



# Optional Retirement Plan for Higher Education Annual Fee Disclosure Notice

## OVERVIEW

Understanding retirement plan fees can be challenging; yet, the fees you pay for plan administration and the investments you have chosen for your Optional Retirement Plan for Higher Education (ORPHE) account impact the amount of money you have at retirement. Although not required for governmental plans, the Virginia Retirement System (VRS), as the ORPHE plan administrator, is following the spirit of the annual fee disclosure notice regulations issued by the U.S. Department of Labor (DOL) by providing this annual fee disclosure notice.\*

## PROVIDERS AND INVESTMENTS

As an ORPHE participant, you have a choice of three providers: DCP (VRS investment options record kept by ICMA-RC), Fidelity Investments and TIAA. Each provides record-keeping and administrative services, along with a range of diversified and distinct investment options to allow participants to create a portfolio with varied risk and return characteristics. VRS monitors the investment options and the services these companies provide to employers and participants and makes recommended changes to program services and investment options on a periodic basis.

A summary of your provider options is available online. The summary provides a high-level overview of each provider’s offerings, including the number of available investments, default investment and fees.

## UNDERSTANDING RETIREMENT PLAN FEES

A portion of the operating costs associated with retirement plans, products and services are passed along as fees to plan participants. These fees may seem small, but over time they can have a major impact on your investment portfolio. The long-term cumulative effect of fees and expenses on retirement savings can be substantial. Consider how just a 1 percentage point difference in fees could affect your account balance over time:



**1% increase in fees equals \$201,873 less in account at age 65.**

Examples provided by Mercer for illustrative purposes only.

\* The information included in this disclosure represents only the VRS-administered ORPHE. The College of William and Mary; George Mason University; the University of Virginia, including UV-A at Wise and the Southwest Virginia Higher Education Center; Virginia Commonwealth University; and Virginia Tech administer separate ORP plans for their faculty members. ORPHE participants at those institutions should refer to information provided by their plan administrator.

As the example shows, lower fees help keep more of your retirement savings working for you, which may make a difference in your account's long-term growth potential. When choosing a provider or a particular investment, you should consider and compare the costs you will be charged. It is also important to understand that investing in a fund with a lower expense ratio will not necessarily result in a higher account balance (depending on the fund's investment objectives and the actual performance of those objectives). A fund with a higher expense ratio may have higher net returns than a lower cost fund, in which case, the higher net returns more than offset the higher fund expense.

The ORPHE website ([www.orphe.varetire.org](http://www.orphe.varetire.org)) provides additional information to help you better understand the specific types of fees you may pay. Some fees are transactional in nature, such as a fee for overnight delivery of a check, while others are ongoing. Some are asset-based, which means they vary based on the amount you have invested. Others are a flat dollar amount. Many fees are implicit and included in the fund's expense ratio, which means the expense is built into the net asset value or unit value of a fund. For example, sometimes plan record-keeping and administrative expenses are included as part of a fund's expense ratio. These are implicit fees because the unit values are reduced by the amount of these administrative costs, and such costs are not shown as a dollar withdrawal amount on participant statements. Other fees are explicit, which means they are deducted directly from your account balance. In all cases, when you pay fees, your returns are reduced.

Included with this notice is a fee disclosure for each provider. In communicating investment fund costs to you, VRS states fees both as a percentage and as a dollar amount per \$1,000 invested. Fees may change from time to time and vary for different types of investment options. Fees are typically higher for actively managed investments than for passively managed investments because actively managed investments must cover the costs for portfolio managers to conduct extensive research and monitor and trade securities. Generally, international investment options have higher expense ratios than domestic options because they deal with companies overseas and may involve greater political, economic and currency fluctuation risk. More detailed information may be obtained online at the provider's website or by contacting the provider directly.

*To help you better understand how an investment's expense ratio translates into dollars and to illustrate the impact of various fees, please review the [sample fee schedule](#) provided on the ORPHE website. It can be found under the Investments tab on the Performance & Fees page.*

### **Do Your Homework**

- When opening your account, read thoroughly all documents provided by your financial professional.
- Review your account statements, confirmations and other documentation to monitor the types and amount of fees you are paying and to ensure charges are correct.
- Ask questions if you are not clear on how fees are broken down or the types of charges you are being asked to pay.

