

Important information about fees

For more than a year, stock market volatility and general declines in stock prices have reduced the value of plan assets. These events also caused a reduction in the amount of administrative fees collected from participants as a percentage of those assets. Like other State agencies, MSRP has participated in salary reductions, furloughs, and other cost controls. These efforts, while helpful in controlling costs, have not changed the difficulty of predicting and budgeting fee revenue that is necessary to pay important administrative expenses for audits, investment education, and outside professional expertise. Recent events—the decline in administrative fees and the MSRP reserve for expenses—have caused the Board to change the overall mix of administrative fees.

The major portion of the fees you pay—the 14 basis points (0.14%) paid to Plan Administrator Nationwide Retirement Solutions—will not change. The basic MSRP fee of 5 basis points (0.05%) will also stay the same. Beginning in May 2010 there will be a new MSRP fee of 50 cents a month for accounts in the MSRP 457, 401(k) and 403(b) plans. This fee will collect \$6 per year from most participants and provide a more stable source of revenue than a straight % fee. This fee will not be charged against accounts in the Match plan, and will not be charged against accounts of less than \$500. This new fee should provide stability for MSRP budgets and operations. On a long term basis, the Board will certainly take advantage of increased assets and resume its traditional trend of fee reduction and maintenance of an adequate reserve.

In the meantime, we have arranged for two more investment options to convert to institutional class shares of mutual funds that have lower investment management fees offered by Vanguard Investments. See your March 30, 2010 statement for details.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael T. Halpin", with a long horizontal flourish extending to the right.

Michael T. Halpin