

# Important Investment Option Changes Coming— To Take Your Asset Allocation Into Retirement, and *Beyond*

The NC 403(b) Program is a great way to help you achieve the retirement you imagine. The strong-performing investments<sup>1</sup> and easy-to-use features—all provided at a competitive cost<sup>1</sup>—receive strong oversight by the Supplemental Retirement Board of Trustees. The Board is always looking for opportunities to increase the value of this Program, while making it simpler to use. And the upcoming enhancements to the fund lineups and GoalMaker® help to do just that!

In June, we are enhancing GoalMaker, the asset allocation tool available at no extra cost. This upgrade allows us to provide more model portfolio options for those saving for retirement and for those IN retirement. Now, there's even more reason to keep your money with the NC Total Retirement Plans even after you retire. The core investment lineup for the NC 403(b) Program will experience some changes as well. As a reminder, one of the most important things you can do when planning for a secure retirement is to make sure your asset allocation continues to be appropriate for your goals.

## HOW YOU INVEST IS ALWAYS UP TO YOU

As always, at any time, you may visit your account at **NCPlans.prudential.com** to view the details of your asset allocation, make changes to your asset allocation or make any other changes you desire. You can speak with your Retirement Education Counselor for personal assistance. As always, you may call **866-NCPlans** for assistance as well.

## CHANGES ARE COMING TO THE PROGRAM'S INVESTMENT LINEUP

The Department of State Treasurer and the Supplemental Retirement Board of Trustees, in their continued efforts to enrich the high-quality investment choices offered and to lower fees, will make the following changes to the investment lineup in June:

- *Adding* the Vanguard Short-Term Inflation-Protected Securities Index Fund (VTAPX)
- *Removing* the MFS Institutional International Equity Fund (MIEIX), which is being replaced by the Baillie Gifford International Equity Fund (BGIXX)

**REMINDER:** If you're an active member, log into your ORBIT account in May to view your *myNC* Retirement Statement for a personalized snapshot of your projected retirement income. Are you on track to replace 80 percent of your pre-retirement income in retirement?



### WHAT YOU NEED TO KNOW ABOUT THESE UPCOMING CHANGES

**You *do not* need to take any action at this time.** However, we encourage you to read this letter and, as always, to review your asset allocation choices regularly, to help ensure that they continue to align with your retirement planning goals.

<sup>1</sup>BenchmarkDC Presentation for North Carolina Retirement Systems (for the 5 years ending December 31, 2016), CEM Benchmarking, Inc., located at [nctreasurer.com](http://nctreasurer.com), link named "Supplemental Retirement Plans' CEM Benchmarking Report," under the Sept. 21, 2017 meeting material. The Plans' 5-year total net return was 8.5 percent, compared to the peer average return of 7.8 percent.

## The New Vanguard Short-Term Inflation-Protected Securities Index Fund

The new Vanguard Short-Term Inflation-Protected Securities Index Fund (VTAPX) will become available on June 1, 2018.

### Strategy

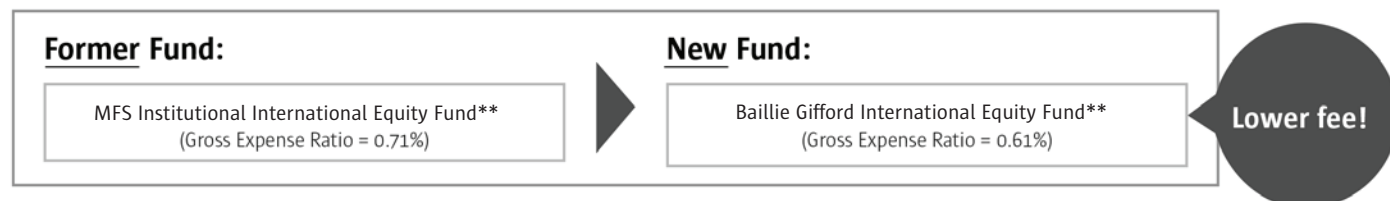
The Vanguard Short-Term Inflation-Protected Securities Index Fund seeks to track the performance of the Bloomberg Barclay's 0-5 Year Treasury Inflation Protected Securities (TIPS) Index. This market-weighted index measures the performance of U.S. Treasury Inflation-Protected Securities with maturities of less than five years.