## UNDERSTANDING PERFORMANCE

In addition to understanding fees, it is equally as important to consider investment performance. Performance information is available on each of the providers' websites. Many criteria can be used to measure a fund's performance; one is to refer to a benchmark index. An index tracks a particular group of investments — that is representative of a specified market — as a way of measuring that market's performance. This provides a tool to compare the performance of a specific fund against a corresponding investment market. When considering how a fund's investment return compares to its benchmark index, it is important to determine if the fund is passively managed or actively managed. An investment objective of a passively managed fund is to track its performance to the benchmark index, whereas an actively managed fund's objective is to outperform its performance benchmark index. In ORPHE, most funds will have an appropriate index identified to assist you in understanding investment performance. DCP includes benchmark index information along with fund investment performance. For Fidelity and TIAA, benchmark information is not included with performance information but can be found on fund profiles or in a prospectus.

Because you are investing for the long-term goal of retirement, it's important to keep a long-term perspective when evaluating fund performance.

		
<b>Record-kept by ICMA-RC</b>	<b>Fidelity Investments</b>	<b>TIAA</b>
<a href="http://www.orphe.varetire.org/dcp">www.orphe.varetire.org/dcp</a> 1-877-327-5261, option 1 1-800-669-7471 (TDD)	<a href="http://www.netbenefits.com/orphe">www.netbenefits.com/orphe</a> 1-800-343-0860	<a href="http://www.tiaa.org/vrs">www.tiaa.org/vrs</a> 1-800-842-2252

## MAKING CHANGES

You may make changes to your investment options with your selected provider at any time by visiting the website or using the toll-free number provided below. You may change your provider once each year (*see Open Enrollment below*) and may be eligible to transfer all or a portion of your ORPHE account balance to another provider at any time.

## OPEN ENROLLMENT

When you elected ORPHE, you selected one of these companies to receive your plan contributions each pay cycle. Once a year, during the open-enrollment period that occurs in October, you may change to another provider. The change, which will only impact future contributions, will be effective the first pay date in January of the following year. Additional instructions related to open enrollment are available on the VRS ORPHE website ([www.orphe.varetire.org](http://www.orphe.varetire.org)). You may also be eligible to transfer balances from one ORPHE provider to another.

## LEAVING EMPLOYMENT

Regardless of which provider you choose while you are working, distributions are generally not required until you reach age 70½ or when you leave a position with an employer providing the plan, whichever is later. However, when you leave employment and qualify for a distribution from ORPHE, you have a variety of distribution options available to you. These options may vary from one provider to another and potentially from one investment option to another. It is important to contact your selected provider(s) before separating employment to ensure that you understand your options. Options may include lump- or partial-sum distributions, periodic payments, rollovers out of the plan and/or annuity purchases.

You may also be eligible to transfer balances between ORPHE providers. Providers also allow incoming rollovers, which may provide you an opportunity to consolidate balances across multiple plans. Each provider has representatives available to you to assist with your distribution planning and decisions.

## QUALIFYING FOR ORPHE RETIREE ANCILLARY BENEFITS

When you are no longer employed by a Virginia public employer, you may qualify for the State Retiree Health Insurance Program, VRS group life insurance and/or retiree health insurance credit, if you meet the eligibility requirements.

- **State Retiree Health Insurance:** You must apply for the benefit within 31 days of your last date of employment or lose eligibility for coverage. You must also meet the age and service requirements for an immediate retirement benefit under the *non-ORP* Virginia Retirement System plan that you would have been eligible for on your date of hire had you not elected the ORP.
- **VRS Group Life Insurance Program:** You qualify to continue your group life insurance in retirement if you meet the age and service requirements. If you are covered by ORPHE Plan 1 (employment date before July 1, 2010), you must be age 50 with 10 years of service or age 55 with five years of service. If you are covered by ORPHE Plan 2 (employment date July 1, 2010, or later) you must be age 60 with five years of service, or your age plus service must equal 90 when you leave employment to retain group life insurance into retirement. While you are employed, your group life insurance is your salary rounded to the next \$1,000 and doubled. In retirement, your basic group life insurance coverage will reduce by 25 percent on January 1 following one calendar year of retirement and continue to reduce by 25 percent each January 1 until it reaches 25 percent of its original value.
- **Retiree Health Insurance Credit:** You qualify for the health insurance credit if you have at least 15 years of service in ORPHE and/or VRS. If you are covered by ORPHE Plan 1, you must be at least age 50 to begin collecting the credit. If you are covered by ORPHE Plan 2, you must be at least age 60 to begin collecting the credit.

