

AGENDA AND NOTICE OF MEETING

STATE OF WISCONSIN DEFERRED COMPENSATION BOARD MEETING

Tuesday, November 13, 2007
1:00 p.m.

Department of Employee Trust Funds
801 West Badger Road, Conference Room GB
Madison, Wisconsin

Documents for this meeting are available online at:

http://etf.wi.gov/boards/board_dc.htm

To request a printed copy of the agenda items, please call
Sharon Walk at (608) 267-2417.

Times shown below are estimates only.

☛ *Denotes action item.*

- 1:00 p.m. **☛** 1. **Consideration of Minutes of May 15, 2007, Meeting**
- 1:05 p.m. 2. **2008 Meeting Dates**
- 1:10 p.m. 3. **Legislative Update**
- 1:15 p.m. **☛** 4. **Wisconsin Deferred Compensation (WDC) Benchmarks:
EuroPacific Growth and US Microcap**
- 1:25 p.m. 5. **2007 Quarterly Investment Performance/Benchmark Review**
- Vanguard to discuss performance of the Long Term Corp. Bond Fund
 - Calvert to discuss performance of Calvert Social Equities Fund
- 2:00 p.m. **☛** 6. **FDIC Fixed/Floating Rate Decision**
- 2:15 p.m. **☛** 7. **Barclays MidCap Fee Change Proposal**
- 2:25 p.m. **☛** 8. **Fixed Options Review**
- 2:35 p.m. **☛** 9. **Consideration of a Statutory Revision—Wis. Stats. 40.08(2)**
- 2:45 p.m. **☛** 10. **Consideration of Proposed Wisconsin Administrative Code Scope
Statements**
- ETF 11.11—Amendments Relating to Appointment of Board Counsel
 - ETF 70.08 (3)—Fund Phase Out Start Date
 - ETF 70.10—Emergency Withdrawals
 - ETF 70.02—Definition of Beneficiary
- 3:00 p.m. **☛** 11. **Pension Protection Act Changes to the *Plan and Trust Document***
- 3:10 p.m. **☛** 12. **Designation of Records Custodian**
- 3:15 p.m. **☛** 13. **Consideration of Administrative Rule**
- Clearinghouse Rule 07-066 (Hearsay Evidence)
- 3:20 p.m. **☛** 14. **Excessive Trading Policy Revision**

3:25 p.m.

15. Miscellaneous

Cover memo and informational items, including but not limited to:

- 2006 financial statements audit results
- National Association of Government Defined Contribution Administrators (NAGDCA) Award

Future agenda items

3:30 p.m.

16. Adjournment

The meeting location is handicap accessible. If you need other special accommodations due to a disability, please contact Sharon Walk, Department of Employee Trust Funds, P.O. Box 7931, Madison, Wisconsin, 53707-7931. Telephone: (608) 267-2417 or Wisconsin Relay 7-1-1. E-mail: sharon.walk@etf.state.wi.us.

DRAFT

MINUTES OF MEETING
STATE OF WISCONSIN
DEFERRED COMPENSATION BOARD

May 15, 2007
1:00 p.m.

801 West Badger Road
Conference Room GB
Madison, Wisconsin

BOARD PRESENT:

Edward Main, Chair
John Nelson, Vice-Chair
Martin Beil, Secretary
Michael Drury
Gail Hanson

PARTICIPATING STAFF:

Dave Stella, Deputy Secretary
Shelly Schueller, Director, Wisconsin Deferred
Compensation Program
Sharon Walk, Board Liaison
Bob Willett, Controller, Division of Trust Finance and
Employer Services

OTHERS PRESENT:

Jim Bye, Great-West Retirement Services
Bob Conlin, Office of the Secretary
Mike Cullen, Federated Investments
Rhonda Dunn, Office of the Secretary
Brent Hartman, Fidelity Investments
Bob Hurbanek, Federated Investments
Dave McLeod, Advised Assets Group
Sue Oelke, Great-West Retirement Services
Alex Roitz, Advised Assets Group
John Vincent, Division of Trust Finance and Employer Services

Edward Main, Chair, called the Deferred Compensation Board (Board) meeting to order at 1:00 p.m.

Consideration of Minutes of November 14, 2006, and November 29, 2006, Meetings

Motion: Ms. Hanson moved acceptance of the minutes of the November 14, 2006, and November 29, 2006, meetings as submitted by the Board Liaison. Mr. Beil seconded the motion, which passed without objection on a voice vote.

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Election of Officers

Motion: Mr. Beil moved to cast a unanimous ballot for the current slate of officers (Chair/Ed Main, Vice-Chair/John Nelson and Secretary/Martin Beil) for another one-year term. Mr. Drury seconded the motion, which passed without objection on a voice vote.

Participant Fee Recommendation

Bob Willett, CPA and Chief Trust Financial Officer for the Department of Employee Trust Funds (Department), discussed his memo to the Board regarding participant fees. Mr. Willett asked that the Board consider reducing participant fees. He explained that the reserves in the administrative account are larger than needed, and will continue to grow under any foreseeable market conditions. The goal of a fee reduction would be to slowly reduce the reserves back down to the 50% of expenses target, while minimizing the possibility of future participant fee increases. He noted that participant fees are based on a tiered fee schedule. Mr. Willett recommended that the Board consider reducing participant fees as follows:

1. Fees in each tier reduced by one-third.
2. Fees in accounts with balances under \$5,000 reduced to zero.
3. The highest fee tier (accounts in excess of \$150,000) reduced to the over \$100,000 tier.

The following chart illustrates the current and proposed monthly fee schedule:

Participant Account Balance			Current Monthly Fee	Proposed Monthly Fee	% Reduction
At Least	But Not More Than	# of Accounts			
\$ 1	\$ 5,000	8,354	\$ 0.50	\$ 0.00	100.0%
\$ 5,000	\$ 25,000	15,067	\$ 1.50	\$ 1.00	33.3%
\$ 25,000	\$ 50,000	7,834	\$ 3.00	\$ 2.00	33.3%
\$ 50,000	\$ 100,000	6,543	\$ 6.00	\$ 4.00	33.3%
\$ 100,000	\$ 150,000	2,817	\$ 8.33	\$ 5.50	34.0%
\$ 150,000		2,916	\$ 10.00	\$ 5.50	45.0%
Total / Average			\$ 3.27	\$ 2.03	37.8%

Motion: Ms. Hanson moved that the Board approve the fee structure as recommended. Mr. Drury seconded the motion, which passed without objection on a voice vote.

2006 Investment Performance/Benchmark Review

Ms. Schueller informed the Board that, at the request of the Deferred Compensation Investment Committee (DCIC), staff is monitoring the performance of the Wisconsin Deferred Compensation (WDC) program's fixed options. The WDC program has two fixed fund options that are very similar in investment objective and performance: the Federal Deposit Insurance

Corporation (FDIC) bank option and the Vanguard Admiral Money Market option. Staff plans to have a final analysis and recommendation for the Board to consider at the November 2007 meeting. Ms. Schueller also noted that the WDC program continues to grow. At the end of 2006, the program exceeded \$2 billion in assets.

Alex Roitz, Senior Analyst, Advised Assets Group (AAG), presented the *Fund Performance Review as of December 31, 2006*, to the Board. The report consists of a first quarter update, an executive summary, fund highlights and observations, performance benchmarking, lifecycle options, economic overview, the Board's Investment Policy Statement and benchmarks, and a glossary.

Mr. Roitz noted that the Board's investment policy statement requires the funds to outperform at least one of their respective benchmarks over the five-year period. He stated that every fund is meeting or exceeding this expectation.

Mutual Fund Industry Update

Ms. Schueller referred the Board to the memo summarizing several developments in the mutual fund industry that may have an effect on the investment options provided in the WDC Program. Brent Hartman, Senior Relationship Manager, Fidelity Investments, discussed the investigation of some of its equity traders and supervisors who accepted travel, entertainment, gifts and gratuities (TEGG) from broker-dealers. As a result of investigations by the National Association of Securities Dealers (NASD) and the Independent Trustees of the Fidelity Funds, Fidelity has agreed to pay \$42 million plus interest to the Fidelity Mutual Funds. In addition, all Fidelity employees are required to complete training about gifts and gratuities. Employees who were involved in the receipt of TEGG have been terminated, fined or removed from the trading desk.

Ms. Schueller noted that at the February 27, 2007, DCIC meeting, the Committee members asked that Department staff research the issue of Sudan investments and divestments. In addition, some participants have asked that the Board consider eliminating fund options that have a Sudan connection. Ms. Schueller asked the Board to provide guidance with respect to this issue and the appropriate responses. The Board directed staff to place information on the WDC website which will direct interested participants to other sites that provide additional information about socially-conscious investing, including the Sudan divestment movement. Ms. Schueller will also prepare an article on socially conscious investing for the *Money Talks* newsletter.

Pension Protection Act Update

Ms. Schueller discussed the Pension Protection Act of 2006 (PPA). She referred Board members to her memo which discussed the PPA and the effect on s. 457 defined benefit plans. Ms. Schueller asked that the Board consider revising the Plan and Trust Document to include the following provisions authorized by the PPA:

1. Section 824, permitting rollovers to Roth IRAs;
2. Section 826, expanding financial emergency hardship withdrawals to include beneficiary hardships;
3. Section 829, adding non-spouse beneficiary rollovers; and

4. Section 845, providing tax-exempt distributions from the WDC of up to \$3,000 for retired public safety officers paying health and long term care insurance premiums directly to insurance companies.

Motion: Ms. Hanson moved to direct staff to work on the changes to the Plan and Trust Document as recommended by staff and to delegate signature approval to the Deferred Compensation Board Chair to approve the modified Plan and Trust document language, with a priority on items that have a December 31, 2006, deadline. Mr. Drury seconded the motion, which passed without objection on a voice vote.

Great-West Retirement Services (GWRS) Contract Trade-offs

At the November 2006 Board meeting, the Board approved amendments to the administrative services contract which adjusted the starting participation number to reflect the actual number of WDC participants at transition to GWRS and provided a net increased participation goal of 3.5 percent for each of the next five years. As of December 31, 2006, there were 43,743 WDC participant accounts, 587 less than the 44,300 required in the administrative services contract. If the contract's penalty clause were invoked, GWRS would be required to pay the Board \$26,004. Ms. Schueller presented a chart to the Board that described uncompensated additional services. GWRS would like these services to be considered in lieu of the penalty assessment. The total value of the services provided was \$45,419. The recommendation of staff is to waive the penalty clause in lieu of the service enhancements offered by GWRS.

Motion: Mr. Beil moved to waive the penalty clause in lieu of the service enhancements provided by GWRS. Mr. Nelson seconded the motion, which passed without objection on a voice vote.

Schwab Personal Choice Retirement Account

Ms. Schueller explained that she has received questions from participants about the Board's decision to limit options available through the self-directed brokerage option to mutual funds only. The DCIC discussed this at the February 27, 2007, meeting and decided it would be prudent for the Board to review this decision again and determine if it wanted to expand access to include exchange traded funds and stocks. The Board discussed pros and cons, including liability issues, and determined that it did not wish to make any changes to the self-directed brokerage option at this time.

Loans

Ms. Schueller discussed requests that she has received from some participants desiring the ability to obtain loans from their WDC accounts. The Board discussed this issue and determined that retirement plan loans were not in the best interest of the participants and, therefore, it would not be making changes to the plan to allow loans at this time.

Reality Investing

The PPA clarified that financial advice may be offered to participants via professionally managed accounts. David McLeod, Managing Director of Advised Assets Group, provided the Board with an overview of "Reality Investing," the managed account service offered by GWRS.

Motion: Mr. Drury moved to accept the program.

After further discussion by the Board, Mr. Drury withdrew his motion.

Motion: Ms. Hanson moved to defer this matter to the DCIC for the purpose of further analysis and due diligence research with the understanding that the DCIC will make a recommendation to the Board at the November 27, 2007, meeting. Mr. Beil seconded the motion, which passed without objection on a voice vote.

Miscellaneous

Numerous informational items were presented to the Board.

Adjournment

Motion: Ms. Hanson moved to adjourn. Mr. Nelson seconded the motion, which passed without objection on a voice vote.

The meeting was adjourned at 4:06 p.m.

Date Approved: _____

Signed: _____

Martin Beil, Secretary
Deferred Compensation Board



STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

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CORRESPONDENCE MEMORANDUM

DATE: October 17, 2007
TO: Deferred Compensation Board
FROM: Sharon Walk
Board Liaison
SUBJECT: 2008 Meeting Dates

The following are the 2008 meeting dates for the Deferred Compensation Board. Please check your schedules to determine if these dates will be convenient for you. You will receive information on specific times prior to each meeting.

Tuesday	February 26, 2008
Tuesday	May 20, 2008
Tuesday	November 11, 2008

If you have questions, please feel free to contact me at (608) 267-2417.

Reviewed and approved by Bob Conlin, Deputy Secretary

Signature

Date

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Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: October 30, 2007
TO: Wisconsin Deferred Compensation Board
FROM: Mary Alice McGreevy, Compliance Officer
Quality Assurance Services Bureau
SUBJECT: Legislative Update -- § 457(b) Roth Option & Sudan Divestment Bill

The following is provided for the Board's information. No action is required. Staff will be available at the November 13, 2007, meeting to answer questions.

457(b) Roth Option in Appropriations Bill

An appropriations bill being considered by Congress contains a provision that would allow governmental § 457(b) plans to offer a qualified Roth contribution option as is currently permitted in §§ 401 and 403(b) plans. The provision would allow participants in § 457(b) governmental plans, like the Wisconsin Deferred Compensation program, to make designated after-tax Roth account contributions. Generally, distributions from these accounts may be tax exempt. Although the Pension Protection Act of 2006 permits direct rollovers for Roth IRAs, no other Roth options are currently available through governmental § 457(b) plans.

The Sudan Accountability & Divestment (SADA) Act

The Senate Committee on Banking, Housing and Urban Affairs recently passed the SADA out of committee. The SADA provides a legal framework by which states and local governments can divest from Sudan. The SADA authorizes any state to adopt measures to prohibit any investment of a public pension, retirement fund, annuity or similar instrument managed by the state in the Government of Sudan, or in any company with a qualifying business relationship with Sudan, during any period in which the Government of Sudan, or the officials of such government, are subject to sanctions authorized under various federal laws and executive orders.

Staff will continue to monitor these items as they move through the legislative process.

Reviewed and approved by Robert J. Conlin, Deputy Secretary

Signature

Date

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CORRESPONDENCE MEMORANDUM

DATE: October 18, 2007
TO: Deferred Compensation Board
FROM: Shelly Schueller
SUBJECT: WDC Benchmarks: EuroPacific Growth and US Microcap

One of the core investment options in the Wisconsin Deferred Compensation (WDC) Program changed its benchmark index in early 2007, and the Board discussed possible changes to another fund's benchmark index at the May 2007 meeting. This memo explains what has occurred with the funds and provides the Investment Committee's recommendations regarding benchmarks for the Board's consideration.

The Board is asked approve the Investment Committee's benchmarking recommendations.

EUROPACIFIC GROWTH FUND (AMERICAN FUNDS)

In the March 31, 2007, EuroPacific Growth Fund annual report, American Funds reported that it had replaced the primary benchmark index for the EuroPacific Growth Fund, the MSCI Europe, Australasia, Far East (EAFE) Index, with the MSCI All Country World Index (ACWI).

The MSCI ACWI is designed to measure equity market performance in developed and emerging markets, excluding the United States. The index consists of forty-seven developed and emerging market country indices. American Funds made the change to this index because it believes the MSCI ACWI better reflects the EuroPacific Growth Fund's investment universe. Department staff and the Investment Committee agree that the Board should also use the MSCI ACWI as the primary benchmark for the fund instead of the MSCI EAFE Index.

US MICROCAP FUND (Dimensional Fund Advisors or DFA)

The Board discussed the US Microcap Fund at its May 2007 meeting and the use of the Russell 2000 as the benchmark index. The Board directed staff to determine if there is a different benchmark index the WDC should be using with regard to this fund. At the Department's request, Alex Roitz from Advised Assets Group (AAG) reviewed the benchmark indices used by DFA and the WDC for the US Microcap Fund. Mr. Roitz learned that DFA has not changed its primary benchmark index; DFA still lists the Russell 2000 in the prospectus as a reference point. Mr. Roitz recommended including the Russell Microcap Index as another benchmark index for this fund. Department staff and the Investment Committee concurred with his recommendation.

RECOMMENDATIONS

The Investment Committee recommends that the Board consider the following:

- 1) EuroPacific Growth: prospectively replacing the MSCI EAFE Index with the MSCI ACWI; and
2) US Microcap: adding the Russell Microcap as another benchmark used by the WDC.

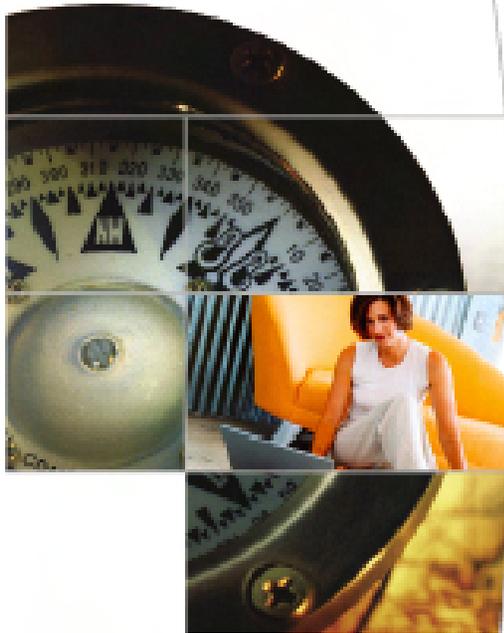
Staff will be available at the meeting to discuss this memo with the Board.

Reviewed and approved by Robert J. Conlin, Deputy Secretary
Signature Date

Table with 3 columns: Board, Mtg Date, Item #. Row 1: DC, 11/13/2007, 4

**Wisconsin Deferred
Compensation Plan
Fund Performance Review**

June 30, 2007



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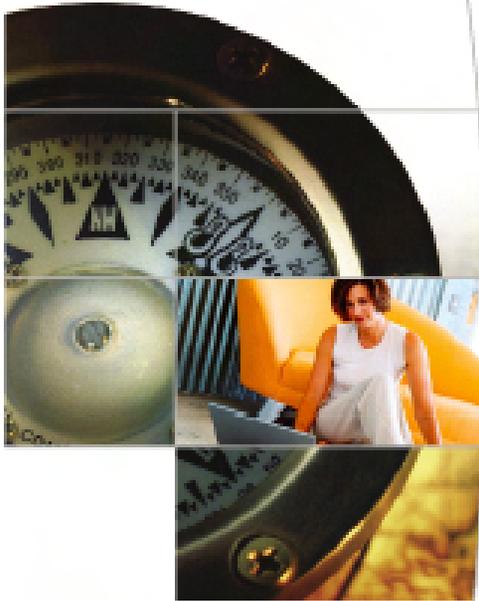
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Section

- I. 9/30/2007 Performance Update**
- II. Executive Summary**
 - Plan Compliance Report Card
 - Rolling 3 year Quartile Rankings
 - Assets Summary
 - Expense Ratio Summary
 - Weighted Average Return
- III. Fund Highlights and Observations**
- IV. Performance Benchmarking**
 - Risk, Style Drift and Portfolio Construction
- V. Lifecycle Options**
- VI. Economic Overview**
 - Morningstar Pages
- VII. Investment Policy Statement and Benchmarks**

Appendix: Glossary of Terms

9/30/2007 Update



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= Options which have trailed their respective benchmarks over a five year period.

Name	Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret Annlzd 10 Yr	Total Net Assets \$M	Expense Ratio
American Funds EuroPacific Gr R5	27.90	25.64	24.66	11.32	120,631.69	0.53
MSCI AC World Ex USA NR USD	30.54	26.01	25.84	--	--	--
MSCI EAFE Free NR USD	24.87	23.24	23.55	7.95	--	--
Lipper International Funds	26.29	23.11	22.62	8.04	--	--
Cat: Foreign Large Blend	26.18	23.06	22.08	7.29	3,992.72	1.53
Barclay's EAFE Equity Index Fund W	24.97	23.29	23.34	--	--	0.10
MSCI EAFE Ndtr_D	24.86	23.24	23.55	7.97	--	--
DFA U.S. Micro Cap	11.55	13.20	20.40	10.57	5,094.01	0.53
Russell 2000	12.34	13.36	18.75	7.22	--	--
Russell Micro Cap TR	9.68	11.15	19.46	--	--	--
Cat: Small Blend	13.61	13.54	18.18	8.71	830.76	1.44
Barclay's Russell 2000 Index Fd	12.34	13.31	18.60	--	--	0.05
Russell 2000	12.34	13.36	18.75	7.22	--	--
T. Rowe Price Mid-Cap Growth	25.71	17.94	20.99	11.70	18,088.80	0.80
Lipper Mid Cap Growth	25.51	16.79	17.61	7.42	--	--
Russell Midcap Growth	21.22	17.01	20.39	7.47	--	--
Standard & Poor's Midcap 400	18.76	15.63	18.17	11.59	--	--
Cat: Mid Growth	24.64	16.49	17.68	7.70	1,008.62	1.52
Barclay's Mid Cap Equity Index Fund W	18.79	15.75	18.25	--	--	0.04
Standard & Poor's Midcap 400	18.76	15.63	18.17	11.59	--	--
Calvert Social Investment Equity I	15.88	11.83	13.43	7.99	1,379.08	0.68
Standard & Poor's 500	16.44	13.14	15.45	6.57	--	--
Calvert Social Index	13.44	10.92	14.04	--	97.43	0.21
Lipper MultiCap Core	17.02	13.55	15.59	7.20	--	--
Morningstar Socially Resp Large Cap Index	14.67	11.58	13.81	5.67	533.66	1.23
Fidelity Contrafund	24.38	18.20	17.67	10.31	78,354.25	0.90
Standard & Poor's 500	16.44	13.14	15.45	6.57	--	--
Lipper Growth Fund Average	20.43	12.02	12.71	4.56	--	--
Cat: Large Growth	20.57	12.93	14.08	5.03	3,621.80	1.41

DATA SOURCE:
Morningstar 6/30/2007

Note: BGI Index Funds are reported net of fees

Grey bars indicate fund benchmarks; white indicates current funds

 = Options which have trailed their respective benchmarks over a five year period.

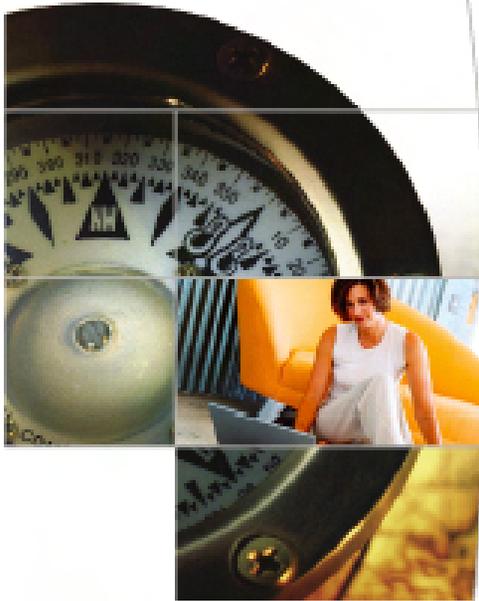
Name	Tot Ret 1	Tot Ret	Tot Ret	Tot Ret	Total Net Assets \$M	Expense Ratio
	Yr	Annlzd 3 Yr	Annlzd 5 Yr	Annlzd 10 Yr		
Vanguard Inst Index Plus Info	16.46	13.16	15.47	6.65	72,834.10	0.02
Standard & Poor's 500	16.44	13.14	15.45	6.57	--	--
Vanguard Wellington Adm	15.46	12.82	13.99	8.87	50,807.29	0.17
Lipper Balanced Fund	12.57	9.93	10.96	5.93	--	--
Cat: Moderate Allocation	12.89	10.30	11.69	6.20	3,847.96	1.39
65% S&P Barra Value/35% Lehman Agg	12.27	11.68	13.14	7.33	--	--
Vanguard Long-Term Investment-Grade Adm	2.45	3.99	5.14	6.58	5,819.75	0.12
Lehman Brothers LT Corp A or Better	2.06	3.70	5.53	6.37	--	--
Cat: Long-Term Bond	4.03	3.65	6.26	6.07	610.08	0.86
Barclay's US Debt Index	5.18	3.87	4.15	--	--	0.05
Lehman Brothers Aggregate Bond	5.14	3.86	4.13	5.97	--	--
Federated U.S. Govt: 2-5 Yr Instl	5.79	3.09	2.80	5.06	631.83	0.60
Merrill Lynch 3-5 Year Treasury	6.33	3.28	3.05	5.60	--	--
Lipper Short-Inter U.S.	4.41	3.06	2.83	4.77	--	--
Cat: Short Government	4.74	2.98	2.48	4.36	421.54	0.94
Vanguard Adm Money Market	4.99	3.93	2.77	3.65	19,679.15	0.13
iMoneyNet Average Treasury MM	4.27	3.24	2.14	3.06	--	--

Note: BGI Index Funds are reported net of fees

Grey bars indicate fund benchmarks; white indicates current funds

DATA SOURCE: Morningstar
6/30/2007

Executive Summary



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= Options which have trailed their respective benchmarks over a five year period.

Name	Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret Annlzd 10 Yr	Total Net Assets \$M	Expense Ratio
American Funds EuroPacific Gr R5	27.61	23.74	18.72	11.03	114,156.40	0.53
MSCI AC World Ex USA NR USD	29.62	24.52	19.45	--	--	--
MSCI EAFE Free NR USD	27.00	22.24	17.73	7.63	--	--
Lipper International Funds Cat: Foreign Large Blend	27.02	21.76	16.61	7.97	--	--
	26.76	21.74	16.02	7.15	3,873.59	1.53
Barclay's EAFE Equity Index Fund W	27.11	22.08	17.44	--	--	0.10
MSCI EAFE Ndtr_D	27.00	22.24	17.73	7.66	--	--
DFA U.S. Micro Cap	15.98	13.09	15.89	13.15	4,938.24	0.53
Russell 2000	16.43	13.45	13.88	9.06	--	--
Russell Micro Cap TR	14.21	10.79	14.64	--	--	--
Cat: Small Blend	17.02	14.19	13.86	10.82	823.62	1.44
Barclay's Russell 2000 Index Fd	16.28	13.35	13.76	--	--	0.05
Russell 2000	16.43	13.45	13.88	9.06	--	--
T. Rowe Price Mid-Cap Growth	21.46	15.77	15.25	12.53	17,200.81	0.80
Lipper Mid Cap Growth	18.81	13.20	12.39	8.18	--	--
Russell Midcap Growth	19.73	14.48	15.45	8.66	--	--
Standard & Poor's Midcap 400	18.51	15.15	14.17	13.37	--	--
Cat: Mid Growth	19.00	13.26	12.61	8.65	968.92	1.52
Barclay's Mid Cap Equity Index Fund W	18.53	15.27	14.25	--	--	0.04
Standard & Poor's Midcap 400	18.51	15.15	14.17	13.37	--	--
Calvert Social Investment Equity I	14.61	8.79	8.41	8.40	1,304.57	0.68
Standard & Poor's 500	20.59	11.68	10.71	7.13	--	--
Calvert Social Index	18.08	8.74	9.30	--	90.32	0.21
Lipper MultiCap Core	19.27	12.12	11.03	8.14	--	--
Morningstar Socially Resp Large Cap Index	17.67	9.97	9.26	6.41	505.53	1.23
Fidelity Contrafund	16.98	15.26	13.67	10.79	72,621.28	0.90
Standard & Poor's 500	20.59	11.68	10.71	7.13	--	--
Lipper Growth Fund Average	16.37	8.15	7.71	4.89	--	--
Cat: Large Growth	17.17	9.27	8.96	5.47	3,428.57	1.40

DATA SOURCE:
Morningstar 6/30/2007

Note: BGI Index
Funds are reported
net of fees

Grey bars indicate fund benchmarks; white indicates current funds

 = Options which have trailed their respective benchmarks over a five year period.

Name	Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret Annlzd 10 Yr	Total Net Assets \$M	Expense Ratio
Vanguard Inst Index Plus Info	20.57	11.69	10.75	7.20	68,859.20	0.02
Standard & Poor's 500	20.59	11.68	10.71	7.13	--	--
Vanguard Wellington Adm	17.78	12.33	10.71	9.21	48,598.77	0.17
Lipper Balanced Fund	14.50	9.04	8.29	6.40	--	--
Cat: Moderate Allocation	14.94	9.61	8.93	6.70	3,777.66	1.40
65% S&P Barra Value/35% Lehman Agg	16.14	11.67	10.21	7.86	--	--
Vanguard Long-Term Investment-Grade Adm	7.43	5.39	6.28	6.91	5,832.04	0.12
Lehman Brothers LT Corp A or Better	7.64	5.44	6.62	6.71	--	--
Cat: Long-Term Bond	7.31	4.81	6.89	6.48	693.59	0.86
Barclay's US Debt Index	6.15	4.00	4.48	--	--	0.05
Lehman Brothers Aggregate Bond	6.12	3.98	4.48	6.02	--	--
Federated U.S. Govt: 2-5 Yr Instl	4.98	2.55	3.07	4.94	631.64	0.60
Merrill Lynch 3-5 Year Treasury	5.37	2.80	3.54	5.49	--	--
Lipper Short-Inter U.S.	4.68	2.83	3.00	4.78	--	--
Cat: Short Government	4.77	2.68	2.61	4.38	398.47	0.94
Vanguard Adm Money Market	5.03	3.63	2.61	3.66	18,033.21	0.13
iMoneyNet Average Treasury MM	4.36	2.95	2.00	3.08	--	--

Note: BGI Index Funds are reported net of fees

Grey bars indicate fund benchmarks; white indicates current funds

DATA SOURCE: Morningstar
6/30/2007

Rolling 3 Year Quartile Rankings

<u>Name</u>	<u>2007</u> <u>Q2</u>	<u>2007</u> <u>Q1</u>	<u>2006</u> <u>Q4</u>	<u>2006</u> <u>Q3</u>	<u>2006</u> <u>Q2</u>	<u>2006</u> <u>Q1</u>	<u>2005</u> <u>Q4</u>	<u>2005</u> <u>Q3</u>	<u>2005</u> <u>Q2</u>	<u>2005</u> <u>Q1</u>	<u>2004</u> <u>Q4</u>	<u>2004</u> <u>Q3</u>
American Funds EuroPacific Gr R5	81	75	88	86								
Calvert Social Investment Equity I	46	59	59	60								
DFA U.S. Micro Cap	39	44	48	55								
Federated U.S. Govt: 2-5 Yr Instl	39	91	40	34								
Fidelity Contrafund	96	99	98	99								
T. Rowe Price Mid-Cap Growth	78	82	77	83								
Vanguard Institutional Index Instl PI	54	62	74	67								
Vanguard Long-Term Inv Grade Adm	67	68	80	72								
Vanguard Wellington Adm	90	89	91	91								

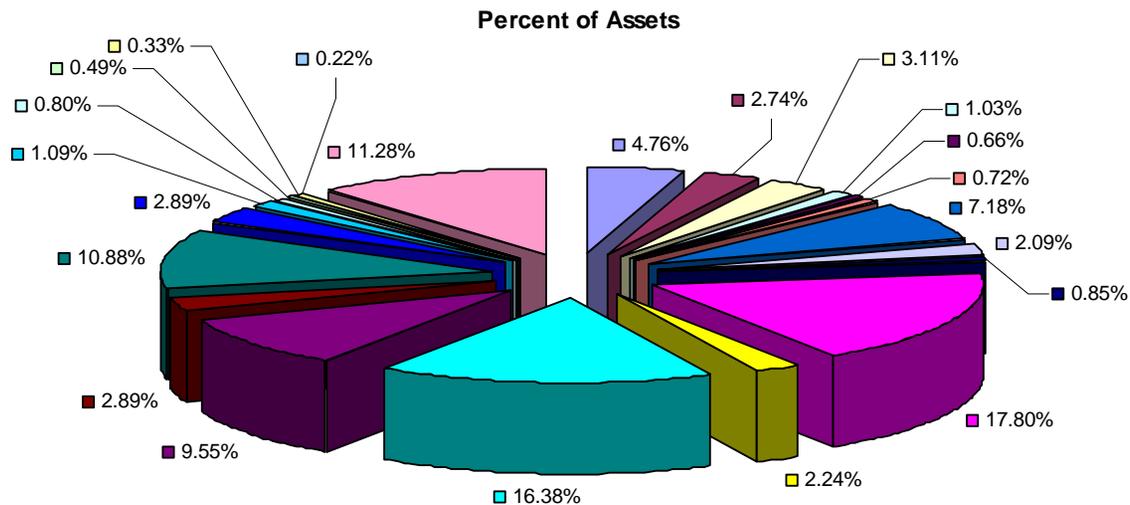
76-100	1st Quartile
51-75	2nd Quartile
26-50	3rd Quartile
1-25	4th Quartile

