

## FEE STRUCTURES

Fees for recordkeeping and communications were offered in three alternatives. Current Prudential fees are 7.9 bp on all assets + 5.5 bp on non-stable value assets (= 12.3 bp on all assets). Some objectives that plan sponsors consider when evaluating fee alternatives include:

- Limit change for participants
- Simplicity for ease of understanding
- Transparency of fees
- Fees are a reflection of services received
- Promoting retirement readiness
  - Encourage enrollment/participation
  - Limit excessive fees
- Competitiveness versus alternatives (e.g. rollovers for retirees \$70M in Q1 2015)

Note: State of NC will continue to collect 2.5 bp of assets for administration.

### What are the pros and cons?

Fee Type	Example	Pros	Cons
Asset fee	0.099%	<ul style="list-style-type: none"> <li>• Lower fees for small accounts</li> <li>• Same as current structure</li> </ul>	<ul style="list-style-type: none"> <li>• Less transparent</li> <li>• Higher fees for large accounts</li> <li>• May discourage retirees from keeping large accounts in Plans</li> </ul>
Flat fee	\$29.00/participant account	<ul style="list-style-type: none"> <li>• Most transparent</li> <li>• Lower fee for large accounts</li> <li>• More closely reflects RK cost to provide service</li> </ul>	<ul style="list-style-type: none"> <li>• Higher fees for small accounts</li> </ul>
Capped	0.128% on first \$100K	<ul style="list-style-type: none"> <li>• More balanced for small and large accounts</li> <li>• Capped fee for large accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Less transparent</li> <li>• Higher fees for large accounts</li> <li>• Increased asset fee when cap only benefits large accounts</li> </ul>
Hybrid flat fee	\$31.00/participant account, waive in year one for new enrollees	<ul style="list-style-type: none"> <li>• More transparent</li> <li>• Encourages enrollment</li> <li>• Lower fees for large accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Fee waiver only benefits new enrollees</li> </ul>
Combination	\$12/account + 0.059% \$16/account + 0.045% \$20/account + 0.032%	<ul style="list-style-type: none"> <li>• Seeks to balance the benefits of asset fees for small accounts and flat fees for large accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Less transparent</li> <li>• More complicated fee structure</li> </ul>

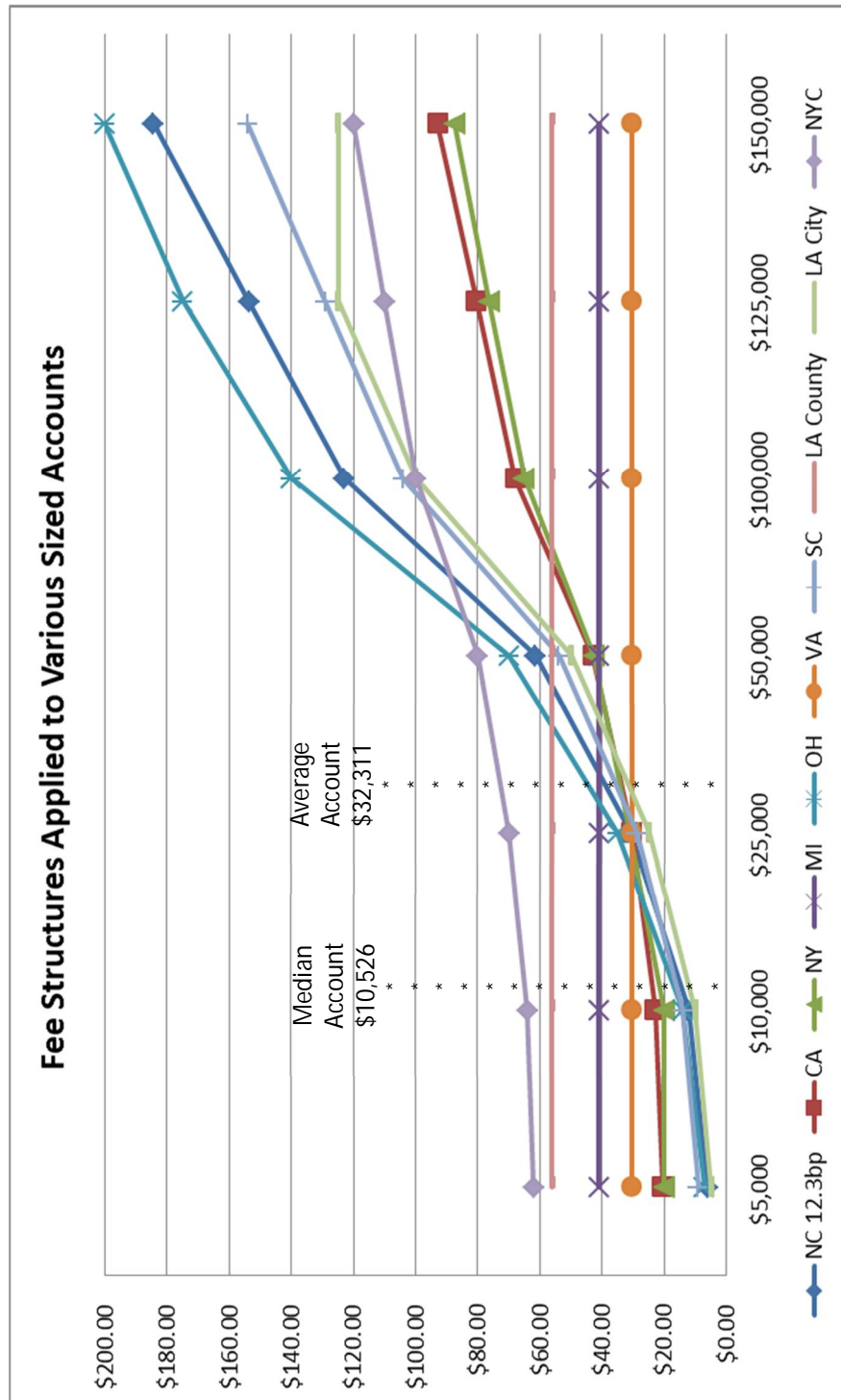
### How do other large plans charge fees?