## ADDITIONAL INFORMATION

For more detailed information about the plan, providers and other related topics, please visit the VRS ORPHE website at [www.orphe.varetire.org](http://www.orphe.varetire.org). The website provides a glossary of terms to assist participants and beneficiaries in understanding plan options.



# Optional Retirement Plan for Higher Education Annual Fee Disclosure Notice–DCP

The DCP program operates under an unbundled plan structure. This means that VRS contracts for investment services separately from the record-keeping, enrollment and marketing functions, which are managed by ICMA-RC. Expense ratios (total fund annual operating expenses) with DCP include only investment-related fees. Administrative and record-keeping fees are charged separately. See the information below for additional detail.

**Data as of March 31, 2018.** For a full breakdown of fund-specific expenses, please view the Fund Profiles on the DCP ORPHE website at [www.orphe.varetire.org/dcp](http://www.orphe.varetire.org/dcp). Investment Option Performance (IOP) information can also be obtained on the website.

**Although fees may be an important factor in choosing investment options, it is important to take into account all relevant considerations, such as time horizon, risk tolerance and financial situation, when determining your investment approach and choosing your investment mix. As with any investment, you should read available fund information prior to investing. As a plan participant you may change how your account is invested with your provider, subject to restrictions that may apply to the specific investments. Please contact your provider directly or visit the website for additional information.**

Investment Option	Investment Management & Other Investment-Related Expenses	Other Fees	Total Annual Expense Ratio	Total Annual Operating Expense (per \$1,000)	Short-Term Trading Redemption Fees	Annual Record-Keeping Fee (Flat Dollar)
Money Market Fund	0.080%	0.0006%	0.08%	\$0.80	n/a	<b>\$30.50</b>  A record-keeping/plan administration fee of \$2.54 will be deducted from your account on a monthly basis (\$30.50/year). If you participate in more than one VRS defined contribution plan, like the Commonwealth of Virginia 457 Deferred Compensation Plan or Virginia Cash Match Plan, only one annual fee of \$30.50 will be deducted from your account. Additional fees may be associated with the self-directed brokerage account.
Stable Value Fund	0.070%	0.2070%	0.28%	\$2.80	n/a	
Bond Fund	0.030%	0.0067%	0.04%	\$0.40	n/a	
Inflation-Protected Bond Fund	0.020%	0.0100%	0.03%	\$0.30	n/a	
High-Yield Bond Fund	0.380%	0.0150%	0.40%	\$4.00	n/a	
Stock Fund	0.010%	0.0081%	0.02%	\$0.20	n/a	
Small/Mid-Cap Stock Fund	0.030%	0.0117%	0.04%	\$0.40	n/a	
International Stock Fund	0.060%	0.0250%	0.09%	\$0.90	n/a	
Global Real Estate Fund	0.090%	0.0202%	0.11%	\$1.10	n/a	

Retirement Portfolio	0.070%	0.0083%	0.08%	<i>\$0.80</i>	n/a
Target Date 2020 Portfolio	0.070%	0.0088%	0.08%	<i>\$0.80</i>	n/a
Target Date 2025 Portfolio	0.070%	0.0100%	0.08%	<i>\$0.80</i>	n/a
Target Date 2030 Portfolio	0.070%	0.0100%	0.08%	<i>\$0.80</i>	n/a
Target Date 2035 Portfolio	0.070%	0.0100%	0.08%	<i>\$0.80</i>	n/a
Target Date 2040 Portfolio	0.070%	0.0100%	0.08%	<i>\$0.80</i>	n/a
Target Date 2045 Portfolio	0.070%	0.0100%	0.08%	<i>\$0.80</i>	n/a
Target Date 2050 Portfolio	0.070%	0.0100%	0.08%	<i>\$0.80</i>	n/a
Target Date 2055 Portfolio	0.070%	0.0100%	0.08%	<i>\$0.80</i>	n/a
Target Date 2060 Portfolio	0.070%	0.0100%	0.08%	<i>\$0.80</i>	n/a
Virginia Retirement System Investment Portfolio (VRSIP)	n/a	n/a	0.58%	<i>\$5.80</i>	n/a
Self-Directed Brokerage Window	A self-directed brokerage window is available. It is intended for participants looking for investment options beyond their plan's line up and who are comfortable managing a portfolio of expanded investment choices. VRS neither evaluates nor monitors the investments available through the brokerage window. It is your responsibility to ensure the investments you select are suitable for your situation including your goals, time horizon and risk tolerance. Please refer to the Fund Profile and commission schedule for applicable fees and risks.				



