

## Capital Accumulation Plan Update

Recently Fidelity Investments sent a letter (or email) to participants in the Capital Accumulation Plan about upcoming changes to our Plan. The letter has prompted several questions about the changes and the associated cost. This communication will provide further clarification about these changes.

### State Street Target Date Funds

The Fidelity letter indicated that the State Street Target Date Funds are moving from the share class “D” to a share class “K”. The “K” shares are a lower net expense ratio than the “D” shares thus reducing your investment expenses.

Unfortunately, federal regulations require Fidelity to report the “gross” expense ratio rather than the “net” expense ratio which resulted in unclear information. The charts below show both the gross and net expense ratio for the share class “D” and share class “K”.

### State Street Target Date Funds Class D

Fund Name	Gross Fee	Net Expense Ratio
State Street Retirement Income Non-Lending Series Fund Class D	0.73%	0.42%
State Street Retirement 2015 Non-Lending Series Fund Class D	0.58%	0.42%
State Street Retirement 2020 Non-Lending Series Fund Class D	0.49%	0.42%
State Street Retirement 2025 Non-Lending Series Fund Class D	0.50%	0.42%
State Street Retirement 2030 Non-Lending Series Fund Class D	0.49%	0.42%
State Street Retirement 2035 Non-Lending Series Fund Class D	0.54%	0.42%
State Street Retirement 2040 Non-Lending Series Fund Class D	0.52%	0.42%
State Street Retirement 2045 Non-Lending Series Fund Class D	0.53%	0.42%
State Street Retirement 2050 Non-Lending Series Fund Class D	0.78%	0.42%
State Street Retirement 2055 Non-Lending Series Fund Class D	2.94%	0.42%

### State Street Target Date Funds Class K

Fund Name	Gross Fee	Net Expense Ratio
State Street Retirement Fund Class K	1.24%	0.13%
State Street Retirement 2015 Fund Class K	4.70%	0.13%
State Street Retirement 2020 Fund Class K	6.50%	0.13%
State Street Retirement 2025 Fund Class K	1.28%	0.13%
State Street Retirement 2030 Fund Class K	0.63%	0.13%
State Street Retirement 2035 Fund Class K	1.71%	0.13%
State Street Retirement 2040 Fund Class K	0.80%	0.13%
State Street Retirement 2045 Fund Class K	2.97%	0.13%
State Street Retirement 2050 Fund Class K	4.22%	0.13%
State Street Retirement 2055 Fund Class K	6.92%	0.13%

As you can see, the net expense ratio decreased from 0.42% to 0.13%. If you had \$100,000 invested in any of these funds, your cost would be reduced from \$420 per year to \$130 per year – a savings of \$290 per year.

## **Recordkeeping Fees**

The Fidelity letter indicated that the recordkeeping fees are changing to \$19.25 per quarter or \$77 annually. Some participants have asked why participants are being asked to pay for the recordkeeping fees. In fact, participants have always paid the recordkeeping fees. These fees were bundled with the expense ratio and were not transparent to participants. The previous recordkeeping fee was 0.19% of the total account balance and this amount was included in the higher expense ratio of several of the funds. These funds then provided “revenue sharing” to cover the cost of the recordkeeping expenses.

With the new fee structure, the cost will be transparent and a flat \$19.25 per quarter regardless of your account balance. On a \$100,000 account balance, under the old fee structure, it cost your account \$190 per year. Under the new structure, your account will be charged \$77 per year.

In addition, if you are invested in any of the funds that provide revenue sharing, the revenue sharing amount will be credited back to your account. Other Plan expenses such as the cost of the annual independent financial audit and investment consulting services will be charged to your account going forward. Previously, these fees were covered by the revenue sharing and not transparent to you.

These changes will result in overall lower cost to you and make actual cost fully transparent to you. Your Advisory Committee is responsible for monitoring the performance and associated cost of the funds in your Plan. If you have any questions about the Plan please contact your Human Resources Dept.

## **Advisory Committee**

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Quint Turner  
Chief Financial Officer  
Air Transport Services Group

John Starkovich  
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