NEW MONEY MARKET REGULATIONS TURN MANY BENEFITS INTO A THING OF THE PAST

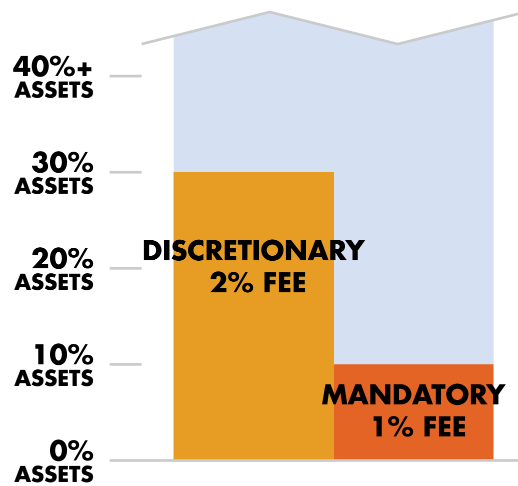
Fans of money market funds may be nostalgic about the past—when the funds were considered a quick and easy place to park their money, maintain liquidity, protect their principal and possibly generate a small return.

Those days are gone. New rules approved by the U.S. Securities and Exchange Commission (SEC) fundamentally change the way the funds operate. Money market funds will be required to create redemption gates (limits) and liquidity fees on withdrawals by participants. Here's what you need to know:

A Potentially Steep Price for Liquidity

There are two types of fees that can make money market funds much more restrictive and costly. In fact, these new fees may far exceed the yield generated, causing investors in the fund to ultimately lose money.

- **Discretionary Fees:** The fund may impose a 2% fee on redemptions when its weekly liquid assets fall below 30% of the fund's total assets.[1]
- **Mandatory Fees:** The fund generally must impose a 1% fee on all redemptions when its weekly liquid assets fall below 10%.[2]



WHAT IS LIQUIDITY?

It is a measure of how quickly a security can be bought or sold and converted into cash without affecting its price.

WHAT ARE WEEKLY LIQUID ASSETS?

These include cash, direct obligations of the U.S. government and government agency discount notes with remaining maturities of 60 days or less.

[1] The fee may be imposed the same business day the trigger is met, but must be lifted on the business day after the liquidity level is restored to 30%. Fee is imposed at the discretion of the fund's board.

[2] The fee goes into effect on the business day after the trigger is met, but must be lifted when the liquidity level is restored to 30%, unless the fund's board decides to do so earlier. Fee may be waived at the discretion of the fund's board.

New Rules

New money market fund rules were passed to:

- Address structural sensitivities exposed by the 2008 market crisis.
- Create distinctions between institutional and retail money market funds.
- Provide investors with additional protections during periods of market volatility and stress.

The amendments to the Investment Company Act of 1940:

- Permit new fees and gates (limits) on redemptions.
- Take effect on **October 14, 2016**.
- Impact DC and DB plans, including non-ERISA 403(b) plans and 457(b) plans.

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A Suspension on All Redemptions, No Exceptions

There are new rules known as “gates” or limits that affect redemptions. When a fund’s weekly liquid assets fall below 30% of the fund’s total assets, the fund may suspend redemptions for up to 10 days. **This applies to all redemptions, without exception.**

Institutional and retail money market funds must comply with the fees and gates requirements, while government money market funds are not required to impose liquidity fees or redemption gates, but may do so voluntarily.

Fiduciary Impact

These are not the money market funds you remember. The new regulations dramatically alter the value proposition they once offered. The decision to continue to offer a money market fund, or switch to a competing product, is a fiduciary responsibility requiring careful consideration.

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