DATA SOURCE: Morningstar
6/30/2007

Plan Asset Summary

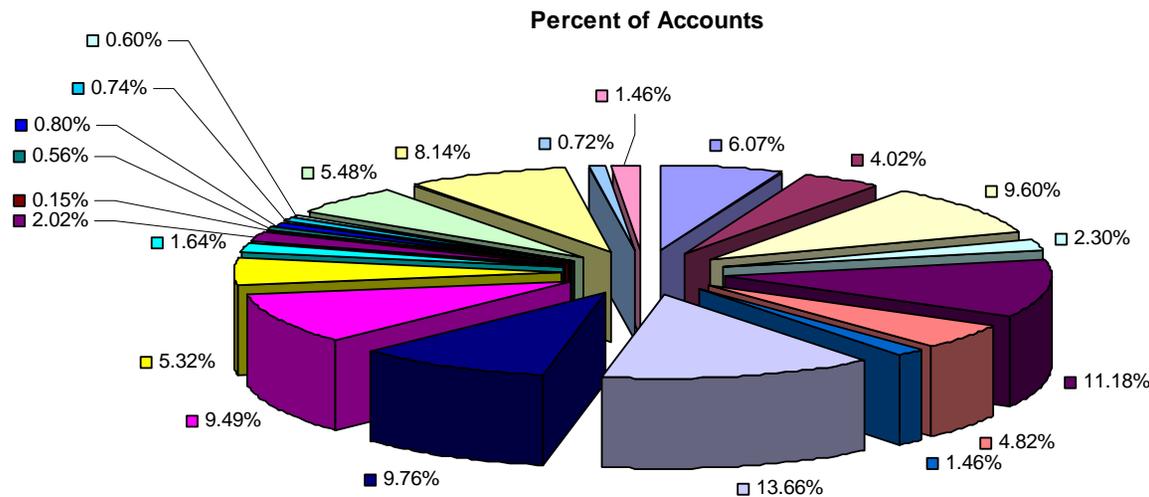
	Plan Inception Date	Fund Net Assets	WDC Assets in Fund	WDC as a Percentage of Fund Assets	Fund as a Percentage of WDC Assets	Number of Participants	Percentage of WDC Participants Utilizing Fund
American Funds EuroPacific Gr R5	01/28/2005	\$114,156,397,906	\$105,104,963.63	0.09%	4.76%	11,565	25.81%
Barclay's EAFE Equity Index Fund W	02/01/2001	N/A	\$60,589,363.71	N/A	2.74%	7,659	17.09%
DFA U.S. Micro Cap	02/01/1997	\$4,938,244,079	\$158,539,059.47	3.21%	7.18%	18,275	40.78%
Barclay's Russell 2000 Index Fd	02/20/2004	N/A	\$22,771,080.97	N/A	1.03%	4,385	9.78%
T. Rowe Price Mid-Cap Growth	02/01/1998	\$17,200,814,748	\$210,951,554.75	1.23%	9.55%	21,293	47.51%
Barclay's Mid Cap Equity Index Fund W	02/01/2001	N/A	\$68,701,596.12	N/A	3.11%	9,176	20.48%
Calvert Social Investment Equity I	04/18/2003	\$1,304,570,439	\$15,991,455.36	1.23%	0.72%	2,789	6.22%
Fidelity Contrafund	01/31/1994	\$72,621,284,636	\$393,146,211.89	0.54%	17.80%	26,007	58.03%
Vanguard Inst Index Plus Info	09/09/1990	\$68,859,203,614	\$240,450,143.61	0.35%	10.88%	18,584	41.47%
Vanguard Wellington Adm	10/26/2001	\$48,598,768,790	\$249,253,623.42	0.51%	11.28%	18,064	40.31%
Vanguard Long-Term Investment-Grade Adm	10/26/2001	\$5,832,035,746	\$63,941,338.41	1.10%	2.89%	10,128	22.60%
Barclay's US Debt Index	02/01/2001	N/A	\$14,517,453.54	N/A	0.66%	3,119	6.96%
Federated U.S. Govt: 2-5 Yr Instl	02/03/1992	\$631,638,578	\$18,714,253.90	2.96%	0.85%	3,848	8.59%
Vanguard Target Ret Income	07/29/2005	\$1,196,603,710	\$4,866,968.97	0.41%	0.22%	279	0.62%
Vanguard Target Ret 2015	07/29/2005	\$6,026,659,674	\$24,168,398.79	0.40%	1.09%	1064	2.37%
Vanguard Target Ret 2025	07/29/2005	\$6,124,930,307	\$17,637,075.17	0.29%	0.80%	1526	3.41%
Vanguard Target Ret 2035	07/29/2005	\$4,124,995,770	\$10,921,395.52	0.26%	0.49%	1407	3.14%
Vanguard Target Ret 2045	07/29/2005	\$2,003,581,277	\$7,187,619.57	0.36%	0.33%	1133	2.53%
Vanguard Adm Money Market	10/01/1993	\$18,033,213,260	\$63,952,705.27	0.35%	2.89%	10,442	23.30%
Stable Value Fund	09/01/1996	N/A	\$361,949,295.35	N/A	16.38%	15,504	34.60%
Schwab PCRA	02/17/2000	N/A	\$49,538,434.77	N/A	2.24%	1378	3.07%
FDIC Option	12/31/1996	N/A	\$46,202,616.39	N/A	2.09%	2,783	6.21%

Total WDC Assets (as of 6/30/2007): \$2,209,096,608.58



American Funds EuroPacific Gr R5 - 4.76%	Barclay's EAFE Equity Index Fund W - 2.74%	Barclay's Mid Cap Equity Index Fund W - 3.11%
Barclay's Russell 2000 Index Fd - 1.03%	Barclay's US Debt Index - 0.66%	Calvert Social Investment Equity I - 0.72%
DFA U.S. Micro Cap - 7.18%	FDIC Option - 2.09%	Federated U.S. Govt: 2-5 Yr Instl - 0.85%
Fidelity Contrafund - 17.80%	Schwab PCRA - 2.24%	Stable Value Fund - 16.38%
T. Rowe Price Mid-Cap Growth - 9.55%	Vanguard Adm Money Market - 2.89%	Vanguard Inst Index Plus Info - 10.88%
Vanguard Long-Term Investment-Grade Adm - 2.89%	Vanguard Target Ret 2015 - 1.09%	Vanguard Target Ret 2025 - 0.80%
Vanguard Target Ret 2035 - 0.49%	Vanguard Target Ret 2045 - 0.33%	Vanguard Target Ret Income - 0.22%
Vanguard Wellington Adm - 11.28%		

Total Number of WDC Participant Accounts (as of 6/30/2007): 190,408



American Funds EuroPacific Gr R5 - 6.07%	Barclay's EAFE Equity Index Fund W - 4.02%	DFA U.S. Micro Cap - 9.60%
Barclay's Russell 2000 Index Fd - 2.30%	T. Rowe Price Mid-Cap Growth - 11.18%	Barclay's Mid Cap Equity Index Fund W - 4.82%
Calvert Social Investment Equity I - 1.46%	Fidelity Contrafund - 13.66%	Vanguard Inst Index Plus Info - 9.76%
Vanguard Wellington Adm - 9.49%	Vanguard Long-Term Investment-Grade Adm - 5.32%	Barclay's US Debt Index - 1.64%
Federated U.S. Govt: 2-5 Yr Instl - 2.02%	Vanguard Target Ret Income - 0.15%	Vanguard Target Ret 2015 - 0.56%
Vanguard Target Ret 2025 - 0.80%	Vanguard Target Ret 2035 - 0.74%	Vanguard Target Ret 2045 - 0.60%
Vanguard Adm Money Market - 5.48%	Stable Value Fund - 8.14%	Schwab PCRA - 0.72%
FDIC Option - 1.46%		

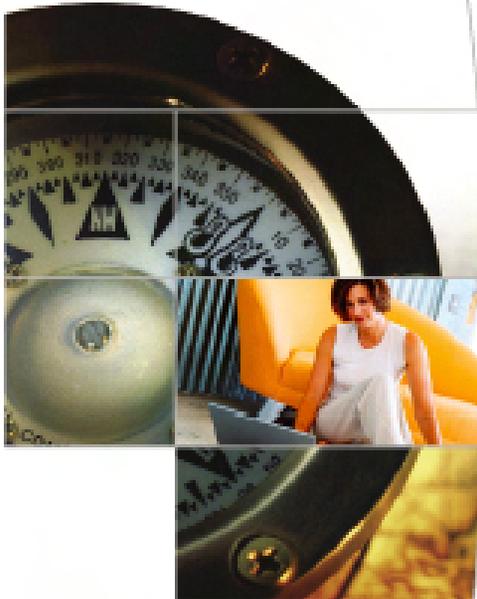
Fund Expense v. Category

Name	Expense Ratio
American Funds EuroPacific Gr R5	0.53
Cat: Foreign Large Blend	1.53
Barclay's EAFE Equity Index Fund W	0.10
Morningstar Foreign Large Blend Index	0.81
DFA U.S. Micro Cap	0.53
Cat: Small Blend	1.44
Barclay's Russell 2000 Index Fd	0.05
Morningstar Small Cap Blend Index	0.85
T. Rowe Price Mid-Cap Growth	0.80
Cat: Mid Growth	1.52
Barclay's Mid Cap Equity Index Fund W	0.04
Morningstar Mid Cap Blend Index	0.78
Calvert Social Investment Equity I	0.68
Morningstar Socially Resp Large Cap Index	1.23

Name	Expense Ratio
Fidelity Contrafund	0.90
Cat: Large Growth	1.40
Vanguard Inst Index Plus Info	0.02
Morningstar Large Cap Blend Index	0.60
Vanguard Wellington Adm	0.17
Cat: Moderate Allocation	1.40
Vanguard Long-Term Investment-Grade Adm	0.12
Cat: Long-Term Bond	0.86
Barclay's US Debt Index	0.05
Morningstar Intermediate Bond Index	0.43
Federated U.S. Govt: 2-5 Yr Instl	0.60
Cat: Short Government	0.94
Vanguard Adm Money Market	0.13
Average US Money Market Fund	0.65

- The weighted average return for WDC participants as of 6/30/2007 was 15.63%
- Much of this can be attributed to a 17.80% weighting in the Fidelity Contrafund which returned about 17%
- Other contributing factors were:
 - 7.5% exposure to international investments which had an average return of 27.36%
 - An 11% weighting to the Vanguard Index which returned 20.57%
 - An 16.38% weighting to the Wisconsin Stable Value Fund which returned 5.16%
- Note: Participant weighted average return excludes the self directed brokerage accounts

Fund Highlights and Observations



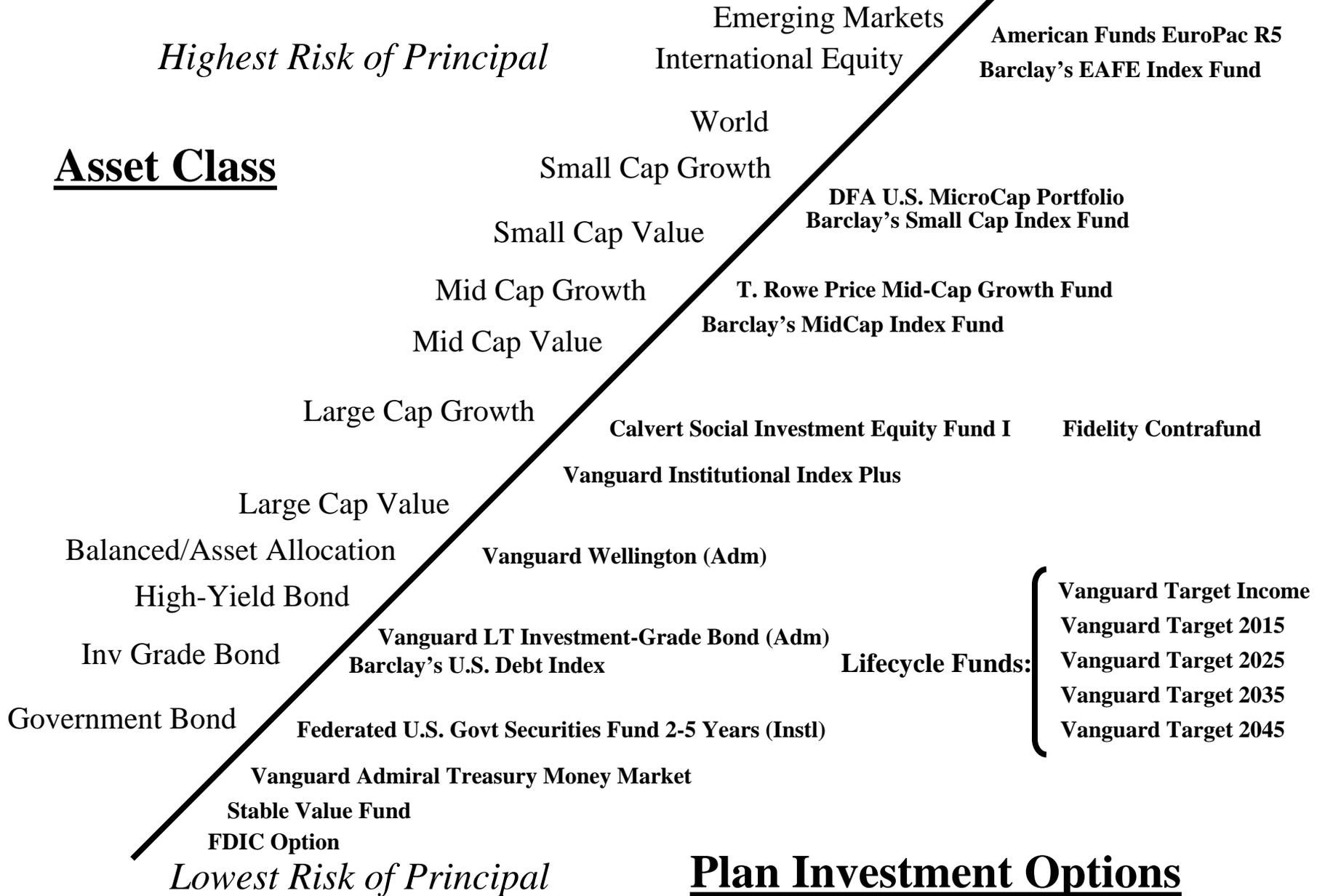
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Put Our Power Behind You™

Wisconsin Plan Options

Highest Risk of Principal

Asset Class

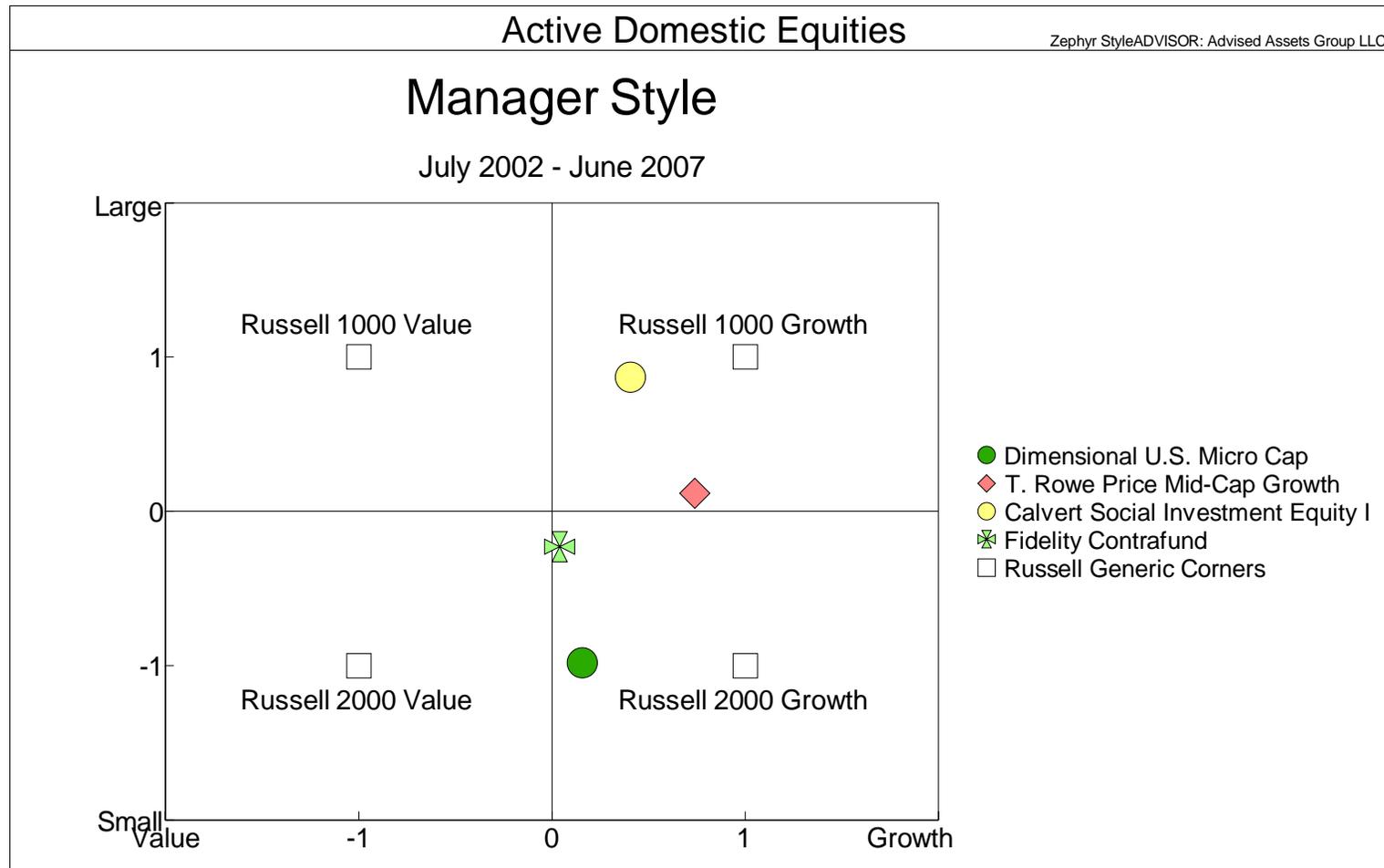


- Lifecycle Funds:**
- Vanguard Target Income
 - Vanguard Target 2015
 - Vanguard Target 2025
 - Vanguard Target 2035
 - Vanguard Target 2045

Plan Investment Options

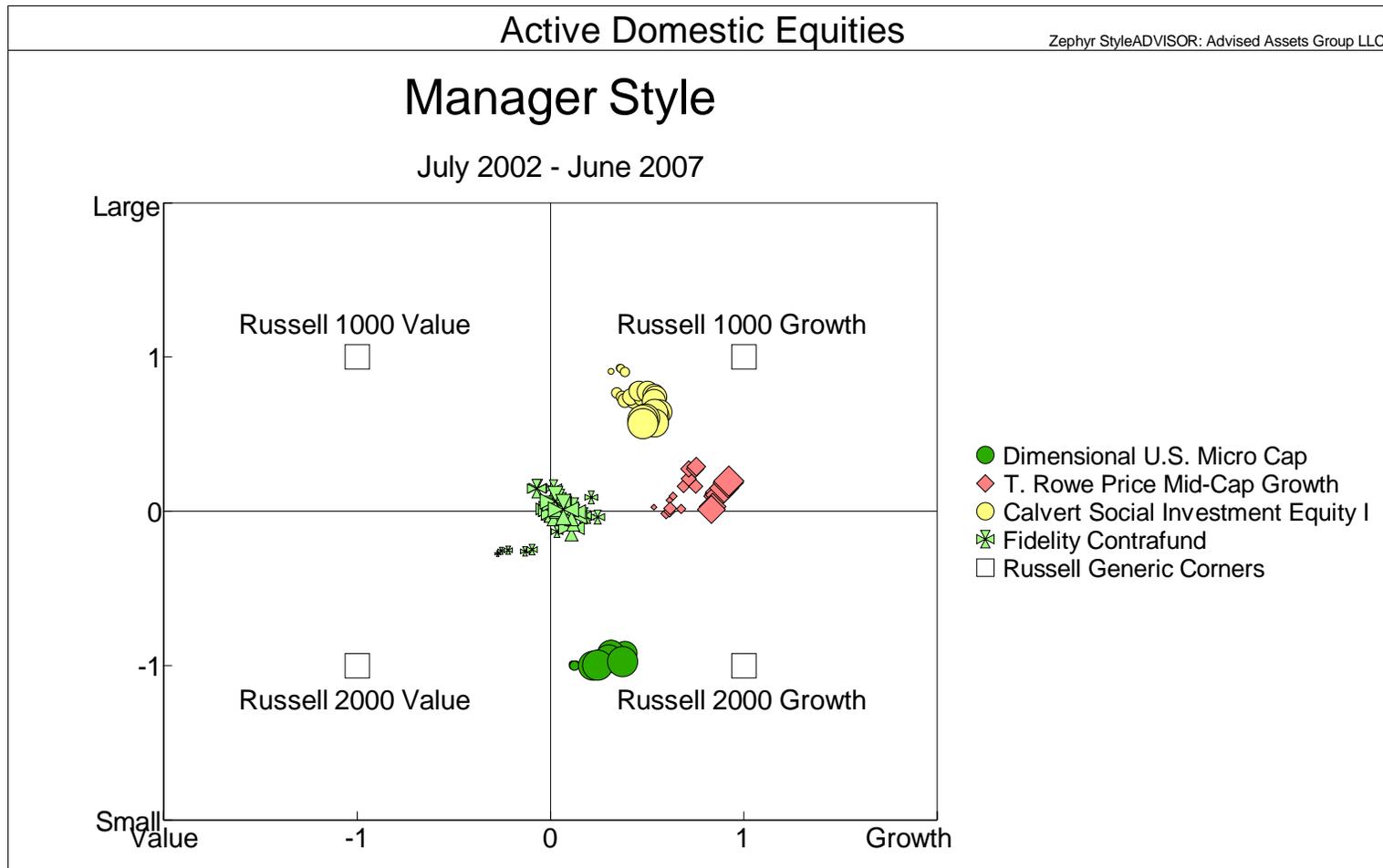
Manager Style

Manager Style Graph: Each quadrant of the graph represents one of the four major domestic equity components of the market. From top left working clockwise the quadrants include Large Value, Large Growth, Small Growth and Small Value.



Manager Style Drift

Manager Style Graph: Each quadrant of the graph represents one of the four major domestic equity components of the market. From top left working clockwise the quadrants include Large Value, Large Growth, Small Growth and Small Value.



- **American Funds EuroPac R5** continues to beat the majority of its benchmarks over all time periods while keeping volatility and expenses lower than the average foreign large blend fund. American Funds manages this fund using a multi-manager structure that combines both growth and value investing styles, some exposure to emerging markets, and low turnover.
- **Barclay's EAFE Equity Index Fund** tracked within 11 bps (net of fees) over the 1yr period. Note the 11 bps is positive tracking error.
- **DFA U.S. Microcap** invests in the smallest 4% of U.S. exchange listed stocks with an average market cap of just under \$290 million. The fund contains between 2,500 and 3,000 holdings giving it an index approach to investing. This fund carries a higher standard deviation than the Morningstar Category average over 5 years, but has rewarded its shareholders by generating a higher return than the category over that same time period.
- **Barclay's Russell 2000 Index Fund** tracked within 15 bps (net of fees) with the index over 1 year.

- **T. Rowe Price Mid Cap Growth** outperforms most of its benchmarks over all time periods. The fund trailed only the Russell Mid Cap Growth over 5 years and S&P Midcap 400 over 10 years. This fund's attention to valuation, contrarian investment style, and the manager's willingness to look for opportunity outside of traditional growth areas have kept this fund near the top of the mid cap growth space. The manager's attention to valuation has also helped to limit its downside risk.
- **Barclay's Mid-Cap Equity Index** tracks within 26 bps (net of fees) of the index over 1 year.
- **Calvert Social Investment Equity** trails all of its benchmarks over 5 years. Poor stock selection in tech, healthcare, and consumer staples contributed to the funds most recent underperformance. While its underweight in energy and utilities (due to social and environmental screens) held the fund back relative to its peers over the longer time periods. This concentrated socially conscious fund looks for companies with solid balance sheets and solid profit margins.
- **Fidelity Contrafund** performs very well against its benchmarks over the 3, 5 and 10 year periods. Over 1 year the fund trails all but one of its benchmarks. The fund's large asset base does bear some watching. However, the manager here tries to invest for the long term in order to minimize turn over and keep the size of the fund from affecting performance.

- **Vanguard Instl Index Plus Fund** tracks within 2 bps (net of fees) over 1 year.
- **Vanguard Wellington** outperforms its benchmarks over 1, 3, 5 and 10 years. This fund practices a value oriented, long-term investing style. The low expense ratio is also a plus for this fund. Manager bets in energy and telecom have helped this fund produce top quartile returns. At close to \$49 billion this fund is the third largest fund in the moderate allocation space per Morningstar.
- **Vanguard Long-Term Bond** slightly trails (61 bps at most) its benchmarks over 5 years, and has mixed returns over 1 and 3 years. The fund has struggled against rising interest rates over the past few years, as its interest rate risk has cut into returns. With a longer duration than most of its peers this fund will be more sensitive to interest rates. The fund's focus on investing in high quality bonds, rated A3 or better by Moody's, reduces credit risk, and a low expense ratio gives it an advantage over its peer group.
- **Barclay's US Debt Index** has tracks within 3 bps (net of fees) over 1 year.

- **Federated U.S. Government: 2-5 Year Institutional** has mixed results against its benchmarks over the 1, 3, and 5 year periods. This fund carries a higher duration than most of its peers, so the rising interest rate environment was particularly hard on this fund's actual and relative returns. Since short term interest rates have leveled off this fund's performance has improved.
- **Vanguard Admiral Treasury Money Market Fund** posted a 5.03% return over the 1 year period. It also beat its benchmark over all time periods.
- **FDIC Bank Option** return for the quarter ending 6/30/2007 was 4.90%. The blended rate for this fund consisting of the 3 month and 12 month LIBOR is calculated each quarter.
- **Wisconsin Stable Value Fund** has strong performance over the 1, 3, and 5 year periods returning 5.16%, 5.08%, and 5.15% respectively. The fund outperforms the 5 yr constant maturity treasury yield in all time periods.

American Funds-

NASD

On August 30, 2006 American Funds was fined \$5 million for directed-brokerage abuses. This is the first regulatory penalty dealt to the fund complex. The ruling from an NASD panel, punishes American Funds for allegedly improper sales agreements it had with brokers from 2001 to 2003. American Funds has stated publicly that they disagree with the panel's findings and intend to appeal the decision.

California Attorney General

In March 2005, the California Attorney General filed a complaint in state court against American Funds Distributors (AFD) and Capital Research and Management Company (CRMC), the investment adviser to American Funds. The complaint relates to the sufficiency of disclosure of additional payments AFD made to broker-dealer firms in recognition of the cost and efforts involved in educating financial advisers about American Funds. On November 22, 2005, the Superior Court of California in the County of Los Angeles dismissed the California Attorney General's complaint. On February 7, 2006, the California Attorney General filed a notice that he will appeal the Court's decision. On January 26, 2007, a California State Court of Appeals panel ruled against the dismissal of the case overturning the Superior Court's earlier decision to dismiss the case. American Funds points out that the decision of the panel focuses strictly on the legality of the California Attorney General pursuing suit against American Funds.

Private Party Litigation

American Funds is currently involved in a class action suit that alleges the fees charged to shareholders are excessive. American Funds believes the case has no merit, and are in the process of defending themselves.

Fidelity-

Trader's Receipt of Travel, Entertainment, Gifts, and Gratuity

On July 20, 2005, the Independent Trustees of the Fidelity Funds ("Funds") authorized an independent review with the objective of developing an authoritative, independent assessment of whether, and to what extent, the Funds may have been impacted as a result of the acceptance by some traders employed on Fidelity's equity trading desk of travel, entertainment, gifts and gratuities ("TEGG") in violation of Fidelity policies. The Honorable John S. Martin, Jr. was engaged to conduct the review. At the end of his review, Judge Martin concluded that it was not possible to prove statistically that traders' receipt of TEGG did or did not result in excessive execution costs for the Funds. Judge Martin also concluded that certain traders had misdirected order flow among the brokerage firms on Fidelity's approved list. Judge Martin then relied on elements of the statistical analysis as well as other considerations to recommend that Fidelity pay the affected Funds \$40.7 million, plus interest and expenses of the investigation.

The Independent Trustees believe that Judge Martin's inquiry has provided thorough, exhaustive and technically sound. To this end, the Independent Trustees believe that, in spite of the absence of proof that the Funds experienced diminished execution quality as a result of traders' receipt of improper TEGG, the conduct at issue was serious, is worthy of redress and, as Judge Martin concluded, any uncertainty should be resolved in favor of the Funds. The Independent Trustees further note that inadequate supervision and other shortcomings exposed the Funds to the potential risks of adverse publicity, loss of credibility with their principal regulators, and loss of Fund shareholders. Drawing on Judge Martin's exhaustive investigation, as well as their own inquiry and deliberations concerning this matter, the Independent Trustees believe that it would be appropriate for Fidelity to pay to the affected Funds \$42 million, plus interest and expenses.

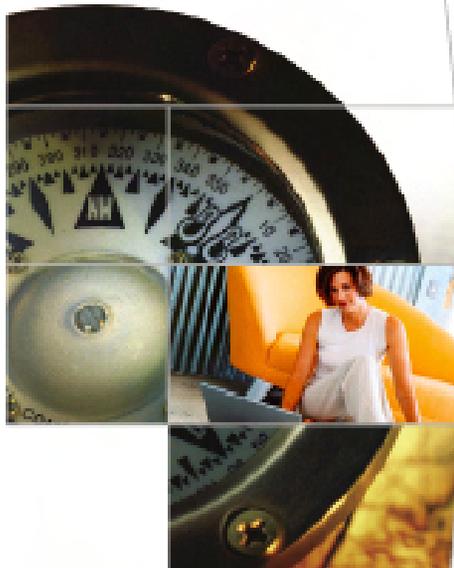
In reaching these conclusions, the Independent Trustees considered Fidelity's remedial efforts in response to the TEGG matter, and positive actions with respect to brokerage practices generally, including new management in the trading room and other personnel actions, a heightened emphasis on a culture of compliance surrounding the equity trading desk, and the development and implementation of new and more stringent firm-wide TEGG policies.

