



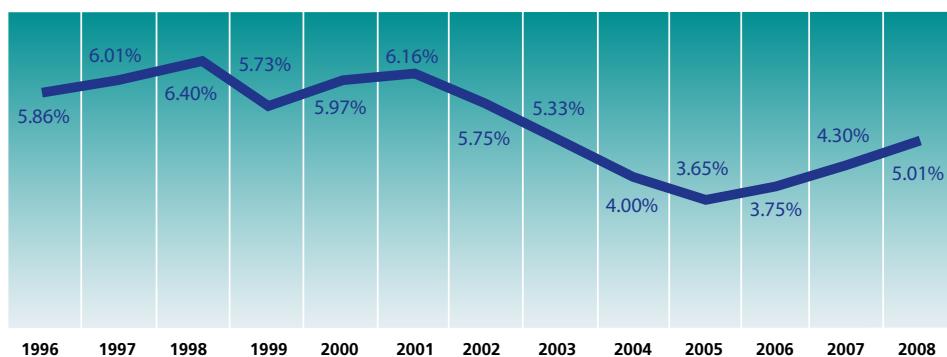
# Interest Income Fund Update Change in Credit Rate Process

(December 31, 2008)

Currently, the crediting rate for the Interest Income Fund is calculated annually and fixed for the year. A floating rate process will be used beginning April 2009. As part of this transition, a crediting rate of **3.51%** will be fixed for **the first quarter 2009 only**. Under the floating rate process, a crediting rate is not pre-determined for any particular period. As a result, there will be no announcement of the crediting rate after the first quarter 2009; however, the Fund's current yield will be provided.

One of the Fund's investment objectives is to provide a stable rate of interest. The floating rate will accomplish this with less volatility—the ups and downs—in the Fund's interest rate from one year to the next experienced using the annual crediting rate reset process. Under the existing annual crediting rate reset process, if the crediting rate for the year is higher than the Fund's real return for the same period, the rate is adjusted downward for the following year to compensate for this, and vice versa. "You can see the historical year-to-year changes in the chart below."

Annual Crediting Rate for the Interest Income Fund 1996 – 2008



\*Source: Fidelity Brokerage Services, LLC 2008

## Why is the crediting rate process changing from a fixed annual rate to a floating rate?

The assets of the Interest Income Fund are invested in over 900 individual fixed-income securities. Changes in the economic value of these securities and reinvestment of cash flow (e.g., interest, contributions, etc.) at current market interest rates impact the real return on the Fund throughout the year. The floating rate process provides more responsive recognition of the Fund's real return. The annual crediting rate reset process delayed recognition of the real return, resulting in more volatility year over year.

## Will this change provide higher or lower returns than in the past?

Neither. The floating rate process will smooth the crediting rate quarter to quarter. Under the annual crediting rate reset process, the rate was projected and fixed for the entire year. As a result, it was either artificially higher or lower than the actual return of the Fund portfolio during the year. Adjustments were made in the following year to reflect this inconsistency. While your assets in the Fund could earn more when the fixed crediting rate was set higher than the Fund portfolio's actual real return, they also earned less when the fixed crediting rate was set lower than the actual real return.

## Will my principal fluctuate, as well?

The Interest Income Fund is designed to preserve principal and accumulated interest, and seeks to provide a consistent, predictable level of income as compared to short-term investments like money market funds and certificates of deposit. The floating rate process will not affect either of these objectives.

## Since the change in investment managers in September 2008, the accrued interest I earn on my investment in the Interest Income Fund is reflected in the net asset value (NAV), rather than being credited to my account on a monthly basis. How can I determine how much interest I earn per month?

You can still see how much interest is credited to your account by creating an on-line account statement. From the Fidelity NetBenefits homepage, select the Online Statements link from the Quick Links menu on the right side of the page. Select Monthly for the statement time period; then click on the Retrieve Statement link. Once the statement is displayed, scroll to the Your Account Activity section of the statement. Interest credited for the month is listed as "Unrealized Gain/Loss". Keep in mind that interest earned will be positive (e.g., an increase of money in your account, not a loss).

Feel free to contact Mainstay Capital Management toll-free at 1-866-444-6246 for questions concerning the Interest Income Fund.