
The actual rate of return of an investment or a pool of investments over a given evaluation period. Total return includes interest, capital gains, dividends, and distributions realized over a given period of time.

Treasury Bill
Non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt.

U.S. Government Securities
Bills, notes, and bonds issued by the U.S. Treasury at a discount.

U.S. Treasury Bond Fund
A marketable, fixed-interest U.S. government debt security with a maturity over 10 years.

Variable Annuity
An annuity contract under which the payments are not fixed but fluctuate with common stock or bond prices.

Vested/Vesting
The process by which employees accrue nonforfeitable rights over employer contributions that are made to the employee's qualified retirement plan account.

Volatility
The relative rate at which a security or fund share tends to move up or down in price.

Yield
Income received from an investment, expressed as a percentage of market price.

Yield to Maturity
Rate of return on a debt security held to maturity. Both interest and capital gains/losses are included.

Notes

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Notes

The investment and fee information in this pocket is periodically updated. Visit each ORP investment company website for the most up-to-date information on mutual fund choices and fee information.