Source: www.fidelity.com

Wisconsin Deferred Compensation Program

For Plan Sponsor Use Only

Performance Benchmarking of Active Options



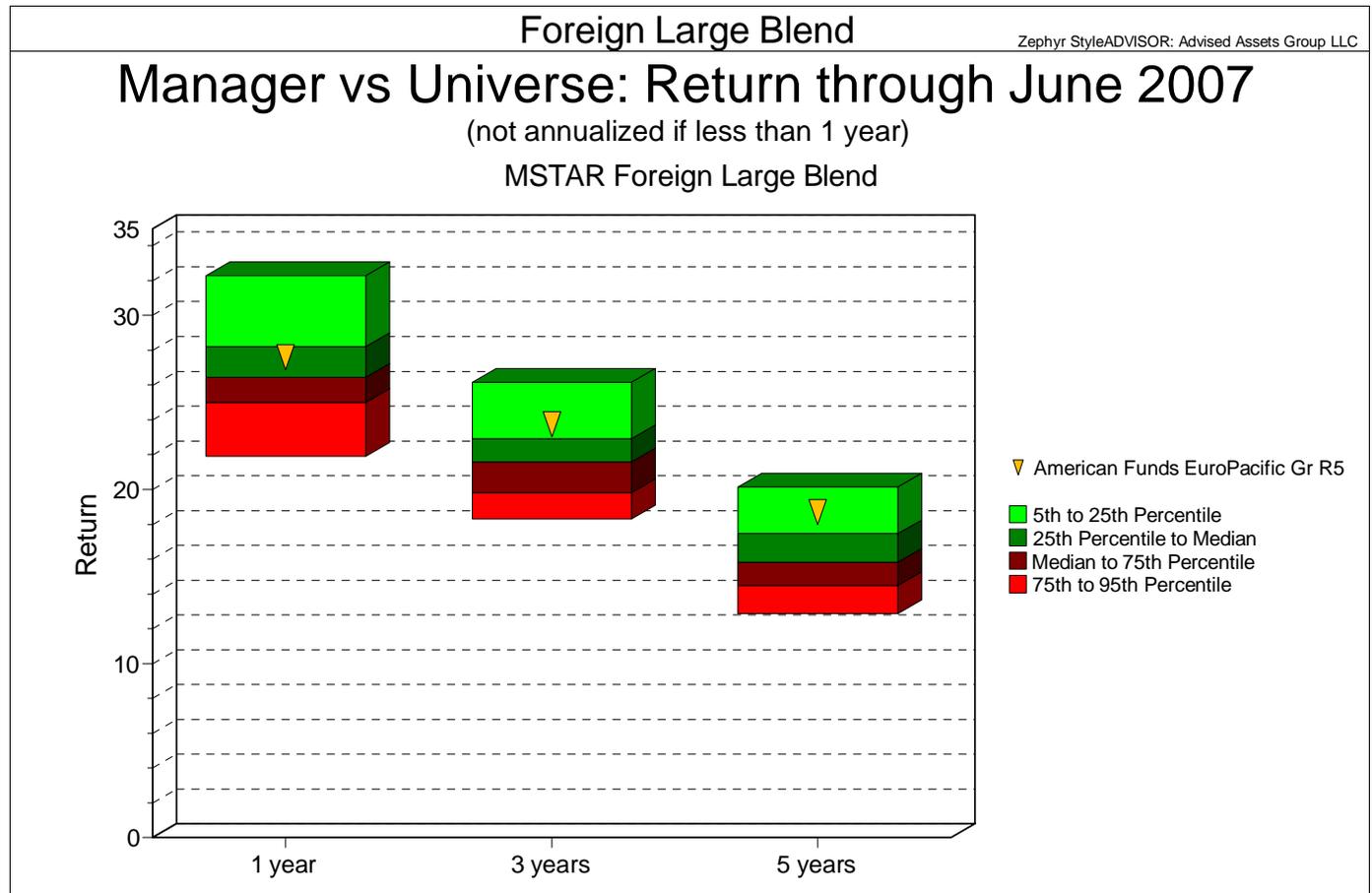
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Put Our Power Behind You™

Performance Benchmarking

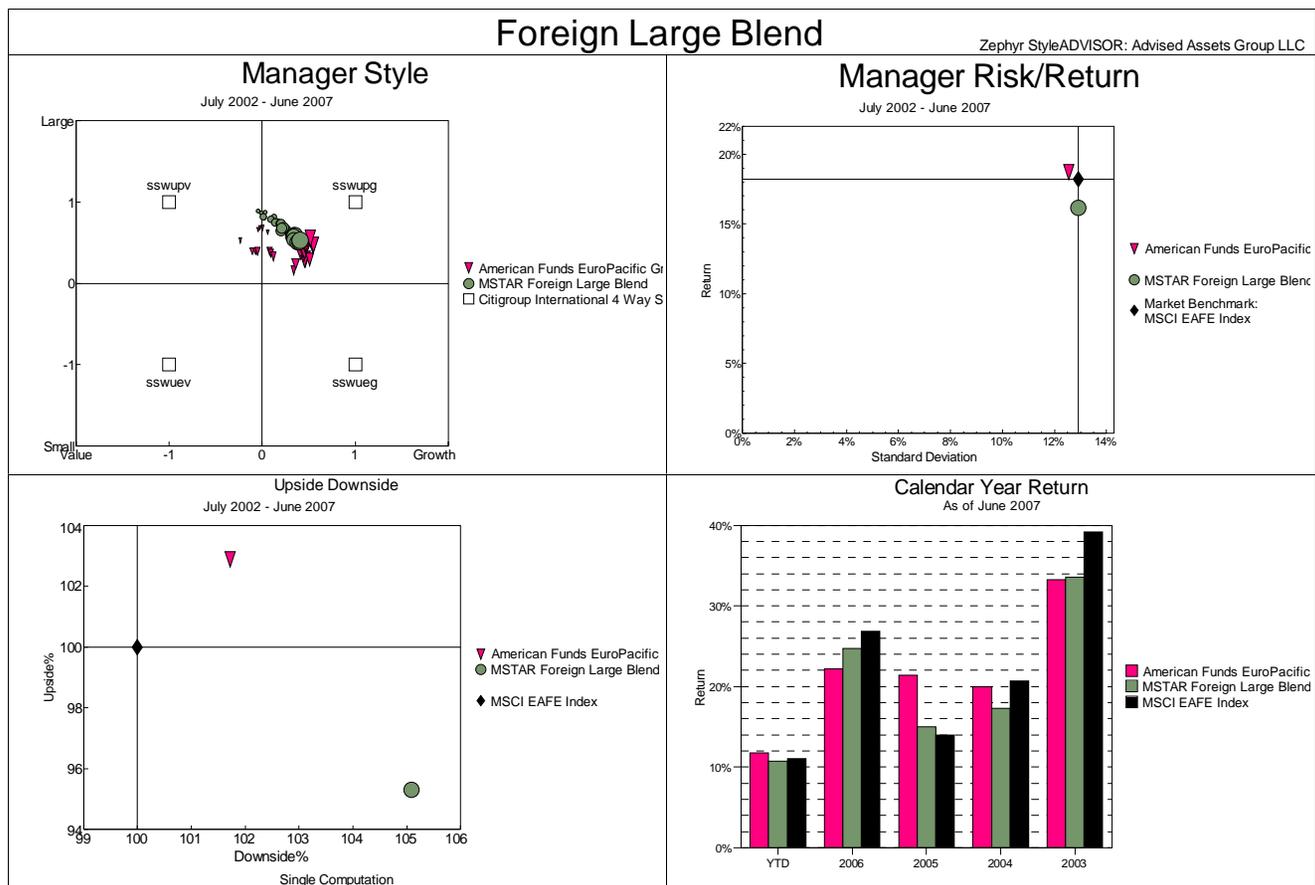
American Funds EuroPacific Growth Fund seeks long-term growth of capital. The fund normally invests at least 65% of assets in equity securities of issuers domiciled in Europe or the Pacific Basin. It may invest up to 20% of assets in securities issued in developing countries. Various factors will be considered when determining whether a country is part of Europe; a country will be considered part of the Pacific Basin if any of its borders touches the Pacific Basin. Note that the A shares are shown to the right for historical purposes. The plan uses the R5 Share class.

DATA SOURCE:
Morningstar
6/30/2007



	Tot Ret Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)	Annual Return (2002)
American Funds EuroPacific Gr R5	27.61	23.74	18.72	18	12	22.17	21.39	19.98	33.24	--
Cat: Foreign Large Blend	26.76	21.74	16.02	--	--	24.68	14.92	17.35	33.77	-16.89

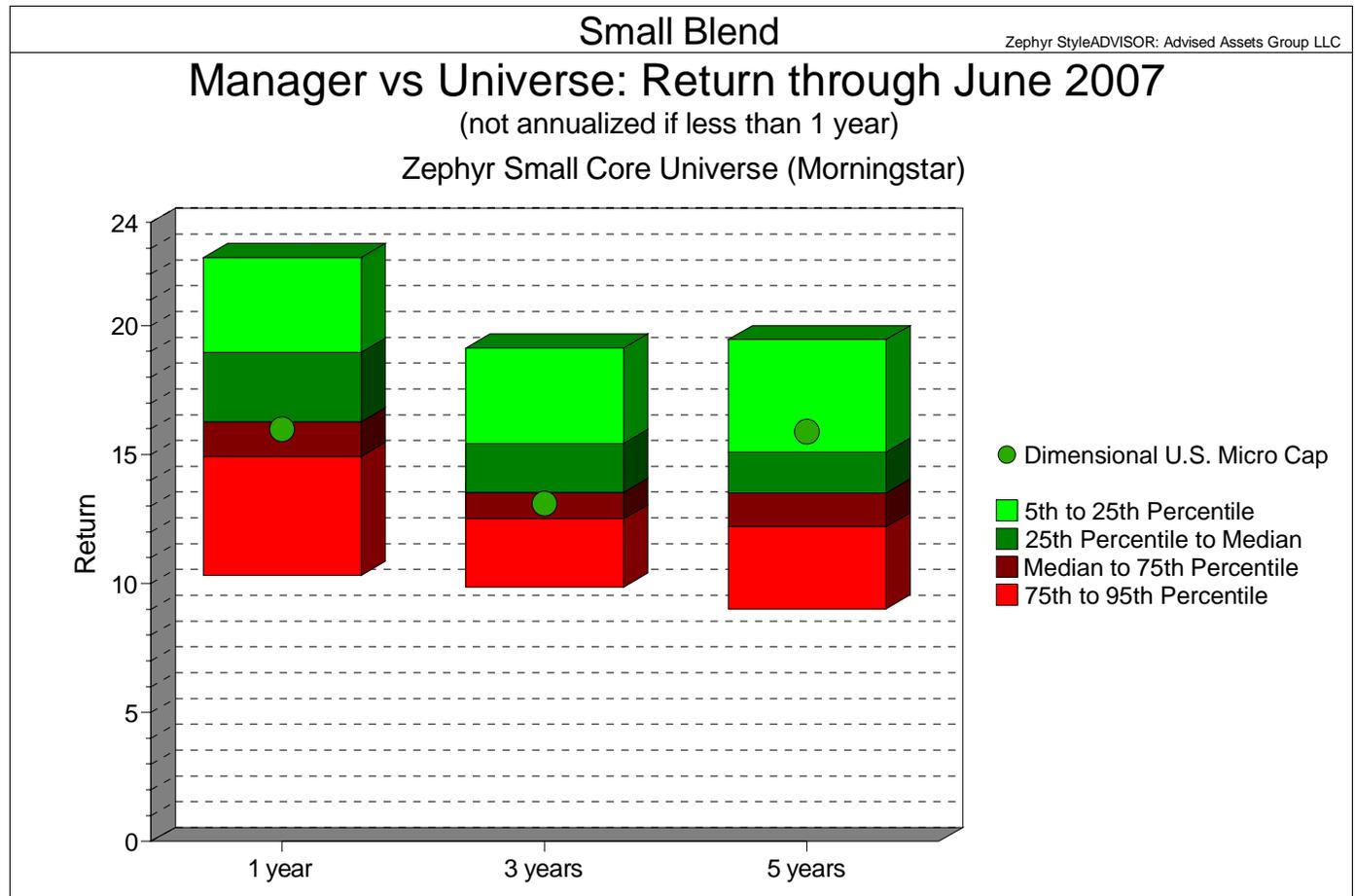
Risk Analysis



Name	Morningstar						% Assets				
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	Total # of Holdings	in Top 10	Turnover Ratio	Mgr Tenure	Expense Ratio	
American Funds EuroPacific Gr R5	4	9.60	12.55	114,156.40	6.38	411	15.97	27.00	23	0.53	
Cat: Foreign Large Blend	3	10.02	13.27	3,873.59	4.31	271.9586	27.16	72.34	5	1.53	

Performance Benchmarking

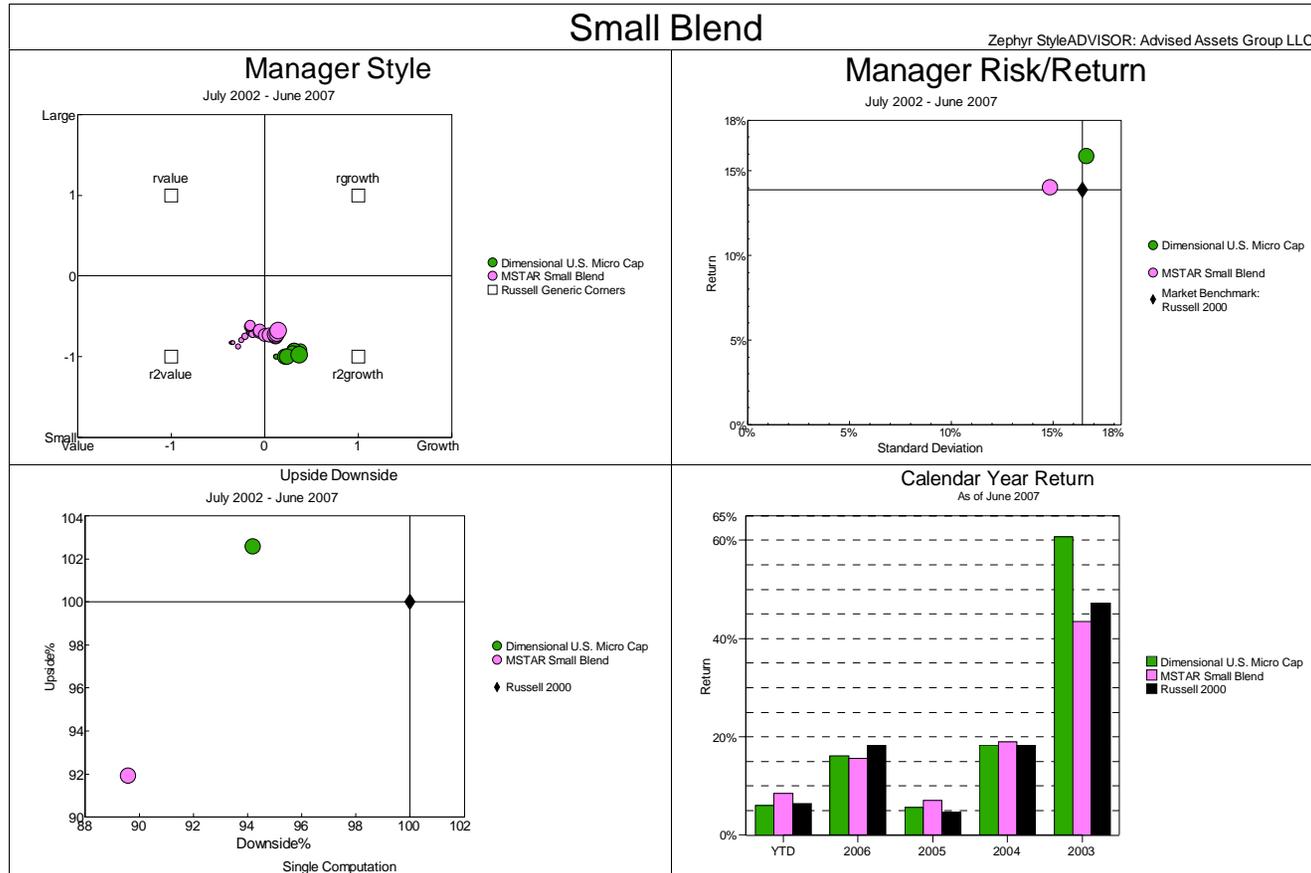
DFA U.S. Microcap seeks long-term capital appreciation. The fund invests in a diverse group of small companies with readily marketable securities. These companies may be traded on the NYSE, the AMEX, or over-the-counter market, but their market capitalizations must be comparable with those in the smallest quartile of the NYSE. The portfolio is re-balanced at least semiannually.



DATA SOURCE:
Morningstar
6/30/2007

	Tot Ret Tot Ret 1 Yr	Tot Ret Annld 3 Yr	Tot Ret Annld 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)	Annual Return (2002)
DFA U.S. Micro Cap	15.98	13.09	15.89	60	20	16.16	5.69	18.39	60.72	-13.27
Cat: Small Blend	17.02	14.19	13.86	--	--	15.44	7.03	18.99	43.62	-16.48

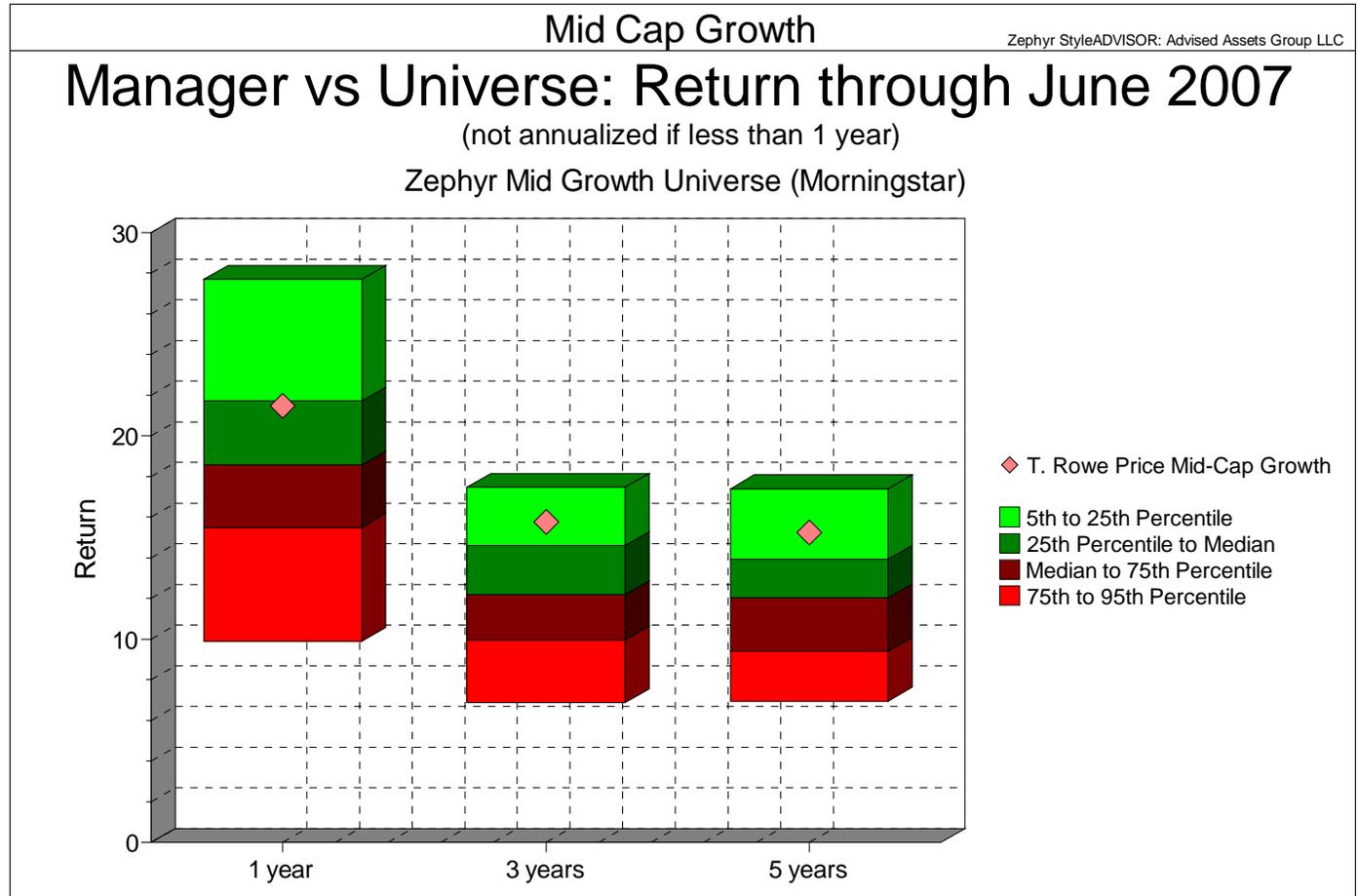
Risk Analysis



Name	Morningstar		%							
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	Total # of Holdings	in Top 10	Turnover Ratio	Mgr Tenure	Expense Ratio
DFA U.S. Micro Cap	3	13.96	16.63	4,938.24	0.61	1	100	24.00	13	0.53
Cat: Small Blend	3	12.77	15.50	823.62	5.19	375.2553	20.86	86.40	6	1.44

Performance Benchmarking

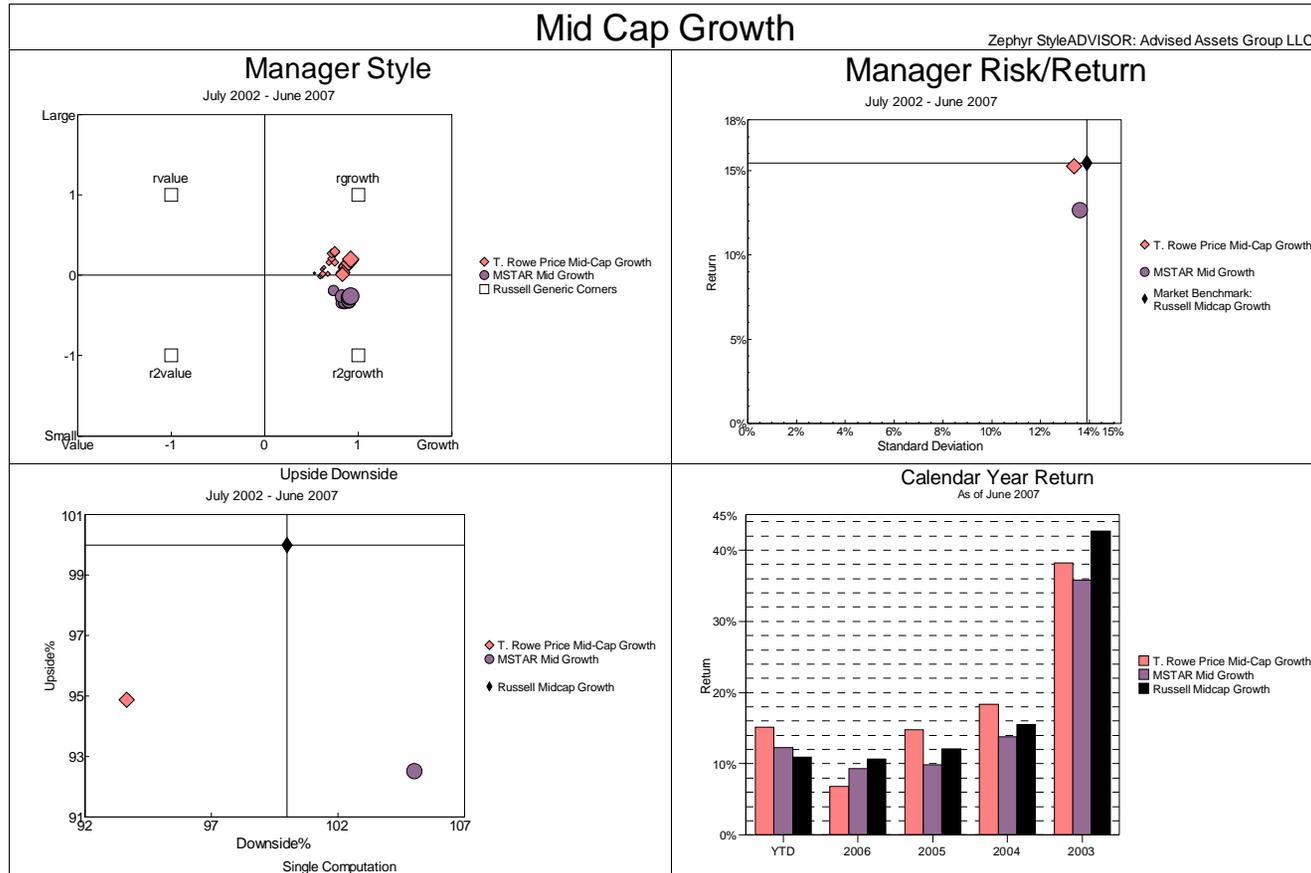
T. Rowe Price Mid Cap Growth Fund seeks long-term capital appreciation. The fund normally invests at least 80% of assets in mid-cap common stocks with above-average growth potential. The advisor seeks companies that offer proven products or services, have an above-average historical record of earnings growth, have the potential for sustaining growth, operate in industries experiencing increasing demand, or are reasonably valued.



DATA SOURCE:
Morningstar
6/30/2007

	Tot Ret Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)	Annual Return (2002)
T. Rowe Price Mid-Cap Growth	21.46	15.77	15.25	22	18	6.79	14.82	18.39	38.21	-21.22
Cat: Mid-Cap Growth	19.00	13.26	12.61	--	--	9.28	9.88	13.90	36.04	-25.44

Risk Analysis

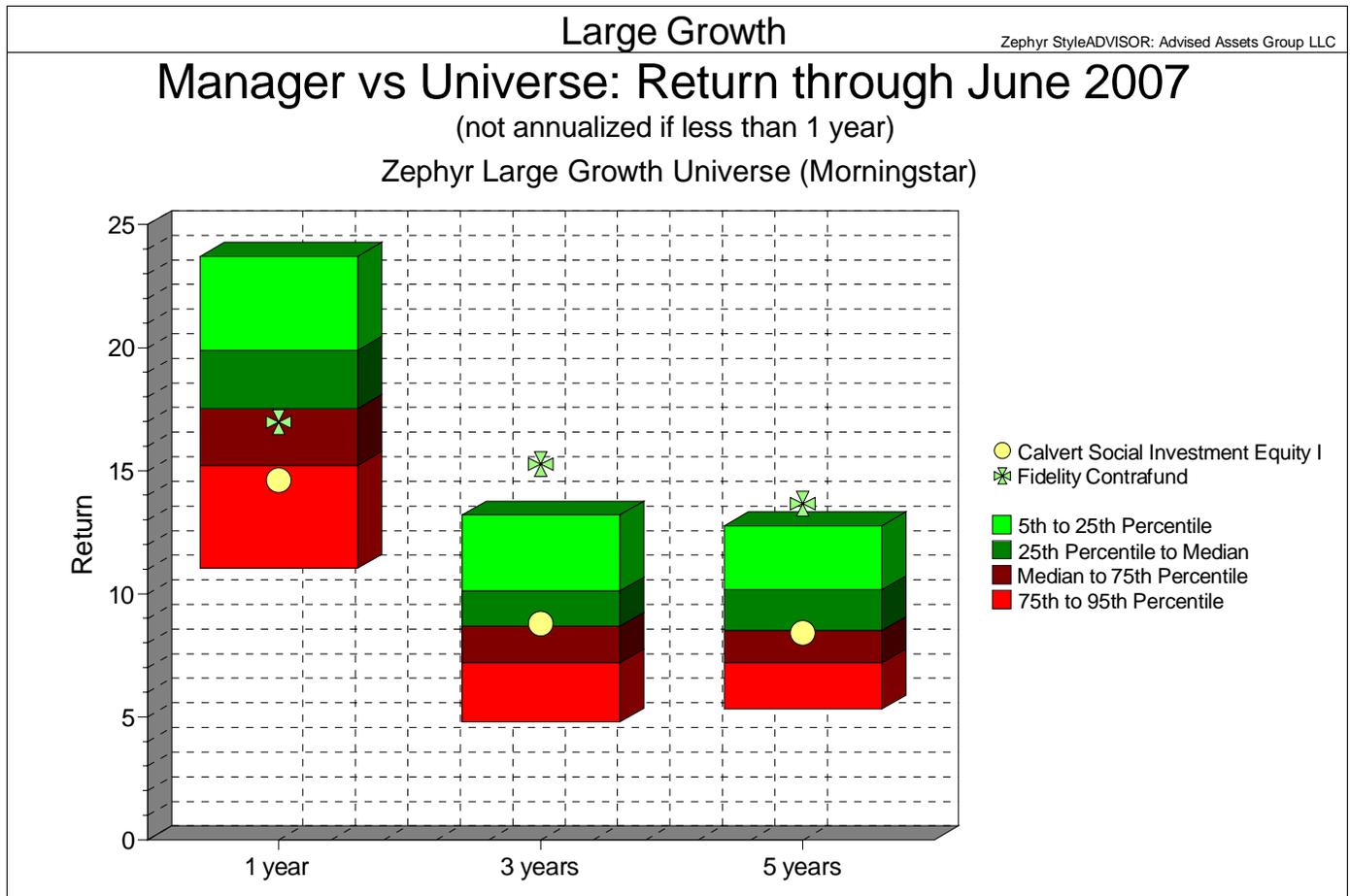


Name	Morningstar		Std Dev		Total Net Assets \$M	% Cash	% Assets			Mgr Tenure	Expense Ratio
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total # of Holdings			in Top 10	Turnover Ratio			
T. Rowe Price Mid-Cap Growth	4	10.81	13.38	17,200.81	5.86	153	19.63	34.00	15	0.80	
Cat: Mid-Cap Growth	3	12.59	14.43	968.92	2.78	101.9981	27.35	117.36	5	1.52	

Performance Benchmarking

Calvert Social Investment Fund seeks growth of capital. The fund invests with the philosophy that long-term rewards to investors come from those organizations whose products, services, and methods enhance the human condition and the traditional American values of individual initiative, equality of opportunity, and cooperative effort.

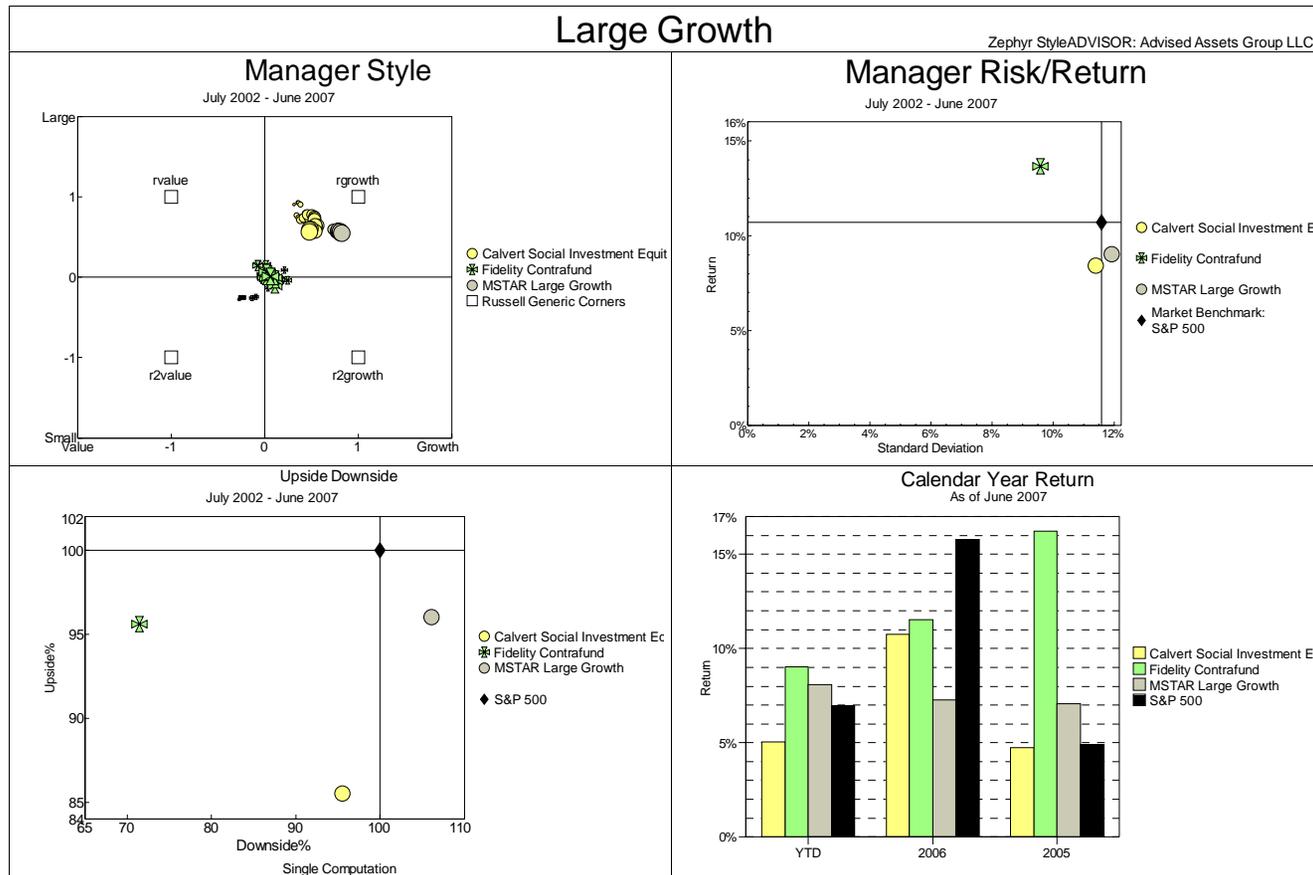
Fidelity Contrafund seeks capital appreciation. The fund invests primarily in the common stocks of companies believed to be undervalued. The types of companies in which the fund may invest include companies experiencing positive fundamental change such as new management team or product launch or companies that are undervalued in relation to securities of other companies in the same industry.