### Fees

The expense ratio for this new fund is 0.07 percent (approximately 7 cents for every \$100 invested each year).\*

## The Removal of the MFS Institutional International Equity Fund

On Friday, June 15, 2018, at 4 p.m. ET, participant balances invested in the MFS Institutional International Equity Fund (MIEIX) will be **automatically** transferred to the Baillie Gifford International Equity Fund (BGIXX), as shown below.



\*\*Registered Mutual Fund.

## Investment Option Changes — Dates to Note

Fund Name	Important Dates
Vanguard Short-Term Inflation-Protected Securities Index Fund	<b>June 1, 2018: New fund available.</b> If you wish to invest in this fund, you can make your own investment election by logging in to your account at <a href="https://ncplans.prudential.com">NCPlans.prudential.com</a> .
MFS Institutional International Equity	<b>June 15, 2018: The fund is closing.</b> <b>Optional action:</b> If you do not move money out of the MFS Institutional International Equity Fund <b>by June 15, 2018, at 4 p.m. ET</b> , it will automatically transfer to the Baillie Gifford International Equity Fund, as shown above.

## ENHANCEMENTS ARE COMING TO GOALMAKER

*Now it's even easier to stay with the NC Total Retirement Plans Family—TO and THROUGH retirement!*

As part of our best-in-class approach to help make investing simple for you, both now and for years to come, new portfolios are being added to GoalMaker, the Program's easy-to-use asset allocation tool, available at no extra cost. If you are already invested in GoalMaker, these changes **will impact your asset allocation** once the changes become effective.

Bloomberg Barclays U.S. Treasury Inflation-Protected Securities (TIPS) Index: Measures the performance of rules based, market value-weighted inflation protected securities issued by the U.S. Treasury. It is a subset of the Global Inflation-Linked Index (Series-L).

\*Additionally, an administrative fee and a per-account recordkeeping and communications fee apply.

## GoalMaker Enhancement Highlights

These changes include:

- **15 new model portfolios available:** Additional time horizons for the pre-retirement phase and the post-retirement phase will be offered—for a total of 27 model portfolios to help you keep your asset allocation on track TO and THROUGH retirement.
- **Existing model portfolios' allocation changes:** All of the existing model portfolios will experience an asset allocation change. Therefore, if you remain in GoalMaker, your asset allocation **will be impacted**.
- **The Age Adjustment feature is being activated in all accounts (if it is not already):** Your asset allocation will immediately move to the portfolio consistent with your years to retirement and will become more conservative as you move closer to, and then through, retirement.
  - **Enabling this feature may change your asset allocation significantly.**
- **New funds:** The Vanguard Short-Term Inflation-Protected Securities Index Fund and the Baillie Gifford International Equity Fund (described on page 2) are being added to the model portfolios.
- **Removing funds:** The MFS Institutional International Equity, Vanguard Total Bond Market Index Admiral, T. Rowe Price Blue Chip Growth, and Vanguard Windsor II Admiral Funds are being removed from GoalMaker.

### KEEP IN MIND

**No action is necessary on your part.** However, we encourage you to read this letter carefully to be sure that your asset allocation choices will continue to meet your retirement planning goals after these changes have taken place.

## The New GoalMaker Model Portfolios: More time horizons so you can stay with the Program *to* and *through* retirement!

