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CORRESPONDENCE MEMORANDUM

DATE: March 21, 2005
TO: Wisconsin Deferred Compensation Investment Committee
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: Mutual Fund Investigations Update: Janus and American Funds

At the February 22, 2005, Wisconsin Deferred Compensation (WDC) Board meeting, the Board discussed the ongoing mutual fund investigations. Specifically, the Board talked about two current WDC investment providers: Janus and American Funds. The WDC investment spectrum presently includes both the Janus Fund and the EuroPacific Growth Fund, which is offered by American Funds. This memo provides an update on both investment providers. I will be following up with each of the investment providers discussed here and will keep the Board informed of any new developments.

Janus Fund

The Janus Fund has been part of the WDC since 1994. It is currently closed to new deferrals and will be phased out of the WDC spectrum of investment options during 2005. As of December 31, 2004, 11,1000 WDC participants held shares worth approximately \$63,345,707 in the Janus Fund, with an average account value of \$5,706.

The Board is concerned with potential collateral damage to WDC Janus Fund holders resulting from numerous redemptions that followed the conclusion of investigations into the mutual fund industry and the Janus Capitol Group in particular. At the February 22, 2005, meeting the Board directed staff to send a letter (attached) to Janus. Through this letter, the Board requested inclusion in the pool of shareholders that the independent distribution consultant examines when attempting to identify affected shareholders and regular updates regarding the status of the development of the restoration payment plan and all other matters effecting the final settlement with regulators.

American Funds

The EuroPacific Growth Fund, which is offered by American Funds, opened to WDC participants on February 1, 2005. Shortly after the fund was opened, the National Association of Securities Dealers (NASD) alleged that American Funds violated the NASD Anti-Reciprocal Rule by directing approximately \$100 million in brokerage commissions to top sellers of the American Funds.

American Funds has strongly denied the NASD allegation and believes there are no facts that support this allegation. They have requested a hearing before the NASD, which is pending. Since this is expected to be a lengthy process, I do not have anything new to report at this time.

Attachment

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