DATA SOURCE: Morningstar 6/30/2007

	Tot Ret Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret % Rank 3 Yr	Tot Ret % Rank 5 Yr	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)	Annual Return (2002)
Calvert Social Investment Equity I	14.61	8.79	8.41	52	52	10.77	4.74	7.33	23.00	-14.52
Fidelity Contrafund	16.98	15.26	13.67	4	5	11.54	16.23	15.07	27.96	-9.63
Cat: Large Growth	17.17	9.27	8.96	--	--	7.25	7.01	8.36	29.32	-26.70

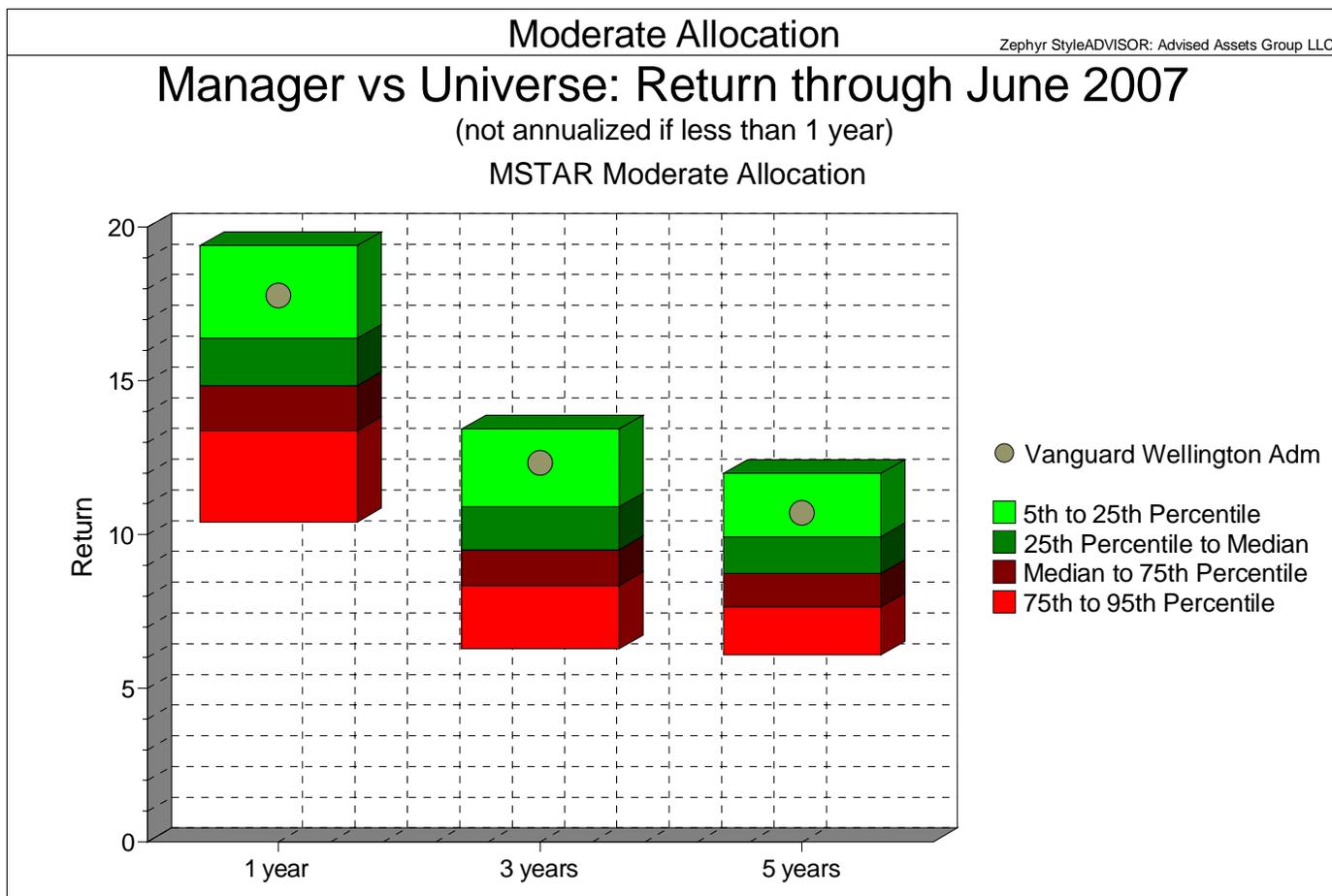
Risk Analysis



Name	Morningstar		%							
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	Total # of Holdings	Assets in Top 10	Turnover Ratio	Mgr Tenure	Expense Ratio
Calvert Social Investment Equity I	3	7.50	11.40	1,304.57	0.08	69	31.32	35.00	9	0.68
Fidelity Contrafund	5	9.20	9.60	72,621.28	6.79	431	28.61	76.00	17	0.90
Cat: Large Growth	3	10.14	12.68	3,422.00	2.71	113.946	33.66	97.33	6	1.40

Performance Benchmarking

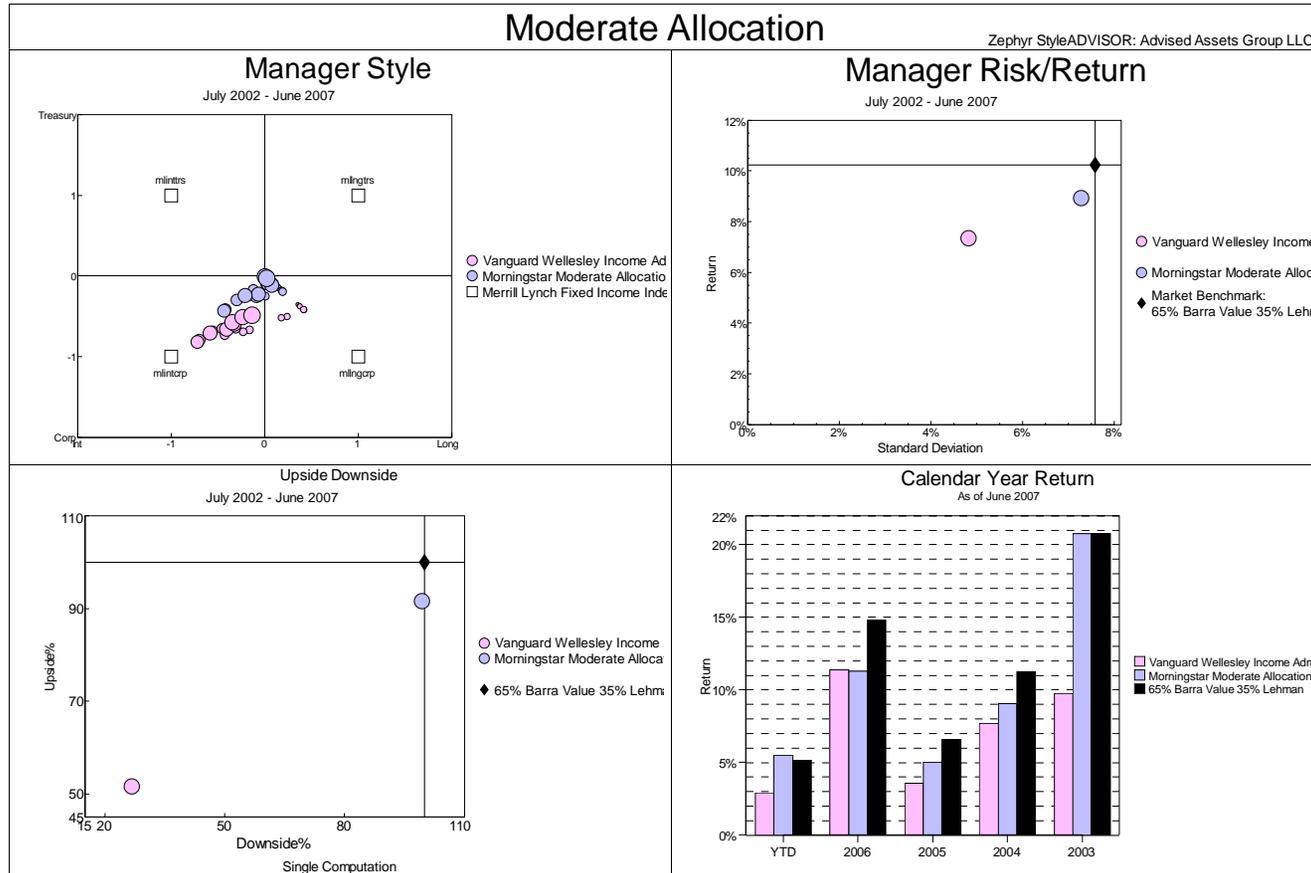
Vanguard Wellington seeks moderate long-term capital growth and current income. The fund invests at least 60-70% of assets in dividend-paying value stocks, and to a lesser extent, non-dividend paying stocks of established medium-size and large-size companies. It may also invest 30-40% of assets in the following securities: high quality intermediate, long-term corporate, and U.S. government bonds with an average maturity of 5 to 15 years.



DATA SOURCE:
Morningstar
6/30/2007

	Tot Ret Tot Ret 1 Yr	Tot Ret Annld 3 Yr	Tot Ret Annld 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)	Annual Return (2002)
Vanguard Wellington Adm	17.78	12.33	10.71	10	15	15.07	6.99	11.34	20.90	-6.81
Cat: Moderate Allocation	14.94	9.61	8.93	--	--	11.32	4.96	9.06	20.93	-11.97

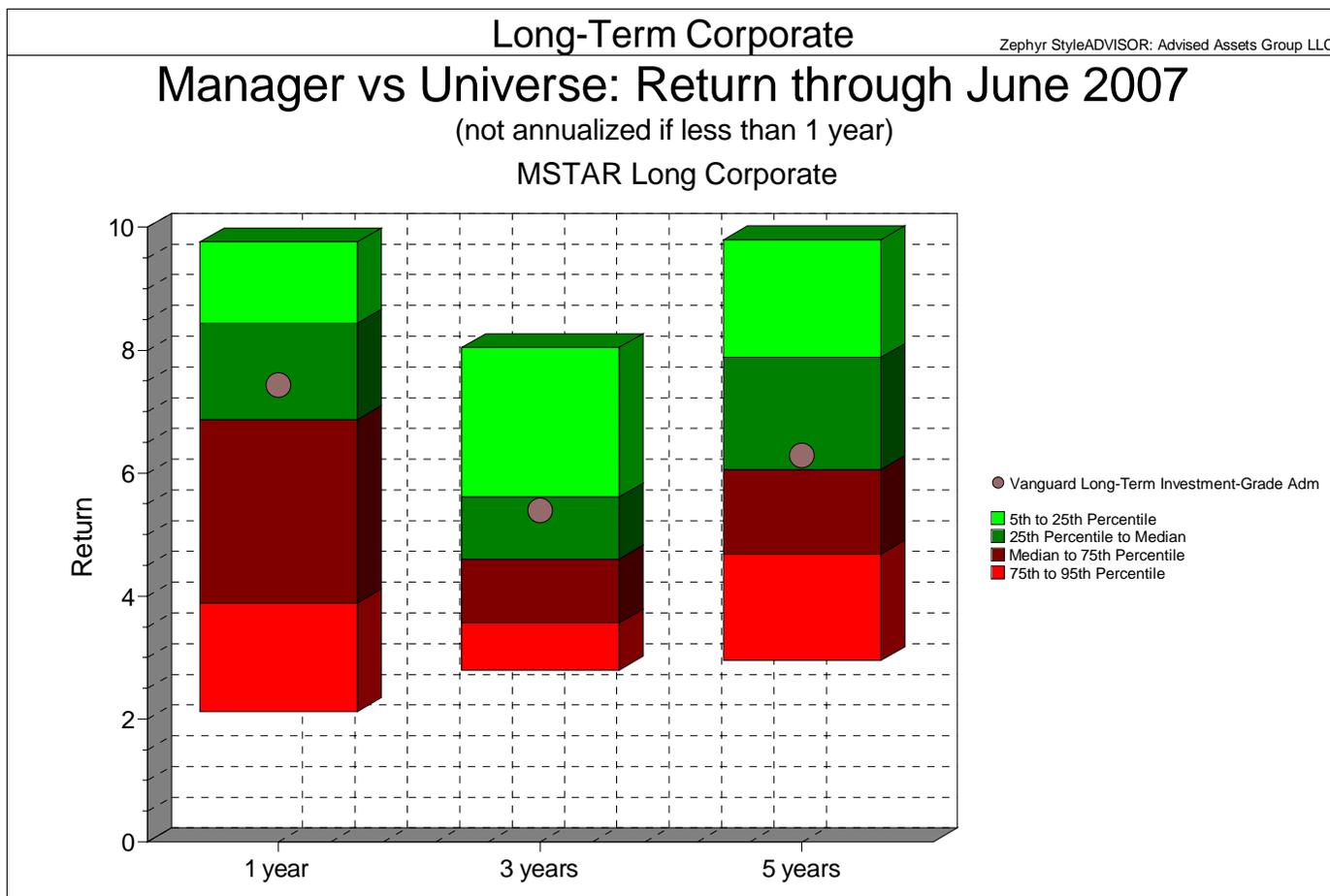
Risk Analysis



Name	Morningstar		Assets				Total # of Holdings	in Top 10	Turnover Ratio	Mgr Tenure	Expense Ratio
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	%					
Vanguard Wellington Adm	4	4.85	7.67	48,598.77	3.37	2520	16.58	25.00	5	0.17	
Cat: Moderate Allocation	3	5.45	7.66	3,777.66	8.62	397.8826	50.70	66.21	6	1.40	

Performance Benchmarking

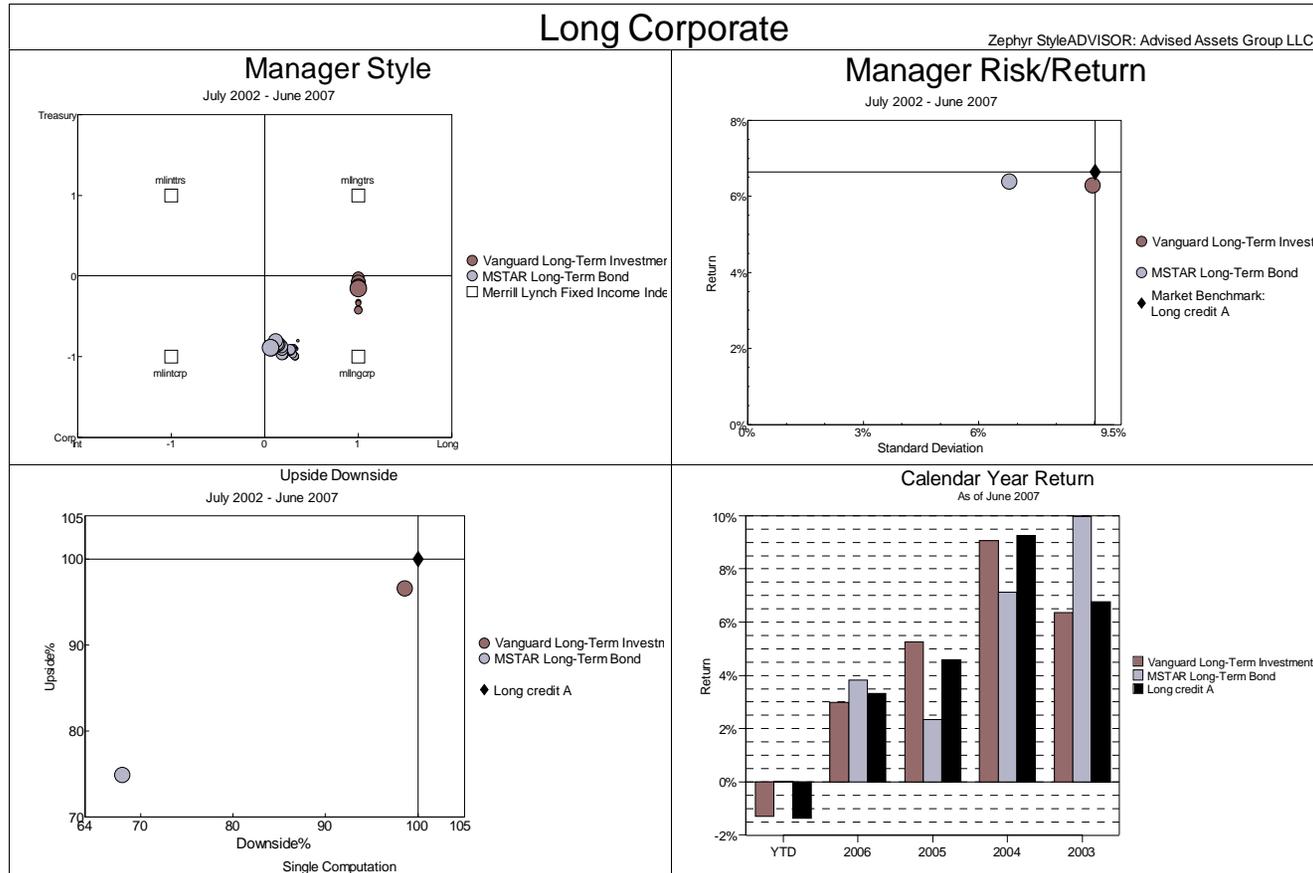
Vanguard Long-Term Investment-Grade Bond Fund seeks current income consistent with maintenance of principal and liquidity. The fund typically invests at least 80% of assets in high-quality corporate bonds; it invests at least 80% of assets in a combination of U.S. government securities and investment-grade corporate bonds. The average weighted maturity generally ranges from 15 to 25 years.



DATA SOURCE:
Morningstar
6/30/2007

	Tot Ret Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)	Annual Return (2002)
Vanguard Long-Term Investment-Grade Adm	7.43	5.39	6.28	28	65	2.99	5.27	9.06	6.36	13.32
Cat: Long-Term Bond	7.31	4.81	6.89	--	--	4.00	2.41	7.52	10.32	11.75

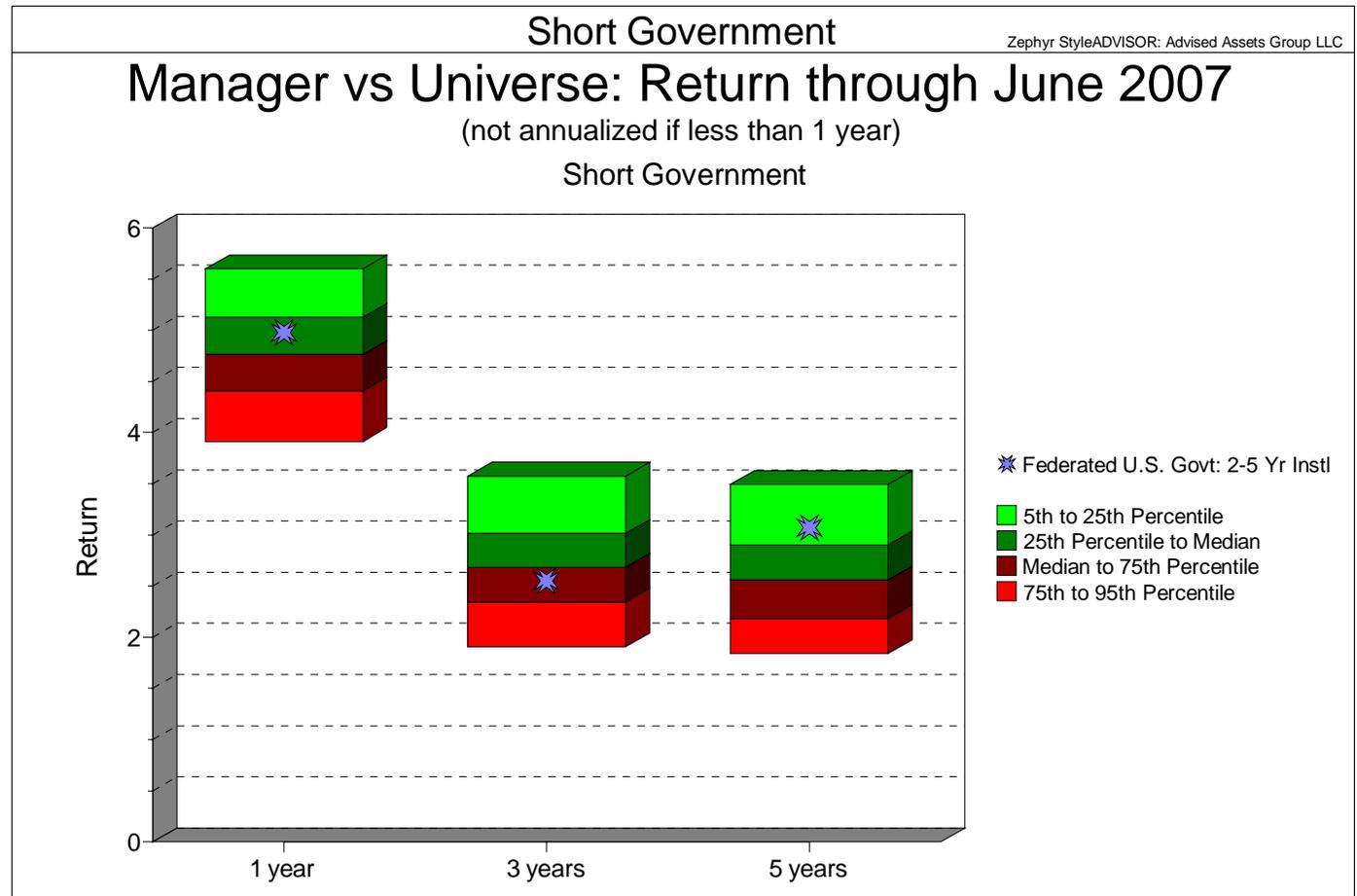
Risk Analysis



Name	Morningstar		%							
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	Total # of Holdings	in Top 10	Turnover Ratio	Mgr Tenure	Expense Ratio
Vanguard LT Investment-Grade Adm	3	7.26	8.94	5,832.04	0.36	249	15.30	15.00	13	0.12
Cat: Long-Term Bond	3	5.34	7.58	693.59	10.76	175.3953	49.68	158.60	3	0.86

Performance Benchmarking

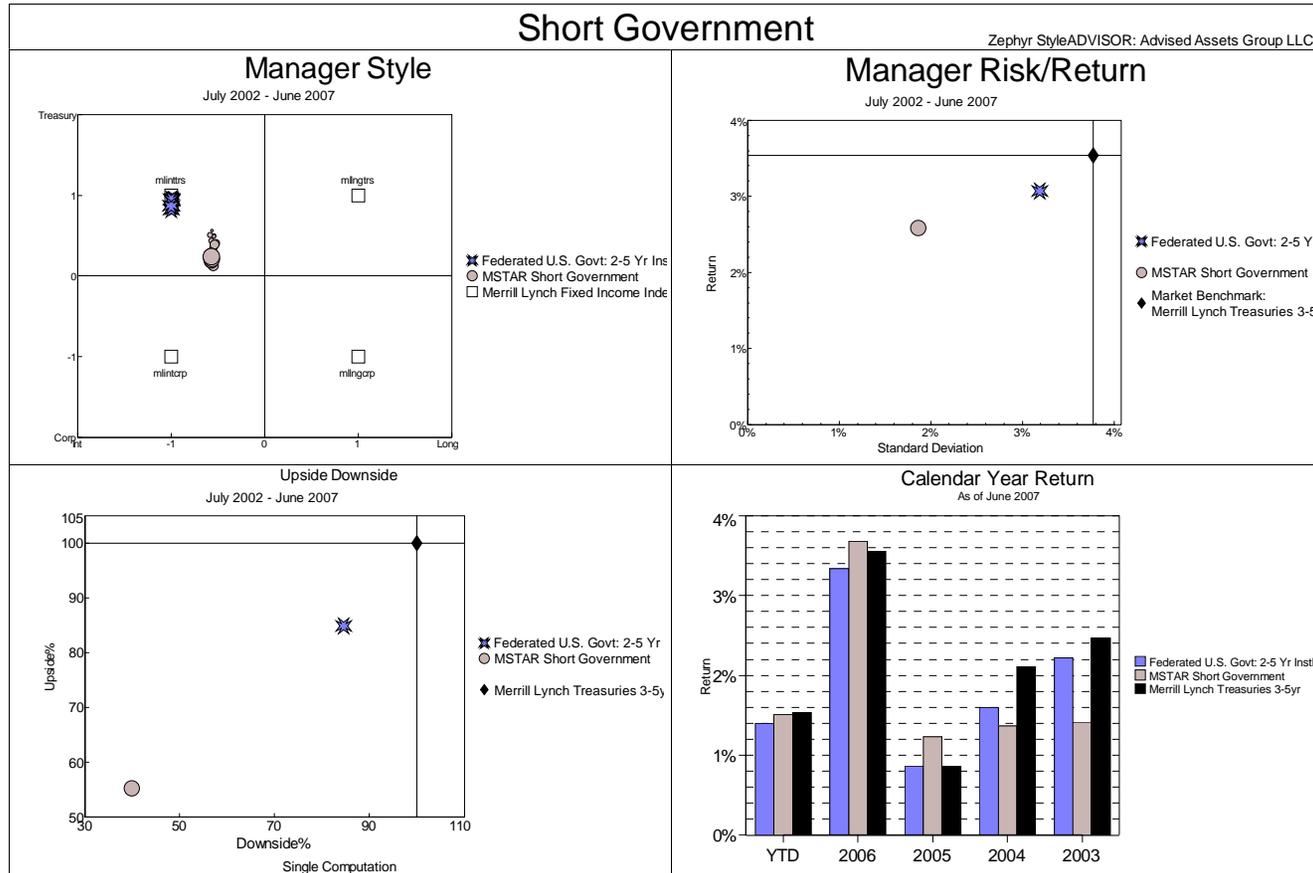
Federated U.S. Government Securities: 2-5 Year Trust seeks current income. The fund invests only in U.S. government securities with a dollar weighted duration between two and five years. It may enter into repurchase agreements.



DATA SOURCE: Morningstar 6/30/2007

	Tot Ret Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)	Annual Return (2002)
Federated U.S. Govt: 2-5 Yr Instl	4.98	2.55	3.07	59	16	3.34	0.87	1.60	2.22	9.92
Cat: Short Government	4.77	2.68	2.61	--	--	3.70	1.26	1.38	1.42	6.94

Risk Analysis



Name	Morningstar		Assets				Turnover Ratio	Mgr Tenure	Expense Ratio	
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	Total # of Holdings in Top 10				
Federated U.S. Govt: 2-5 Yr Instl	4	2.33	3.19	631.64	4.36	23	61.43	128.00	2	0.60
Cat: Short Government	3	1.44	1.94	398.47	15.39	163.2961	57.49	163.94	7	0.94

Lifecycle Options



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Lifecycle Option Report Card

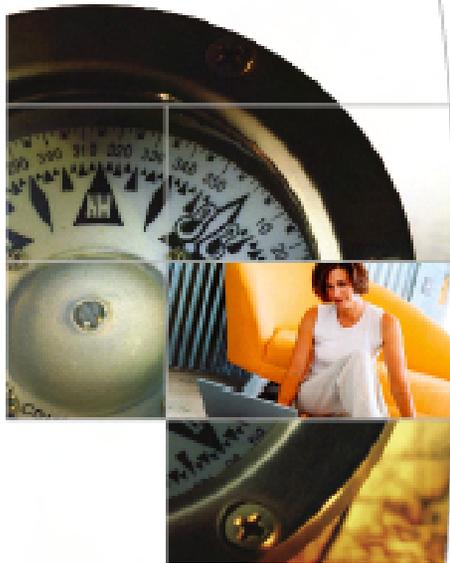
Name	Tot Ret		1 year	3 year	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	% Short Term	% US Stocks	% Non US Stocks	% Inv Grade Bond	% High Yield Bond
	3 Mo	6 Mo										
Vanguard Target Retirement 2015	3.86	5.70	16.25	9.65	11.42	4.94	9.04	0	52.3	13.1	34.6	0
Fidelity Freedom 2015	4.26	6.40	15.19	10.16	10.36	7.01	8.50	5.4	46.3	11.6	30.7	6
T. Rowe Price Retirement 2015	5.09	6.79	18.19	12.03	13.73	6.69		3.5	62	10.75	15.75	8
Composite Returns*			16.24	9.75	11.50							
Dow Jones Target 2015	2.08	4.06	11.40	9.53	9.49	5.54	12.25					
Vanguard Target Retirement 2025	4.89	6.83	18.75	11.05	13.25	5.45	10.11	0	64.7	16.2	19.1	0
Fidelity Freedom 2025	5.38	7.69	17.68	11.77	11.84	8.19	9.92	0	57.4	14.5	20.7	7.4
T. Rowe Price Retirement 2025	6.35	8.09	20.77	13.63	15.44	7.42		0	73.5	12.75	7.75	6
Composite Returns*			18.79	11.15	13.38							
Dow Jones Target 2025	4.29	6.89	16.96	13.59	13.76	9.04	14.93					
Vanguard Target Retirement 2035	5.66	7.64	20.42	12.61	15.24	6.30	11.95	0	71.8	18.1	10.1	0
Fidelity Freedom 2035	6.33	8.67	19.46	13.01	12.94	9.04	10.90	0	66.3	16.8	9.2	7.7
T. Rowe Price Retirement 2035	6.87	8.66	21.84	14.40	16.18	8.05		0	78.5	13.75	4	3.75
Composite Returns*			20.53	12.76	15.44							
Dow Jones Target 2035	5.72	8.69	20.55	16.03	16.25	11.10	16.48					
Vanguard Target Retirement 2045	5.69	7.68	20.39	13.28	15.98	6.95	12.89	0	71.8	18.1	10.1	0
Fidelity Freedom 2045	6.76	8.95	20.44					0	68.7	19.4	1.9	10
T. Rowe Price Retirement 2045	6.92	8.65	21.81		16.15			0	78.5	13.75	4	3.75
Composite Returns*			20.53	13.42	16.16							
Dow Jones Target 2045	6.00	9.04	21.22	16.40	16.64	11.36	16.62					
Vanguard Target Retirement Income	1.58	3.38	10.28	6.19	6.38	3.33	6.82	5	24	6	65	0
Fidelity Freedom Income	1.72	3.31	8.66	5.54	6.37	3.78	3.89	40	20	0	35	5
T. Rowe Price Retirement Income	2.76	4.31	12.37	8.33	9.98	4.87	7.66	30	35.75	6.5	20.75	7
Composite Returns*			10.32	6.28	6.47							
Dow Jones Target Today	0.74	2.27	6.64	5.76	6.52	2.64	6.20					

*Composite returns based on returns of passive benchmarks representative of the asset allocation of each fund. Benchmarks (per Vanguard) are the MSCI US Broad Market Index, Lehman Aggregate, Lehman US Treasury TIPS, 3 Month T-bill MSCI EAFE Index, and MSCI Emerging Markets Index

Lifecycle Option Observations

- Vanguard Target Retirement Funds are in line their composite indices over the 1 and 3 year time periods.
- Vanguard Target Retirement Funds are mixed versus the Dow Jones Indices over the 1 and 3 year periods.
- Compared to its competition, Vanguard Target Retirement Funds are in the middle of the pack over 1 year, but trail Fidelity and T. Rowe over 3 years.
- Vanguard's target allocations give them equity exposure that is in-line with their competitors, and international exposure that is greater than most of their competitors.

Economic Overview



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Global Economy

The overriding theme in developed – as well as most developing – economies is continuing economic growth. After growing in aggregate just over 5% in 2006, worldwide economic growth is expected to slow only slightly over the next two years, edging down toward 4.7% in 2007 and perhaps 4.5% in 2008. The developed nations (U.S., UK, Europe and Japan) are expected to grow just slightly below trend, around 2.3%, while the Far East markets, along with Mexico and Brazil, are continuing to exhibit good growth in company profits. Aggregate growth expectations in these markets range generally from 6.0% - 6.5%.

The sustainability of this growth cycle points to something that has developed into a strong positive for the global economy as a whole; i.e., growth is no longer entirely dependent on the strength of the U.S. economy. In evidence of this, while the U.S. economy slowed markedly in Q4 '06 and Q1 '07, Europe, Japan and the UK continued to accelerate. In the past, because of the “engine” function performed by the U.S., slowing here generally meant slowing for our major trading partners. With the explosive growth in China, however, demand for raw materials from emerging markets and engineering and construction machinery from developed countries is enabling the U.S. to absorb the excesses of the subprime market without unduly impacting other economies.

Looking out over the next few quarters, evidence continues to point to reasonable acceleration in the U.S. economy while the UK, Japan and Europe will most likely experience some moderation. This is in line with interest rate forecasts for each respective economy; the U.S. was the first to raise rates closer to long-term nominal levels, and has held at 5.25% since June of 2006. Both the UK and the Eurozone countries have more recently been raising rates, as has Canada, so economists expect to see some moderation in GDP as a result. The interest rate rise around the world during the second quarter began a process most economists are terming “renormalization.” Since 2001, global rates have been fairly low by historic standards, contributing to the extremely high levels of liquidity available, which, in turn, has served to fuel high rates of growth in developed and developing countries alike. In developing markets, investment has been made in infrastructure, from roads to telecommunications to factories. This investment will provide long-run benefits for these economies going forward. In developed markets, the so-called “wall of money” generated by historically low rates has been used to fund share buy-backs, public mergers and private equity deals. It also contributed in no small part to the excesses in the U.S. mortgage market. Looking to coming quarters, in addition to helping to quell cyclical inflationary tendencies, “renormalization” should provide a dampening effect on further market excesses.

In general, the global economy remains strong. Some slowing is likely to occur, but analysts characterize this as a mid-cycle pause as monetary accommodation is withdrawn, rather than as a downturn. Inflation remains largely under control at this stage, so central banks are unlikely to have to move to a fully restrictive stance. The caveat, of course, is that rising energy prices will continue to pose some risks to economies and sectors across the board and, in turn, could impact growth and inflation forecasts.

U. S. Economy

Following two quarters of deteriorating GDP growth, the U.S. economy showed marked improvement in the second quarter of 2007. The corporate sector was the primary driver; U.S. companies are flush with cash and the beneficiaries of strong global growth and a weaker U.S. dollar. In particular, manufacturing is continuing to strengthen, led by engineering and construction equipment, which reflects the ongoing levels of infrastructure development in Asia and, to a lesser degree, some of the Latin American economies. The technology hardware industry also contributed strongly to U.S. GDP performance, benefiting from new product launches and increasing corporate spending on technology.