# Optional Retirement Plan for Higher Education

## Annual Fee Disclosure Notice—Fidelity



In the ORPHE plan, Fidelity Investments operates under a bundled plan structure. Bundled plans use one company for investment management, record-keeping, enrollment and marketing services. In addition to their company’s proprietary investment options, a bundled plan provider’s investment platform may include investment options from other fund companies. Plan administration and record-keeping fees are embedded within most fund expense ratios, also known as total fund annual operating expenses. In certain cases, Fidelity may provide revenue credits back to plan participants. See the information below for additional detail.

**Data as of March 31, 2018.** For a full breakdown of fund-specific expenses, please view the fund’s prospectus on Fidelity’s ORPHE website at [www.netbenefits.com/orphe](http://www.netbenefits.com/orphe). Investment fund performance information can also be obtained on the website.

**Although fees and credits may be important factors in choosing investment options, it is important to take into account all relevant considerations, such as time horizon, risk tolerance and financial situation, when determining your investment approach and choosing your investment mix. As with any investment, you should read the prospectus and/or other available fund information prior to investing. As a plan participant, you may change how your account is invested with your provider, subject to restrictions that may apply to the specific investments. Please contact your provider directly, or visit the website for additional information.**

Investment Option	Investment Management & Other Investment-Related Expenses	Administrative (Record-Keeping) Expenses	Acquired Fund Fees & Expenses	Other Fees	Total Annual Expense Ratio	Total Annual Operating Expense (per \$1,000)	Short-Term Trading Redemption Fees	Annual Record-Keeping Fee (Flat Dollar)
Fidelity Government Money Market Fund	0.220%	0.200%	n/a	n/a	0.42%	\$4.20	n/a	<b>\$60.00</b>  All participants with a balance at Fidelity are assessed an annual fee of \$60, which is deducted quarterly at a rate of \$15 per quarter. In addition, if you are a participant with an account balance in certain investment options in the plan at Fidelity, you may receive a revenue credit. Revenue credits
Stable Value Fund (Galliard)	0.070%	n/a	n/a	0.207%	0.28%	\$2.80	n/a	
Fidelity U.S. Bond Index Fund - Premium Class	0.050%	n/a	n/a	n/a	0.05%	\$0.50	n/a	
Fidelity Inflation-Protected Bond Fund	0.250%	0.200%	n/a	n/a	0.45%	\$4.50	n/a	
Fidelity High Income Fund	0.520%	0.200%	n/a	n/a	0.72%	\$7.20	n/a	
Fidelity Dividend Growth Fund - Class K	0.210%	0.200%	n/a	n/a	0.41%	\$4.10	n/a	
Fidelity Extended Market Index Fund - Premium Class	0.070%	n/a	n/a	n/a	0.07%	\$0.70	n/a	

<b>Investment Option</b>	<b>Investment Management &amp; Other Investment-Related Expenses</b>	<b>Administrative (Record-Keeping) Expenses</b>	<b>Acquired Fund Fees &amp; Expenses</b>	<b>Other Fees</b>	<b>Total Annual Expense Ratio</b>	<b>Total Annual Operating Expense (per \$1,000)</b>	<b>Short-Term Trading Redemption Fees</b>	<b>Annual Record-Keeping Fee (Flat Dollar)</b>
Fidelity Low-Priced Stock Fund - Class K	0.380%	0.200%	n/a	n/a	0.58%	\$5.80	n/a	will be reimbursed quarterly and applied against your record-keeping fee. Revenue credits will be allocated to the accounts of plan participants who invest in investment options for which Fidelity receives an offset for administrative costs. These will appear on your quarterly statement as "Revenue Credit."
Fidelity Diversified International Fund - Class K	0.620%	0.200%	n/a	n/a	0.82%	\$8.20	n/a	
Fidelity Worldwide Fund	0.460%	0.350%	n/a	n/a	0.81%	\$8.10	n/a	
Fidelity Real Estate Investment Portfolio	0.410%	0.350%	n/a	n/a	0.76%	\$7.60	n/a	
Fidelity Freedom Income Fund - Class K	n/a	0.200%	0.220%	n/a	0.42%	\$4.20	n/a	
Fidelity Freedom 2005 Fund - Class K	n/a	0.200%	0.240%	n/a	0.44%	\$4.40	n/a	
Fidelity Freedom 2010 Fund - Class K	n/a	0.200%	0.270%	n/a	0.47%	\$4.70	n/a	
Fidelity Freedom 2015 Fund - Class K	n/a	0.200%	0.300%	n/a	0.50%	\$5.00	n/a	
Fidelity Freedom 2020 Fund - Class K	n/a	0.200%	0.340%	n/a	0.54%	\$5.40	n/a	
Fidelity Freedom 2025 Fund - Class K	n/a	0.200%	0.370%	n/a	0.57%	\$5.70	n/a	
Fidelity Freedom 2030 Fund - Class K	n/a	0.200%	0.410%	n/a	0.61%	\$6.10	n/a	
Fidelity Freedom 2035 Fund - Class K	n/a	0.200%	0.440%	n/a	0.64%	\$6.40	n/a	
Fidelity Freedom 2040 Fund - Class K	n/a	0.200%	0.440%	n/a	0.64%	\$6.40	n/a	
Fidelity Freedom 2045 Fund - Class K	n/a	0.200%	0.440%	n/a	0.64%	\$6.40	n/a	
Fidelity Freedom 2050 Fund - Class K	n/a	0.200%	0.440%	n/a	0.64%	\$6.40	n/a	
Fidelity Freedom 2055 Fund - Class K	n/a	0.200%	0.440%	n/a	0.64%	\$6.40	n/a	



