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CORRESPONDENCE MEMORANDUM

DATE: October 27, 2005
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller
Deferred Compensation Director
SUBJECT: Administrative Changes Coincident with the Transition to Great-West Retirement Services

The purpose of this memo is to describe three administrative changes that will occur coincident with the Wisconsin Deferred Compensation (WDC) Program's change to a new third party administrator in December 2005. No Board action is required.

Banking Arrangement

Currently, the WDC utilizes an interest bearing bank account at M&I Bank to process contributions, receive rebates, and to hold the administrative reserve. With the change in record keepers to Great-West Retirement Services (GWRS), this banking arrangement is no longer necessary. GWRS will establish an administrative account within their record keeping system for the WDC that will serve the same purpose currently handled via the M&I bank account. The WDC will have the same investment options for these funds as our participants have for their deferrals. GWRS staff reports that most other plans invest their reserve in either a money market or stable value option. Staff intend to utilize the money market fund option for holding the administrative reserve since that is consistent with the default option used for participants.

Power of Attorney Option for Participants

Current WDC policy restricts participants who exercise a power of attorney (POA) agreement from requesting account balances, executing exchanges, and reallocating balances among the core investment options (only the POA can perform these functions). After reviewing this policy, WDC staff sees no reason to continue this restriction. Effective December 1, 2005 (the start of the contract with GWRS), this restriction will end. Participants with a POA agreement will be notified that by completing a new POA agreement, they along with their designated POA will be able to access their WDC account core investment to request balance information and exchange and/or reallocate account values among core WDC investment options. This change will allow the WDC to take full advantage of the POA processes built into the GWRS computer systems. More importantly, it will provide more flexibility to WDC participants.

Reviewed and approved by Dave Stella, Deputy Secretary

Signature

Date

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Note that the following restrictions on POA holders will remain:

- The designated POA may not request payouts or distributions, change beneficiaries, or request an increase or decrease in the amount of a participant's deferral.
- Statements and confirmations are sent to the participant unless the participant requests in writing that the address on the account be changed to the designated POA.
- The POA expires when revoked in writing by the participant or when it is revoked by reason of the participant's death or incompetence.

Excessive Trading – Default Options Provided by Great-West Retirement Services

The WDC excessive trading policy currently restricts participants to four (4) exchanges per month. The primary measure taken by the WDC has been a warning letter sent to perceived excessive traders informing them that they could be restricted to trading in the WDC via paper forms sent through the US mail. In the past, this letter has been sufficient; the excessive trading has ceased.

While staff does not anticipate the need for any further excessive trading measures, in the event that WDC participants do not heed the warning letter and excessive trading continues, the following additional options are available with Great-West and could be utilized as methods to restrict excessive traders:

- (1) Restricting all purchases of the mutual fund in question for *all* WDC participants for a period of ninety (90) days following a purchase in the mutual fund (i.e. participants may trade out of a mutual fund, but upon a purchase transfer into the fund participants would be restricted from additional purchases in the mutual fund, except designated contributions, for the designated period of time);
- (2) Closing the mutual fund(s) to *all* new monies, including contributions and transfers in, for all WDC participants; or
- (3) Removing the mutual fund(s) as an investment option for the WDC and converting all allocations in that mutual fund(s) to a new investment option.

A copy of Great-West's corporate market timing prevention policies is included with this memo. As with the current record keeper, Great-West will implement the excessive trading restrictions requested by the Board.

In the event that the Securities and Exchange Commission revises its market timing restriction policies or none of these options restrains excessive traders in the WDC, staff will present additional alternatives and seek guidance from the Board regarding any potential policy or procedural revisions.

Attachment