The labor market remains relatively healthy; although slowing to a degree, job growth is continuing at a reasonable pace. Formerly an area of concern to the Federal Reserve, which was worried about wage inflation, a broader look at employment participation rates indicates that there remains plenty of slack in the market as a whole. Some slowing is expected through the third quarter of 2007. Housing remains the most significant drag on the domestic economy, where the long-expected spillover into consumer spending is now evident. Subprime loans are still working their way through the system, with mortgage resets remaining at high levels through October of 2008. Analysts expect foreclosure rates to continue at an above-average level through this period before beginning a welcome decline in the final quarter of next year. In all, analysts expect U.S. home sales to decline to their lowest level since the start of the five-year housing boom in 2001. Residential lending, reflecting both tightened lending standards and the business failure of a number of subprime specialty lenders, is expected to drop to the lowest level seen since 2002, and perhaps even lower. The supply of available homes, measured in the time it would take to sell all of them, is more than 8 months. According to the National Association of Realtors, inventories are at their highest level since 1992.

Pressure on home prices is effectively combining with stubbornly higher prices in both food and energy to put pressure on the U.S. consumer. Retail sales posted a tepid rise during the quarter, and sales are rising at their slowest pace in more than four years. The Consumer Confidence Index fell more than five points, surprising analysts.

The consumer sector, of course, comprises slightly more than two-thirds of the U.S. economy, so economists monitor it closely. While the sector's current weakness is cause for some short-term concern in certain economic sectors, the macroeconomic implications are more positive, as they help reduce overall inflationary tendencies. Indeed, the housing affordability index is improving, which, as long as mortgage rates remain neutral, will ultimately have the effect of bringing new buyers into the market.

The decidedly "mixed bag" on the inflation front – rising energy prices, which ultimately translate to price pressures in nearly every sector of the economy, falling housing prices, and stable labor prices – indicate that the Federal Reserve is likely to hold steady on the Fed Funds rate at 5.25% for perhaps the rest of 2007. Indeed, the Fed's ability to effectively maneuver is hampered somewhat by the continued decline in the dollar; a weak dollar makes imports more expensive, thus increasing domestic inflation.

U.S. Markets

All stock market sectors in the U.S. grew in the second quarter, responding to increasing evidence that the U.S. economy is beginning to reaccelerate. Two developments in particular can claim noteworthy status: growth stocks, at long last, have begun to handily outperform their value brethren. Second, equities in general are coping very well with the rapid rise in government bond yields around the globe. Both trends serve to underscore analysts' assertions that general market valuations remain favorable, and that this bull market, while aging, is not yet over.

In all, the second quarter saw some distinctive shifts in both stock and bond markets. The bond market finally moved away from a flat yield curve as long bonds rapidly repriced and interest rates around the world began to move to higher levels. As the stock market digested the long-term implications of this development, volatility increased. While investors cheered strong earnings and ongoing merger and acquisition activity, they nonetheless appeared to be turning a bit more risk averse as the fallout from the subprime market spread, as expected, beyond the housing market.

Most analysts characterize the present market as the beginning of the third phase of the bull market. Investors will become more defensive, shifting their attention to larger, well-known companies with a history of paying dividends. A recent survey of stock analysts shows that the best value in the market is, indeed, mega-cap names, which underscores a likely market move into the next phase. It should be noted that global forces are playing a more prominent role in recent years, and that any number of sectors are likely to respond more to global trends than they have in the past.

Sectors

Energy was the strongest performing market sector as petroleum prices continued to rise. Reflecting the demands both of that industry and infrastructure development in the developing world, engineering and construction goods and services and oil and gas services were also strong gainers.

Financials recovered to a small degree, following a very difficult first quarter coping with the fallout from companies in the subprime industry. Mergers and acquisition activity was a bright spot in an industry otherwise highly sensitive to the rising interest rate environment. Utility stocks, star performers last quarter, are frequently held in portfolios as bond substitutes. As such, they are also reacting to interest rate changes.

Index and Sector Performance

Index	Asset Class	Q2 2007	YTD
Russell 1000 Growth Index	Large Cap Growth	6.86	8.13
Russell 1000 Value Index	Large Cap Value	4.93	6.23
Russell Mid Cap Growth Index	Mid Cap Growth	6.74	10.97
Russell Mid Cap Value Index	Mid Cap Value	3.65	8.69
Russell 2000 Growth Index	Small Cap Growth	6.69	9.33
Russell 2000 Value Index	Small Cap Value	2.30	3.80

Sector Name	Q2 2007	YTD
Energy	15.1	17.6
Materials	7.7	17.4
Industrials	10.4	7.6
Consumer Disc	3.3	3.9
Consumer Staples	3.2	5.0
Healthcare	5.0	5.9
Financials	2.1	-0.8
Information Technology	10.4	9.5
Telecomm Services	7.5	12.2
Utilities	0.1	8.4
Transportation	6.5	7.3

International Markets

The consumer area remains a question mark until the full extent of the subprime fallout is known. Consumers are showing signs of caution, and spending has slowed. The market as a whole remains cautious toward this, as well. The growth of financial derivatives in the past several years means there are increasingly complex links between various market instruments; it is difficult to either forecast or fully account for the risks this aberration has placed in the market. Subprime remains the fly in the ointment.

Strong global economic growth continues to raise all boats, with emerging equity markets maintaining a blistering pace. The building of infrastructure in the developing world benefits not only exporters of natural resources, but providers of everything from capital equipment to sophisticated engineering services, as well. Unlike the false demand created in the U.S mortgage market by subprime operators, the pent up demand from the 3.5 billion people in the formerly planned economies of the Communist world is very real. Still, while the underlying story driving emerging markets remains intact, the equity markets themselves look increasingly vulnerable to correction in the near term.

Regions

The story in Europe is restructuring, and the growth potential there remains quite strong. In the Euro zone itself, a very strong currency and rising interest rates are helping to hold down inflationary tendencies. Eastern European markets are living up to the forecasts of the early 1990s, leveraging a highly-educated workforce into a capitalist structure. Forecasts for European markets are good, reflecting the same sort of late-stage bull market characteristics as the U.S. In Japan, the world's second-largest economy, above-trend GDP growth over the last three years has produced only so-so market returns to date. However, many analysts expect a number of sectors to begin to reflect the high levels of capital spending lavished on Japan's large corporations. The overriding issue remains deflation, which Japan has been battling on and off for the better part of two decades. Interest rates are stuck at 0.50%, and the Yen remains very low. While this has helped to boost exports, Japan is highly vulnerable to a slowing U.S. consumer sector. Still, valuations here are very attractive.

International Market Performance

	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
MSCI EAFE	9.47%	24.42%	23.49%	20.34%	7.70%
Emerging Markets	24.02%	50.92%	41.93%	34.13%	9.81%
S&P 500	3.64%	16.13%	11.76%	11.81%	5.98%

Country/Region	YTD	1 Year	3 Years	5 Years
United Kingdom	8.06%	21.47%	21.02%	18.21%
Germany	20.20%	44.63%	30.85%	24.17%
France	9.64%	26.33%	24.90%	21.38%
Japan	2.73%	7.74%	15.15%	14.09%
Eastern Europe	7.10%	22.35%	44.89%	42.05%
Latin America	28.93%	60.22%	56.09%	48.66%
Far East	28.69%	57.63%	38.01%	26.45%

Like Eastern Europe, the Latin American region has provided investors with outstanding returns over the past five years. To some degree, this is a function of the worldwide demand for natural resources that Latin America has in such abundance. Long-term investors, however, note the infrastructure development and economic liberalization that continues in much of Latin America. This region is very much a part of the global economic renaissance that is transforming so many countries.

Finally, Asia, led by China and India, continue to reform their economies and put their populations to work. Rural-to-urban migration continues; the large pool of excess laborers suppresses wage growth around the world to a degree, but it also is raising the demand for goods and services across the board. Infrastructure development remains robust, but rising interest rates and increased attention to risk on the part of institutional investors are combining to slow the tempo to a small degree. Overcapacity has developed in some areas of manufacturing, which will also serve to constrain the pace in the near term.

Outlook

Global equity markets, including in the U.S., should continue to perform well for the investor who takes a longer-term view. Economic fundamentals are positive and valuations generally favorable. The high savings rates in the developing world, as well as the petro dollars being generated by the petroleum-producing economies, remain a catalyst even as higher interest rates reduce a different sort of liquidity.

The recognition of risk has increased, however; investors are no longer willing to give riskier asset classes a free ride, and the renewed vigilance is being felt in the increased levels of volatility the markets have been experiencing. Uncertainties surrounding the U.S. subprime market and the effects of higher interest rates around the world are likely to keep the markets from finding new comfort levels for some time.

Amer Funds EuroPac A

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

Like all American Funds, this offering boasts many experienced managers, most of whom have been with the company for more than a decade. Each manager runs his or her portion of assets independently of the others. A portion of the portfolio (less than 25% of assets) is run by the firm's analyst staff.

Strategy

The fund divides assets among several portfolio counselors (managers) whose investment philosophies vary from growth-focused to value-oriented. In the aggregate, the fund's portfolio is well diversified across countries and sectors, and its price multiples usually stay close to the category norms. Several of the managers like to pick up stocks on the cheap and then hold them for the long haul. The fund's turnover is quite low.

Performance 09-30-07

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-9.66	17.98	9.27	14.13	32.91
2004	6.79	-1.83	0.47	13.63	19.69
2005	0.00	0.79	12.25	7.06	21.12
2006	7.54	-0.68	4.99	8.67	21.87
2007	2.92	8.43	5.23	—	—

Trailing	Total Return%	+/- MSCI EAFE	+/- MSCI Wd xUS	%Rank Cat	Growth of \$10,000
3 Mo	5.23	3.05	2.52	17	10,523
6 Mo	14.11	5.39	4.23	13	11,411
1 Yr	27.63	2.77	1.78	33	12,763
3 Yr Avg	25.35	2.11	1.63	16	19,696
5 Yr Avg	24.36	0.81	0.28	14	29,744
10 Yr Avg	11.17	3.20	2.87	4	28,832
15 Yr Avg	13.06	3.66	3.38	6	63,043

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	21.61	49	1.05	53
5 Yr (estimated)	21.93	36	0.79	61
10 Yr (estimated)	9.30	6	1.10	56

Potential Capital Gain Exposure: 41% of assets

Morningstar's Take by Kai Wiecking 05-22-07

American Funds EuroPacific Growth may not be what it once was, but it remains a solid choice.

Following five consecutive calendar years of beating its typical rival in the foreign large-blend category, this \$109 billion behemoth of a mutual fund finished 2006 behind 82% of its peers. Thus far in 2007, the fund's performance is broadly in line with the group average, after recovering from a rough patch during the late February correction.

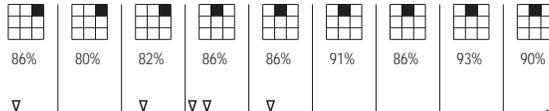
We're not saying by any means that this slowdown means this fund is doomed to a future of mediocrity. But it certainly shows that it's increasingly hard for such a large fund to distinguish itself from the pack.

It's not so much that the portfolio increasingly resembles the benchmark, as happens so often at other shops when assets soar. The eight experienced portfolio managers are all true bottom-up stock-pickers who don't care much which country or sector a stock resides in if they like it. But as the portfolio has grown to include 294 distinct holdings, it becomes harder to make a

Analyst Pick	Ticker	Load	NAV	Yield	Total Assets	Mstar Category
	AEPGX	5.75%	\$54.68	1.3%	\$120,632 mil	Foreign Large Blend

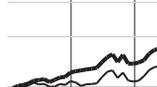
Historical Profile

Return	Above Avg	86%
Risk	Average	80%
Rating	★★★★	82%
	Above Avg	86%



▼ Manager Change
▽ Partial Manager Change

Growth of \$10,000



Investment Values of Fund
Investment Values of MSCI EAFE

Performance Quartile (within Category)



History

Year	NAV	Total Return %	+/-MSCI EAFE	+/-MSCI Wd xUS	Income Return %	Capital Return %	Total Rtn % Rank Cat	Income \$	Capital Gains \$	Expense Ratio %	Income Ratio %	Turnover Rate %	Net Assets \$mil
1996	26.04	18.64	12.59	11.77	1.90	16.74	14	0.43	0.89	0.95	2.09	22	15,727
1997	26.02	9.19	7.41	6.92	1.78	7.41	36	0.45	1.93	0.90	1.77	26	18,854
1998	28.40	15.54	-4.39	-3.15	1.40	14.14	42	0.36	1.26	0.86	1.64	31	20,798
1999	42.66	56.97	29.94	28.99	1.03	55.94	12	0.29	1.39	0.84	1.45	32	34,783
2000	31.35	-17.84	-3.67	-4.49	0.50	-18.34	65	0.19	3.74	0.84	0.93	29	31,496
2001	26.87	-12.17	9.27	9.23	2.09	-14.26	5	0.66	0.00	0.88	1.89	37	27,153
2002	22.97	-13.61	2.33	2.19	0.90	-14.51	21	0.24	0.00	0.88	1.21	27	22,601
2003	30.21	32.91	-5.68	-6.51	1.35	31.56	51	0.31	0.00	0.90	1.06	29	29,908
2004	35.63	19.69	-0.56	-0.69	1.68	18.01	20	0.51	0.00	0.87	1.08	25	36,920
2005	41.10	21.12	7.58	6.65	2.02	19.10	7	0.72	1.32	0.82	1.31	30	45,485
2006	46.56	21.87	-4.47	-3.84	1.88	19.99	81	0.77	2.71	0.76	1.58	35	56,109
09-07	54.68	17.44	4.29	3.15	0.00	17.44	14	0.00	0.00	0.75	1.54	27	63,515

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	20.29			
3 Yr	22.90	Avg	Avg	★★★★
5 Yr	22.90	Avg	Avg	★★★★
10 Yr	10.52	High	-Avg	★★★★★
Incept	14.12			

Other Measures	Standard Index	Best Fit Index
Alpha	2.2	1.9
Beta	0.98	0.97
R-Squared	90	91
Standard Deviation	9.73	
Mean	25.35	
Sharpe Ratio	1.96	

Portfolio Analysis 06-30-07

Share change since 03-07	Total Stocks:285	Sector	Country	% Assets
+	Roche Holding Ltd	Health	Switzerland	2.99
	Bayer	Ind Mtrls	Germany	2.23
+	America Mobile ADR	Telecom	Mexico	1.91
+	Banco Santander Central	Financial	Spain	1.66
	Novo-Nordisk A S	Health	Denmark	1.63
	Kookmin Bank	Financial	Korea	1.41
+	Hon Hai Precision Indust	Hardware	Taiwan	1.39
+	AXA	Financial	France	1.24
+	Samsung Electronics	Goods	Korea	1.23
-	Nestle	Goods	Switzerland	1.17
+	Nokia	Hardware	Finland	1.04
+	Vodafone Grp	Telecom	U.K.	1.04
+	Petroleo Brasileiro S.A.	Energy	Brazil	0.93
+	Siemens	Hardware	Germany	0.88
	Continental	Ind Mtrls	Germany	0.87
+	Linde	Ind Mtrls	Germany	0.85
	Koninklijke KPN	Telecom	Netherlands	0.81
+	Renault	Goods	France	0.80
	Vivendi	Media	France	0.77
	SK	Energy	Korea	0.77

Current Investment Style

Value	Blnd	Growth	Market Cap	%	Sector Weightings	% of Rel MSCI Stocks	3 Year EAFE High Low
			Giant	62.3	Info	21.22	1.76
			Large	33.6	Software	0.45	0.82 1 0
			Mid	4.0	Hardware	8.96	2.14 10 6
			Small	0.0	Media	2.04	1.08 3 2
			Micro	0.1	Telecom	9.77	1.79 17 7
			Avg \$mil:	36,187	Service	42.91	0.95

Value Measures	Rel Category	Value Measures	Rel Category
Price/Earnings	15.16 1.02	Health	9.40 1.45 10 9
Price/Book	2.22 0.99	Consumer	4.63 0.98 5 5
Price/Sales	1.21 0.99	Business	3.98 0.79 4 1
Price/Cash Flow	8.53 0.98	Financial	24.90 0.87 26 22
Dividend Yield %	2.85 0.97	Mfg	35.87 0.84
Growth Measures	% Rel Category	Goods	14.17 1.09 18 14
Long-Term Erngs	13.18 1.12	Ind Mtrls	11.79 0.67 12 10
Book Value	11.80 1.16	Energy	7.85 1.06 9 6
Sales	7.28 0.95	Utilities	2.06 0.42 3 1
Cash Flow	6.82 0.77		
Historical Erngs	26.09 1.16		

Regional Exposure	% Stock
UK/W. Europe	53
N. America	3
Japan	11
Latin America	6
Asia X Japan	22
Other	5

Composition	% Stock
Cash	10.0
Bonds	0.3
Stocks	89.6
Other	0.1
Foreign (% of Stock)	99.5
Country Exposure	% Stock
Japan	11
Switzerland	8
Germany	11
South Korea	8
France	9

Address:	333 S Hope St - 55th FL Los Angeles, CA 90071 800-421-0180	Minimum Purchase:	\$250	Add: \$0	IRA: \$0
Web Address:	www.americanfunds.com	Min Auto Inv Plan:	\$250	Add: \$50	
Inception:	04-16-84	Sales Fees:	5.75%L, 0.25%S		
Advisor:	Capital Research & Mgmt Company	Management Fee:	0.69% mx./0.40% mn.		
Subadvisor:	None	Actual Fees:	Mgt:0.43% Dist:0.25%		
NTF Plans:	Federated Tr NTF, Schwab Instl NTF	Expense Projections:	3Yr:\$813 5Yr:\$989 10Yr:\$1497		
		Income Distrib:	Annually		



Calvert Soc Inv Equity A

Governance and Management

Stewardship Grade:

Portfolio Manager(s)

Dan Boone is a manager for subadvisor Atlanta Capital Management, and he has run this offering since September 1998. Boone is assisted by three other portfolio managers, as well as a team of industry-specific analysts at his firm. Calvert does the fund's social screening.

Strategy

Lead manager Dan Boone and his team invest in 40-60 stocks with solid earnings histories and business franchises, as well as healthy balance sheets. Such firms tend to fetch a high price, but Boone attempts to buy them when they're trading at below-average valuations relative to their histories. The portfolio is screened according to Calvert's social-investment criteria, which eliminate alcohol, tobacco, gambling, and weapons companies, as well as firms with poor environmental records and poor labor practices.

Performance 09-30-07

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-4.28	14.25	1.94	9.72	22.31
2004	-0.81	2.12	-3.30	8.92	6.69
2005	-2.21	2.49	2.46	1.42	4.16
2006	3.80	-2.46	3.92	4.71	10.16
2007	-0.64	5.45	5.04	—	—

Trailing

	Total Return%	+/- S&P 500	+/- Russ 1000Gr	%Rank Cat	Growth of \$10,000
3 Mo	5.04	3.01	0.83	55	10,504
6 Mo	10.77	2.33	-0.58	70	11,077
1 Yr	15.23	-1.21	-4.12	85	11,523
3 Yr Avg	11.21	-1.93	-0.99	71	13,754
5 Yr Avg	12.80	-2.65	-1.04	64	18,262
10 Yr Avg	7.57	1.00	3.51	12	20,745
15 Yr Avg	9.08	-2.03	0.06	59	36,828

Tax Analysis

	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	9.11	83	0.28	19
5 Yr (estimated)	11.52	75	0.17	16
10 Yr (estimated)	6.19	16	0.80	37

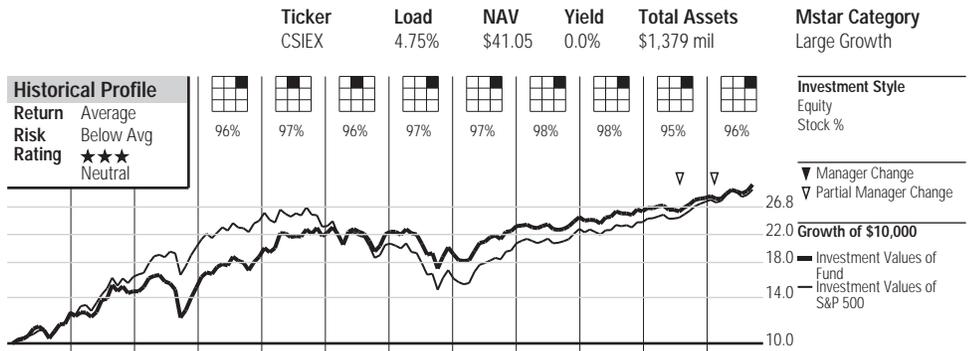
Potential Capital Gain Exposure: 31% of assets

Morningstar's Take by Annie Sorich 09-18-07

Calvert Social Investment Equity is a solid option for socially conscious investors.

Long-time manager Dan Boone, with the help of Richard England, invests in companies, such as Microsoft and Medtronic, with rock-solid balance sheets, dominant business franchises, and good earnings prospects that pass Calvert's social screens. This taste for steady growers, along with a few deft moves, served shareholders well in the last bear market.

While the fund has kept pace with its target benchmark in 2007, the S&P 500 Index, its year-to-date return lags the large-cap growth category average by nearly 4 percentage points. Several factors have contributed to its relative underperformance. First, the fund's relatively light technology stake has hampered returns. Hardware and software stocks comprise a third of the typical large-cap growth fund's portfolio, but only 20% of this fund's assets. More recently, the technology sector has weathered market turbulence better than



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	09-07	History
NAV	22.43	23.28	25.80	29.88	31.72	31.06	26.40	32.29	34.45	35.30	37.30	41.05	NAV
Total Return %	21.68	19.33	10.89	23.17	11.61	0.67	-14.93	22.31	6.69	4.16	10.16	10.05	Total Return %
+/- S&P 500	-1.28	-14.03	-17.69	2.13	20.71	12.56	7.17	-6.37	-4.19	-0.75	-5.63	0.92	+/- S&P 500
+/- Russ 1000Gr	-1.44	-11.16	-27.82	-9.99	34.03	21.09	12.95	-7.44	0.39	-1.10	1.09	-2.63	+/- Russ 1000Gr
Income Return %	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Income Return %
Capital Return %	-21.68	-19.33	-10.89	-23.17	-11.61	-0.67	-14.93	-22.31	-6.69	-4.16	-10.16	-10.05	Capital Return %
Total Rtn % Rank Cat	34	80	94	75	4	2	4	85	64	72	23	81	Total Rtn % Rank Cat
Income \$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Income \$
Capital Gains %	1.50	3.36	0.01	1.83	1.63	0.88	0.02	0.00	0.00	0.59	1.59	0.00	Capital Gains %
Expense Ratio %	1.27	1.20	1.16	1.22	1.13	1.24	1.29	1.29	1.24	1.25	1.23	—	Expense Ratio %
Income Ratio %	0.15	0.03	-0.14	-0.28	-0.20	-0.07	-0.12	-0.26	-0.32	0.08	-0.06	—	Income Ratio %
Turnover Rate %	118	93	110	51	49	43	28	29	17	31	35	—	Turnover Rate %
Net Assets \$mil	109	146	157	203	253	312	380	619	783	883	948	1,001	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	9.76			
3 Yr	9.42	-Avg	Low	★★
5 Yr	11.71	-Avg	-Avg	★★★
10 Yr	7.05	+Avg	-Avg	★★★★
Incept	8.41			

Other Measures

	Standard Index S&P 500	Best Fit Index Russ 1000Gr
Alpha	-1.2	0.1
Beta	0.94	0.87
R-Squared	87	93
Standard Deviation	7.54	
Mean	11.21	
Sharpe Ratio	0.90	

Portfolio Analysis 09-30-07

Share change since 08-07	Total Stocks:50	Sector	PE	Tot Ret%	% Assets
⊖ Cisco Systems, Inc.		Hardware	28.3	21.22	4.79
⊕ FMC Technologies, Inc.		Energy	30.8	87.12	4.34
Medtronic, Inc.		Health	22.7	6.13	3.47
Procter & Gamble Company		Goods	23.1	11.19	3.31
Colgate-Palmolive Compan		Goods	23.7	11.01	3.10
⊕ Kohl's Corporation		Consumer	15.9	-16.22	3.01
Cooper Industries, Ltd.		Ind Mtrls	16.0	14.43	2.96
Aflac, Inc.		Financial	18.5	25.46	2.89
⊕ Microsoft Corporation		Software	20.8	-0.33	2.88
Dover Corporation		Ind Mtrls	16.7	5.16	2.77
Emerson Electric Company		Ind Mtrls	21.1	22.78	2.70
Air Products and Chemical		Ind Mtrls	24.1	41.03	2.69
Walgreen Company		Consumer	23.1	3.51	2.57
* FHLBA		—	—	—	2.42
Texas Instruments, Inc.		Hardware	22.0	27.79	2.38
Target Corporation		Consumer	18.5	12.14	2.30
⊕ Bank of New York Company		Financial	21.7	13.94	2.24
St. Jude Medical, Inc.		Health	28.8	20.54	2.23
Nokia Corporation ADR		Hardware	26.5	90.81	2.20
Questar Corporation		Energy	19.2	27.50	2.13

Current Investment Style

Value Blind Growth	Market Cap %	Sector Weightings	% of Stocks	Rel S&P 500	3 Year High Low
Large	30.2	Info	21.35	1.02	
Large	39.9	Software	5.84	1.61	6 2
Mid	29.9	Hardware	15.51	1.48	16 10
Small	0.0	Media	0.00	0.00	0 0
Micro	0.0	Telecom	0.00	0.00	0 0
Avg \$mil:	31,197	Service	50.21	1.18	
		Health	16.13	1.38	21 15
		Consumer	15.38	2.13	19 15
		Business	5.02	1.29	14 5
		Financial	13.68	0.69	15 11
		Mfg	28.44	0.78	
		Goods	6.64	0.76	7 4
		Ind Mtrls	13.60	1.06	17 11
		Energy	8.20	0.71	8 5
		Utilities	0.00	0.00	0 0

Value Measures

Value Measures	Rel Category
Price/Earnings	18.99 1.00
Price/Book	3.83 1.17
Price/Sales	1.92 1.02
Price/Cash Flow	14.87 1.21
Dividend Yield %	0.96 0.91

Growth Measures

Growth Measures	% Rel Category
Long-Term Erngs	13.73 0.96
Book Value	12.29 0.96
Sales	14.55 1.15
Cash Flow	15.26 1.03
Historical Erngs	17.58 0.74

Profitability

Profitability	% Rel Category
Return on Equity	24.15 1.20
Return on Assets	10.85 1.00
Net Margin	14.41 1.04

Composition



Address: 4550 Montgomery Ave
Bethesda, MD 20814
800-368-2748
www.calvert.com
Inception: 08-24-87
Advisor: Calvert Asset Management Co Inc.
Subadvisor: Atlanta Capital
NTF Plans: DATALynx NTF, Federated Tr NTF

Minimum Purchase: \$1000 Add: \$250 IRA: \$1000
Min Auto Inv Plan: \$0 Add: —
Sales Fees: 4.75%L, 0.25%S, 2.00%R
Management Fee: 0.50%, 0.20%A
Actual Fees: Mgt:0.70% Dist:0.25%
Expense Projections: 3Yr:\$847 5Yr:\$1119 10Yr:\$1893
Income Distrib: Annually

DFA U.S. Micro Cap I

Ticker: DFSCX Load: None NAV: \$15.89 Yield: 2.0% Total Assets: \$5,094 mil Mstar Category: Small Blend

Governance and Management

Stewardship Grade:

Portfolio Manager(s)

A team of portfolio managers, led by Robert Deere, runs this offering. These folks are focused on implementing the fund's strategy. DFA's investment committee, which includes many famous academics, designed this strategy.

Strategy

The fund invests in the smallest 5% of U.S. exchange-listed stocks to take advantage of the small-cap effect. The portfolio contains anywhere between 2,500 and 3,000 holdings, but it does not contain REITs, newly minted IPOs, or firms that management identifies as merger candidates or too highly leveraged.

Performance 09-30-07

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-3.99	27.35	12.56	16.77	60.72
2004	6.46	0.14	-4.32	16.06	18.39
2005	-6.43	3.93	6.78	1.78	5.69
2006	14.39	-7.11	-0.21	9.55	16.16
2007	1.66	4.35	-4.03	—	—

Trailing	Total Return%	+/- S&P 500	+/- Russ 2000	%Rank Cat	Growth of \$10,000
3 Mo	-4.03	-6.06	-0.94	55	9,957
6 Mo	0.15	-8.29	-1.04	67	10,015
1 Yr	11.55	-4.89	-0.79	62	11,155
3 Yr Avg	13.20	0.06	-0.16	50	14,506
5 Yr Avg	20.40	4.95	1.65	17	25,301
10 Yr Avg	10.57	4.00	3.35	20	27,313
15 Yr Avg	15.14	4.03	3.66	12	82,869

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	11.55	45	1.46	41
5 Yr (estimated)	19.07	18	1.10	49
10 Yr (estimated)	8.39	31	1.97	77

Potential Capital Gain Exposure: 28% of assets

Morningstar's Take by Marta Norton 05-21-07

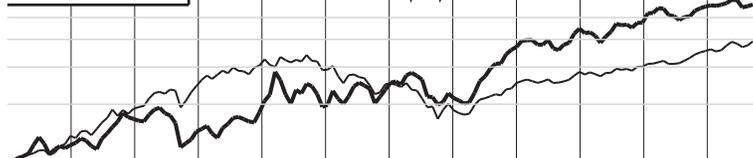
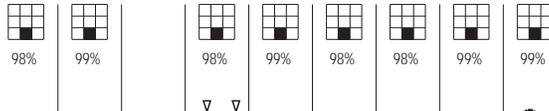
Those who can handle a bumpy ride will like what they see at DFA U.S. Micro Cap.

Uneven returns are the norm at this passively managed fund. That's because it targets the smallest 5% of the exchange-listed stocks in the market. Because tiny companies often have less-diversified businesses and are in the early stages of development, they generally face frequent ups and downs. Indeed, the fund's standard deviation (a measure of return volatility) is well above that of its typical small-blend rival over the short and long haul.

But for those willing to stomach the ride, this fund is a good choice. For one thing, because it holds more than 2,400 stocks and keeps turnover low, it doesn't brush up against the capacity constraints many of its actively managed competitors face. Plus, it has the advantage of low expenses. The actively managed funds focused on micro-caps often come with hefty expense ratios, theoretically because micro-caps are harder to

Historical Profile

Return Above Avg
Risk Above Avg
Rating ★★★ Neutral



Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	09-07
NAV	11.20	11.78	10.76	12.61	9.64	10.01	8.53	13.32	15.12	14.77	15.70	15.89
Total Return %	17.65	22.78	-7.32	29.79	-3.60	22.77	-13.27	60.72	18.39	5.69	16.16	1.82
+/-S&P 500	-5.31	-10.58	-35.90	8.75	5.50	34.66	8.83	32.04	7.51	0.78	0.37	-7.31
+/-Russ 2000	1.16	0.42	-4.77	8.53	-0.58	20.28	7.21	13.47	0.06	1.14	-2.21	-1.34
Income Return %	0.26	0.23	1.28	3.49	3.89	0.51	0.16	2.42	2.04	2.38	2.02	0.61
Capital Return %	17.39	22.55	-8.60	26.30	-7.49	22.26	-13.43	58.30	16.35	3.31	14.14	1.21
Total Rtn % Rank Cat	77	68	70	17	92	11	29	5	55	61	39	70
Income \$	0.03	0.03	0.15	0.38	0.49	0.05	0.02	0.21	0.27	0.36	0.30	0.10
Capital Gains \$	1.16	1.89	0.00	0.89	1.99	1.71	0.14	0.18	0.36	0.84	1.13	0.00
Expense Ratio %	0.61	0.60	0.59	0.61	0.56	0.56	0.56	0.56	0.16	0.55	0.53	—
Income Ratio %	0.22	0.21	0.18	0.30	0.34	0.41	0.24	0.25	0.64	0.48	0.64	—
Turnover Rate %	24	28	26	23	37	—	—	—	—	—	24	—
Net Assets \$mil	1,187	1,437	1,360	1,452	1,378	1,663	1,533	2,685	3,380	3,912	4,881	5,094

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	11.55			
3 Yr	13.20	Avg	+ Avg	★★★
5 Yr	20.40	+ Avg	+ Avg	★★★★
10 Yr	10.57	+ Avg	+ Avg	★★★
Incept	13.66			

Other Measures	Standard Index	Best Fit Index
Alpha	-3.2	-0.1
Beta	1.46	1.00
R-Squared	66	97
Standard Deviation	13.49	
Mean	13.20	
Sharpe Ratio	0.68	

Portfolio Analysis 06-30-07

Share change since 05-07: Total Stocks:0 Sector: PE: Tot Ret%: % Assets: 100.00

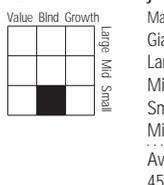
Dimensional U.S. Micro C

research than larger companies. In fact, the typical no-load small-cap fund charges 1.25%. This fund, by contrast, charges only 0.53%. That low price gives it a head start over even some of its passively managed rivals, such as PowerShares Zacks Micro Cap, an exchange-traded fund that costs 0.72%.

A broad portfolio and low expenses have been a winning combination for investors at this fund. Over the trailing 10-year period ending May 9, 2007, the fund's 14.2% gain outpaced 79% of its small-blend peers.