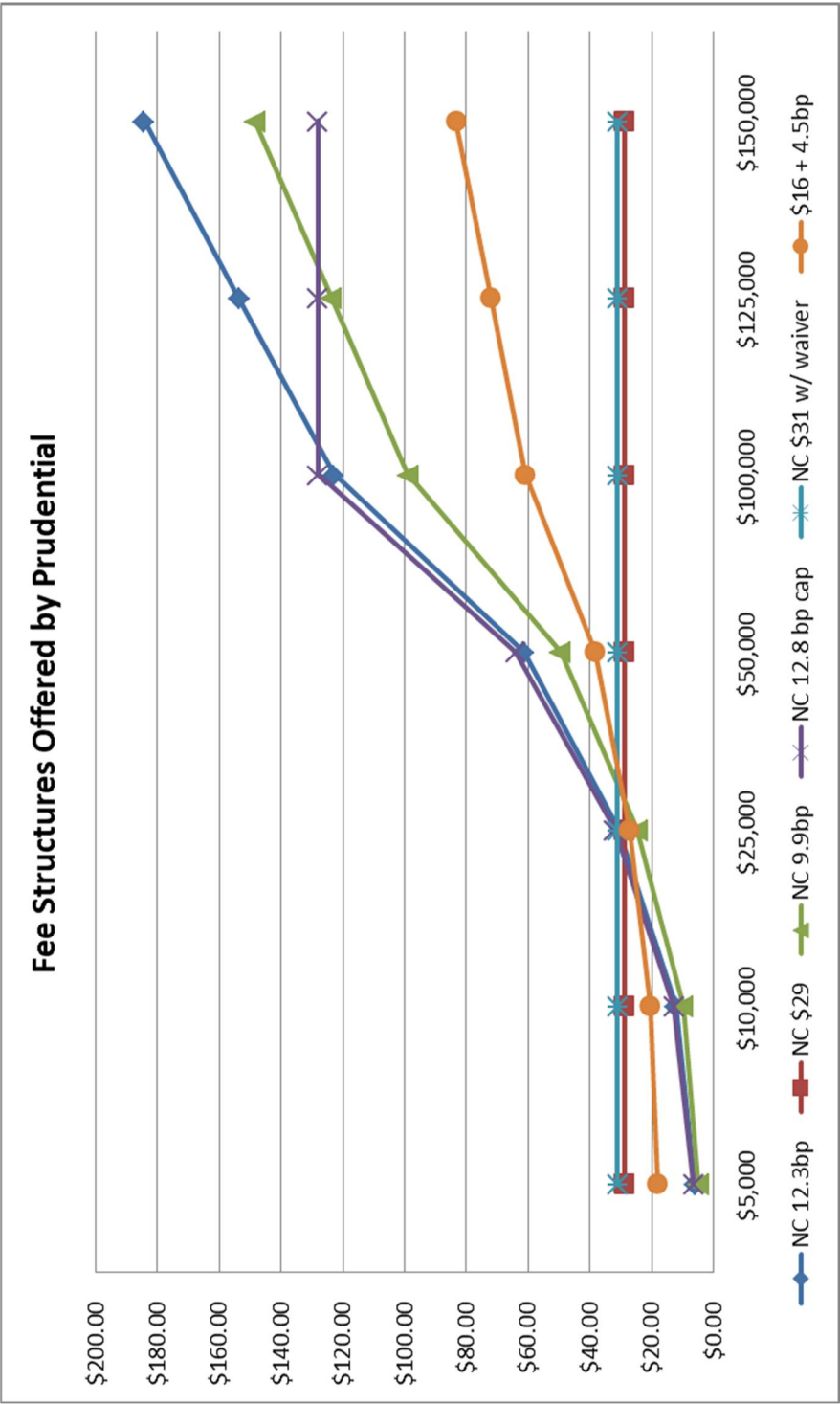
CA	NY <sup>1</sup>	MI	OH <sup>2</sup>	VA	SC	LA County	LA City <sup>3</sup>	NY City
0.05% + \$18.00	0.045% + \$20.00	\$41.00	0.14%	\$30.50	0.10% + \$4.00	\$56.04	0.10%	0.04% + \$60.00

