PROCEDURES GOVERNING EXCESSIVE TRADING IN PARTICIPANT-DIRECTED DEFINED CONTRIBUTION PLANS

Mercer HR Services Monitoring

To address these concerns, we have adopted a uniform, objective standard to define excessive exchange activity by participants in defined contribution plans we administer. Under this standard, participants will be advised that *two "round trips" in a single investment fund within any 90-day period* will be considered excessive exchange activity. A round trip is defined as the occurrence of both an "exchange-in" and an "exchange-out" transaction initiated by the participant that occurs within a period of 90 days or less. The dollar amounts of the exchange-in and exchange-out transactions do not need to match and the transactions can occur in any order. So that all participants are treated on an equal basis, we will screen and apply this standard regardless of the dollar amounts. In addition, any intervening exchange activity involving other funds will not affect the determination of whether there has been a round trip in a single investment fund.

The goal of the standard is to address excessive exchange activity that is initiated by a participant to achieve short-term gains at the expense of long-term fund shareholders. Therefore, the rule applies only to participant-initiated exchange transactions. Purchases of shares through either employer or employee contributions, or participant loan repayments are not considered exchange-in transactions. Similarly, the redemption of shares for distributions, withdrawals, or participant loans will not be considered exchange-out transactions. Rebalancing of shares through an automatic rebalancing election will not be considered participant-initiated exchanges, although the initial election of funds subject to an automatic rebalancing election will be considered an exchange-in transaction because the participant controls the precise timing of that election.

The excessive trading definition will apply to all investment options under a Plan, other than money market funds, stable value funds, and company stock funds. This includes non-proprietary funds and separate accounts, unless you direct us otherwise.

<u>Monitoring and Remediation of Excessive Exchange Activity</u>

We will monitor and address excessive exchange activity according to the following guidelines:

- We will monitor exchange activity in all Plans to identify any participant who has engaged in two or more round trips in the same fund within any 90-day period.

- We will send a "warning letter" to each participant identified on the report as engaging in excessive trading for the first time. The warning letter will inform the participant of the fund(s) involved in the transactions and advise the participant that the conduct constitutes excessive exchange activity. The warning letter will also state that if the participant continues to engage in excessive trading, he or she will be subject to certain restrictions as described below.

- We will continue to monitor the activity of any participant who has received a warning letter for a period of one year. If any such participant engages in two or more additional round trips within any fund in any subsequent 90-day period, the participant’s ability to request exchange transactions through electronic media (*ibenefitcenter.com*, the automated telephone Voice Response Unit, and phone representatives) will be revoked. For the next year, all exchange transaction requests for any such participant must be submitted in writing delivered through regular U.S. mail. We will not accept requests by fax, in-hand delivery, or overnight delivery services. We will send the participant a “limitation letter” outlining these rules.

- We will continue to monitor the activity of any participant who has received a limitation letter for a period of one year. If a participant who has received a limitation letter continues to engage in excessive trading through written instructions, we will further restrict the participant to one exchange request per fund in any 30-day period. For an indefinite period, all exchange transaction requests for any such participant must be submitted in writing delivered through regular U.S. mail. We will not accept requests by fax, in-hand delivery, or overnight delivery services. We will send the participant a “restriction letter” outlining these rules.

SEC Rule 22c-2 Trading Restrictions

The Securities and Exchange Commission finalized a rule that gives mutual funds more latitude to monitor trading activity and deter short-term trading in the interests of all shareholders. The rule, known as Rule 22c-2, was adopted with the recognition that excessive trading can cause increased transactional expenses, interfere with the long-term strategies developed by funds’ portfolio management teams, and subsequently, impact shareholders’ investments in these funds. This rule gives each fund the right to obtain detailed retirement plan participant trading information and restrict individual participants from trading in a particular investment if the fund’s monitoring determines these individuals have violated the fund’s excessive trading policy.

The fund may revoke a participant’s privilege of exchanging into the fund or exchanging into and purchasing shares in the fund through payroll contributions and, if applicable to the plan, employer contributions for a specific period of time or indefinitely. Payroll contributions include 401(k) contributions and loan repayments. During this time period, while the participant may not exchange into the fund, he or she may exchange out of the fund. If the participant has elected an automatic portfolio rebalancing feature for his or her account and the fund is included in the portfolio the account will be opted out of the automatic rebalancing feature. The participant may log onto your plan’s website and elect another automatic portfolio rebalancing that does not include the fund. If the participant has elected to have future contributions allocated to a fund that is restricted from new contributions this percentage of new contributions will be allocated to the Plan’s default fund. The participant may log onto your plan’s website to change how their future contributions will be allocated.

As a recordkeeper of plans offering mutual funds, MHRS is required to comply with Rule 22c-2.

Short term Trading Fees:

Short-term trading fees are applied at the request of the fund's manager. In structuring our short-term trading fee systems and procedures, we took into account the unique nature of defined contribution plans, targeting transactions within those plans that provide meaningful potential to achieve a market advantage through rapid trading without unfairly penalizing routine defined contribution transactions. Accordingly, we developed systems and procedures to monitor, assess and remit short-term trading fees as follows:

- We will impose short-term trading fees on shares acquired and redeemed in connection with participant exchange activity only. Shares acquired through participant-directed exchanges into a fund will constitute restricted shares subject to the short term trading fee holding period for the fund. Shares acquired through contributions, loan repayments and other money-in transactions will not be treated as restricted shares subject to the holding period or the fee.

- The redemption fee will be applied to restricted shares redeemed in connection with participant exchange activity during the applicable holding period only. Restricted and unrestricted shares redeemed in connection with participant loans, hardships withdrawals, distributions and other participant money-out transactions will not have a short term trading fee assessed against them.

- We will apply the fee to shares redeemed in connection with participant-directed exchanges based on a modified, first-in-first-out method. Any unrestricted shares will be treated as included in the redemption first, regardless of when such shares were acquired; any restricted shares that have been held longer than the required holding period will be treated as included in the redemption next; and any restricted shares that have not been held longer than the required holding period will be treated as included in the redemption last.

- We have the ability to assess a fee as a percentage of the restricted shares being redeemed. At the fund manager's request, the percentage can be tiered based on calendar date aging of the restricted shares from date of acquisition (including trade date) (for example: 0-5 days = 2%, 6-90 days = 1%).

- We will transmit to the fund the redemption transaction subject to the fees. On the day the redemption proceeds are received by Mercer HR Services (T+1), Mercer HR Services will deduct the fee and remit it back to the fund by wire transfer. (Mercer HR Services will not earn interest on the fees, as they are remitted daily). On the same business day each fee is wire transferred to the fund, Mercer HR Services will deliver a report via email to the fund's predetermined contacts. The report will include the applicable trade date, investment code, account number, plan name, CUSIP, investment name, shares, dollars, price and total wire amount related to the fee.

Mutual funds or collective investment funds that are included in a “fund of funds” investment alternative will not be subject to redemption fees at this point. There are a number of special complexities associated with imposing fees in the context of these types of funds that have not yet been addressed from a systems point of view. Note that most such investment alternatives are asset allocation funds that are not likely targets of market timing activity.

Late Trading:

Participant electronic or telephonic requests for financial transactions must be completed before the market close of the exchange, typically 4:00 p.m. However, on days the exchange closes early the financial transaction timeframe will be adjusted accordingly. Requests for any financial transaction received or completed after 4:00 p.m. ET will be processed the following business day. Systems are in place in *benefitcenter.com*, the automated telephone Voice Response Unit, and with Customer Service Representatives to prevent the completion of trades after the market close.