Overall, we think this fund has a lot to offer. Of course, given the volatility here, we'd recommend investors limit this fund to a supporting role in their portfolio. Moreover, because small caps have been on a multiyear tear, now might be the time to rebalance this fund to its original allocation in investors' overall portfolios.

Current Investment Style

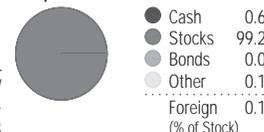


Value Measures	Rel Category
Price/Earnings	18.52 1.10
Price/Book	2.13 1.01
Price/Sales	1.00 0.99
Price/Cash Flow	9.14 1.24
Dividend Yield %	0.70 0.59
Growth Measures	% Rel Category
Long-Term Erngs	14.38 1.04
Book Value	3.48 0.39
Sales	-16.52 NMF
Cash Flow	-16.33 NMF
Historical Erngs	-15.03 NMF

Sector Weightings

Sector	% of Stocks	Rel S&P 500	3 Year High Low
Info	19.44	0.93	
Software	5.78	1.60	6 6
Hardware	10.08	0.96	10 10
Media	1.45	0.46	1 1
Telecom	2.13	0.57	2 1
Service	52.45	1.23	
Health	15.30	1.31	16 15
Consumer	10.13	1.40	10 9
Business	13.23	3.40	13 12
Financial	13.79	0.70	16 13
Mfg	28.10	0.77	
Goods	6.83	0.79	7 6
Ind Mtrls	16.00	1.25	17 15
Energy	3.79	0.33	5 4
Utilities	1.48	0.42	2 1

Composition



Profitability

Measure	% Rel Category
Return on Equity	5.97 0.44
Return on Assets	0.92 0.13
Net Margin	10.54 1.07

Address:	1299 Ocean Ave Santa Monica, CA 90401	Minimum Purchase:	\$0	Add: \$0	IRA: \$0
Web Address:	www.dfafunds.com	Min Auto Inv Plan:	\$0	Add: —	
Inception:	12-22-81	Sales Fees:	No-load		
Advisor:	Dimensional Fund Advisors Ltd	Management Fee:	—		
Subadvisor:	None	Actual Fees:	—	Dist: —	
NTF Plans:	N/A	Expense Projections:	3Yr:\$170	5Yr:\$296	10Yr:\$665
		Income Distrib:	Quarterly		

Federated US 2-5 Instl

Ticker: FIGTX Load: None NAV: \$11.04 Yield: 4.3% SEC Yield: — Total Assets: \$632 mil M8tr Category: Short Government

Governance and Management

Stewardship Grade: D

Portfolio Manager(s)

Don Ellenberger is in charge. Ellenberger, head of government bonds at Federated, joined the fund in June 2005 but has been at Federated since 1996. Previously, he was a portfolio manager at Mellon Bank.

Strategy

This fund stands apart from most in the short-term government category because it does not invest in mortgage-backed securities. Instead, it holds a mix of Treasuries and agency bonds. Duration is usually relatively long for its group, as the fund stays within 20% of the Merrill Lynch 3-5 Year Treasury Index. The fund's approach typically results in added interest-rate sensitivity relative to the peer group.

Performance 09-30-07

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	0.99	1.67	-0.04	-0.40	2.22
2004	2.06	-2.44	2.02	0.02	1.60
2005	-1.05	2.18	-0.71	0.47	0.87
2006	-0.49	2.18	2.85	0.66	3.34
2007	1.63	-0.22	3.65	—	—

Trailing	Total Return%	+/- LB Aggreg	+/- LB 1-5 YR GOVT	%Rank Cat	Growth of \$10,000
3 Mo	3.65	0.81	1.15	1	10,365
6 Mo	3.42	1.11	0.44	3	10,342
1 Yr	5.79	0.65	0.05	3	10,579
3 Yr Avg	3.09	-0.77	-0.12	45	10,956
5 Yr Avg	2.80	-1.33	-0.30	22	11,481
10 Yr Avg	5.06	-0.91	-0.03	10	16,382
15 Yr Avg	5.11	-1.17	-0.16	16	21,118

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	1.62	45	1.43	63
5 Yr (estimated)	1.40	23	1.36	64
10 Yr (estimated)	3.30	4	1.68	52

Potential Capital Gain Exposure: -2% of assets

Morningstar's Take by Miriam Sjoblom 09-13-07

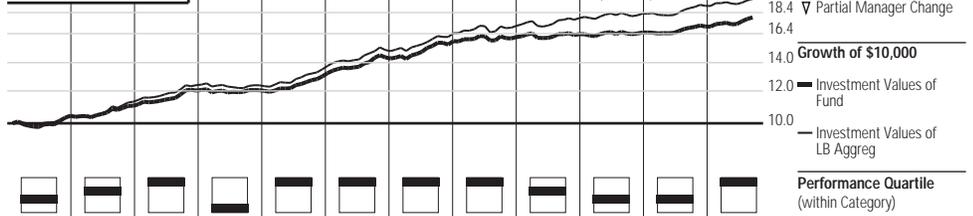
Federated U.S. Government: 2-5 Year is behaving itself.

We'd be concerned if this short-term government-bond fund weren't performing well right now amid very favorable conditions. With worries about subprime defaults spilling over into other sectors of the bond and equity markets, investors have been flocking to the safety of U.S. Treasury bonds. While increased demand has pushed Treasury prices higher, this fund, which invests strictly in Treasury and agency bonds, has gone to the head of its class, with a 5.41% return year to date as of September 10, 2007.

As recent performance demonstrates, this fund can clearly offer protection in times of market unrest. However, conditions won't always work in its favor. Whereas this fund avoids mortgage bonds of any type, many funds in this category have a sizable stake in agency mortgage bonds, which have little to no credit risk. This lack of mortgage exposure has been a boon for this fund lately, but it

Historical Profile

Return: Above Avg
Risk: High
Rating: ★★★★★ Above Avg



Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	09-07
NAV	10.49	10.63	10.91	10.35	10.77	11.09	11.67	11.52	11.30	10.97	10.86	11.04
Total Return %	3.58	7.12	8.11	-0.52	10.16	8.33	9.92	2.22	1.60	0.87	3.34	5.10
+/-LB Aggreg	-0.05	-2.53	-0.58	0.30	-1.47	-0.11	-0.33	-1.88	-2.74	-1.56	-0.99	1.25
+/-LB 1-5 YR GOVT	-1.02	0.01	0.46	-2.48	1.07	-0.31	2.23	0.06	0.06	-0.61	-0.67	0.96
Income Return %	5.44	5.71	5.40	4.71	5.91	5.33	4.56	3.53	3.54	3.83	4.34	3.40
Capital Return %	-1.86	1.41	2.71	-5.23	4.25	3.00	5.36	-1.31	-1.94	-2.96	-1.00	1.70
Total Rtn % Rank Cat	68	31	4	87	7	11	3	12	30	73	74	1
Income \$	0.57	0.58	0.56	0.50	0.60	0.56	0.50	0.41	0.40	0.43	0.47	0.36
Capital Gains \$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expense Ratio %	0.54	0.54	0.54	0.55	0.56	0.57	0.57	0.57	0.57	0.59	0.58	0.58
Income Ratio %	6.07	5.42	5.58	5.13	4.80	6.23	4.29	4.29	3.44	3.55	3.82	4.35
Turnover Rate %	117	99	71	126	172	77	66	31	52	66	113	128
Net Assets \$mil	783	702	723	627	538	603	764	828	740	666	544	549

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	5.79			
3 Yr	3.09	Avg	High	★★★★
5 Yr	2.80	+Avg	High	★★★★★
10 Yr	5.06	+Avg	High	★★★★★
Incept	7.00			

Other Measures

	Standard Index	Best Fit Index
Alpha	-0.8	-0.3
Beta	0.79	1.02
R-Squared	85	98
Standard Deviation	2.43	
Mean	3.09	
Sharpe Ratio	-0.46	

Portfolio Analysis 06-30-07

	Date of Maturity	Amount \$000	Value \$000	% Net Assets
Total Fixed-Income: 21				
US Treasury Note 4.625%	02-29-12	53,000	52,338	8.40
US Treasury Note 4.5%	02-28-11	45,000	44,393	7.13
US Treasury Note 4.75%	03-31-11	42,000	41,778	6.71
US Treasury Note 4.875%	04-30-11	40,000	39,938	6.41
US Treasury Note 4.25%	11-15-14	40,000	38,165	6.13
US Treasury Note 4.375%	12-15-10	37,000	36,397	5.84
US Treasury Note 4%	11-15-12	37,000	35,459	5.69
FNMA 6%	05-15-11	33,000	33,847	5.43
US Treasury Note 3.625%	07-15-09	31,000	30,242	4.85
US Treasury Note 3.625%	01-15-10	31,000	30,075	4.83
US Treasury Note 4.75%	02-15-10	30,000	29,891	4.80
US Treasury Note 3.875%	05-15-10	30,000	29,201	4.69
US Treasury Note 3%	07-15-12	26,444	26,947	4.33
US Treasury Note 3.5%	11-15-09	23,000	22,289	3.58
US Treasury Note 4.75%	01-31-12	20,000	19,851	3.19
US Treasury Note	05-15-10	20,000	19,791	3.18
US Treasury Note 2.375%	04-15-11	15,623	15,450	2.48
US Treasury Note 4.5%	02-15-09	15,000	14,899	2.39
FHLBA	10-27-11	15,000	14,879	2.39
FHLMC 5.5%	02-13-09	10,000	9,990	1.60

Current Investment Style

Duration	Short	Int	Long	Quality
	High	Med	Low	
Avg Eff Duration ¹	3.4 Yrs			
Avg Eff Maturity	3.7 Yrs			
Avg Credit Quality	AAA			
Avg Wtd Coupon	4.37%			
Avg Wtd Price	98.65% of par			

Coupon Range	% of Bonds	Rel Cat
0% PIK	0.0	0.0
0% to 6%	100.0	1.3
6% to 8%	0.0	0.0
8% to 10%	0.0	0.0
More than 10%	0.0	0.0

Credit Analysis	% bonds 06-30-07
AAA	100
AA	0
A	0
BBB	0

Sector Breakdown	% of assets
US Treasuries	82
TIPS	4
US Agency	9
Mortgage Pass-Throughs	0
Mortgage CMO	0
Mortgage ARM	0
US Corporate	0
Asset-Backed	0
Convertible	0
Municipal	0
Corporate Inflation-Protected	0
Foreign Corporate	0
Foreign Govt	0

Composition	Cash	Bonds	Stocks	Other
	4.4	95.6	0.0	0.0

Special Securities	Restricted/Illiquid Secs	Exotic Mortgage-Backed	Emerging-Markets Secs	Options/Futures/Warrants
	0	0	0	No

Address:	5800 Corporate Drive Pittsburgh, PA 15237-7000 800-341-7400	Minimum Purchase:	\$25000	Add: \$0	IRA: \$25000
Web Address:	www.federatedinvestors.com	Min Auto Inv Plan:	\$0	Add: —	
Inception:	02-18-83	Sales Fees:	No-load		
Advisor:	Federated Investment Mgmt Corp.	Management Fee:	0.40%, 0.15% A		
Subadvisor:	None	Actual Fees:	Mgt: 0.40%	Dist: —	
NTF Plans:	Federated Tr NTF, Schwab Instl NTF	Expense Projections:	3Yr: \$265	5Yr: \$460	10Yr: \$1025
		Income Distrib:	Monthly		

Fidelity Contrafund

Ticker: FCNTX Load: Closed NAV: \$75.42 Yield: 0.5% Total Assets: \$78,354 mil Mstar Category: Large Growth

Governance and Management

Stewardship Grade: C

Portfolio Manager(s)

Will Danoff has been at the helm since September 1990 and is backed by Fidelity's deep research staff. He has adapted his style to the fund's size by holding more large caps, and he has cut the fund's turnover in recent years. He has also run Fidelity Advisor New Insights since its July 2003 inception.

Strategy

Call it forced evolution: As this fund's asset base grew in the 1990s, manager Will Danoff had to move away from mid-caps and small caps and adopt a growth-at-a-reasonable-price philosophy. He continues to own a substantial stake in mid-caps, but it is now dominated by larger fare. It has been more conservative than most of its large-growth rivals in recent years, with big underweightings in racy sectors such as technology. Danoff has reined in the fund's turnover considerably in recent years.

Performance 09-30-07

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-2.15	11.83	5.02	11.34	27.95
2004	3.75	2.36	-0.63	9.04	15.07
2005	0.33	2.95	8.41	3.79	16.23
2006	4.75	-0.77	0.79	6.46	11.54
2007	1.41	7.50	7.16	—	—

Trailing	Total Return%	+/- S&P 500	+/- Russ 1000Gr	%Rank Cat	Growth of \$10,000
3 Mo	7.16	5.13	2.95	26	10,716
6 Mo	15.20	6.76	3.85	26	11,520
1 Yr	24.38	7.94	5.03	21	12,438
3 Yr Avg	18.20	5.06	6.00	6	16,514
5 Yr Avg	17.67	2.22	3.83	12	22,559
10 Yr Avg	10.31	3.74	6.25	4	26,678
15 Yr Avg	14.16	3.05	5.14	5	72,897

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	17.36	7	0.71	47
5 Yr (estimated)	17.15	12	0.44	40
10 Yr (estimated)	8.84	5	1.33	65

Potential Capital Gain Exposure: 37% of assets

Morningstar's Take by Greg Carlson 09-13-07

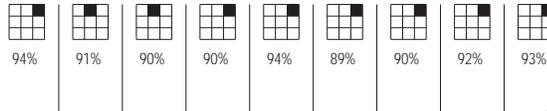
Fidelity Contrafund is having a bang-up 2007, but it's still a hold rather than a buy.

This closed large-growth fund isn't a perfect fit in its category. Manager Will Danoff, who's run the fund since 1990, employs a flexible approach. He likes firms with improving prospects, rather than potential turnaround situations, but he'll buy anything that fits under that broad definition, from Internet-search leader Google to oil giant ExxonMobil, to a clutch of precious-metals firms that he scooped up several years ago as they began to bounce back from commodity-price lows. Thus, the fund has gravitated between Morningstar's large-growth and large-blend categories. Its performance is best measured against its benchmark, the S&P 500 Index.

Versus the S&P, the fund has rebounded strongly from a subpar 2006—it's ahead of the S&P by 5.8 percentage points for the year to date through Sept. 12, 2007. That success owes to solid picks such as Apple and oil-services provider Schlumberger. Apple

Historical Profile

Return: High
Risk: Below Avg
Rating: ★★★★★
Highest



Investment Style

Equity
Stock %

▼ Manager Change
▽ Partial Manager Change

Growth of \$10,000

Investment Values of Fund
Investment Values of S&P 500

Performance Quartile (within Category)

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	09-07	History
NAV	42.15	46.63	56.81	60.02	49.18	42.77	38.60	49.35	56.74	64.76	65.21	75.42	NAV
Total Return %	21.94	23.00	31.57	25.03	-6.80	-12.59	-9.63	27.95	15.07	16.23	11.54	16.83	Total Return %
+/- S&P 500	-1.02	-10.36	2.99	3.99	2.30	-0.70	12.47	-0.73	4.19	11.32	-4.25	7.70	+/- S&P 500
+/- Russ 1000Gr	-1.18	-7.49	-7.14	-8.13	15.62	7.83	18.25	-1.80	8.77	10.97	2.47	4.15	+/- Russ 1000Gr
Income Return %	1.05	0.84	0.64	0.50	0.41	0.45	0.12	0.10	0.09	0.41	0.61	0.00	Income Return %
Capital Return %	20.89	22.16	30.93	24.53	-7.21	-13.04	-9.75	27.85	14.98	15.82	10.93	16.83	Capital Return %
Total Rtn % Rank Cat	32	67	47	70	32	17	2	51	7	3	16	27	Total Rtn % Rank Cat
Income \$	0.38	0.35	0.30	0.28	0.24	0.22	0.05	0.04	0.05	0.23	0.39	0.00	Income \$
Capital Gains %	3.45	4.56	4.22	10.22	6.62	0.00	0.00	0.00	0.00	0.97	6.49	0.67	Capital Gains %
Expense Ratio %	0.79	0.67	0.61	0.62	0.84	0.91	0.99	0.98	0.92	0.88	0.89	—	Expense Ratio %
Income Ratio %	1.28	0.91	0.70	0.48	0.45	0.49	0.14	0.01	0.08	0.46	0.62	—	Income Ratio %
Turnover Rate %	159	144	197	177	166	141	80	67	64	60	76	—	Turnover Rate %
Net Assets \$mil	23,798	30,809	38,821	46,927	40,220	32,321	27,695	36,051	44,484	60,094	68,576	78,354	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	24.38			
3 Yr	18.20	High	Avg	★★★★★
5 Yr	17.67	+ Avg	Low	★★★★★
10 Yr	10.31	High	Low	★★★★★
Incept	13.50			

Other Measures

	Standard Index S&P 500	Best Fit Index Mstar Mid Growth TR
Alpha	4.4	2.0
Beta	1.01	0.71
R-Squared	73	83
Standard Deviation	8.88	
Mean	18.20	
Sharpe Ratio	1.46	

Portfolio Analysis 06-30-07

Share change since 03-07: Total Stocks: 406 Sector: PE: Tot Ret%: % Assets

Google, Inc.	Business	48.1	23.19	4.46
Hewlett-Packard Company	Hardware	20.1	21.53	2.68
ExxonMobil Corporation	Energy	13.3	22.35	2.66
Apple, Inc.	Hardware	43.3	80.89	2.60
Berkshire Hathaway Inc.	Financial	15.2	7.75	2.56
America Mobile ADR	Telecom	29.1	42.35	2.45
AT&T, Inc.	Telecom	21.4	20.67	1.95
Procter & Gamble Company	Goods	23.1	11.19	1.85
Genentech, Inc.	Health	31.9	-3.83	1.84
Schlumberger, Ltd.	Energy	28.3	67.37	1.62
Walt Disney Company	Media	15.7	2.29	1.54
Roche Holding Ltd	Health	—	—	1.35
EnCana Corporation	Energy	10.2	36.06	1.26
Wells Fargo Company	Financial	13.6	2.64	1.12
PepsiCo, Inc.	Goods	20.6	18.99	1.11
Merck & Co., Inc.	Health	23.5	21.40	1.10
Coca-Cola Company	Goods	25.5	21.50	1.05
Citigroup, Inc.	Financial	10.8	-13.56	1.02
American International G	Financial	11.0	-4.86	0.98
Cooper Industries, Ltd.	Ind Mtrls	16.0	14.43	0.96

Current Investment Style

Value	Blind	Growth	Market Cap	%
Large	Blind	Growth	Large	54.0
Mid	Blind	Growth	Mid	26.1
Small	Blind	Growth	Small	17.5
Micro	Blind	Growth	Micro	2.1
Avg \$mil:				0.3
				42,066

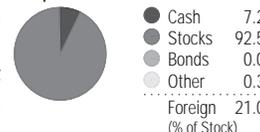
Sector Weightings

% of Stocks	Rel S&P 500	3 Year High Low
Info	25.51	1.22
Software	3.15	0.87 4 2
Hardware	12.91	1.24 13 5
Media	2.74	0.87 3 2
Telecom	6.71	1.78 7 4
Service	41.32	0.97
Health	11.83	1.01 16 11
Consumer	3.92	0.54 9 4
Business	9.37	2.41 9 5
Financial	16.20	0.82 23 14
Mfg	33.17	0.91
Goods	8.78	1.01 10 7
Ind Mtrls	12.02	0.94 18 10
Energy	11.67	1.01 18 8
Utilities	0.70	0.20 1 0

Value Measures	Rel Category
Price/Earnings	17.64 0.93
Price/Book	2.95 0.90
Price/Sales	2.12 1.12
Price/Cash Flow	13.71 1.12
Dividend Yield %	1.01 0.96
Growth Measures	Rel Category
Long-Term Erngs	12.78 0.89
Book Value	14.10 1.10
Sales	8.96 0.71
Cash Flow	14.84 1.00
Historical Erngs	10.13 0.42

Profitability	Rel Category
Return on Equity	22.12 1.10
Return on Assets	9.84 0.91
Net Margin	15.06 1.09

Composition



Address: 82 Devonshire Street
Boston, MA 02109
800-544-9797
www.fidelity.com
Inception: 05-17-67
Advisor: Fidelity Mgmt & Research (FMR)
Subadvisor: Fidelity Mgmt & Rsrch Far East Inc
NTF Plans: Fidelity Retail-NTF, CommonWealth NTF

Minimum Purchase: Closed
Add: — IRA: —
Mgt: 0.71%
Expense Projections: 3Yr: \$287 5Yr: \$498 10Yr: \$1108
Income Distrib: Semi-Annually

T. Rowe Price Mid Gr

Ticker: **RPMGX** Load: **Closed** NAV: **\$63.95** Yield: **0.1%** Total Assets: **\$18,089 mil** Mstar Category: **Mid-Cap Growth**

Governance and Management

Stewardship Grade: **A**

Portfolio Manager(s)

Brian Berghuis has run this offering since its June 1992 inception. He is assisted by comanager John Wakeman, and the two draw ideas from T. Rowe's strong corp of research analysts. Berghuis was named Morningstar's Domestic-Stock Manager of the Year for 2004.

Strategy

Manager Brian Berghuis looks for companies with sound business models that are growing rapidly. But unlike some other mid-growth managers, he pays close attention to valuations: The fund's average P/E is well below that of its typical rival. He also keeps the fund well diversified across sectors and does not let individual positions in the portfolio become too significant.

Performance 09-30-07

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-1.32	19.62	4.20	12.36	38.21
2004	3.36	4.22	-2.14	12.32	18.39
2005	-2.25	4.12	8.17	4.28	14.82
2006	6.22	-4.69	-0.05	5.54	6.79
2007	3.24	11.53	3.45	—	—

Trailing	Total Return%	+/- S&P 500	+/- Russ MG	%Rank Cat	Growth of \$10,000
3 Mo	3.45	1.42	1.30	54	10,345
6 Mo	15.37	6.93	6.34	25	11,537
1 Yr	25.71	9.27	4.49	42	12,571
3 Yr Avg	17.94	4.80	0.93	34	16,405
5 Yr Avg	20.99	5.54	0.60	13	25,927
10 Yr Avg	11.70	5.13	4.23	10	30,237
15 Yr Avg	16.03	4.92	4.78	2	93,015

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	17.00	30	0.80	40
5 Yr (estimated)	20.42	14	0.47	34
10 Yr (estimated)	11.03	7	0.60	17

Potential Capital Gain Exposure: 41% of assets

Morningstar's Take by Bridget Hughes 10-17-07

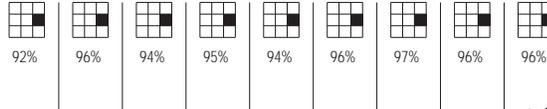
No surprise: The remarkably steady T. Rowe Price Mid-Cap Growth remains a favorite.

This fund is a model of consistency. That's true not only in its performance figures—it regularly lands in the mid-growth category's best third or better—but its Morningstar risk scores are below average, suggesting a stable ride. Its predictability extends to other areas. Manager Brian Berghuis has been with the fund since its mid-1992 inception. His 15-plus year tenure is more than three times as long as that of the average mutual fund manager—mid-cap growth or otherwise. Another member of this fund's investment advisory committee, John Wakeman, has worked with Berghuis for as long on the fund.

The portfolio's characteristics have also been reliable. Berghuis' unwavering commitment to his criteria—strong management teams, good business models, steady growth, and reasonable valuations—has produced a diversified portfolio, albeit with some emphases on health-care,

Historical Profile

Return: Above Avg
Risk: Below Avg
Rating: ★★★★★ Highest



Investment Style

Equity
Stock %

▼ Manager Change
▼ Partial Manager Change

Growth of \$10,000

Investment Values of Fund
Investment Values of S&P 500

Performance Quartile (within Category)

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	09-07	History
NAV	24.43	28.60	34.08	40.13	39.79	39.40	31.04	42.90	49.88	54.14	53.69	63.95	NAV
Total Return %	24.84	18.33	22.00	23.78	7.43	-0.98	-21.22	38.21	18.39	14.82	6.79	19.11	Total Return %
+/- S&P 500	1.88	-15.03	-6.58	2.74	16.53	10.91	0.88	9.53	7.51	9.91	-9.00	9.98	+/- S&P 500
+/- Russ MG	7.36	-4.21	4.14	-27.51	19.18	19.17	6.19	-4.50	2.91	2.72	-3.87	5.76	+/- Russ MG
Income Return %	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15	0.00	Income Return %
Capital Return %	24.84	18.33	22.00	23.78	7.43	-0.98	-21.22	38.21	18.39	14.82	6.64	19.11	Capital Return %
Total Rtn % Rank Cat	9	61	30	81	31	12	29	32	15	14	66	32	Total Rtn % Rank Cat
Income \$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.00	Income \$
Capital Gains %	0.69	0.30	0.73	1.88	3.27	0.00	0.00	0.00	0.90	3.15	4.07	0.00	Capital Gains %
Expense Ratio %	1.04	0.95	0.91	0.87	0.86	0.89	0.88	0.87	0.83	0.80	0.80	—	Expense Ratio %
Income Ratio %	-0.11	-0.14	-0.14	-0.09	-0.09	-0.35	-0.50	-0.44	-0.39	-0.12	0.14	—	Income Ratio %
Turnover Rate %	38	43	47	53	54	43	36	30	30	29	34	—	Turnover Rate %
Net Assets \$mil	1,021	1,839	3,310	5,243	6,589	6,739	5,713	9,869	12,651	15,187	14,629	17,298	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	25.71			
3 Yr	17.94	+ Avg	- Avg	★★★★
5 Yr	20.99	+ Avg	- Avg	★★★★★
10 Yr	11.70	+ Avg	- Avg	★★★★★
Incept	16.24			

Other Measures

	Standard Index	Best Fit Index
Alpha	3.3	2.0
Beta	1.13	0.89
R-Squared	72	91
Standard Deviation	9.99	
Mean	17.94	
Sharpe Ratio	1.29	

Portfolio Analysis 09-30-07

Share change since 06-07: Total Stocks: 156 Sector: PE: Tot Retl %: % Assets

Roper Industries, Inc.	Ind Mtrls	27.4	30.84	1.89
Amazon.com, Inc.	Consumer	128.2	136.06	1.88
Smith International, Inc	Energy	24.4	74.80	1.78
Juniper Networks, Inc.	Hardware	73.0	93.29	1.62
Rockwell Collins, Inc.	Ind Mtrls	22.0	16.22	1.50
VeriSign, Inc.	Software	—	40.29	1.45
DST Systems, Inc.	Business	22.5	37.01	1.43
Crown Castle Internation	Telecom	—	25.79	1.41
Ametek, Inc.	Ind Mtrls	22.5	36.40	1.38
Manor Care, Inc.	Health	29.4	38.42	1.37
FMC Technologies, Inc.	Energy	30.8	87.12	1.28
Leap Wireless Internatio	Telecom	—	36.83	1.22
EOG Resources	Energy	16.9	16.21	1.20
Harman International Ind	Goods	18.3	-13.37	1.20
International Game Tech.	Consumer	29.5	-6.10	1.19
Consol Energy, Inc.	Energy	19.8	45.81	1.19
American Tower Corporati	Telecom	—	16.79	1.16
Barr Pharmaceuticals, In	Health	20.1	13.55	1.10
FLIR Systems, Inc.	Ind Mtrls	34.6	74.02	1.07
Alliant Techsystems, Inc	Ind Mtrls	19.1	39.79	1.06

Current Investment Style

Value	Blind	Growth	Market Cap	%
			Giant	0.0
			Large	17.9
			Mid	74.1
			Small	8.1
			Micro	0.0
			Avg \$mil:	6,235

Value Measures

Value Measure	Rel Category
Price/Earnings	17.59 0.86
Price/Book	3.28 1.06
Price/Sales	1.86 1.09
Price/Cash Flow	14.41 1.25
Dividend Yield %	0.44 0.65
Growth Measures	% Rel Category
Long-Term Erngs	15.30 0.93
Book Value	3.20 0.22
Sales	16.63 1.46
Cash Flow	14.07 0.77
Historical Erngs	7.81 0.30

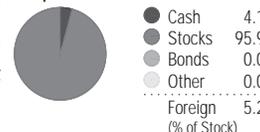
Profitability

Profitability	% Rel Category
Return on Equity	16.22 0.91
Return on Assets	6.13 0.67
Net Margin	8.34 0.75

Sector Weightings

Sector	Weightings	% of Stocks	Rel S&P 500	3 Year High Low
Info	27.88	1.33		
Software	6.65	1.84	7	6
Hardware	12.36	1.18	13	10
Media	3.00	0.95	4	2
Telecom	5.87	1.56	6	4
Service	45.25	1.06		
Health	14.98	1.28	19	15
Consumer	12.46	1.73	13	11
Business	12.74	3.28	15	13
Financial	5.07	0.26	10	5
Mfg	26.85	0.74		
Goods	2.31	0.27	3	2
Ind Mtrls	13.41	1.05	13	9
Energy	11.13	0.96	11	8
Utilities	0.00	0.00	0	0

Composition



Address: 100 East Pratt Street
Baltimore, MD 21202
800-225-5132
www.troweprice.com
Inception: 06-30-92
Advisor: T. Rowe Price Associates, Inc.
Subadvisor: None
NTF Plans: N/A

Minimum Purchase: Closed
Min Auto Inv Plan: Closed
Sales Fees: No-load
Management Fee: 0.66%
Actual Fees: Mgt: 0.66%
Expense Projections: 3Yr: \$255 5Yr: \$444 10Yr: \$990
Income Distrib: Annually
Add: — IRA: —
Add: —

Vanguard Inst Idx

Ticker VINIX Load None NAV \$139.55 Yield 1.8% Total Assets \$72,834 mil Mstar Category Large Blend

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

Donald Butler, who joined Vanguard in 1992, has been involved with the day-to-day management of this fund since 2000 and has been lead manager since 2005.

Strategy

The core of the fund's strategy is simple: Manager Donald Butler buys and holds the stocks that compose the S&P 500 Index. Butler attempts to add value on the margins by opportunistically buying futures contracts, among other strategies, and he actively pursues ways to reduce trading costs.

Performance 09-30-07

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-3.15	15.41	2.63	12.16	28.66
2004	1.69	1.72	-1.87	9.23	10.86
2005	-2.14	1.37	3.60	2.08	4.91
2006	4.21	-1.44	5.66	6.69	15.78
2007	0.63	6.27	2.05	—	—

Trailing	Total Return%	+/- S&P 500	+/- Russ 1000	%Rank Cat	Growth of \$10,000
3 Mo	2.05	0.02	0.07	38	10,205
6 Mo	8.44	0.00	0.45	36	10,844
1 Yr	16.43	-0.01	-0.47	43	11,643
3 Yr Avg	13.13	-0.01	-0.64	42	14,479
5 Yr Avg	15.44	-0.01	-0.54	31	20,501
10 Yr Avg	6.62	0.05	-0.24	32	18,984
15 Yr Avg	11.14	0.03	-0.15	29	48,759

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	12.75	32	0.34	16
5 Yr (estimated)	15.06	26	0.33	22
10 Yr (estimated)	6.10	24	0.49	20

Potential Capital Gain Exposure: 27% of assets

Morningstar's Take by Dan Culloton 08-16-07

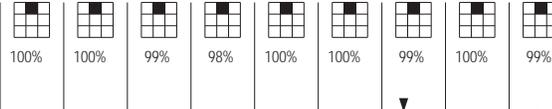
If you have access to Vanguard Institutional Index, strongly consider it for a core holding.

There's some truth to the claim that events have overtaken this fund and its benchmark, the S&P 500. There are lots of new ways to get cheap, reliable, and efficient exposure to the broad U.S. stock market through low-cost conventional and exchange-traded rivals. Funds tracking all-inclusive benchmarks, such as the Dow Jones Wilshire 5000 Index or the MSCI Broad Market Index, also have emerged as better choices for one-stop domestic-stock exposure. And new funds tracking alternatively weighted benchmarks have taken aim at the S&P 500, which critics contend leaves investors vulnerable to bubbles and bear markets by emphasizing stocks whose market caps have swelled as their prices have risen.

