

**State of Tennessee Treasury Department
Deferred Compensation Division
Self Directed Brokerage Account Policy
January 26, 2007**

The purpose of this policy is to document the self directed brokerage account (SDBA) policy for the State of Tennessee Deferred Compensation Plans, Plan I 457, Plan II 401(k) as shall be updated from time to time.

1. The self directed brokerage window is intended for use by experienced, knowledgeable investors. Use of the brokerage window is neither encouraged nor discouraged.
2. Legal documents are required before a participant can exercise this option.
3. A Participant electing to use the self directed brokerage account option should exercise great care over all brokerage account transaction activity. Funds moved from the third party plan administrator, Great West, through the brokerage window, are outside of the Plan offerings, oversight and influence.
4. Participants are responsible for monitoring self directed brokerage account balances and transactions. Follow up all issues with the self directed brokerage account provider immediately to assure your instructions are implemented.
5. A self directed brokerage account offered through a deferred compensation plan account is sometimes called a broker window. The Plan and the record keeper create a window that permits the transfer of funds from an existing Plan Investment option to another investment.
6. A broker is a sales person or company that sells investment products.
7. Self directed brokerage means that the participant chooses to go outside of the investment products offered by the Plan to open a separate broker account to obtain a specific product not offered by the Plan. The self directed brokerage account provider (TD Ameritrade) will answer questions in regard to events after a transfer is made to the self directed brokerage account.
8. The purpose of the self directed brokerage account is to offer flexibility to plan participants who wish to invest in a mutual fund not adopted for use of the Plan as a whole.
9. Use of the SDBA option is a voluntary choice of an investment option selected by the participant.
10. Participants are responsible for all choices exercised.
11. Participants are responsible for monitoring the execution of their instructions to the broker.
12. Participants of the 457 and 401(k) plans may utilize the SDBA from either or both plans provided the respective account individually meets the criteria for participation set forth below.
13. The participant bears all costs of transactions, funds transfer, commissions, access fees, recordkeeping fees, and all other costs accumulated for assets in the accounts.

14. Account balance refers to the total amount in the deferred compensation account in all investment fund options, including the balance in the brokerage account. The core balance is the dollar value amount in the basic core investment options provided by the Plan. The core investment options are named funds that a participant may invest in directly through regular salary reduction deferral. The core balance does not include any self directed brokerage account balance.
15. In order to participate and set up an active account in the self directed brokerage option the participant must leave the greater of \$15,000 and 50% of the account balance as the core balance after the SDBA transaction is completed. Each Plan account stands alone. Balances of the 457 and 401(k) plans may not be combined for purposes of meeting the balance restriction.
As an example, a participant with a \$30,000 account balance in the 401(k) Plan II could transfer up to \$15,000 into the SDBA account and leave \$15,000 in the core account, if desired. A participant with a \$20,000 account balance in the 457 Plan I could potentially transfer \$5,000 into the SDBA account and leave \$15,000 in the core account.
16. The initial amount of the transfer to the SDBA to acquire mutual fund(s) through the SDBA provider must be at least \$5,000.
17. Subsequent transfers to the SDBA investment option must be at least \$1,000.
18. The participant may only invest in mutual funds offered by the SDBA provider.
19. No investment vehicles other than mutual funds may be acquired through the SDBA.
20. The participant may not invest in any of the mutual funds offered by the Plan(s) through the brokerage window.
21. Funds in the SDBA are not available for loan processing. The loan qualification will take into consideration the entire vested account balance including the amount in the SDBA. However, the loan will not pull from the SDBA.
22. A loan balance will not count as funds in the core balance.
23. If the core account falls below the core minimum requirement of “*the greater of \$15,000 or 50%*” due to a transfer out of funds or a decrease in market value, the participant will receive a request letter at the beginning of the month to transfer dollars from SDBA to the core funds to maintain the required minimum. The SDBA account may be liquidated for core minimum violation if the Plan Administrator sends written instruction authorizing the SDBA provider to fully liquidate the participant’s SDBA account. A core minimum balance shortfall will be expected to be corrected by the participant within a reasonable time. It is expected that the participant would make up the core balance shortfall thus avoiding the need for any such letter.
24. Commissions for purchases in the SDBA account are added to the amount paid for the trade; commissions for sales are deducted from the sale proceeds. Recordkeeping fees are assessed against the core investments on a quarterly basis, and only apply to those participants who had an SDBA balance at any time during the past 90 days.
25. These policies may be updated from time to time. This policy will be available to participants upon request and posted to www.tn.gov/treasury/dc.