Investment Option	Investment Management & Other Investment-Related Expenses	Administrative (Record-Keeping) Expenses	Acquired Fund Fees & Expenses	Other Fees	Total Annual Expense Ratio	<i>Total Annual Operating Expense (per \$1,000)</i>	Short-Term Trading Redemption Fees	Annual Record-Keeping Fee (Flat Dollar)
Fidelity Freedom 2060 Fund - Class K	n/a	0.200%	0.440%	n/a	0.64%	\$6.40	n/a	
Self-Directed Brokerage Window	<p>A self-directed brokerage window is available. It is intended for participants looking for investment options beyond their plan's line up and who are comfortable managing a portfolio of expanded investment choices. VRS neither evaluates nor monitors the investments available through the brokerage window. It is your responsibility to ensure the investments you select are suitable for your situation including your goals, time horizon and risk tolerance. Please refer to the fact sheet and commission schedule for applicable fees and risks.</p>							

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## Optional Retirement Plan for Higher Education Annual Fee Disclosure Notice—TIAA



In the ORPHE plan, TIAA operates under a bundled plan structure. Bundled plans use one company for investment management, record-keeping, enrollment and marketing services. In addition to their company’s proprietary investment options, a bundled plan provider’s investment platform may include investment options from other fund companies. Plan administration and record-keeping fees are embedded within most fund expense ratios, also known as total fund annual operating expenses. In certain cases, TIAA may provide revenue credits back to plan participants. See the information below for additional detail.

**Data as of March 31, 2018.** For a full breakdown of fund-specific expenses, please view the fund’s prospectus on TIAA’s ORPHE website at [www.tiaa.org/vrs](http://www.tiaa.org/vrs). Investment fund performance information can also be obtained on the website.

**Although fees and credits may be important factors in choosing investment options, it is important to take into account all relevant considerations, such as time horizon, risk tolerance and financial situation, when determining your investment approach and choosing your investment mix. As with any investment, you should read the prospectus and/or other available fund information prior to investing. As a plan participant, you may change how your account is invested with your provider, subject to restrictions that may apply to the specific investments. Please contact your provider directly, or visit the website for additional information.**

Investment Option	Investment Management & Other Investment-Related Expenses	Administrative (Record-Keeping) Expenses	12(b)(1) Distribution Expense Fees	Other Expenses	Total Annual Expense Ratio	Total Annual Operating Expense (per \$1,000)	Short-Term Trading Redemption Fees	Annual Record-Keeping Fee (Flat Dollar)
CREF Money Market Account - Class R3	0.025%	0.145%	0.055%	0.005%	0.23%	\$2.30	n/a	<b>\$66.00</b>  All participants with a balance in a Retirement Choice contract are assessed an annual fee of \$66, which is deducted quarterly at a rate of \$16.50 per quarter. The deductions will be identified as “TIAA Plan Servicing Fee” on your statement and when you view your account online. If your account balance is less than \$25 on the date that a quarterly fee is to be assessed, no fee will be charged.
CREF Bond Market Account - Class R3	0.085%	0.145%	0.055%	0.005%	0.29%	\$2.90	n/a	
CREF Inflation-Linked Bond Account - Class R3	0.035%	0.145%	0.055%	0.005%	0.24%	\$2.40	n/a	
CREF Equity Index Account - Class R3	0.020%	0.145%	0.055%	0.005%	0.23%	\$2.30	n/a	
CREF Stock Account - Class R3	0.115%	0.145%	0.055%	0.005%	0.32%	\$3.20	n/a	
CREF Global Equities Account - Class R3	0.125%	0.145%	0.055%	0.005%	0.33%	\$3.30	n/a	