This fund still has many virtues, though, and should acquit itself well over time. It's competently managed by a long-term member of Vanguard's quantitative equity group, which could write a

Historical Profile

Return Average
Risk Average
Rating ★★★ Neutral



Investment Style

Equity
Stock %

▼ Manager Change
▼ Partial Manager Change

Growth of \$10,000

Investment Values of Fund
Investment Values of S&P 500

Performance Quartile (within Category)

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	09-07	History
NAV	68.86	89.56	112.85	134.01	120.72	104.89	80.45	101.78	110.70	114.01	129.59	139.55	NAV
Total Return %	23.06	33.36	28.79	21.17	-8.94	-11.93	-22.03	28.66	10.86	4.91	15.78	9.12	Total Return %
+/-S&P 500	0.10	0.00	0.21	0.13	0.16	-0.04	0.07	-0.02	-0.02	0.00	-0.01	-0.01	+/-S&P 500
+/-Russ 1000	0.61	0.51	1.77	0.26	-1.15	0.52	-0.38	-1.23	-0.54	-1.36	0.32	-0.18	+/-Russ 1000
Income Return %	2.37	2.03	1.59	1.35	1.05	1.14	1.35	1.91	2.00	1.86	1.98	1.40	Income Return %
Capital Return %	20.69	31.33	27.20	19.82	-9.99	-13.07	-23.38	26.75	8.86	3.05	13.80	7.72	Capital Return %
Total Rtn % Rank Cat	30	14	16	33	64	52	51	34	41	59	22	44	Total Rtn % Rank Cat
Income \$	1.36	1.39	1.42	1.51	1.40	1.38	1.41	1.53	2.02	2.05	2.24	1.81	Income \$
Capital Gains \$	0.99	0.71	0.90	0.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Capital Gains \$
Expense Ratio %	0.06	0.06	0.06	0.06	0.06	0.05	0.05	0.05	0.05	0.05	0.05	0.05	Expense Ratio %
Income Ratio %	2.18	1.77	1.46	1.25	1.10	1.27	1.57	1.74	2.00	1.87	1.87	—	Income Ratio %
Turnover Rate %	9	7	11	14	11	8	10	13	5	9	8	—	Turnover Rate %
Net Assets \$mil	11,426	15,348	22,338	28,918	26,406	24,165	20,361	29,458	34,990	39,154	45,243	47,366	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	16.43			
3 Yr	13.13	Avg	Avg	★★★
5 Yr	15.44	+Avg	Avg	★★★★
10 Yr	6.62	Avg	Avg	★★★
Incept	11.15			

Other Measures

	Standard Index S&P 500	Best Fit Index S&P 500
Alpha	0.0	0.0
Beta	1.00	1.00
R-Squared	100	100
Standard Deviation	7.52	
Mean	13.13	
Sharpe Ratio	1.13	

Portfolio Analysis 06-30-07

Share change since 03-07	Total Stocks:501	Sector	PE	Tot Ret%	% Assets
⊖ ExxonMobil Corporation		Energy	13.3	22.35	3.54
⊕ General Electric Company		Ind Mtrls	19.6	13.72	2.95
⊖ AT&T, Inc.		Telecom	21.4	20.67	1.91
⊕ Citigroup, Inc.		Financial	10.8	-13.56	1.90
⊖ Microsoft Corporation		Software	20.8	-0.33	1.86
⊕ Bank of America Corporat		Financial	10.5	-2.52	1.62
⊕ Procter & Gamble Company		Goods	23.1	11.19	1.44
⊕ American International G		Financial	11.0	-4.86	1.36
⊕ Chevron Corporation		Energy	10.7	30.03	1.35
⊕ Pfizer Inc.		Health	18.4	-2.49	1.34
⊕ Johnson & Johnson		Health	18.2	1.43	1.34
⊖ Cisco Systems, Inc.		Hardware	28.3	21.22	1.27
⊖ J.P. Morgan Chase & Co.		Financial	10.1	-3.05	1.24
⊕ Altria Group, Inc.		Goods	12.6	11.35	1.10
⊖ IBM		Hardware	18.3	22.52	1.08
⊕ Intel Corporation		Hardware	26.7	29.65	1.03
⊕ ConocoPhillips		Energy	13.6	24.06	0.96
⊕ Verizon Communications		Telecom	21.1	22.68	0.89
⊖ Wells Fargo Company		Financial	13.6	2.64	0.88
⊖ Hewlett-Packard Company		Hardware	20.1	21.53	0.87

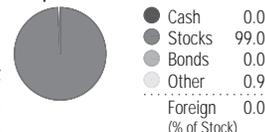
Current Investment Style

Value	Blind	Growth	Market Cap	%
Large	53.9		Giant	53.9
Large	34.9		Large	34.9
Mid	11.1		Mid	11.1
Small	0.0		Small	0.0
Micro	0.0		Micro	0.0
Avg \$mil:		55,200		

Sector Weightings

% of Stocks	Rel S&P 500	3 Year High Low
Info	20.24	0.96
Software	3.66	1.01 4 3
Hardware	9.69	0.93 10 9
Media	3.10	0.98 4 3
Telecom	3.79	1.01 4 3
Service	44.27	1.04
Health	11.77	1.01 13 12
Consumer	7.80	1.08 9 8
Business	4.16	1.07 4 3
Financial	20.54	1.04 22 20
Mfg	35.48	0.97
Goods	8.44	0.97 9 8
Ind Mtrls	12.73	0.99 13 12
Energy	10.74	0.93 11 9
Utilities	3.57	1.02 4 3

Composition



Value Measures	Rel Category
Price/Earnings	15.17 0.98
Price/Book	2.70 1.08
Price/Sales	1.56 1.11
Price/Cash Flow	11.28 1.23
Dividend Yield %	1.77 1.00
Growth Measures	% Rel Category
Long-Term Erngs	10.45 0.89
Book Value	11.21 1.04
Sales	9.47 0.99
Cash Flow	9.60 0.85
Historical Erngs	17.12 0.87

Profitability

Return on Equity	% Rel Category
Return on Equity	21.57 1.08
Return on Assets	8.25 0.78
Net Margin	14.68 1.06

Address: Po Box 2600
Valley Forge, PA 19482
800-997-2798
www.vanguard.com
Inception: 07-31-90
Advisor: Vanguard Advisers, Inc.
Subadvisor: None
NTF Plans: Vanguard NTF

Minimum Purchase: \$500,000
Add: \$100
IRA: \$0
Min Auto Inv Plan: \$500,000
Add: \$50
Sales Fees: No-load
Management Fee: 0.05%
Actual Fees: Mgt:0.05%
Expense Projections: 3Yr:\$16 5Yr:\$28 10Yr:\$64
Income Distrib: Quarterly

This fund may not be perfect, but it's still good.

Vanguard Long-Tm InvGrde

Analyst Pick: Ticker: Load: NAV: Yield: SEC Yield: Total Assets: Mstar Category:
 VWESX None \$8.94 5.9% 6.00% \$5,820 mil Long-Term Bond

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

Earl McEvoy of esteemed subadvisor Wellington Management Company has managed this fund since March 1994. McEvoy also runs Vanguard High-Yield Corporate and the bond portion of Vanguard Wellesley Income's balanced portfolio, where he has posted impressive results.

Strategy

The fund invests mainly in high-quality corporate bonds, but it may also invest up to 20% of assets in Treasuries and other government securities. Starting in mid-2001, the fund could invest up to 5% of assets in high-yield debt, but it has barely endeavored to do so yet. The fund's duration is kept within 20% of the Lehman Brothers Long Credit A or Better Index's, meaning that it tends to be more sensitive to interest-rate shifts than are many of its long-term bond peers. Over the past couple years, the fund's duration has ranged from 9.1 to 11.5 years.

Performance 09-30-07

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	1.96	6.48	-2.18	0.04	6.26
2004	4.90	-5.01	6.48	2.67	8.94
2005	0.70	6.97	-3.22	0.86	5.13
2006	-3.63	-1.88	7.25	1.42	2.86
2007	0.64	-1.97	2.29	—	—

Trailing	Total Return%	+/- LB Aggreg	+/- LB LongTerm	%Rank Cat	Growth of \$10,000
3 Mo	2.29	-0.55	-0.28	36	10,229
6 Mo	0.27	-2.04	-1.75	64	10,027
1 Yr	2.34	-2.80	-8.03	94	10,234
3 Yr Avg	3.86	0.00	-2.54	41	11,203
5 Yr Avg	5.03	0.90	-2.45	70	12,781
10 Yr Avg	6.51	0.54	-1.49	23	18,789
15 Yr Avg	7.23	0.95	-1.19	1	28,493

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	1.86	38	1.93	62
5 Yr (estimated)	2.98	68	1.95	47
10 Yr (estimated)	4.03	20	2.33	78

Potential Capital Gain Exposure: 0% of assets

Morningstar's Take by Lawrence Jones 09-03-07

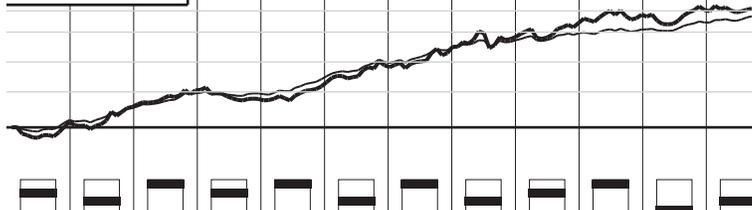
Despite near-term struggles, Vanguard Long-Term Investment Grade is a favorite.

The fixed-income landscape has changed since the beginning of the year, as has manager Earl McEvoy's outlook. Previously, McEvoy was concerned over leveraged buyout risk, as LBOs are typically bad for funds that traffic heavily in corporates (as this one does), since the added leverage used to finance a deal can impair the firm's ability to repay obligations. To protect the fund, McEvoy had shifted some assets from the corporate sector to other areas. Today, though, in the context of the subprime mortgage meltdown and liquidity crisis of 2007, LBO activity has significantly diminished, and yields on selected corporate bonds are looking more attractive. As a result, McEvoy is finding good opportunities in longer-term corporate issues, particularly in the banking and investment-banking area, and he's shifting assets back into corporates.

Performance was middling last year. With the

Historical Profile

Return: Average Above Avg
 Risk: ★★
 Rating: Neutral



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	09-07
NAV	8.79	9.26	9.29	8.11	8.45	8.68	9.23	9.27	9.55	9.52	9.25	8.94
Total Return %	1.20	13.78	9.21	-6.23	11.76	9.57	13.22	6.26	8.94	5.13	2.86	0.91
+/-LB Aggreg	-2.43	4.13	0.52	-5.41	0.13	1.13	2.97	2.16	4.60	2.70	-1.47	-2.94
+/-LB LongTerm	1.06	-0.74	-2.56	1.42	-4.40	2.29	-1.59	0.39	0.38	-0.20	0.15	-1.09
Income Return %	6.79	7.21	6.56	6.25	7.30	6.86	6.60	5.85	5.77	5.53	5.61	4.32
Capital Return %	-5.59	6.57	2.65	-12.48	4.46	2.71	6.62	0.41	3.17	-0.40	-2.75	-3.41
Total Rtn % Rank Cat	38	56	12	46	8	54	24	68	30	24	78	69
Income \$	0.62	0.61	0.59	0.56	0.57	0.56	0.56	0.53	0.52	0.52	0.52	0.39
Capital Gains \$	0.15	0.07	0.21	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expense Ratio %	0.31	0.28	0.32	0.30	0.30	0.30	0.32	0.31	0.28	0.25	0.25	0.25
Income Ratio %	7.03	7.06	6.87	6.26	6.59	7.02	6.48	6.24	5.64	5.58	5.35	5.73
Turnover Rate %	49	30	33	43	7	17	39	33	11	16	9	15
Net Assets \$mil	3,412	3,637	4,153	3,724	3,704	3,550	3,753	3,851	4,213	4,224	4,187	4,246

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	2.34			
3 Yr	3.86	Avg	High	★★★
5 Yr	5.03	-Avg	+ Avg	★★
10 Yr	6.51	Avg	+ Avg	★★★
Incept	8.66			

Other Measures

	Standard Index	Best Fit Index
Alpha	0.7	-0.4
Beta	2.40	1.03
R-Squared	89	99
Standard Deviation	6.96	
Mean	3.86	
Sharpe Ratio	-0.02	

Portfolio Analysis 06-30-07

	Date of Maturity	Amount \$000	Value \$000	% Net Assets
Total Fixed-Income:227				
Illinois St Go Bds 5.1%	06-01-33	145,000	131,954	2.31
FNMA 6.625%	11-15-30	100,000	113,033	1.98
FHLMC 6.25%	07-15-32	100,000	108,607	1.90
General Elec Cap 6.75%	03-15-32	95,975	104,243	1.82
FHLBA 5.5%	07-15-36	100,000	98,205	1.72
Deutsche Telekom Intl Fi	06-15-30	59,000	70,889	1.24
New York Life Ins 144A 5	05-15-33	70,275	68,930	1.20
At&T Wireless Svcs 8.75%	03-01-31	52,725	65,728	1.15
Natl Rural Utils Coop Fi	03-01-32	50,000	61,795	1.08
France Telecom Sa 8.5%	03-01-31	48,175	60,683	1.06
President&Fellow Harvard	10-01-37	55,000	56,650	0.99
Hutchison Whampoa Intl 1	11-24-33	50,000	55,400	0.97
Intl Busn Machs 7%	10-30-25	50,000	55,262	0.97
Hydro-Quebec 9.4%	02-01-21	40,000	54,030	0.94
BANK AMER CHRTL NC MTN	10-15-36	55,000	53,291	0.93
Intl Bk For Recon&Dev 7.	01-19-23	43,320	52,692	0.92
Wal Mart Stores 7.55%	02-15-30	45,000	52,323	0.91
Northn Svs Pwr 6.2%	07-01-37	50,000	50,744	0.89
NEW YORK N Y CITY TRANSI	08-01-17	51,980	50,314	0.88
Duke Engy Carolinas 6.1%	06-01-37	50,000	49,649	0.87

Current Investment Style

Duration	Short	Int	Long
Quality	High	Med	Low

1 figure provided by fund

Avg Eff Duration ¹	11.3 Yrs
Avg Eff Maturity	22.1 Yrs
Avg Credit Quality	A
Avg Wtd Coupon	6.65%
Avg Wtd Price	104.93% of par

Coupon Range	% of Bonds	Rel Cat
0% PIK	0.0	0.0
0% to 6%	29.7	1.0
6% to 8%	60.6	1.9
8% to 10%	9.7	1.4
More than 10%	0.0	0.0

1.00=Category Average

Credit Analysis	% bonds 06-30-07
AAA	14
AA	28
A	44
BBB	12

Sector Breakdown % of assets

US Treasuries	0
TIPS	0
US Agency	6
Mortgage Pass-Throughs	0
Mortgage CMO	0
Mortgage ARM	0
US Corporate	80
Asset-Backed	0
Convertible	0
Municipal	6
Corporate Inflation-Protected	0
Foreign Corporate	6
Foreign Govt	2

Composition

	Cash	Bonds	Other
	0.7	99.3	0.0
Stocks	0.0		

Special Securities

Restricted/Illicit Secs	7
Exotic Mortgage-Backed	0
Emerging-Markets Secs	0
Options/Futures/Warrants	No

Address:	PO Box 2600 Valley Forge, PA 19482 800-662-2739	Minimum Purchase:	\$3000	Add: \$100	IRA: \$0
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$0	Add: \$50	
Inception:	07-09-73	Sales Fees:	No-load		
Advisor:	Wellington Management	Management Fee:	0.26%		
Subadvisor:	None	Actual Fees:	Mgt:0.22%	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$80	5Yr:\$141	10Yr:\$318
		Income Distrib:	Monthly		



Vanguard Target Rmt 2015

Analyst Pick: Ticker: VTXVX Load: None NAV: \$13.49 Yield: 2.3% Total Assets: \$6,619 mil Mstar Category: Target-Date 2015-2029

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

A team led by experienced index-fund manager Duane Kelly oversees this and other Vanguard Target Retirement Funds. Because this is a fund composed of various Vanguard index offerings, shareholders tap into the company's skill at running index funds.

Strategy

This fund emphasizes capital growth and income. As of the end of May 2007, it had 35.9% of assets in Vanguard Total Bond Market Index, 51.2% in Vanguard Total Stock Market Index, 7.5% in Vanguard European Stock Index, 3.4% in Vanguard Pacific Stock Index, and 2% in Vanguard Emerging Markets Stock Index. Allocation to fixed-income securities will increase gradually as the fund nears its target date.

Performance 09-30-07

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	—	—	—	—	—
2004	2.78	-0.56	0.75	5.89	9.04
2005	-1.16	2.26	2.21	1.57	4.94
2006	2.44	-1.11	4.22	5.53	11.42
2007	1.77	3.86	2.43	—	—

Trailing	Total Return%	+/- DJ Index	+/- Dow Target 2025	%Rank Cat	Growth of \$10,000
3 Mo	2.43	-0.10	0.12	31	10,243
6 Mo	6.39	0.28	-0.31	51	10,639
1 Yr	14.25	-0.04	-1.94	52	11,425
3 Yr Avg	10.26	-2.13	-4.15	69	13,405
5 Yr Avg	—	—	—	—	—
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	9.54	55	0.65	20
5 Yr (estimated)	—	—	—	—
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: 11% of assets

Morningstar's Take by Marta Norton 07-13-07

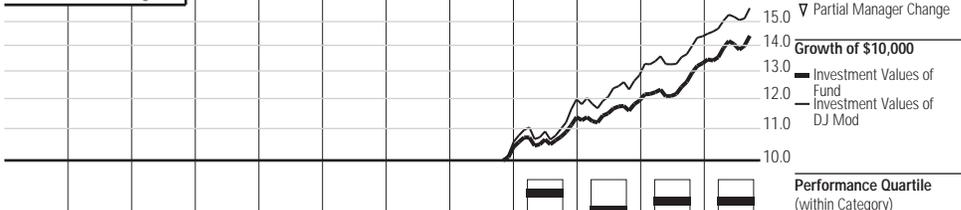
Vanguard Target Retirement 2015 is one of our favorites in the target-retirement space.

This fund of funds works as a stand-alone portfolio. It holds a mix of stock and bond funds, and scales back its equity exposure over time. For instance, the fund currently stores 64% of its assets in stocks and 36% in bonds, but this will gradually shift as the fund approaches its target date. A few years after 2015, it should mirror Vanguard Target Retirement Income's 30/70 split between equity and fixed income.

We think this approach has a lot of appeal for investors looking for a hands-off approach to investing. Plus, while a number of other target-retirement funds suffer from lackluster underlying holdings, we like what this fund owns. It invests exclusively in Vanguard's stellar lineup of index funds. For instance, it currently stores 51% of its assets in Vanguard Total Stock Market Index, which is ultracheap (it has a 0.19% expense ratio) and is well diversified across the domestic-stock

Historical Profile

Return Below Avg
Risk Low
Rating ★★ Below Avg



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	09-07	History
NAV	—	—	—	—	—	—	—	10.43	11.17	11.46	12.46	13.49	NAV
Total Return %	—	—	—	—	—	—	—	—	9.04	4.94	11.42	8.27	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	—	-4.11	-2.31	-0.49	-0.26	+/-DJ Mod
+/-Dow Jones Target 2025	—	—	—	—	—	—	—	—	-5.67	-3.77	-2.86	-1.08	+/-Dow Jones Target 2025
Income Return %	—	—	—	—	—	—	—	—	1.92	2.33	2.71	0.00	Income Return %
Capital Return %	—	—	—	—	—	—	—	—	7.12	2.61	8.71	8.27	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	—	46	78	62	56	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	—	0.06	0.20	0.26	0.31	0.00	Income \$
Capital Gains \$	—	—	—	—	—	—	—	0.00	0.00	0.00	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	—	—	—	—	0.21	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	—	2.69	3.11	3.04	—	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	—	1	1	15	—	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	—	50	707	2,293	4,355	6,619	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	14.25	—	—	—
3 Yr	10.26	-Avg	Low	★★
5 Yr	—	—	—	—
10 Yr	—	—	—	—
Incept	9.89	—	—	—

Other Measures	Standard Index	Best Fit Index
Alpha	0.0	0.8
Beta	0.74	0.54
R-Squared	83	89
Standard Deviation	4.43	—
Mean	10.26	—
Sharpe Ratio	1.29	—

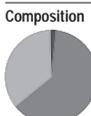
Portfolio Analysis 06-30-07

Total Stocks:0	Share change since 03-31-07	Sectors	P/E Ratio	YTD Return %	% Net Assets
Vanguard Total Stock Mkt Idx	—	—	—	—	49.53
Vanguard Total Bond Market Index	—	—	—	—	36.18
Vanguard European Stock Index	—	—	—	—	7.50
Vanguard Pacific Stock Index	—	—	—	—	3.35
Vanguard Emerging Mkts Stock Idx	—	—	—	—	2.06
Vanguard Total Stock Market ETF	—	—	—	—	1.38

Total Fixed-Income:0

Date of Maturity	Amount \$000	Value \$000	% Net Assets
—	—	—	—

Equity Style	Fixed-Income Style
Style: Blend Size: Large-Cap	Duration: Inter-M Term Quality: High
Value Measures	Rel Category
Price/Earnings	15.47
Price/Book	2.52
Price/Sales	1.42
Price/Cash Flow	10.65
Dividend Yield %	1.92
Growth Measures	% Rel Category
Long-Term Erngs	11.06
Book Value	9.98
Sales	0.57
Cash Flow	5.13
Historical Erngs	11.41
Market Cap %	
Giant	45.3
Large	29.4
Mid	18.4
Small	5.2
Micro	1.7
Avg \$mil:	29,580



Sector Weightings	% of Stocks	Rel DJ	3 Year
Info	18.72	—	—
Software	3.24	—	3 3
Hardware	8.43	—	9 8
Media	2.88	—	4 3
Telecom	4.17	—	4 4
Service	45.26	—	—
Health	10.49	—	12 10
Consumer	7.41	—	9 7
Business	5.43	—	5 5
Financial	21.93	—	24 22
Mfg	36.02	—	—
Goods	8.71	—	10 8
Ind Mtrls	13.65	—	14 12
Energy	9.84	—	10 8
Utilities	3.82	—	4 3

Address:	P.O. Box 2600 Valley Forge, PA 19482 800-662-6273	Minimum Purchase:	\$3000	Add: \$100	IRA: \$3000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$3000	Add: \$50	
Inception:	10-27-03	Sales Fees:	No-load		
Advisor:	Vanguard Advisers, Inc.	Management Fee:	0.00%		
Subadvisor:	None	Actual Fees:	—	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$68	5Yr:\$118	10Yr:\$268
		Income Distrib:	Annually		



Vanguard Target Rtm 2025

Analyst Pick

Ticker VTTVX

Load None

NAV \$14.26

Yield 2.0%

Total Assets \$6,721 mil

Mstar Category Target-Date 2015-2029

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

A team led by experienced index-fund manager Duane Kelly oversees this and other Vanguard Target Retirement Funds. Because this fund is composed of various Vanguard index offerings, shareholders tap into the company's skill at running index funds.

Strategy

This fund emphasizes capital growth and income. As of the end of May 2007, it had 20.5% of assets in Vanguard Total Bond Market Index, 63.5% in Vanguard Total Stock Market Index, 9.3% in Vanguard European Stock Index, 4.2% in Vanguard Pacific Stock Index, and 2.5% in Vanguard Emerging Markets Index. Allocation to fixed-income securities will increase gradually as the fund nears its target date.

Performance 09-30-07

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	—	—	—	—	—
2004	2.85	-0.28	0.37	6.95	10.11
2005	-1.32	2.14	2.79	1.78	5.45
2006	3.23	-1.32	4.34	6.55	13.24
2007	1.84	4.89	2.37	—	—

Trailing	Total Return%	+/- DJ Index	+/- Dow Target 2025	%Rank Cat	Growth of \$10,000
3 Mo	2.37	-0.16	0.06	35	10,237
6 Mo	7.38	1.27	0.68	28	10,738
1 Yr	16.51	2.22	0.32	23	11,651
3 Yr Avg	11.78	-0.61	-2.63	39	13,967
5 Yr Avg	—	—	—	—	—
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	11.16	26	0.55	3
5 Yr (estimated)	—	—	—	—
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: 14% of assets

Morningstar's Take by Marta Norton 07-13-07

Vanguard Target Retirement 2025 is a sensible choice for investors looking for an all-in-one investment solution.

This fund of funds is designed to keep things simple. It offers a complete portfolio of stock and bond index funds. Currently, it stores approximately 80% of its assets in equity and the remaining 20% in fixed income, but that will gradually change. A few years after its target date, it should offer the same 70/30 stock/bond split as Vanguard Target Retirement Income.

That structure has appeal for investors looking for a low-maintenance investment choice, but it's not unusual. Lots of target-retirement funds have the same construction. What distinguishes this fund is its impressive underlying holdings. It sticks exclusively to Vanguard's stellar lineup of index funds. Its largest equity holding, Vanguard Total Stock Market Index, holds nearly every domestic stock and, with the help of an experienced management team and a low expense ratio, has

Historical Profile

Return	Average
Risk	Average
Rating	★★★ Neutral



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	09-07	History
NAV	—	—	—	—	—	—	—	10.51	11.39	11.77	13.04	14.26	NAV
Total Return %	—	—	—	—	—	—	—	—	10.11	5.45	13.24	9.36	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	—	-3.04	-1.80	1.33	0.83	+/-DJ Mod
+/-Dow Jones Target 2025	—	—	—	—	—	—	—	—	-4.60	-3.26	-1.04	0.01	+/-Dow Jones Target 2025
Income Return %	—	—	—	—	—	—	—	—	1.71	2.11	2.46	0.00	Income Return %
Capital Return %	—	—	—	—	—	—	—	—	8.40	3.34	10.78	9.36	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	—	23	66	32	28	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	—	0.06	0.18	0.24	0.29	0.00	Income \$
Capital Gains \$	—	—	—	—	—	—	—	0.00	0.00	0.00	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	—	—	—	—	0.21	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	—	2.33	2.84	2.66	—	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	—	3	2	22	—	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	—	30	708	2,529	4,605	6,721	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	16.51	—	—	—
3 Yr	11.78	Avg	Avg	★★★
5 Yr	—	—	—	—
10 Yr	—	—	—	—
Incept	11.25	—	—	—

Other Measures	Standard Index	Best Fit Index
	S&P 500	Russ 1000
Alpha	0.2	1.0
Beta	0.90	0.67
R-Squared	85	93
Standard Deviation	5.36	—
Mean	11.78	—
Sharpe Ratio	1.33	—

Portfolio Analysis 06-30-07

Total Stocks:0	Share change since 03-31-07	Sectors	P/E Ratio	YTD Return %	% Net Assets
Vanguard Total Stock Mkt Idx	—	—	—	—	61.51
Vanguard Total Bond Market Index	—	—	—	—	20.61
Vanguard European Stock Index	—	—	—	—	9.33
Vanguard Pacific Stock Index	—	—	—	—	4.17
Vanguard Emerging Mkts Stock Idx	—	—	—	—	2.55
Vanguard Total Stock Market ETF	—	—	—	—	1.83

Total Fixed-Income:0

Date of Maturity	Amount \$000	Value \$000	% Net Assets
—	—	—	—

Equity Style	Style: Blend	Size: Large-Cap	Value Measures	Rel Category	Fixed-Income Style	Duration: Inter-M Term	Quality: High	Value Measures	Rel Category	
Price/Earnings	15.47	0.99	Avg Eff Duration	4.7 Yrs	Avg Eff Maturity	7.3 Yrs	Avg Credit Quality	AAA	Avg Wtd Coupon	5.48%
Price/Book	2.52	1.06	Figure provided by fund as of 06-30-07							
Price/Sales	1.42	1.11	Sector Weightings	% of Stocks	Rel DJ Mod	3 Year				
Price/Cash Flow	10.65	1.22	Info	18.72	—	—	Software	3.24	—	3 3
Dividend Yield %	1.92	0.99	Hardware	8.43	—	9 8	Media	2.89	—	4 3
Growth Measures	%	Rel Category	Telecom	4.16	—	4 4	Service	45.26	—	—
Long-Term Erngs	11.06	0.93	Health	10.49	—	12 10	Consumer	7.41	—	9 7
Book Value	9.98	1.03	Business	5.43	—	5 5	Financial	21.93	—	24 22
Sales	0.57	0.07	Mfg	36.02	—	—	Goods	8.71	—	10 8
Cash Flow	5.13	0.51	Ind Mtrls	13.65	—	14 12	Energy	9.84	—	10 8
Historical Erngs	11.41	0.59	Utilities	3.82	—	4 3				
Market Cap %										
Giant	45.3	Small	5.2							
Large	29.4	Micro	1.7							
Mid	18.4	Avg \$mil:	29,584							

Composition	Cash	Stocks	Bonds	Other
	1.1	77.9	20.0	0.9
Foreign	20.2			
(% of Stock)				

Address:	P.O. Box 2600 Valley Forge, PA 19482 800-662-6273	Minimum Purchase:	\$3000	Add: \$100	IRA: \$3000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$3000	Add: \$50	
Inception:	10-27-03	Sales Fees:	No-load		
Advisor:	Vanguard Advisers, Inc.	Management Fee:	0.00%		
Subadvisor:	None	Actual Fees:	—	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$68	5Yr:\$118	10Yr:\$268
		Income Distrib:	Annually		



Vanguard Target Rmt 2035

Analyst Pick: **VTTX** | Ticker: **VTTX** | Load: **None** | NAV: **\$15.25** | Yield: **1.7%** | Total Assets: **\$4,553 mil** | Mstar Category: **Target-Date 2030+**

Governance and Management

Stewardship Grade: **B**

Portfolio Manager(s)

A team led by experienced index-fund manager Duane Kelly oversees this and other Vanguard Target Retirement Funds. Because this fund is composed of various Vanguard index offerings, shareholders tap into the company's skill at running index funds.

Strategy

This fund emphasizes capital growth and income. As of the end of May 2007, it invested 10% of assets in Vanguard Total Bond Market Index, 72% in Vanguard Total Stock Market Index, 10.5% in Vanguard European Stock Index, 4.7% in Vanguard Pacific Stock Index, and 2.8% in Vanguard Emerging Markets Index. Allocation to fixed-income securities will increase gradually as the fund nears its target date.

Performance 09-30-07

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	—	—	—	—	—
2004	2.92	0.46	-0.64	8.98	11.95
2005	-1.62	1.82	4.00	2.04	6.30
2006	4.49	-1.41	4.35	7.20	15.24
2007	1.87	5.66	2.14	—	—

Trailing	Total Return%	+/- DJ Index	+/- Dow Target 2040	%Rank Cat	Growth of \$10,000
3 Mo	2.14	-0.39	0.37	43	10,214
6 Mo	7.93	1.82	0.07	40	10,793
1 Yr	17.87	3.58	-1.90	48	11,787
3 Yr Avg	13.65	1.26	-3.59	54	14,679
5 Yr Avg	—	—	—	—	—
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	13.15	38	0.44	6
5 Yr (estimated)	—	—	—	—
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: 15% of assets

Morningstar's Take by Marta Norton 07-10-07

Vanguard Target Retirement 2035 is a good choice for investors planning for retirement.

This fund of funds is a low-maintenance investment option. It offers a complete portfolio of stock and bond index funds and gradually increases its stake in fixed-income securities as it nears its target date. Currently the fund has 90% in equity and stores the remaining 10% in fixed income, but a few years after 2035, it should match Vanguard Target Retirement Income's 30% stock, 70% bond asset allocation.

This structure promises ease of use, but there are more reasons than that to give the fund a look. It sticks to Vanguard's strong lineup of index funds, which are extremely well diversified. For instance, Vanguard Total Stock Market Index, the fund's largest equity holding, covers nearly every stock in the domestic market. Similarly, Vanguard Total Bond Market Index provides exposure to the entire investment-grade bond universe.

