

New (Quarterly) Administrative Fee for the Retirement Savings Plan Frequently Asked Questions

Summary

Effective July 1, 2010, a new fee will be assessed/charged on the accounts of participants in the Retirement Savings Plan of the Presbyterian Church (U.S.A.), a 403(b)(9) plan.

To cover administrative costs incurred by Fidelity Investments' management of the Board's Retirement Savings Plan, participants will be assessed a fee totaling \$15 per year. The fee will be deducted as a \$3.75 charge from each participant's account at the end of each quarter.

Participants' quarterly account statements from Fidelity will reflect the fee deduction. Details of the new fee, including how and when it will be implemented, along with the context for why it became necessary, follow in the question-and-answer section below.

Q1. When does the fee begin?

A: The quarterly fee is effective July 1, 2010, the beginning of the third quarter. You will see the first deduction on October 1, 2010. It will be shown on the fourth-quarter statement, which is typically available online and in hardcopy at the beginning of January.

Q2. What "administrative expenses" are being covered by my \$3.75 per quarter?

A: This fee will be used to offset administrative expenses Fidelity incurs in its recordkeeping services. These expenses include items such as invoicing participating churches and employing organizations, enrollment processing, contribution and distribution transactions, ensuring compliance with regulatory requirements, and many other services Fidelity provides.

Q3. Weren't these services being provided in the past?

A: Yes, these services were being provided in the past; however, from time to time our services and fees are reviewed and evaluated for appropriateness. The Board is diligent and thorough in its negotiations and aims to maintain competitive pricing and superior service from Fidelity and all other Board vendors.

Q4. Why can't the Board absorb this fee?

A: The Board cannot absorb this fee because the Retirement Savings Plan is an "optional" program and must pay for itself. Individual participants pay for services rendered. No administrative fee was charged since the inception of our contract with Fidelity in 2000, but one is necessary now.

Q5. Do other Fidelity customers or other 403(b) administrators pay a similar fee?

A: Yes, as a matter of fact, almost all defined contribution plans, such as 403(b), 401(k), 457 plans, etc., incur some form of an administrative expense that is recovered through fees. There are several types of fees, including investment management fees, which are used to manage the fund investments; individual service fees, which are used to cover specific plan features such as loans; and plan administrative fees, which are borne by all plan participants and are fairly common.

Q6. What can I do if I do not want to pay this fee?

A: Unfortunately, the quarterly fee is necessary in order to maintain your account.

Q7. This administrative expense seems rather high, was there any way of renegotiating this amount?

A: This may seem high since there previously was no fee, but this annual fee is considerably lower than industry standards. The \$3.75 per quarter represents a negotiated fee. Board staff and professional consultants performed extensive research and concluded that an administrative fee is necessary for the Board and Fidelity to continue to offer a comprehensive, "optional" defined contribution 403(b) plan that meets the needs of all our PC(USA) participants.

Q8. Why did Fidelity decide to start charging this administrative fee? Is the firm encountering any financial difficulties?

A: Fidelity is not experiencing any financial difficulty. After 10 years without charging a fee, Fidelity has reevaluated our Retirement Savings Plan and the services provided in its administration. Fidelity determined a fee was necessary to continue to offer the services and cover its expenses in doing so.