

CHANGES ARE COMING...

To Your Optional Retirement Plan Investment Options

Information provided by the Public Employees' Retirement System of Mississippi, administrator of the Optional Retirement Plan for the Institutions of Higher Learning in the State of Mississippi (ORP)

As part of upcoming improvements to the Optional Retirement Plan for the Institutions of Higher Learning in the State of Mississippi (ORP), three fixed accounts offered by the ORP vendors (AIG/VALIC, Voya, and TIAA) will be closing to new contributions and a new stable value account (SVA) option will be added. The PERS Board of Trustees (Board) is making these changes to offer ORP's more conservative investors an option with less risk concentration and more diversification within the protection of the principal option.

WHICH FIXED ACCOUNTS WILL BE CLOSING TO NEW CONTRIBUTIONS?

The fixed accounts that will be closing to new contributions are the **AIG/VALIC Fixed Interest Option**, **Voya Fixed Plus Account**, and **TIAA Traditional**. Be on the lookout for more details from your vendor about the timing of this change.

WHO WILL MANAGE THE NEW STABLE VALUE ACCOUNT (SVA)?

Invesco Institutional, Inc. (Invesco) will manage the new SVA. Invesco is a respected and experienced investment firm with a specialty in managing stable value accounts. Invesco uses high credit-quality banks and insurance companies to provide certain guarantees to the SVA. They will also invest the SVA in fixed income securities with emphasis on quality, diversification, and safety. This structure allows opportunities for reasonable rates of return with the primary objective of safety of principal.

Introducing such levels of diversification means the SVA's future returns will be subject to a modest amount of change from time to time and will not be fixed on a quarterly basis as it is with a fixed account. Fixed accounts are invested in an insurance company's General Account*, which enables the announcement of an interest rate in advance to be credited for a specified period. Investing the SVA in a broadly diversified series of portfolios, along with incorporating a variety of firms providing guarantees, means that, consequently, returns will be more variable than the prior fixed rates. Despite this potential for modest variability in credited rates of interest, the SVA is designed to produce stable rates of return and the principal protection of your daily account balances are

expected to continue. With this modest variability of credited interest rates, the SVA will no longer provide an advance declaration of the rate of interest to be credited.

HOW DOES "STABLE VALUE" WORK?

The new SVA will operate similarly to the existing fixed account. It is expected to provide principal protection and a crediting of interest returns each day. Your principal balance will grow steadily with interest postings. You may make new contributions to the SVA in the same way you have been making with the fixed accounts, and you may make withdrawals or transfer balances from the SVA. Such redemptions from the SVA are normally made at the principal plus interest value in your account at the time of redemption.

The primary investment objective of the SVA is to seek the preservation of principal and to provide interest income reasonably obtained under prevailing market conditions and rates. The goal of the SVA is to improve the overall risk profile of ORP's capital preservation option (i.e., reduce credit and industry risks) by diversifying the entities that provide the capital preservation investment contracts (sometimes called "wrap agreements"). In addition, the investment contracts are supported by high-quality fixed income securities. Following guidelines agreed upon by the PERS Board, Invesco will manage the underlying fixed income investments and will select the issuers of the investment contracts as appropriate with the SVA objectives.

HOW WILL I KNOW HOW MY SVA IS MANAGED?

Invesco's professional management will provide transparency of the SVA's holdings and design. Invesco will prepare regular reports for the Board and will provide data on how the SVA is invested for communication to participants.

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* A General Account is the primary part of a life insurance company's balance sheet containing the capital and surplus and reserves for guaranteed liabilities. Like insurance policy holders, investors in the General Account are subject to the credit-risk exposure (solvency) of the insurance company.

ARE THERE ANY GUARANTEES OF INTEREST IN THE SVA?

The current fixed account has a minimum guarantee of interest crediting. However, those minimum guarantees will no longer apply for new funds that flow into the SVA and any funds transferred to the SVA. The SVA is designed to maintain a share price of \$1 per unit, similar to retail money market investments. Interest is earned on a daily basis and accounts are credited at the end of each month. However, in return for the absence of longer term interest crediting minimums, the SVA will gain significantly more flexibility in the management of underlying investments and principal guarantees; gain significantly greater ability to make timely changes to underlying investments as needed; gain higher credit quality of underlying investments; and gain significant improvement in transparency of investment strategies.

ARE THERE ANY RISKS TO THE SVA?

Any investment account carries some risk. Fixed accounts are subject to the creditworthiness of the insurance companies that offer them. Although fixed accounts—as insurance products—are covered by the Mississippi Life & Health Insurance Association, neither they nor the SVA have FDIC or other federal government protection. The guarantees included in the SVA and fixed accounts come from the insurance companies and/or banks that are included in the accounts. Neither the PERS Board nor Invesco make guarantees to the fixed accounts or the SVA. As such, the security of the accounts depends on the solvency of the financial institutions.

The SVA is designed to provide principal preservation, a competitive interest rate commensurate with high-quality investments, and a crediting rate that tracks the general level of market interest rates.

WHAT IF I DO NOT WANT TO INVEST IN THE SVA?

Current assets may remain in the fixed account. You will receive communication from your vendor with a timeline of when all new contributions to the fixed accounts will move to the new SVA option.

If you do not wish to use the SVA, you must change your capital preservation allocation to a different ORP investment option. **Please contact your respective vendor prior to making any change to your fixed account. Your vendor will be able to answer any questions about how these changes relate to your specific situation.** Please be aware that, if you choose to leave your current assets in the legacy fixed accounts, those assets will continue to be subject to the credit-risk exposure (solvency) of the underlying insurance company.

SHOULD I BE CONCERNED BY THESE CHANGES?

The PERS Board is making these changes in the interest of providing more diversification and safety in your plan's principal protected account. We continue to have confidence in our ORP vendors and are migrating to a structure consistent with many SVAs in government and corporate defined contribution plans nationwide. We regard these changes as positive changes for the future.

HAVE QUESTIONS?

If you have questions after reviewing this publication, please call your ORP vendor at the numbers listed below for additional information and details.

ORP VENDORS

AIG/Valic

Mississippi AIG District Office
601-605-3590

TIAA

Richella B. Vincent Lee
Financial Consultant | TIAA Financial Solutions
800-842-2003 Ext.26-3570

VOYA

Sallie Wagner O'Quinn
Voya Financial Advisors
504-620-5561

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ORP was established by the Mississippi Legislature in 1990 as a portable and transferable defined contribution plan for eligible institutions of higher learning faculty. Administered by the Public Employees' Retirement System of Mississippi, ORP has nine participating employers: Alcorn State University, Delta State University, Jackson State University, Mississippi State University, Mississippi University for Women, Mississippi Valley State University, The University of Mississippi, The University of Mississippi Medical Center, and The University of Southern Mississippi. For more information on ORP or to link to the plan vendors' websites, visit www.orp.ms.gov.