

Deferred Comp/NYCE IRA UPDATE



The Newsletter for the 457 and 401(k)
Plans and the NYCE IRA
Special Edition - February 2009

Special Notice of Extension of 2% Redemption Fee to All Deferred Compensation Plan Investment Options

Excessive Trading

The Deferred Compensation Board, as fiduciary to the 457 Plan, 401(k) Plan and NYCE IRA, must act in the best interests of participants. To protect all participants, the Plan reserves the right to take action with the Plan funds if excessive trading is detected. Recently, the Bank of New York, the Plan's custodian, and FASCore, the Plan's recordkeeper, informed the Board that the Plan was experiencing excessive trading.

The Deferred Compensation Plan was established to help participants meet their income needs at retirement. To be responsive to participant benefit disbursement needs and the need for participants to rebalance their investment mix, the funds are valued daily and participants are permitted to make daily transfers among the funds. The daily trading environment is intended to make it convenient for those participants to make trades when it was necessary. It was not intended to facilitate "excessive trading" since this type of activity hurts the fund and, more importantly, other plan participants.

Excessive trading has a detrimental effect on a fund for two reasons. First, it increases the fund's trading costs, which are passed on to all fund shareholders. Second, excessive trading causes the investment managers to hold more cash to accommodate the trading activity. This additional cash hurts the fund's performance.

FASCore has identified all individuals who are excessive traders and the Plan is in the process of contacting them separately about their excessive trading patterns.

Industry-wide Best Practices

The investment industry, as a whole, began moving in the direction of redemption fees rather than restrictions several years ago, the Board felt it was in the best interests of the vast majority of our participants to do the same. Continuing to take its direction from industry-wide practices, the Board has determined that the necessary measures to curb this activity will be instituted effective March 13, 2009.

Specifically, the Board will be extending the policy previously approved in the International Equity Fund to all of the Plan's investment options. The new policy states that if monies are not held in any of the fund options for a period of thirty-two (32) calendar days, the participant will be assessed a 2% redemption fee. The minimum fee that will be assessed will be \$20 based on a \$1,000 trade.

When circumstances call for it, the Deferred Compensation Plan Board must act swiftly to protect the best interests of all participants. The Board believes this action will prevent excessive trading among the few participants currently engaged in this activity, while being the least restrictive to the vast majority of participants.