<sup>1</sup>New York – 4.5 basis points is charged on assets above \$20,000 and capped at \$200,000

<sup>2</sup>Ohio – moving to 14 bp fee in 2016, and waived for accounts below \$5,000 and capped at \$200/year

<sup>3</sup>City of Los Angeles – 10 basis point fee is capped at \$125,000





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### Page 4

401(k) Plan Participant Statistics		457 Plan Participant Statistics	
Number of Participants with a Balance:	248,775	Number of Participants with a Balance:	52,371
Average Participant Account Balance:	\$32,311	Average Participant Account Balance:	\$22,405
Participants with a Balance < \$12	5,393	Participants with a Balance < \$12	957
Participants with a Balance < \$16	6,401	Participants with a Balance < \$16	1,248
Participants with a Balance < \$20	7,115	Participants with a Balance < \$20	1,430
Participants with a Balance < \$29	8,545	Participants with a Balance < \$29	1,978
Participants with a Balance < \$31	8,855	Participants with a Balance < \$31	2,148
Participants with a Balance < \$50	10,803	Participants with a Balance < \$50	3,070
Participants with a Balance < \$100	14,963	Participants with a Balance < \$100	5,073
Participants with a Balance < \$500	34,122	Participants with a Balance < \$500	14,284
Participants with a Balance < \$1000	48,198	Participants with a Balance < \$1000	19,851
Participants with a Balance < \$2500	71,757	Participants with a Balance < \$2500	26,903
401(k) Fee Scenarios		457 Fee Scenarios	
Current Contract Fee Structure (7.9 bps Recordkeeping & 5.5 bps Investment Mgmt)		Current Contract Fee Structure (7.9 bps Recordkeeping & 5.5 bps Investment Mgmt)	
Maximum Fee:	\$4,439	Maximum Fee:	\$2,614
Minimum Fee:	\$0.01	Minimum Fee:	\$0.01
Breakeven Participant Account Balance to \$29:	\$21,268	Breakeven Participant Account Balance to \$29:	\$21,270
Effect on Fees on Participant's Accounts (Acct Balance < Breakeven):	159,076	Effect on Fees on Participant's Accounts (Acct Balance < Breakeven):	42,062
Effect on Fees on Participant's Accounts (Acct Balance < Breakeven - as a %):	63.94%	Effect on Fees on Participant's Accounts (Acct Balance < Breakeven - as a %):	80.31%
Effect on Fees on Participant's Accounts (Acct Balance > Breakeven):	86,699	Effect on Fees on Participant's Accounts (Acct Balance > Breakeven):	10,309
Effect on Fees on Participant's Accounts (Acct Balance > Breakeven - as a %):	36.05%	Effect on Fees on Participant's Accounts (Acct Balance > Breakeven - as a %):	19.68%
\$31 Per Participant Fee*		\$31 Per Participant Fee*	
Maximum Fee:	\$31	Maximum Fee:	\$31
Minimum Fee:	\$0	Minimum Fee:	\$0
Breakeven Participant Account Balance to \$29:	\$30,809	Breakeven Participant Account Balance to \$29:	\$30,818
Effect on Fees on Participant's Accounts (Acct Balance < Breakeven):	178,550	Effect on Fees on Participant's Accounts (Acct Balance < Breakeven):	44,265
Effect on Fees on Participant's Accounts (Acct Balance < Breakeven - as a %):	71.77%	Effect on Fees on Participant's Accounts (Acct Balance < Breakeven - as a %):	84.52%
Effect on Fees on Participant's Accounts (Acct Balance > Breakeven):	70,225	Effect on Fees on Participant's Accounts (Acct Balance > Breakeven):	8,106