### Aggressive

	YEARS UNTIL RETIREMENT						YEARS AFTER RETIREMENT		
	26+	21-25	16-20	11-15	6-10	0-5	0-5	6-10	11+
Vanguard Short-Term Bond Index Fund Admiral (VBIRX)	0%	0%	0%	0%	1%	3%	8%	14%	17%
Vanguard Short-Term Inflation-Protected Securities Index Fund Admiral (VTAPX)	0	0	0	0	1	3	8	14	17
PIMCO Inflation Response Multi-Asset Fund Institutional (PIRMX)	10	10	9	9	7	6	4	3	3
Metropolitan West Total Return Bond Fund (MWT SX)	2	2	7	13	21	27	26	19	19
Vanguard 500 Index Fund Admiral (VFIAX)	34	34	32	30	28	27	25	24	21
DFA US Small Cap Fund Institutional (DFSTX)	14	14	14	12	10	10	8	6	6
Baillie Gifford International Equity Fund (BGIXX)	40	40	38	36	32	24	21	20	17
Total percent	100	100	100	100	100	100	100	100	100

### Moderate

	YEARS UNTIL RETIREMENT						YEARS AFTER RETIREMENT		
	26+	21-25	16-20	11-15	6-10	0-5	0-5	6-10	11+
Vanguard Short-Term Bond Index Fund Admiral (VBIRX)	0%	0%	0%	3%	6%	10%	14%	19%	22%
Vanguard Short-Term Inflation-Protected Securities Index Fund Admiral (VTAPX)	0	0	0	0	2	5	9	16	22
PIMCO Inflation Response Multi-Asset Fund Institutional (PIRMX)	9	9	8	7	6	5	4	4	3
Metropolitan West Total Return Bond Fund (MWT SX)	6	13	21	28	33	36	34	27	23
Vanguard 500 Index Fund Admiral (VFIAX)	33	30	27	24	21	19	18	16	14
DFA US Small Cap Fund Institutional (DFSTX)	14	12	12	10	8	6	6	4	4
Baillie Gifford International Equity Fund (BGIXX)	38	36	32	28	24	19	15	14	12
Total percent	100	100	100	100	100	100	100	100	100

### Conservative

	YEARS UNTIL RETIREMENT						YEARS AFTER RETIREMENT		
	26+	21-25	16-20	11-15	6-10	0-5	0-5	6-10	11+
Vanguard Short-Term Bond Index Fund Admiral (VBIRX)	0%	0%	4%	8%	12%	17%	22%	25%	26%
Vanguard Short-Term Inflation-Protected Securities Index Fund Admiral (VTAPX)	0	0	0	3	6	10	15	19	24
PIMCO Inflation Response Multi-Asset Fund Institutional (PIRMX)	8	7	6	5	4	3	3	2	2
Metropolitan West Total Return Bond Fund (MWT SX)	21	31	37	41	42	41	36	33	29
Vanguard 500 Index Fund Admiral (VFIAX)	27	24	20	17	14	13	11	10	9
DFA US Small Cap Fund Institutional (DFSTX)	12	10	8	8	6	4	4	2	2
Baillie Gifford International Equity Fund (BGIXX)	32	28	25	18	16	12	9	9	8
Total percent	100	100	100	100	100	100	100	100	100

