



STATE OF WISCONSIN
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CORRESPONDENCE MEMORANDUM

DATE: October 20, 2005
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: Vanguard Policies on Frequent Trading and Redemption Fees

This memo provides an overview of two new policies instituted by Vanguard regarding frequent trading and redemption fees, both originally slated to become effective after the close of business on September 30, 2005.

Vanguard Mutual Funds Frequent Trading Policy

The Vanguard frequent trading policy implementation date was moved back six months, from September 30, 2005, to March 31, 2006. Effective at the close of business on March 31, 2006, any participant who exchanges any amount out of a Vanguard mutual fund must wait sixty (60) calendar days before exchanging back into the same fund.

The frequent trading policy applies to the following WDC investment options:

- Vanguard Institutional Index Plus Fund (S&P 500)
Vanguard Wellington Fund (Admiral Shares)
Vanguard Long Term Investment-Grade Fund (Admiral Shares)
All five Vanguard Target Retirement Date Funds offered by the WDC

The frequent trading policy does not apply to the Vanguard Admiral Treasury Money Market Fund, and does not apply to shares purchased with participant contributions (deferrals), or WDC plan-related transactions such as distributions or in-service financial emergency withdrawals.

However, reallocation and rebalancing transactions will not be exempt from the policy. This means that Great-West will need to carefully monitor the accounts of WDC participants using the WDC's Asset Allocation Service.

Vanguard Mutual Funds Redemption Fee Policy

None of the Vanguard funds that are now part of the WDC spectrum of investment options are subject to the recently announced Vanguard redemption fee policy. However, staff is also providing this information so that Board members are current on announced changes in Vanguard's policies.

Reviewed and approved by Dave Stella, Deputy Secretary
Signature _____ Date _____

Table with 3 columns: Board, Mtg Date, Item #. Row 1: DC, 11/15/2005, 8

Effective March 31, 2006, shares exchanged after the close of business into Vanguard mutual funds that charge redemption fees will be subject to those fees when those shares are exchanged out of the funds. Like the frequent trading policy outlined above, this policy will not apply to shares purchased with participant contributions (deferrals), or distributions or in-service financial emergency hardship withdrawals. Recordkeeping firms will be asked by Vanguard to monitor participants' accounts and apply the redemption fee policy.

Great-West has prepared for these changes and does not anticipate any problems in complying with either of Vanguard's new policies.

The Vanguard attachments to this memo provide more detail on these policy changes. ETF staff will be available at the Board meeting in November to answer any questions.

Attachments