Investment Option	Investment Management & Other Investment-Related Expenses	Administrative (Record-Keeping) Expenses	12(b)(1) Distribution Expense Fees	Other Expenses	Total Annual Expense Ratio	Total Annual Operating Expense (per \$1,000)	Short-Term Trading Redemption Fees	Annual Record-Keeping Fee (Flat Dollar)
TIAA Real Estate Account	0.275%	0.265%	0.105%	0.205%	0.85%	\$8.50	n/a	Because the TIAA and CREF proprietary annuity investment expense ratios include embedded plan record-keeping/administration fees, it is possible a credit will be returned to you to offset the annual TIAA Plan Servicing Fee of \$66 in Retirement Choice contracts. In these instances, a credit is returned to you as often as administratively practical to do so, but never more frequently than quarterly. These credits will show as "Plan Servicing Credits" on your statement and your account online. To learn more about plan servicing credits, contact a TIAA representative. As a reminder, there are no offsets to embedded plan record-keeping/administration fees under the legacy contracts.
TIAA Traditional Annuity <sup>1, 2, 3</sup>	n/a	0.150%	n/a	0.340%	0.49% <sup>1</sup>	\$4.90	See footnotes 2 & 3	
Vanguard Balanced Index Fund - Institutional	0.060%	0.000%	n/a	n/a	0.06%	\$0.60	n/a	
American Funds EuroPacific Growth Fund - Class R6	0.420%	0.000%	n/a	0.08%	0.50%	\$5.00	n/a	
DFA International Small Company Portfolio (I) (closed to contributions and transfers in)	0.400%	0.000%	n/a	0.13%	0.53%	\$5.30	n/a	
Self-Directed Brokerage Window	A self-directed brokerage window is available. It is intended for participants looking for investment options beyond their plan's line up and who are comfortable managing a portfolio of expanded investment choices. VRS neither evaluates nor monitors the investments available through the brokerage window. It is your responsibility to ensure the investments you select are suitable for your situation including your goals, time horizon and risk tolerance. Please refer to the fact sheet and commission schedule for applicable fees and risks.							

<sup>1</sup> The TIAA Traditional Annuity is not an investment for purposes of federal securities laws; it is a guaranteed insurance contract. Therefore, unlike a variable annuity or mutual fund, the TIAA Traditional Annuity does not include an identifiable expense ratio. The 49 basis points (0.49%) approximates the expense provision in the formula for determining TIAA Traditional Annuity returns inclusive of administrative and investment expenses. This expense provision is not guaranteed, and is subject to change.

<sup>2</sup> Upon separation from service or retirement, participants can convert their TIAA Traditional accumulation dollars amounts to a lifetime income option or withdraw funds through a fixed period annuity ranging from five to 30 years or a Transfer Payout Annuity. TIAA Traditional Annuity transfers to other funds on the investment and withdrawals are via the Transfer Payout Annuity, which enables participants to move funds out of the TIAA Traditional Annuity in 7 annual installments for the Retirement Choice (RC) contract and 10 installments for the Group Retirement Annuity (GRA) contract. Each installment includes a portion of principal and interest, based on the rate in effect when transfer or withdrawal funds are made. However, there are two exceptions to the payout installment. First, if the TIAA Traditional account balance is less than \$5,000, participants can transfer the total amount at any time following termination of employment, but only once during the life of the contract. Second, TIAA Traditional can be withdrawn or transferred to another company up the full balance within 120 days following termination of employment, subject to a 2.5% surrender charge. After the 120-day period, participants can withdraw funds only through a fixed period annuity ranging from 5 to 30 years or the Transfer Payout Annuity. The two exceptions described above are not available in the Retirement Annuity (RA) contract.

<sup>3</sup> The TIAA Traditional Annuity (GRA) contract has a minimum guaranteed rate during the accumulation phase of 3% whereas the TIAA Traditional Annuity (RC) contract minimum guaranteed rate is between 1% and 3%. The current minimum rate for the RC contract is 1%. Further, the TIAA Traditional Annuity (RC) contract applies to premiums deposited during the applicable calendar year and is guaranteed for 10 years, at which point the minimum rate for these premiums will be reset.