

Understanding fees and expenses in your VCU Retirement Plan.

Fees and expenses are a part of every workplace savings plan. Knowing the costs associated with your plan, relative to the return or services you receive, can help you become more confident in making investment decisions.

Understanding fees and expenses. Some fees and expenses are associated with the administration of the plan, and are not within your control. Others are connected to specific investment options you select, services you utilize, or transactions you execute in your workplace savings plan account. The plan sponsor may pay some of the fees, while others are paid by you. One thing to keep in mind is that higher fees are not necessarily bad, and lower fees are not necessarily good. What's important to consider is the balance between what is paid and the service, support, and performance you receive in return.

Which fees and expenses are generally associated with workplace savings plans?

Most fees and expenses associated with workplace savings plans fall into one of the following three categories: asset-based fees, plan administrative fees and expenses, and individual fees and expenses.

1. Asset-based fees

This category is often the largest component of retirement plan costs, and includes management fees and other operating expenses of your plan's investment options. This is often referred to as the investment option's total annual operating expense, or expense ratio.

Who pays them?

All shareholders in the investment option (or within a share class) pay its expense ratio, regardless of whether the shares are purchased inside or outside a retirement plan. These fees are not directly deducted from your VCU Retirement Savings Plan account, so you will not see them on your plan account statement. Instead, they are typically deducted from the investment option's assets, resulting in a reduction in the investment option's return.

How are they calculated?

Asset-based fees for mutual funds are typically calculated by adding management fees and other fund operating expenses. They are often expressed as either a gross amount (gross expense ratio) or a net amount (net expense ratio). The Department of Labor (DOL) requires that expense ratios for investment options offered in workplace savings plans be disclosed as a gross amount. The difference between gross and net is that the net expense ratio reflects the actual fee paid by the participant and is determined by subtracting from the gross expense ratio any expenses that are being absorbed or waived by the investment option on either a temporary or permanent basis. You can find net expense ratios for your plan's investment options on www.netbenefits.com/vcu. These expenses will affect the return of your investment option. It is important to understand the distinction between gross expense ratios and net expense ratios when you are comparing expenses of different investments.*

*Detailed information about a mutual fund's fees and expenses can be found in its prospectus. The prospectus will also indicate if the fund waives or reimburses any of its fees and expenses, thus lowering the expenses that a shareholder pays. You can find the expense ratio information for your plan's investment options on www.netbenefits.com/vcu. Keep in mind that for some investment options, the gross and net expense ratio are the same.

Keep in mind

Asset-based fees can vary significantly among investment options and often reflect, at least in part, the risks and complexities of the option's investment strategy. For example, expense ratios for international stock funds are typically higher than expense ratios for domestic stock funds. Domestic stock funds are, in turn, usually more expensive than bond funds. Also remember that

management fees, which are part of the expense ratio, are usually higher for actively managed funds than for index funds.

It's important to note that as your account assets fluctuate, even if the asset-based fee remains the same, the estimated dollar amount of the fee may change because the percentage is calculated on your current account balance.

2. Plan administrative fees and expenses

These are costs related to the administration of your workplace savings plan. Generally, they include charges for recordkeeping, consulting, accounting, legal and trustee services, and other administrative services. Please note, there are no separate plan administrative fees and expenses paid by participants under the VCU Retirement Plans.

3. Individual fees and expenses

This category includes charges associated with a service you utilize or a transaction you execute. For example, if your plan offers loans and you take one, a service fee may apply. Please note, loans are only offered in the Virginia Commonwealth University Tax-Deferred Annuity 403(b) Plan. Additionally, there are expenses incurred for transactions you may make with certain investment options (commonly referred to as shareholder fees), like short-term trading fees, or redemption fees. For additional information regarding the investment options offered in your plan, visit www.netbenefits.com/vcu.

Over time, the value of your account will vary and you may have more or less than the original amount invested.

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