August 21, 2012

FILED ELECTRONICALLY

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: President's Working Group Report on Money Market Fund Reform (File No. 4-619)

Dear Ms. Murphy:

The undersigned organizations appreciate the opportunity to submit these comments to the Securities and Exchange Commission (the Commission) as it contemplates further changes to the regulation of money market funds, including requiring these funds to abandon the stable $1.00 net asset value (NAV) in favor of a floating value, or combining significant capital requirements with holdback restrictions on redemptions.

The organizations that have signed this letter represent the companies and professionals who help Americans save for their retirement through participation in defined contribution (DC) and defined benefit (DB) plans, such as 401(k) and pension plans. We represent the interests of a significant and broad part of the retirement plan community, including employers and service providers.

Together, we wish to register our strong concerns about the proposals for money market funds under consideration at the Commission and the risks these proposals pose to Americans preparing for retirement. In our view, these proposals, taken alone or in tandem, would fundamentally alter the structure of money market funds, rendering them far less desirable—if not unusable—for retirement savers and the plans they participate in. Respectfully, we urge the Commission not to pursue these proposals.

Money Market Funds Play a Key Role in Retirement Saving

Sponsors of DC and DB plans use money market funds in a number of important ways.

- **Offering a conservative investment option for retirement savers**: Department of Labor regulations require participant-directed plans that want to satisfy Section 404(c) of the Employee Retirement Income Security Act (ERISA) to make investments available with a range of risk/reward characteristics. Money market funds serve the role of a conservative investment option in many plans; indeed, surveys of plan sponsors suggest more than half of such plans include money market funds in their investment menus.

- **Enabling retirement savers to diversify:** While most 401(k) savers focus their savings in long-term investments like equities, money market funds play important roles in portfolio diversification and capital preservation, particularly as workers near retirement age. According to Investment Company Institute data, as of year-end 2011, Americans held $375 billion in money market funds through 401(k) and similar DC plans and IRAs.

- **Helping retirement plans meet liquidity needs:** To comply with ERISA, a plan fiduciary must manage the plan's assets consistent with the purposes and needs of the plan, which typically means some portion of the plan's assets must be available for short-term cash needs. Pension plans, like many other institutional investors, have ongoing and critical liquidity needs. Each month they send benefit checks to retirees and hold funds in a liquid form for investment purposes. DB pension plans—like other institutional investors—use money market funds because these funds provide stable pricing and full liquidity. Holding retirement plan assets in investments that are more volatile and less liquid than money market funds would introduce additional uncertainty for DB plans, and would make investment planning and plan funding strategy less predictable.

- **Easing retirement plan administration:** Both DC and DB plans use money market accounts to ease administration. For example, plans with vesting schedules generally hold forfeitures (which occur when a participant terminates employment before becoming fully vested in their retirement plan) in a forfeiture account. Sponsors often invest forfeitures in money market funds to provide liquidity and stability in value. Internal Revenue Service guidance requires these forfeiture accounts to be used fully for plan expenses or plan benefits, or allocated to individual accounts of participants.

Money Market Fund Proposals Raise Serious Concerns for Retirement Plans

We understand that the Commission may require either that a money market fund's NAV "float" on a daily basis or that the fund would be required to hold back some percentage of an investor's shares as a "liquidity fee" for 30 days when an investor redeems their shares, perhaps in conjunction with a separate capital requirement. The structural nature of these changes raises serious concerns in the retirement saving context.

- **Fiduciary concerns**: DB plan fiduciaries may exit money market funds that are subject to redemption holdbacks because these funds will no longer meet the plans' needs for ready liquidity. ERISA fiduciaries would be required to examine these changes in light of their fiduciary duty to plans and participants. The proposal under consideration, we understand, would require that held back or restricted shares be used to make the fund whole if a fund cannot maintain its $1.00 NAV. Under ERISA, however, shares "held back" or restricted would continue to be considered ERISA "plan assets." It is not clear that an ERISA fiduciary could allow the plan's assets to be invested under these conditions consistent with regulatory requirements associated with the management of plan assets under ERISA.

- **Recordkeeping and administration complications**: Financial intermediaries are often responsible for the applicable recordkeeping, communications, tax reporting, and other operational and servicing functions associated with retirement plans. To implement floating values or redemption restrictions, intermediaries would need to change thousands of systems that support broker-dealers, banks, insurance companies, trusts, 401(k) recordkeepers, or other institutions tasked with processing money market fund transactions for their clients. Any proposed redemption restriction would require significant operational changes and challenges for the recordkeeping of 401(k) plans. For example, participant distributions from money market investments could require two separate redemption checks (one for unrestricted shares, and a second for a restricted share balance following expiration of the holdback period), with attendant processing, mailing, and tax reporting associated with a plan distribution. Additionally, even if recordkeeping systems could be developed to implement redemption restrictions, the costs of doing so would be prohibitive.

- **Limited alternatives**: If these major regulatory changes are put in place, employers will have few alternatives that can meet the needs of the plan and its participants—particularly the need for low-cost cash management—as effectively as money market funds.

Money market funds bring many substantial benefits to America's retirement savings system. These funds were strengthened by the comprehensive reforms for money market funds adopted by the Commission in January 2010, reforms that our organizations supported.

The proposals now under consideration at the Commission, however, jeopardize those benefits and promise to introduce a number of attendant difficulties for both America's retirement savers and those that sponsor retirement plans. We respectfully urge the Commission not to pursue these changes.

Respectfully submitted,

AMERICAN BENEFITS COUNCIL
AMERICAN SOCIETY OF PENSION PROFESSIONALS & ACTUARIES
THE ERISA INDUSTRY COMMITTEE
FINANCIAL SERVICES INSTITUTE, INC.
INVESTMENT COMPANY INSTITUTE
NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS
NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION
PLAN SPONSOR COUNCIL OF AMERICA
SECURITIES INDUSTRY AND FINANCIAL MARKETS ASSOCIATION
THE SMALL BUSINESS COUNCIL OF AMERICA
THE SOCIETY FOR HUMAN RESOURCE MANAGEMENT
THE SPARK INSTITUTE
UNITED STATES CHAMBER OF COMMERCE

cc: The Honorable Mary L. Schapiro, Chairman, Securities and Exchange Commission
The Honorable Luis A. Aguilar, Commissioner, Securities and Exchange Commission
The Honorable Daniel M. Gallagher, Commissioner, Securities and Exchange Commission
The Honorable Troy A. Paredes, Commissioner, Securities and Exchange Commission
The Honorable Elisse B. Walter, Commissioner, Securities and Exchange Commission
Norm Champ, Director, Division of Investment Management, Securities and Exchange Commission
Robert E. Plaze, Deputy Director, Division of Investment Management, Securities and Exchange Commission
The Honorable Hilda L. Solis, Secretary of Labor, U.S. Department of Labor