

FRS Investment Plan Detailed Fund Operations

Fidelity Retirement Money Market Portfolio (M20)

Asset Class and Objective	Core money market fund
Fund Benchmark	iMoneyNet Money Market Fund Taxable Institution Index
Investment Manager	Fidelity Management & Research, 82 Devonshire Street, MAILZONE H12D, Boston, MA 02109
Marketing Company	Fidelity Management & Research
Restrictions on Transfers	Investment funds in the FRS Investment Plan are subject to excessive trading restrictions as detailed in the FRS Investment Plan Summary Plan Description and FRS Excessive Fund Trading Policy.
How mutual fund fees work	<p>On an annual basis, marketing companies estimate the fees that FRS Investment Plan participants will pay as a percentage of their mutual fund account assets; e.g., 0.50% per year. These figures reflect any rebates or reductions negotiated by the State Board of Administration and are published in the <i>Fund Profiles</i> and other plan materials.</p> <p>However, the actual fees you would pay as an investor in a mutual fund are not guaranteed and will vary over time when expressed as a percent of asset values. Mutual fund boards of directors can change fees without the FRS's permission. Changes occur throughout the year in the day-to-day expenditures made by mutual funds to cover their operating expenses and these changes are passed through to shareholders. The amount of assets under management changes from period to period and so fees expressed as a ratio of assets will vary, even if the actual dollar expenditures do not. Also, some mutual funds have fees that can rise or fall depending on performance compared to a benchmark.</p> <p>The actual expenses paid for mutual funds included in the FRS Investment Plan are detailed in their annual or semi-annual reports for previous periods. These reports are available free of charge by calling the MyFRS Financial Guidance Line (1-866-466-9377). Please note that these reports will not reflect any rebates or reductions negotiated by the State Board of Administration.</p>
Investment Philosophy	All money market funds at Fidelity — whether general purpose or sector specific, taxable or municipal — share a common investment philosophy we call PAR. The name derives from the three objectives for money market investment: Protection of principal, Access to markets, and Returns through research. For each fund, PAR ensures that we manage our funds prudently and in a manner consistent with the fund's objectives. The money market investment process emphasizes specialization and expertise of personnel, commitment of research resources, and reliance on technology. Finally, PAR effectively exploits Fidelity's advantages in the marketplace to deliver superior money market investment products to investors.
Research Process	<p>The Fixed Income Division currently employs 34 Research Analysts to identify, assess, and clarify credit risk through independent issuer and industry evaluation. Each analyst is assigned a limited number of industries or sectors to proactively follow. The credit analyst is responsible for communicating industry developments and changes in issuer credit standing to the investment staff on a timely basis in the form of verbal updates and internally published research opinions. Research associates support credit analysts in gathering, summarizing and analyzing industry and issuer information. This information may be obtained through industry research, discussions with key competitors, rating agencies, and Fidelity equity analysts, as well as through company visits and interviews with senior company management, and analysis of company and industry credit measures. Analysts then assign internal credit ratings to specific issuers that may differ from external rating agency assessments.</p> <p>In conjunction with Fidelity's traders, the analyst assesses relative value among securities in a particular industry and makes recommendations at both the issuer and issue level. These recommendations thus directly impact portfolio composition. Fidelity's credit research group</p>



IMPORTANT NOTE: The information on investment philosophy, research process, security selection, portfolio construction, sell discipline and personnel was provided to the FRS by product marketing companies or investment managers. The FRS has taken this information as given for the purposes of this document.

	<p>has primary responsibility over evaluating credit risk. Within this group, a credit analyst assigns a credit rating to an issuer that incorporates an evaluation of the balance sheet, income and cash flow statements. Other important components of the credit rating are judgements regarding an issuer's management, its strategy, its ability to execute that strategy, and the competitive business environment.</p> <p>In addition to the credit rating, the analyst assigns a relative value rating, which internally is called a FIBOR (Fidelity Investments Bond Rating). This rating reflects both the credit fundamentals and the current market valuation. Relative value is determined in conjunction with our trading desk and portfolio managers. The concept underlying FIBOR is an analysis of the expected total return of a security. Each FIBOR pertains to a specific issue and represents an investment view that incorporates the relative attractiveness of the corporate sector as well as the specific issuer and security. The sector part of the rating is represented by a letter (Overweight, Neutral or Underweight) that captures the analyst's expectation of how a specific sector will perform relative to all other corporate sectors. The sector rating incorporates the fundamental outlook for and current attractiveness of the sector itself.</p> <p>The fundamentals include trends in Earnings Before Interest Taxed Depreciation and Amortization (EBITDA), capital expenditures, leverage, and corporate risks. Valuation of the sector is addressed through a comparison of total return and spread data from the Lehman corporate indices. The issue specific part of the rating will be a number (ranging from 1 to 5) that incorporates risk and return factors (driven by credit fundamentals and valuation) as well as technical factors such as an issue's market liquidity (driven by deal size, name recognition, reading activity, etc.).</p>	
Security Selection	<p>Fidelity's bottom-up fundamental research discipline, quantitative research, and specialized trading resources provide the tools to measure those factors that influence the buy/sell decision. These factors include the following: credit risk, valuation, and liquidity of a particular sector or security. Factors dictating sell decisions include the following: identifying more attractive investment opportunities, relative value analysis indicating that the security is overvalued, credit fundamentals and other measures suggesting a developing unfavorable risk/return tradeoff.</p>	
Portfolio Construction	<p>The portfolio construction process begins with a thorough understanding of the key drivers of performance in the overall market. Portfolio interest rate sensitivity is maintained at a level equivalent to the appropriate benchmark. The portfolio manager, credit analyst, quantitative analyst, and trader provide unique perspectives in the development of investment strategies. Once the most attractive strategies are identified, market supply and demand conditions are analyzed, and sector valuation is conducted in greater detail. Credit, structural, and yield curve risks are assessed at this stage. An appropriate sector allocation representing the best relative value-consistent with the client guidelines and risk profile of the portfolio-is determined by the team. Within each sector, the securities with the best risk/reward characteristics are purchased. Although team driven, the portfolio manager retains all ultimate decision-making authority and responsibility.</p>	
Sell Discipline	<p>The fund manager may opt to sell a particular issue if the analysis determines that the issuer's fundamentals have deteriorated such that prospects for growing cash flow are much weaker than originally forecast. The fund manager may also sell a position if the issuer's costs are escalating and in turn compressing profit margins and decreasing interest coverage ratios. Also, the fund manager may decide to sell issues that exhibit worsening liquidity. Finally, the fund manager and credit analysts review the company's credit profile and current price to determine whether or not the issuer's improved credit profile is already reflected in the bond price. If the manager feels the price is fully valued, the issue may be sold based on valuation.</p>	
Portfolio Manager(s)	Investment Experience	Experience Last 5 Years
Robert Litterest	23 years	Vice President and Portfolio Manager. He has been managing funds for the company since 1991.