Effect on Fees on Participant's Accounts (Acct Balance > Breakeven - as a %):	28.22%	Effect on Fees on Participant's Accounts (Acct Balance > Breakeven - as a %):	15.47%
\$29 Per Participant Fee		\$29 Per Participant Fee	
Maximum Fee:	\$29	Maximum Fee:	\$29
Minimum Fee:	\$29	Minimum Fee:	\$29
Breakeven Participant Account Balance to \$29:	\$29,297	Breakeven Participant Account Balance to \$29:	\$29,295
Effect on Fees on Participant's Accounts (Acct Balance < Breakeven):	175,892	Effect on Fees on Participant's Accounts (Acct Balance < Breakeven):	43,993
Effect on Fees on Participant's Accounts (Acct Balance < Breakeven - as a %):	70.70%	Effect on Fees on Participant's Accounts (Acct Balance < Breakeven - as a %):	84.00%
Effect on Fees on Participant's Accounts (Acct Balance > Breakeven):	72,883	Effect on Fees on Participant's Accounts (Acct Balance > Breakeven):	8,378
Effect on Fees on Participant's Accounts (Acct Balance > Breakeven - as a %):	29.30%	Effect on Fees on Participant's Accounts (Acct Balance > Breakeven - as a %):	16.00%
9.9 basis Point Fee		9.9 basis Point Fee	
Maximum Fee:	\$3,280	Maximum Fee:	\$1,931
Minimum Fee:	\$0.01	Minimum Fee:	\$0.01
Breakeven Participant Account Balance to \$29:	\$29,297	Breakeven Participant Account Balance to \$29:	\$29,295
Effect on Fees on Participant's Accounts (Acct Balance < Breakeven):	175,892	Effect on Fees on Participant's Accounts (Acct Balance < Breakeven):	43,993
Effect on Fees on Participant's Accounts (Acct Balance < Breakeven - as a %):	70.70%	Effect on Fees on Participant's Accounts (Acct Balance < Breakeven - as a %):	84.00%
Effect on Fees on Participant's Accounts (Acct Balance > Breakeven):	72,883	Effect on Fees on Participant's Accounts (Acct Balance > Breakeven):	8,378
Effect on Fees on Participant's Accounts (Acct Balance > Breakeven - as a %):	29.30%	Effect on Fees on Participant's Accounts (Acct Balance > Breakeven - as a %):	16.00%
\$12 Per Participant Fee & 5.9 basis Point Fee		\$12 Per Participant Fee & 5.9 basis Point Fee	
Maximum Fee:	\$1,967	Maximum Fee:	\$1,163
Minimum Fee:	\$12.00	Minimum Fee:	\$12.00
Breakeven Participant Account Balance to \$29:	\$28,805	Breakeven Participant Account Balance to \$29:	\$28,805
Effect on Fees on Participant's Accounts (Acct Balance < Breakeven):	174,959	Effect on Fees on Participant's Accounts (Acct Balance < Breakeven):	43,911
Effect on Fees on Participant's Accounts (Acct Balance < Breakeven - as a %):	70.32%	Effect on Fees on Participant's Accounts (Acct Balance < Breakeven - as a %):	83.85%
Effect on Fees on Participant's Accounts (Acct Balance > Breakeven):	73,816	Effect on Fees on Participant's Accounts (Acct Balance > Breakeven):	8,460
Effect on Fees on Participant's Accounts (Acct Balance > Breakeven - as a %):	29.67%	Effect on Fees on Participant's Accounts (Acct Balance > Breakeven - as a %):	16.15%
\$16 Per Participant Fee & 4.5 basis Point Fee		\$16 Per Participant Fee & 4.5 basis Point Fee	
Maximum Fee:	\$1,507	Maximum Fee:	\$894
Minimum Fee:	\$16.00	Minimum Fee:	\$16.00
Breakeven Participant Account Balance to \$29:	\$28,878	Breakeven Participant Account Balance to \$29:	\$28,884
Effect on Fees on Participant's Accounts (Acct Balance < Breakeven):	175,100	Effect on Fees on Participant's Accounts (Acct Balance < Breakeven):	43,923
