Missouri Target Date Funds
Frequent Trading Policy Questions & Answers

Both the mutual fund industry and industry regulators such as the Securities and Exchange Commission (SEC) are placing much greater emphasis on the proper enforcement of frequent trading practices of fund shares both inside and out of retirement plans. This document will help participants to understand the industry guidelines and the actions that must be taken to strictly enforce frequent trading guidelines.

Definition

Frequent trading is the rapid movement of cash into and out of investments for short-term gain.

Q - Why do fund companies discourage frequent trading?

The funds that are offered by the State of Missouri for the 457 Deferred Compensation Plan and the 401(a) incentive plan are intended for long-term investment purposes and are not managed or intended to serve as short term trading vehicles. By engaging in short-term trading, the investor who conducts frequent trades will increase the overall costs of operating the fund. This in turn reduces the return to all the fund's shareholders. Furthermore, the portfolio manager may be forced to maintain higher cash reserves than otherwise may be required, or be forced to sell securities at an inopportune time. All of these results of frequent trading can negatively impact fund performance.

Fund companies require ICMA-RC, the third party record keeper for the State of Missouri plans to actively enforce their policies to deter frequent trading when funds are offered through a retirement plan.

Q - What is the Missouri Target Date Funds frequent trading policy?

The policy seeks to identify, restrict or reject the purchase of fund shares that are determined to be potentially harmful to the State of Missouri Target Date funds, and to enforce the frequent trading policies that are established by AllianceBernstein, the investment manager for the Missouri Target Date Funds. The policy defines frequent trading as a purchase followed by a sale (a "round trip") three times in the same fund(s) during a rolling 90 calendar day period, or as a purchase followed by a sale 10 times during a rolling 365 calendar day period.

Q - What types of transactions are considered frequent trading?

Three roundtrips in the same fund within any rolling 90 day period or **10** roundtrips in the same fund within any 365 day period would be considered frequent trading and will result in the enforcement of the policy. A roundtrip is defined as a buy followed by a sell in the same fund within the time period. The buy and sell do not have to be consecutive to be considered a roundtrip.

The following patterns are examples of frequent trading in any 90 day period: 1) Buy, Sell, Buy, Sell, Buy, Sell; 2) Buy, Buy, Sell, Buy, Sell, Sell; or 3) Buy, Buy, Buy, Sell, Sell, Sell. For each example there were three buys and three sells in a 90 day period and thus would be considered frequent trading by ICMA-RC.

Q - What types of transactions are not considered frequent trading?

Distributions, payroll contributions, and reinvestment of dividends are all examples of transactions that do not fall under the definition of frequent trading.

Q – How can I ensure compliance with the frequent trading policy?

You can ensure compliance with the frequent trading policy by limiting your trading (i.e. fund to fund transfers) to less than three roundtrips in any rolling 90 day period and less than ten roundtrips in any rolling 365 day period.

Q – If I have already made one roundtrip in the last 90 days can I request another one?

A violation will occur if you complete two more roundtrips within 90 days from the date of the 1st roundtrip buy. Since you only have one roundtrip in the last 90 days, you may request another one.

Q – If I have already made two roundtrips in the last 90 days can I request another one?

A violation will occur if you complete one more roundtrip within 90 days from the date of the 1st roundtrip buy. You should wait 91 days from this date before completing another roundtrip to comply with the frequent trading policy.

For example if your 1st roundtrip buy was on January 3, 2015, you must wait until April 4, 2015 to complete your 3rd roundtrip to remain in compliance with the frequent trading policy.

Q – If I am contacted about my recent trading activity involving three roundtrips in 90 days, how can I ensure compliance with the frequent trading policy?

You should wait 91 days from the date of your **last** roundtrip buy before completing another roundtrip to comply with the frequent trading policy.

Q – How does the 365 day rule work?

The 365 day rule is another way to evaluate frequent trading. If you complete ten roundtrips in the same fund within any 365 day period, you will be considered a frequent trader.

Q – Where can I get a history of my transfers to determine my roundtrips?

You can log on to Account Access at www.modeferredcomp.org. Click on “View Transaction History”, select “View Transactions” for the last 90 days, and click on the Search button.

Q – Are frequent trading policies applicable to the Self-Directed brokerage account?

Participants in the Self-Directed brokerage program have access to over 13,000 mutual funds from the nation's leading fund families, as well as individual stocks and fixed income securities. The mutual funds are required to have frequent trading policies and are monitored. For experienced investors, individual stocks are able and available to be traded more frequently. Participants should carefully consider any investment program to ensure it meets their financial goals and risk tolerance. The State of Missouri Deferred Compensation Plan does NOT encourage or recommend frequent trading.

Please be aware that mutual funds traded through the Self-Directed Brokerage account will be evaluated for frequent trading.

Q - What action will be taken against violators of the frequent trading policy?

Upon the first frequent trading violation of any fund, a courtesy letter will be sent to the participant identifying the fund(s) with frequent trading violation(s). Upon the second violation of any fund, a warning letter will be issued. Upon the third violation, a restriction letter will be issued and transfers into that fund will be restricted for 180 days. If subsequent violations occur, another restriction letter will be issued and transfers into that fund may be restricted **permanently**. Sells are not restricted at any time.

Q – If I receive a courtesy letter, what will trigger another violation?

Processing another roundtrip (buy followed by a sell) that results in three roundtrips within any rolling 90 day period or ten roundtrips within any 365 day period would be considered another violation and result in the next action being taken. Please keep in mind that frequent trading requires buying and selling in the same fund over either a 90 day or 365 day period. Sells are not restricted at any time.

Q – What funds does this policy apply to?

This policy applies to Missouri Target Date funds. Please refer to the fund profiles for a complete summary of all fees, expenses, charges, financial highlights, investment objectives, risk and performance information.