



STATE OF WISCONSIN
Department of Employee Trust Funds
Eric O. Stanchfield
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
TTY (608) 267-0676
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: April 20, 2004
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: Excessive Trading Procedures

In January 2003, the Wisconsin Deferred Compensation Board approved an excessive trading policy, which states:

"Excessive trading or market timing in your Wisconsin Deferred Compensation (WDC) account disrupts management of investment options, increases expenses and negatively affects performance to the detriment of other investors. Many investment providers to the WDC have adopted underlying restrictions and limitations with respect to transfers into and withdrawals from their investment options."

"All participant and beneficiary accounts are subject to such restrictions or limitations. In the event that an investment provider identifies a participant or beneficiary account in violation, the Department shall direct the Plan Administrator to take the appropriate action to cause this practice to cease."

Any participant who is notified of an excessive trading problem and does not comply with this policy may be restricted from executing trades (exchanges) through the WDC Web site or automated voice response telephone system, as future exchanges will be manually monitored.

To enhance the effectiveness of the WDC's excessive trading policy, the WDC's plan administrator, Nationwide Retirement Solutions (NRS), is proposing a new excessive trading procedure: After a fund company has notified the WDC of potential excessive trading, NRS will identify as excessive traders those participants who exceed four (4) exchanges per month in that fund. These participants will receive a warning letter, explaining the risks of excessive trading to the WDC and the consequences for the participant if the activity continues. If the activity continues, the participant will receive a second letter notifying them that they are restricted to exchanges through the U.S. mail in the funds where excessive trading has been identified through the NRS process. The draft letters attached to this memo provide examples of the information the WDC will share with participants who may be in violation of the WDC's excessive trading policy.

Recommendation

Staff recommends approval of the excessive trading procedures proposed by NRS. Approving these procedures will provide more support for the WDC's excessive trading policy.

Attachments

Reviewed and approved by Pam Henning, Office of Strategic Services

Signature

Date