Effect on Fees on Participant's Accounts (Acct Balance < Breakeven - as a %):	70.38%	Effect on Fees on Participant's Accounts (Acct Balance < Breakeven - as a %):	83.69%
Effect on Fees on Participant's Accounts (Acct Balance > Breakeven):	73,675	Effect on Fees on Participant's Accounts (Acct Balance > Breakeven):	8,448
Effect on Fees on Participant's Accounts (Acct Balance > Breakeven - as a %):	29.61%	Effect on Fees on Participant's Accounts (Acct Balance > Breakeven - as a %):	16.13%
\$20 Per Participant Fee & 3.2 basis Point Fee		\$20 Per Participant Fee & 3.2 basis Point Fee	
Maximum Fee:	\$1,080	Maximum Fee:	\$644
Minimum Fee:	\$20.00	Minimum Fee:	\$20.00
Breakeven Participant Account Balance to \$29:	\$28,112	Breakeven Participant Account Balance to \$29:	\$28,110
Effect on Fees on Participant's Accounts (Acct Balance < Breakeven):	173,706	Effect on Fees on Participant's Accounts (Acct Balance < Breakeven):	43,767
Effect on Fees on Participant's Accounts (Acct Balance < Breakeven - as a %):	69.82%	Effect on Fees on Participant's Accounts (Acct Balance < Breakeven - as a %):	83.57%
Effect on Fees on Participant's Accounts (Acct Balance > Breakeven):	75,069	Effect on Fees on Participant's Accounts (Acct Balance > Breakeven):	8,604
Effect on Fees on Participant's Accounts (Acct Balance > Breakeven - as a %):	30.18%	Effect on Fees on Participant's Accounts (Acct Balance > Breakeven - as a %):	16.42%
12.8 basis Point Fee with Fee Capped at \$100k member balance#		12.8 basis Point Fee with Fee Capped at \$100k member balance#	
Maximum Fee:	\$128	Maximum Fee:	\$128
Minimum Fee:	\$0.01	Minimum Fee:	\$0.01
Breakeven Participant Account Balance to \$29:	\$22,266	Breakeven Participant Account Balance to \$29:	\$22,266
Effect on Fees on Participant's Accounts (Acct Balance < Breakeven):	161,480	Effect on Fees on Participant's Accounts (Acct Balance < Breakeven):	42,357
Effect on Fees on Participant's Accounts (Acct Balance < Breakeven - as a %):	64.91%	Effect on Fees on Participant's Accounts (Acct Balance < Breakeven - as a %):	80.88%
Effect on Fees on Participant's Accounts (Acct Balance > Breakeven):	87,295	Effect on Fees on Participant's Accounts (Acct Balance > Breakeven):	10,014
Effect on Fees on Participant's Accounts (Acct Balance > Breakeven - as a %):	35.09%	Effect on Fees on Participant's Accounts (Acct Balance > Breakeven - as a %):	19.12%

\*\$31 per participant fee would be waived for members during the first 12 months after enrollment

#Not under consideration due to dynamics of BNY assessing the basis point fee

	Limit Change	Simplicity	Transparency	Reflect Service	Encourage Enrollment	Limit Excessive Fees	Competitive vs. Alternatives
Asset Fee (9.9 bp)	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Flat Fee (\$29)	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Capped (12.8 bp on first \$100,000)	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Hybrid Flat Fee (\$31, waived in first year)	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Combination (\$16 + 4.5 bp)	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Key	<div></div>						
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