

# Money Market Reform

Plan Sponsor Consultants

*Securities and advisory services offered through LPL Financial, a registered investment advisor. Member FINRA/SIPC.*

# July 23, 2014: Rule 2a-7

- \* On July 23, 2014, the SEC approved changes to rule 2a-7 under the Investment Company Act of 1940.
- \* This change will impact Prime Institutional Money Market funds in retirement plans, but will not impact Collective Trusts and Separate Accounts.

# The Changes in 2a-7

- \* Reclassify investments as Government, Retail, and Institutional
- \* Require Institutional Money Market to “float” their NAV (rounded to the 4<sup>th</sup> decimal place).
- \* Allow Institutional and retail money markets to impose liquidity fees or temporarily suspend redemptions (gate) if the funds’ weekly liquid assets fall below 30% of its total assets. These fees can be up to 2%
- \* Require institutional and retail money markets to impose liquidity fees if the fund’s weekly liquid assets fall below 10% of total assets. This fee can be up to 1% of assets
- \* Government is classified as those investing 99.5% or more in government securities and/or repurchase agreements collateralized solely by government securities or cash. They may continue to maintain a stable NAV and may, but are not required to implement liquidity fees or redemption gates.

# Competitive Landscape & Sponsor Impact

- \* Plan Sponsors with retail or institutional non-government money market investment considerations
  - \* There are a large number of other capital preservation options available
  - \* There are a number of plan governance issues that are difficult to address effectively without appropriate due-diligence on potential capital preservation alternatives
  - \* A capital Preservation due diligence analysis can serve as documentation for committee decisions on Money Market Reform

# Competitive Landscape & Sponsor Impact

- \* Rules go into effect in October 2016.
- \* Plan Sponsor must carefully evaluate capital preservation investment selection as soon as possible as certain factors may accelerate need for sponsor direction.
- \* Considerations Include
  - \* Other plan events, including investment changes
  - \* Pre/Post record-keeping integration
  - \* Resource capacity

***An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in such funds.***

This information was developed as a general guide to educate plan sponsors, but is not intended to provide specific advice or recommendations. Each plan has unique requirements, and you should consult your advisor for guidance on your specific situation.

For more information about capital preservation  
or to have a consultation with Plan Sponsor  
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below.

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