News Release

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SPARK INSTITUTE URGES SEC TO PRESERVE VIABLE MONEY MARKET FUND OPTIONS FOR RETIREMENT PLANS

SIMSBURY, CT, September 16 – Earlier today, The SPARK Institute submitted a comment letter to the Securities and Exchange Commission ("SEC") urging it to preserve viable money market fund options for retirement plans. "The changes being considered by the SEC, if adopted, will impact plan service providers, tens of thousands of plans and millions of participants," said Larry Goldbrum, General Counsel of The SPARK Institute. "Depending on the approach taken by the SEC, the impact on retirement plans and their participants may be significantly detrimental, and could result in the limited availability, or elimination, of money market funds from such plans," he added.

The letter points out that the Floating NAV Alternative is generally administratively and operationally feasible for retirement plan service providers. Although feasible, making the transition to floating NAV money market funds, and making other changes that will almost certainly be necessary, will involve costs and complexities. The letter also raises concerns and makes recommendations regarding the retail funds exception to the floating NAV requirement. Goldbrum commented that, "Although the exception has some conceptual merit and may appeal to some plans and service providers, in the absence of certain changes, it is unlikely that service providers will make such funds available through their investment platforms and systems." The SPARK Institute recommended that the SEC modify the retail funds daily redemption limitation so that it does not apply to: (1) any redemption request made by a participant in connection with an account held in a participant-directed tax-exempt retirement plan; and (2) any redemption request made by the plan sponsor in connection with removing a money market fund from a participant-directed tax-exempt retirement plan's investment options, with mutually acceptable advance notice.

The letter contends that retirement plans do not pose the types of threats the SEC is attempting to address. According to data collected by The SPARK Institute from companies that provide record keeping services to approximately 32.3 million plan participants, only 1,536 (.00005 or .005%) of all such individuals held more than $1 million in a single money market fund, as of June 30, 2013.

More serious concerns were raised about the Standby Liquidity Fees and Gates Alternative which would allow money market funds to maintain a stable NAV under normal conditions, but require a fund to impose a redemption fee the following business day if its liquidity falls below a certain threshold, and also permit the fund to impose a "gate" for a period of time (i.e., suspend all redemptions). "Most retirement plan service providers' systems are not capable of being adjusted overnight with respect to an individual fund in order to impose redemption fees or restrict redemptions when the fund falls below required liquidity levels on a given business day, and then immediately remove such restrictions when fund liquidity levels recover," said Goldbrum. "Plan service providers will be unable and unwilling to accept such responsibility and risk with respect to the funds," he added.

The letter also raises serious concerns about the possibility of a combined alternative. "The combined alternative includes the problematic requirements and limitations from both of the two others, and would be the most difficult and costly for plan service providers to support," Goldbrum commented. "Retirement plans will likely only have government funds available for use if the combined alternative is adopted," he added. The comment letter urged the SEC not to adopt this approach.

The letter is available on The SPARK Institute's website at www.sparkinstitute.org/comments-and-materials.php.

The SPARK Institute represents the interests of a broad-based cross section of retirement plan service providers and investment managers, including banks, mutual fund companies, insurance companies, third party administrators, trade clearing firms and benefits consultants. Through the combined expertise of its member companies, the Institute provides research, education, testimony and comments on pending legislative and regulatory issues to members of Congress and relevant Government agency officials. Collectively, its members serve approximately 70 million participants in 401(k) plans, and the substantial majority of all participants in 403(b) plans.

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