Background of Money Market Funds

- General Characteristics & Tools
  - Stability and Liquidity
  - Rule 2a-7 - Investment Company Act of 1940
  - Stable Net Asset Value of $1 Per Share
- Important to Plan Fiduciaries & Participants
- 2008 Financial Crisis
  - Money Market Fund “Broke the Buck”
  - Pressure for Reforms

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Retirement Industry Position

- Money market funds play a key role in retirement savings and plan administration
- Plans should have access to stable NAV funds
- Liquidity “fees and gates” can create operational challenges
- American Benefits Council filed comment letters with SEC, Treasury and FSOC
Final SEC Rules

Three categories of funds

1. “Government fund”: 99.5% of assets in cash, Treasury securities, etc. (not municipal)

2. “Retail fund”: Has policies to limit beneficial owners to natural persons

3. “Institutional fund”: All other money market funds
Floating NAV & Fees & Gates

• Floating Net Asset Value
  - Fluctuating Daily Share Price
  - Tax Implications & IRS Guidance

• Liquidity Fees (up to 2%)
  - 30% and 10% Thresholds – Both Permissive

• Redemption Gates
  - Temporary Suspension of Redemptions (10 Days Maximum)
  - 30% Thresholds – Permissive
## Summary of Applicability of SEC Reforms

<table>
<thead>
<tr>
<th>Money Market Type</th>
<th>May Use Stable NAV?</th>
<th>Subject to “Fees &amp; Gates”</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Retail” MMF</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>“Government” MMF</td>
<td>Yes</td>
<td>No*</td>
</tr>
<tr>
<td>“Institutional” MMF</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*Unless “Government” MMF elects to be covered.
Other Changes

• Enhanced Disclosure
  ❖ Liquidity levels
  ❖ Daily website disclosure
  ❖ Material “event” (Form N-CR)
  ❖ Disclosure support of sponsor

• Enhanced Diversification
Implementation Challenges

• 2 Year Compliance Requirement
  ❖ New Form N-CR nine months
  ❖ Diversification, disclosure 18 months

• Impact of Floating NAV on Plan Sponsors
  ❖ Role of MMF in Plan’s Investment Lineup

• Impact of Fees & Gates on Plan Sponsors
Fiduciary Considerations

• Prudence requires considering all relevant facts and circumstances, including role of investment in overall portfolio

• Consideration of alternatives

• Consideration of fees

• **Recommended first step**: Inquiry about changes at regular investment review
Outstanding Issues

• What plans are retail investors?
  - See Footnote 697
  - Others?

• Use of money funds as QDIA, Auto Rollover IRA?

• Participant disclosure considerations

• Others?
Thanks and Questions