## GoalMaker Changes — Dates to Note

What's Happening With?...	Date	How Does This Affect Me?	What Are My Options to Consider?
<b>GOALMAKER'S AGE ADJUSTMENT FEATURE</b> For all GoalMaker participants who did not have the Age Adjustment feature turned "on," it will be turned "on."	June 1, 2018	Your asset allocation will move to the portfolio consistent with your years to retirement and will become more conservative as you move closer to, and then through, retirement. <b>This feature may change your asset allocation <i>significantly</i>.</b>	If you would like to participate in GoalMaker, but do not want the Age Adjustment feature "on," you must cancel participation in GoalMaker <b>by May 31, 2018, by 4 p.m. ET</b> , and re-enroll in GoalMaker on or after June 9, 2018.  When doing so, select "off" for the Age Adjustment feature. You will now be enrolled in the enhanced GoalMaker portfolios.  To make any desired changes, log in to your account at <b>NCPlans.prudential.com</b> .
<b>MY CONTRIBUTIONS</b> <b>All future contributions (including automatic payroll contributions) will be placed into the new GoalMaker portfolios.</b>	June 2, 2018	Your future contributions will be placed in the new GoalMaker model portfolio that coincides with your current selected risk profile (Conservative, Moderate, or Aggressive) and your years to retirement.	If you do not want your future payroll allocations to move to the new GoalMaker model portfolios, you must opt out of GoalMaker <b>by June 1, 2018, at 4 p.m. ET</b> .  To do so, log in to your account at <b>NCPlans.prudential.com</b> .  You can opt back in to GoalMaker at any time (if you change your mind).
<b>GOALMAKER'S RETIREMENT AGE</b> GoalMaker's Retirement Age was recently changed to 65 for new enrollees who do not select a different Retirement Age.	NA	By establishing a Retirement Age, it allows GoalMaker to calculate your years to retirement and place you in the appropriate model portfolio.  If you have previously selected a different Retirement Age within your GoalMaker portfolio, we will continue to honor your selected Retirement Age.	GoalMaker allows you to select your own Retirement Age. Now is a good time to review your account to be sure that the Retirement Age being used within GoalMaker is appropriate for your needs.  To do so, log in to your account at <b>NCPlans.prudential.com</b> .
<b>MY ACCOUNT BALANCE</b> All account balances within GoalMaker will move to the new GoalMaker model portfolios. <i>(Refer to page 3 for models' investment allocations.)</i>	June 8, 2018	Your account balance will move to the new GoalMaker model portfolio that coincides with your risk profile and your years to retirement. <b>This will change your asset allocation.</b>	If you do not want your account balance to move to the new GoalMaker model portfolios, you may opt out of GoalMaker <b>by June 7, 2018 by 4 p.m. ET</b> .  To do so, log in to your account at <b>NCPlans.prudential.com</b> .  You can opt back in to GoalMaker at any time (if you change your mind).

## HOW YOU INVEST IS ALWAYS UP TO YOU

**Remember:** As always, at any time, you may visit your account at **NCPlans.prudential.com** to view the details of your asset allocation, make changes to your asset allocation, including participating in GoalMaker, turn GoalMaker's Age Adjustment feature "on" or "off," or make any other changes you desire.

## DETAILS PROVIDED IN YOUR SECOND QUARTER 2018 ACCOUNT STATEMENT

For details on how these changes have impacted your account(s), refer to your June 30, 2018, statement.

**Investors should consider the fund's investment objectives, risks, charges and expenses before investing. The prospectus, and if available the summary prospectus, contains complete information about the investment options available through your plan. Please call 866-NCPlans (866-627-5267) for a free prospectus, and if available a summary prospectus, that contains this and other information about our mutual funds. You should read the prospectus and the summary prospectus, if available, carefully before investing. It is possible to lose money when investing in securities.**

Prudential Retirement provides the communications and recordkeeping services for the NC 401(k) and NC 457 Plans and the NC 403(b) Program. With the exception of the NC Stable Value Fund and the NC Fixed Income Fund, investments in the NC 401(k) and NC 457 Plans are not offered by or affiliated with Prudential Financial, or any of its companies or businesses. Prudential Retirement is a Prudential Financial business.

For the NC 403(b) Program, shares of the registered mutual funds are offered through Prudential Investment Management Services LLC (PIMS), Newark, NJ, a Prudential Financial company. Retirement Education Counselors are registered representatives of PIMS.

GoalMaker is an optional tool and available at no additional cost. GoalMaker's model allocations are based on generally accepted financial theories that take into account the historic returns of different asset classes. Past performance of any investment does not guarantee future results. Prudential Financial encourages participants to consider their other assets, income and investments when enrolling in the GoalMaker program. We also recommend participants periodically reassess their GoalMaker investments to make sure their model portfolio continues to correspond to their investment objectives, risk tolerance and retirement time horizon.

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