We're also pleased the fund has a stake

Historical Profile

Return: Average
Risk: Below Avg
Rating: ★★★ Neutral



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	09-07	History
NAV	—	—	—	—	—	—	—	10.63	11.73	12.26	13.87	15.25	NAV
Total Return %	—	—	—	—	—	—	—	—	11.95	6.30	15.24	9.95	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	—	-1.20	-0.95	3.33	1.42	+/-DJ Mod
+/-Dow Jones Target 2040	—	—	—	—	—	—	—	—	-4.41	-4.66	-2.13	-1.01	+/-Dow Jones Target 2040
Income Return %	—	—	—	—	—	—	—	—	1.60	1.79	2.12	0.00	Income Return %
Capital Return %	—	—	—	—	—	—	—	—	10.35	4.51	13.12	9.95	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	—	43	87	35	47	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	—	0.06	0.17	0.21	0.26	0.00	Income \$
Capital Gains \$	—	—	—	—	—	—	—	0.00	0.00	0.00	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	—	—	—	—	0.21	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	—	1.70	2.33	2.21	—	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	—	2	—	14	—	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	—	19	373	1,402	3,050	4,553	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	17.87	—	—	—
3 Yr	13.65	Avg	-Avg	★★★
5 Yr	—	—	—	—
10 Yr	—	—	—	—
Incept	12.95	—	—	—

Other Measures	Standard Index	Best Fit Index
Alpha	0.2	1.3
Beta	1.12	0.80
R-Squared	89	96
Standard Deviation	6.52	—
Mean	13.65	—
Sharpe Ratio	1.36	—

Portfolio Analysis 06-30-07

Total Stocks:0	Share change since 03-31-07	Sectors	P/E Ratio	YTD Return %	% Net Assets
Vanguard Total Stock Mkt Idx	—	—	—	—	69.64
Vanguard European Stock Index	—	—	—	—	10.55
Vanguard Total Bond Market Index	—	—	—	—	10.07
Vanguard Pacific Stock Index	—	—	—	—	4.73
Vanguard Emerging Mkts Stock Idx	—	—	—	—	2.88
Vanguard Total Stock Market ETF	—	—	—	—	2.13

Total Fixed-Income:0

Date of Maturity	Amount \$000	Value \$000	% Net Assets
—	—	—	—

Equity Style

Style: Blend | Size: Large-Cap

Value Measures	Rel Category	Avg Eff Duration 1	Avg Eff Maturity	Avg Credit Quality	Avg Wtd Coupon
Price/Earnings	15.47	0.99	—	—	—
Price/Book	2.52	1.06	—	—	—
Price/Sales	1.42	1.12	—	—	—
Price/Cash Flow	10.65	1.24	—	—	—
Dividend Yield %	1.92	1.00	—	—	—

Fixed-Income Style

Duration: — | Quality: —

Growth Measures	% Rel Category	Sector Weightings	% of Stocks	Rel DJ Mod	3 Year High Low
Long-Term Erngs	11.06	Info	18.72	—	—
Book Value	9.98	Software	3.24	—	3 3
Sales	0.56	Hardware	8.43	—	9 8
Cash Flow	5.13	Media	2.89	—	4 3
Historical Erngs	11.40	Telecom	4.16	—	4 4

Market Cap %	Small	Mid	Large
Giant	45.3	5.2	—
Large	29.4	1.7	—
Mid	18.4	29,582	—

Composition

Cash	0.9
Stocks	88.3
Bonds	9.8
Other	1.1
Foreign (% of Stock)	20.2

Address:	P.O. Box 2600 Valley Forge, PA 19482 800-662-6273	Minimum Purchase:	\$3000	Add: \$100	IRA: \$3000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$3000	Add: \$50	—
Inception:	10-27-03	Sales Fees:	No-load	—	—
Advisor:	Vanguard Advisers, Inc.	Management Fee:	0.00%	—	—
Subadvisor:	None	Actual Fees:	—	Dist: —	—
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$68	5Yr:\$118	10Yr:\$268
		Income Distrib:	Annually	—	—



Vanguard Target Rtm 2045

Analyst Pick: Ticker: VTIVX Load: None NAV: \$15.75 Yield: 1.6% Total Assets: \$2,204 mil Mstar Category: Target-Date 2030+

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

A team led by experienced index-fund manager Duane Kelly oversees this and other Vanguard Target Retirement Funds. Because this fund is composed of various Vanguard index offerings, shareholders tap into the company's skill at running index funds.

Strategy

This fund holds a diverse mix of stocks and bonds. Initially, it invests 72.1% of assets in Vanguard Total Stock Market Index, 10.5% in Vanguard European Stock Index, 4.7% in Vanguard Pacific Stock Index, and 2.8% in Vanguard Emerging Markets Index. The remaining 9.9% is devoted to bonds through Vanguard Total Bond Market Index. Allocation to fixed-income securities will increase gradually as the fund nears its target date.

Performance 09-30-07

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	—	—	—	—	—
2004	2.89	0.82	-1.17	10.11	12.89
2005	-1.76	1.62	4.70	2.32	6.95
2006	5.25	-1.44	4.29	7.20	15.98
2007	1.89	5.69	2.14	—	—

Trailing	Total Return%	+/- DJ Index	+/- Dow Target 2040	%Rank Cat	Growth of \$10,000
3 Mo	2.14	-0.39	0.37	44	10,214
6 Mo	7.95	1.84	0.09	39	10,795
1 Yr	17.90	3.61	-1.87	47	11,790
3 Yr Avg	14.53	2.14	-2.71	24	15,023
5 Yr Avg	—	—	—	—	—
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	14.08	10	0.39	1
5 Yr (estimated)	—	—	—	—
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: 15% of assets

Morningstar's Take by Marta Norton 07-10-07

Vanguard Target Retirement 2045 is easy for young investors to use, but there are other things to like about it as well.

This fund of funds is a low-maintenance investment option. It offers a complete portfolio of stock and bond index funds and gradually increases its stake in fixed-income securities as it nears its target date. Currently, the fund stores about 90% of its assets in stocks and the remaining 10% in bonds, but a few years after 2045, it should match Vanguard Target Retirement Income's 30% stock, 70% bond asset allocation.

This structure promises ease of use, but there are more reasons than that to give the fund a look. It sticks to Vanguard's strong lineup of index funds, which are extremely well diversified. For instance, Vanguard Total Stock Market Index, the fund's largest equity holding, covers nearly every stock in the domestic market. Similarly, Vanguard Total Bond Market Index provides exposure to the entire investment-grade bond universe.

Historical Profile

Return Average
Risk Average
Rating ★★★★★
Above Avg



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	09-07	History
NAV	—	—	—	—	—	—	—	10.71	11.93	12.57	14.32	15.75	NAV
Total Return %	—	—	—	—	—	—	—	—	12.89	6.95	15.98	9.99	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	—	-0.26	-0.30	4.07	1.46	+/-DJ Mod
+/-Dow Jones Target 2040	—	—	—	—	—	—	—	—	-3.47	-4.01	-1.39	-0.97	+/-Dow Jones Target 2040
Income Return %	—	—	—	—	—	—	—	—	1.49	1.59	1.99	0.00	Income Return %
Capital Return %	—	—	—	—	—	—	—	—	11.40	5.36	13.99	9.99	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	—	19	74	23	45	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	—	—	0.07	0.16	0.19	0.25	Income \$
Capital Gains \$	—	—	—	—	—	—	—	—	0.00	0.00	0.01	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	—	—	—	—	0.21	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	—	1.38	2.07	2.03	—	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	—	7	7	3	—	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	—	7	142	626	1,446	2,204	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	17.90	—	—	—
3 Yr	14.53	Avg	Avg	★★★★
5 Yr	—	—	—	—
10 Yr	—	—	—	—
Incept	13.79	—	—	—

Other Measures

	Standard Index S&P 500	Best Fit Index M* U.S. Mkt TR
Alpha	0.2	1.5
Beta	1.23	0.87
R-Squared	91	97
Standard Deviation	7.06	—
Mean	14.53	—
Sharpe Ratio	1.37	—

Portfolio Analysis 06-30-07

Total Stocks:0	Share change since 03-31-07	Sectors	P/E Ratio	YTD Return %	% Net Assets
Vanguard Total Stock Mkt Idx	—	—	—	—	69.83
Vanguard European Stock Index	—	—	—	—	10.52
Vanguard Total Bond Market Index	—	—	—	—	10.04
Vanguard Pacific Stock Index	—	—	—	—	4.73
Vanguard Emerging Mkts Stock Idx	—	—	—	—	2.88
Vanguard Total Stock Market ETF	—	—	—	—	1.99

Total Fixed-Income:0

Date of Maturity	Amount \$000	Value \$000	% Net Assets
—	—	—	—

Equity Style

Style: Blend
Size: Large-Cap

Value Measures	Rel Category
Price/Earnings	15.47 0.99
Price/Book	2.52 1.06
Price/Sales	1.42 1.12
Price/Cash Flow	10.65 1.24
Dividend Yield %	1.92 1.00
Growth Measures	% Rel Category
Long-Term Erngs	11.06 0.93
Book Value	9.98 1.03
Sales	0.56 0.07
Cash Flow	5.13 0.50
Historical Erngs	11.40 0.58
Market Cap %	
Giant	45.3
Large	29.4
Mid	18.4
Small	5.2
Micro	1.7
Avg \$mil:	29,577

Composition

Cash	0.9
Stocks	88.3
Bonds	9.8
Other	1.1
Foreign (% of Stock)	20.1

Fixed-Income Style

Duration: —
Quality: —

Avg Eff Duration	1	—	
Avg Eff Maturity	—	—	
Avg Credit Quality	—	—	
Avg Wtd Coupon	—	—	
Figure provided by fund			
Sector Weightings	% of Stocks	Rel DJ Mod	3 Year High Low
Info	18.72	—	—
Software	3.24	—	3 3
Hardware	8.43	—	9 8
Media	2.89	—	4 3
Telecom	4.16	—	4 4
Service	45.26	—	—
Health	10.49	—	12 10
Consumer	7.42	—	9 7
Business	5.43	—	5 5
Financial	21.92	—	24 22
Mfg	36.02	—	—
Goods	8.71	—	10 8
Ind Mtrls	13.65	—	14 12
Energy	9.84	—	10 8
Utilities	3.82	—	4 3

Address:	P.O. Box 2600 Valley Forge, PA 19482 800-662-6273	Minimum Purchase:	\$3000	Add: \$100	IRA: \$3000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$3000	Add: \$50	
Inception:	10-27-03	Sales Fees:	No-load		
Advisor:	Vanguard Advisers, Inc.	Management Fee:	0.00%		
Subadvisor:	None	Actual Fees:	—	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$68	5Yr:\$118	10Yr:\$268
		Income Distrib:	Annually		



Vanguard Target Rmt Inc

Analyst Pick

Ticker VTINX

Load None

NAV \$11.08

Yield 3.7%

Total Assets \$1,336 mil

Mstar Category Target-Date 2000-2014

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

A team led by experienced index-fund manager Duane Kelly oversees this and other Vanguard Target Retirement Funds. Because the components here all are index offerings, shareholders tap into Vanguard's skill at running index funds.

Strategy

This fund seeks to provide current income and, to a lesser extent, capital appreciation. It is heavily weighted toward fixed-income securities. As of the end of May 2007, it had 45% invested in Vanguard Total Bond Market Index and 20% in TIPS through Vanguard Inflation-Protected Securities. With 5% stored in cash, the remaining 30% of the portfolio's assets are devoted to equities, with 24% invested in Vanguard Total Stock Market Index.

Performance 09-30-07

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	—	—	—	—	—
2004	3.15	-1.72	2.16	3.15	6.82
2005	-0.76	2.79	0.47	0.81	3.33
2006	0.19	-0.47	3.82	2.76	6.38
2007	1.77	1.58	2.95	—	—

Trailing	Total Return%	+/- DJ Jones	+/- Dow Target 2010	%Rank Cat	Growth of \$10,000
3 Mo	2.95	0.42	-0.37	9	10,295
6 Mo	4.58	-1.53	0.29	32	10,458
1 Yr	9.36	-4.93	0.19	46	10,936
3 Yr Avg	6.46	-5.93	-1.85	69	12,066
5 Yr Avg	—	—	—	—	—
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	5.13	65	1.25	75
5 Yr (estimated)	—	—	—	—
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: 5% of assets

Morningstar's Take by Marta Norton 07-10-07

Vanguard Target Retirement Income is a good choice for retired investors.

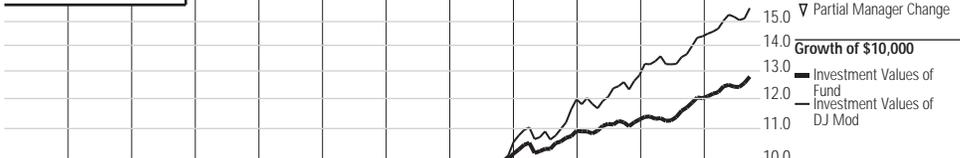
This fund of funds is the final stage in Vanguard's series of target-retirement funds. A few years past their respective target dates, the other funds in the lineup fold into this fund and adopt its 30% stock, 70% bond asset allocation split.

On the whole, we think this fund is a good choice for retirees. It sticks to Vanguard's stellar lineup of index funds, so it's very cheap. (It has a low 0.21% expense ratio.) Plus, the index funds are well diversified. Vanguard Total Bond Market Index, the fund's largest holding, provides broad coverage of the domestic investment-grade bond universe, for example. Vanguard Total Stock Market Index, which claims the majority of the fund's equity stake, is also broad-based. It covers nearly every domestic stock.

Plus, we're pleased the fund diversifies outside of these two core holdings. It has a modest stake in foreign equity index funds and also has exposure to Treasury Inflation-Protected Securities through

Historical Profile

Return Average
Risk Below Avg
Rating ★★★
Neutral



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	09-07	History
NAV	—	—	—	—	—	—	—	10.18	10.52	10.44	10.70	11.08	NAV
Total Return %	—	—	—	—	—	—	—	—	6.82	3.33	6.38	6.43	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	—	-6.33	-3.92	-5.53	-2.10	+/-DJ Mod
+/-Dow Jones Target 2010	—	—	—	—	—	—	—	—	-3.80	-0.29	-1.74	0.33	+/-Dow Jones Target 2010
Income Return %	—	—	—	—	—	—	—	—	3.38	3.95	3.79	2.83	Income Return %
Capital Return %	—	—	—	—	—	—	—	—	3.44	-0.62	2.59	3.60	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	—	42	62	76	35	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	—	0.05	0.34	0.41	0.39	0.30	Income \$
Capital Gains \$	—	—	—	—	—	—	—	0.02	0.00	0.02	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	—	—	—	—	0.21	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	—	3.62	3.80	4.21	—	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	—	1	—	22	—	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	—	47	407	734	897	1,336	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	9.36	—	—	—
3 Yr	6.46	Avg	-Avg	★★★
5 Yr	—	—	—	—
10 Yr	—	—	—	—
Incept	6.51	—	—	—

Other Measures

	Standard Index S&P 500	Best Fit Index DJ Mod
Alpha	-0.4	-0.4
Beta	0.33	0.33
R-Squared	43	43
Standard Deviation	2.75	—
Mean	6.46	—
Sharpe Ratio	0.78	—

Portfolio Analysis 06-30-07

Total Stocks:0	Share change since 03-31-07	Sectors	P/E Ratio	YTD Return %	% Net Assets
Vanguard Total Bond Market Index	—	—	—	—	45.11
Vanguard Total Stock Mkt Idx	—	—	—	—	23.05
Vanguard Inflation-Protected Secs	—	—	—	—	20.03
Vanguard European Stock Index	—	—	—	—	3.52
Vanguard Pacific Stock Index	—	—	—	—	1.55
Vanguard Emerging Mkts Stock Idx	—	—	—	—	0.96
Vanguard Total Stock Market ETF	—	—	—	—	0.79

Total Fixed-Income:0

Date of Maturity	Amount \$000	Value \$000	% Net Assets
—	—	—	—

Equity Style

Value Measures	Rel Category	Fixed-Income Style	Rel Category
Price/Earnings	15.47	Duration: Inter-M Term	—
Price/Book	2.52	Quality: High	—
Price/Sales	1.42	Avg Eff Duration 1	5.3 Yrs
Price/Cash Flow	10.65	Avg Eff Maturity	8.0 Yrs
Dividend Yield %	1.92	Avg Credit Quality	AAA
Growth Measures	% Rel Category	Avg Wtd Coupon	4.55%
Long-Term Erngs	11.06	Figure provided by fund as of 06-30-07	
Book Value	9.98	Sector Weightings	% of Stocks
Sales	0.56	Info	18.73
Cash Flow	5.13	Software	3.24
Historical Erngs	11.41	Hardware	8.43
Market Cap %	—	Media	2.89
Giant	45.3	Telecom	4.17
Large	29.4	Service	45.27
Mid	18.4	Health	10.49
Avg \$mil:	29,599	Consumer	7.42
		Business	5.43
		Financial	21.93
		Mfg	36.02
		Goods	8.71
		Ind Mtrls	13.64
		Energy	9.85
		Utilities	3.82

Composition

Cash	6.5
Stocks	29.3
Bonds	63.8
Other	0.4
Foreign	20.1
(of Stock)	

Address:	P.O. Box 2600 Valley Forge, PA 19482 800-662-6273	Minimum Purchase:	\$3000	Add: \$100	IRA: \$3000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$3000	Add: \$50	
Inception:	10-27-03	Sales Fees:	No-load		
Advisor:	Vanguard Advisers, Inc.	Management Fee:	0.00%		
Subadvisor:	None	Actual Fees:	—	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$68	5Yr:\$118	10Yr:\$268
		Income Distrib:	Quarterly		



Vanguard Wellington

Governance and Management

Stewardship Grade: A

Portfolio Manager(s)

John Keogh has been the lead fixed-income manager since 2006 but has been with Wellington Management, this fund's subadvisor, since 1983 and worked as a backup on this fund since 2004. Ed Bousa, who took over the equity portfolio at the end of 2002, did a solid job managing Putnam Equity Income from late 1992 through early 2000. He also runs Hartford Dividend & Growth.

Strategy

This fund's fixed-income and equity portfolios follow disciplined strategies. The bond portfolio typically emphasizes high-quality issues, but it has often taken on a modest amount of interest-rate risk. On the stock side, Ed Bousa looks for dividend-paying companies with modest valuations and decent fundamentals. The fund is typically light on technology stocks and has plenty of exposure to value-oriented fare.

Performance 09-30-07

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-3.35	12.55	1.37	9.50	20.75
2004	2.19	0.41	1.65	6.58	11.17
2005	-0.53	1.71	4.22	1.31	6.82
2006	2.99	0.69	5.07	5.51	14.97
2007	1.14	4.91	3.01	—	—

Trailing	Total Return%	+/- DJ Mod	+/- DJ US Mod	%Rank Cat	Growth of \$10,000
3 Mo	3.01	0.48	2.25	22	10,301
6 Mo	8.07	1.96	3.97	12	10,807
1 Yr	15.32	1.03	3.95	17	11,532
3 Yr Avg	12.68	0.29	2.55	10	14,307
5 Yr Avg	13.85	-0.77	1.19	15	19,128
10 Yr Avg	8.79	0.95	1.28	6	23,221
15 Yr Avg	11.30	1.93	1.79	6	49,823

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	11.16	10	1.35	63
5 Yr (estimated)	12.57	16	1.12	66
10 Yr (estimated)	6.74	8	1.88	77

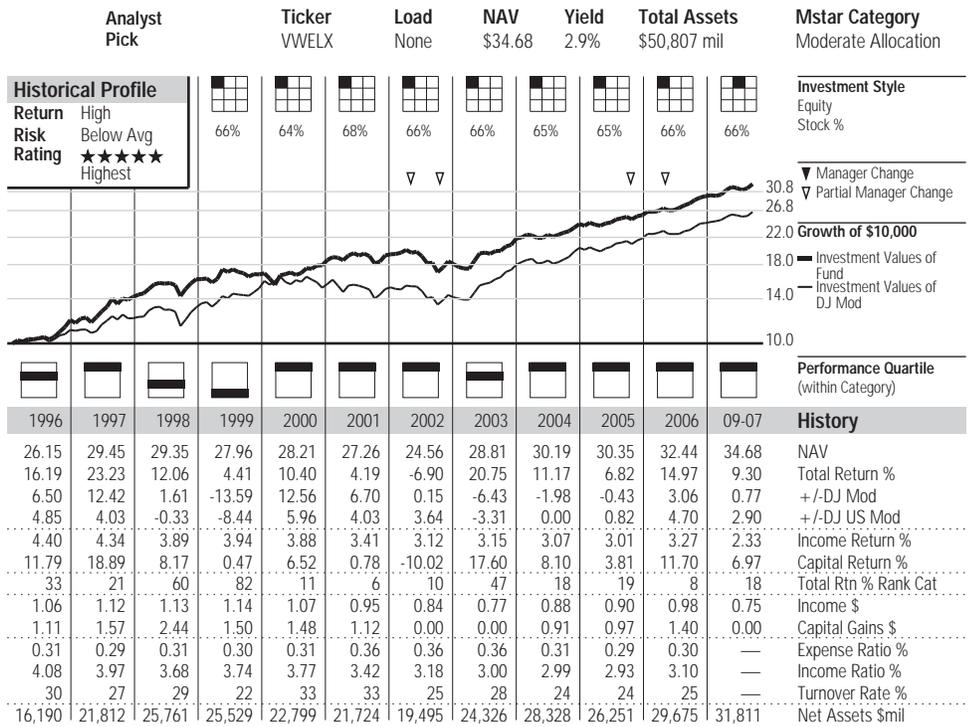
Potential Capital Gain Exposure: 3% of assets

Morningstar's Take by Dan Culloton 07-23-07

Invest at Vanguard Wellington and rest easy.

This fund maintains all of the attributes that has made it a fine long-term holding. There are seasoned managers in charge, it practices a risk-conscious and value-oriented brand of investing, and it has very low costs working in its favor. At nearly \$50 billion in assets, this offering is the largest moderate-allocation fund with just one listed manager each for its stock and bond portfolios. As such, it steers more like a dreadnought than a cabin cruiser. (Mid-cap stocks are less of an option than they once were because they're less liquid.) Nevertheless, its patient contrarian style lends itself well to managing a lot of money, and Vanguard has taken precautions to keep asset flows from tripping the fund up, such as raising the minimum investment.

And the fund has not tripped. Late in 2006, equity manager Ed Bousa pared back some of its energy holdings but added back (mostly in major integrated oil firms such as Royal Dutch Shell) on



Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	15.32			
3 Yr	12.68	High	-Avg	★★★★★
5 Yr	13.85	+ Avg	Avg	★★★★
10 Yr	8.79	High	-Avg	★★★★★
Incept	8.42			

Other Measures

	Standard Index DJ Mod	Best Fit Index Russ 1000 VI
Alpha	1.5	1.7
Beta	0.84	0.60
R-Squared	84	89
Standard Deviation	5.00	
Mean	12.68	
Sharpe Ratio	1.59	

Portfolio Analysis 06-30-07

Total Stocks: 108	Sectors	P/E Ratio	YTD Return %	% Net Assets
Share change since 03-31-07	Telecom	18.9	19.45	2.52
⊕ AT&T, Inc.	Ind Mtrls	18.7	10.34	1.94
⊕ General Electric Company	Financial	11.6	-7.35	1.76
Bank of America Corporati	Energy	9.4	22.89	1.67
Chevron Corporation	Financial	13.1	-21.08	1.64
⊕ Citigroup, Inc.	Energy	10.7	10.84	1.62
Total Cl B ADR	Energy	11.6	20.17	1.57
⊕ ExxonMobil Corporation	Hardware	16.0	17.92	1.49
⊕ IBM	Health	21.3	10.09	1.38
⊕ Eli Lilly & Company				

Total Fixed-Income: 2404	Date of Maturity	Amount \$000	Value \$000	% Net Assets
US Treasury Note 3.5%	01-15-11	258,275	315,674	0.64
FHLMC 5.125%	04-18-11	250,000	248,923	0.51
US Treasury Note 2.375%	04-15-11	157,525	162,213	0.33
FHLBA 4.875%	11-18-11	124,400	122,641	0.25
FNMA		109,334	109,010	0.22
FNMA		90,000	89,810	0.18
SIEMENS FIN NV	10-17-16	89,650	88,660	0.18
Unilever Cap 7.125%	11-01-10	77,000	80,791	0.16
Hbos Plc Medium Tm Sb Nts	11-01-33	80,500	78,403	0.16

Equity Style

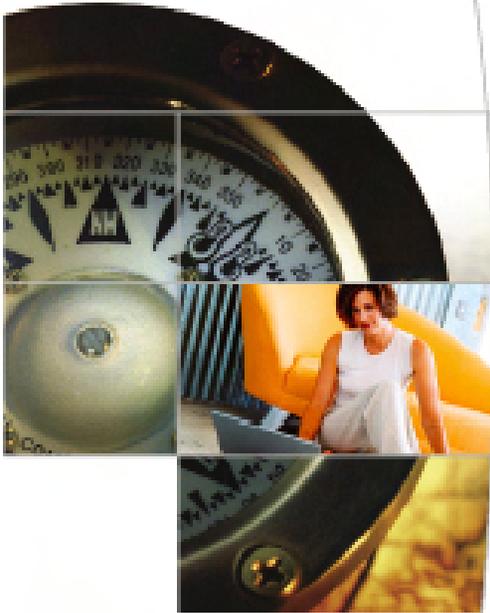
Value Measures	Rel Category	Fixed-Income Style	Rel DJ	3 Year	
Style: Blend		Duration: Interm-Term			
Size: Large-Cap		Quality: High			
Price/Earnings	14.32	Avg Eff Duration 1	5.5 Yrs		
Price/Book	2.67	Avg Eff Maturity	8.5 Yrs		
Price/Sales	1.68	Avg Credit Quality	AA		
Price/Cash Flow	10.21	Avg Wtd Coupon	5.59%		
Dividend Yield %	2.11	*figure provided by fund as of 06-30-07			
Growth Measures	% Rel Category	Sector Weightings	% of Stocks	Mod	High Low
Long-Term Erngs	9.62	Info	16.48	—	
Book Value	8.88	Software	2.21	—	3 2
Sales	5.94	Hardware	5.01	—	6 4
Cash Flow	8.29	Media	4.43	—	5 4
Historical Erngs	14.48	Telecom	4.83	—	5 4
Market Cap %		Service	37.80	—	
Giant 63.4	Small	Health	11.10	—	11 9
Large 32.8	Micro	Consumer	5.02	—	5 3
Mid 3.8	Avg \$mil:	Business	4.39	—	7 4
	72,043	Financial	17.29	—	19 17

Composition

Cash	1.2	Mfg	45.73	—
Stocks	66.5	Goods	9.87	—
Bonds	32.0	Ind Mtrls	14.98	—
Other	0.3	Energy	15.66	—
Foreign	19.5	Utilities	5.22	—
(% of Stock)				

Address:	PO Box 2600 Valley Forge, PA 19482 800-662-6273 www.vanguard.com	Minimum Purchase:	\$10000	Add: \$100	IRA: \$10000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$10000	Add: \$50	
Inception:	07-01-29	Sales Fees:	No-load		
Advisor:	Wellington Management	Management Fee:	0.28%		
Subadvisor:	None	Actual Fees:	Mgt: 0.28%	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr: \$97	5Yr: \$169	10Yr: \$381
		Income Distrib:	Quarterly		

Investment Policy Statement and Fund Benchmarks



AdvisedAssetsGroup

Put Our Power Behind You™

Investment Benchmarks

Investment Product	2007 Performance Benchmarks
American Funds EuroPacific Growth R5	1 MSCI EAFE Index* 2 Lipper International Funds Average* 3 MSCI All Country World Index ex-USA* 4 Morningstar Foreign Large Cap Blend Category Average**
Barclay's EAFE Equity Index Fund	1 MSCI EAFE*
DFA U.S. Microcap Portfolio	1 Russell 2000 Index* 2 Russell Microcap Index** 3 Morningstar Small Blend Category Average**
Barclay's Small Cap Equity Index Fund	1 Russell 2000 Index*
T. Rowe Price MidCap Growth Fund	1 Lipper Mid Cap Growth Funds Average* 2 Russell Mid Cap Growth Index* 3 S&P 400 Mid Cap Index* 4 Morningstar Mid Cap Growth Category Average**
Barclay's MidCap Equity Index Fund	1 S&P MidCap 400 Index*
Calvert Social Investment Equity Fund- Institutional Class	1 S&P 500 Index* 2 Lipper Multi-Cap Core Funds Average* 3 Calvert Social Index** 4 Morningstar Socially Responsible Large Cap Fund Average**
Fidelity Contrafund	1 S&P 500 Index* 2 Lipper Growth Fund Average* 3 Morningstar Large Growth Category Average**
Vanguard Institutional Index Fund (Plus Shares)	1 S&P 500 Index*
Vanguard Wellington Fund (Admiral Shares)	1 S&P 500 Index* 2 Morningstar Moderate Allocation Funds Average** 3 Composite 65% S&P 500/35% Lehman Aggregate Index**
Vanguard Long-Term Investment Grade-Fund (Admiral Shares)	1 Lehman Brothers LT Corporate A * 2 Morningstar LT Corporate Category Average**
Barclay's U.S. Debt Index Fund	1 Lehman Brothers Aggregate Bond Index*
Federated U.S. Government Securities Fund 2-5 Years (Instl)	1 Merrill Lynch 3-5 Year Treasury Index* 2 Lipper Short-Intermediate U.S. Government Average* 3 Morningstar Short-term Government Category**
Vanguard Admiral Treasury Money Market Fund	1 iMoneyNet Money Fund Report Average 100% Treasury Fund*
Stable Value Fund (Galliard)	1 Five Year Constant Maturity Treasury Rate (CMT)* 2 Hueler Analytics Pooled Fund Universe Average*
FDIC Option- M&I Bank of Southern Wisconsin	1 50% 3-Month LIBOR/50% 12-Month LIBOR
Vanguard Lifecycle Funds	1 Composite benchmarks based on asset allocation of funds

*Represent benchmarks used by the fund. **Represent benchmarks used by the Board.

Wisconsin Deferred Compensation Program
Deferred Compensation Board
Investment Policy Statement
Approved by the Deferred Compensation Board November 1998
Revision for February 2005

Objective

The Wisconsin Deferred Compensation Program (WDC) will provide participants with the ability to invest pre-tax income in a broad range of investment alternatives with diverse risk and return characteristics. The Deferred Compensation Board's goal is to ensure the WDC offers sufficient investment choices to meet participants' needs when establishing their personal retirement savings portfolio.

Investment Spectrum

The Board will maintain a core investment spectrum, normally between eight and twenty options, to ensure sufficient choices are available and are reasonable in number to allow the average participant to decide which options best meet their personal needs. The spectrum will be comprised of fixed options and publicly traded mutual fund options from the following categories:

1. *Fixed income/cash investments - FDIC insured bank account option, stable value fund, or money market mutual fund.*
2. *Bond mutual funds - government or corporate bond funds, domestic or international, active or passive management.*
3. *Balanced mutual fund – combining equity and bond investments in one option.*
4. *Domestic large cap equity mutual funds – including both active and passive (index) investments; funds with investment objectives that may include: growth and income, growth, aggressive growth, value, and blend of growth and value.*
5. *Domestic small and mid cap equity mutual funds – growth, value or blend.*
6. *International or foreign equity mutual funds – growth, value or blend.*
7. *Lifecycle funds – age-based portfolios for multiple time horizons.*

Selection Process

The Board may from time to time provide additional investment alternatives and may change the categories of funds offered to maintain a broad spectrum to address participants' changing needs or changes to the investment industry. The Board has established minimum criteria for selecting and evaluating the options offered by the WDC.

Mutual fund options are selected from the universe of publicly traded funds through a comprehensive search process. For an option to be considered for the WDC, it must meet the established minimum requirements in regard to: asset size, years in operation, costs (expense

ratio and sales fees), and historical performance. Once the initial screening has occurred, options are further analyzed based on criteria that includes, but is not limited to: short and long term performance as compared to peer group average and benchmarks, risk/return measurements, manager tenure, and industry ratings (such as *Morningstar*). Fixed income investments must also meet minimum criteria established by the Board (see attachment 1) and are selected from a competitive request for proposal process.

Evaluation Process

To ensure options continue to be suitable for offering to WDC participants and are consistent with the established investment policy, the Board completes a comprehensive evaluation each year.

Performance benchmarks are specifically established for each investment option and include a comparison to their peer group average, an appropriate index measurement, and an internal benchmark identified by the fund manager. Volatility is also measured by an analysis of risk versus return.

If the Board determines an option is no longer acceptable for continued offering, the Board may close the investment to new participant elections or initiate the process to phase the option out of the WDC and require participants to move account balances to an alternate choice. The steps in the review process are as follows:

- 1. A determination is made that a fund is unacceptable for offering. The Board can either close the fund to new elections and proceed with step 2, or initiate the phase out process to remove the fund from the WDC and skip step 2 and 3 and go directly to step 4.*
- 2. As a result of the next year's annual review, if it is determined to once again be acceptable, the fund is re-opened to participant elections.*
- 3. If improvements have occurred but it is not completely meeting all established criteria and/or there are remaining questions about its performance in can be continued in it's current closed status for an additional year.*
- 4. If the review demonstrates that the fund continues to be unacceptable for offering, the Board can initiate the process to phase it out of the WDC over a minimum of a one-year period (as required in Wisconsin Administrative Code ETF 70.08(3)).*
- 5. Participants are instructed to re-direct deferrals to an alternate choice within a period of not less than six-months from the original notification. If this action is not taken, deferrals being directed into the option being removed will automatically be redirected to an alternate option as designated by the Board.*
- 6. Participants are instructed to transfer existing balances to an alternate choice within a period of not less than one year from the original notification. If this action is not taken, account balances not exchanged out of the option being removed will automatically be redirected to an alternate option as designated by the Board.*

Responsibilities

Deferred Compensation Board – The Board is responsible for selecting appropriate investment options for offering by the WDC and monitoring the selections to ensure they continue to be acceptable for long-term retirement savings.

Investment Providers – The companies contracted to provide an investment option to the WDC are responsible for following the investment objectives that were either, identified during the competitive bid process (for fixed income options) or stated in their fund prospectus (for mutual funds).

Department of Employee Trust Funds and Administrative Services Provider Staff – Staff is responsible for completing the annual evaluation to monitor the WDC investment choices and providing sufficient analysis and information on which the Board can base decisions regarding maintaining, removing or adding investment options to the WDC. Staff is also responsible for providing sufficient information about the available investment choices and how to structure a retirement savings portfolio to enable participants to make informed decisions.

Participants – Investment decisions are the full responsibility of participants and their beneficiaries. Although the Board monitors the options that are being made available, participants are responsible for deciding which, if any, of the available choices are the most appropriate for their supplemental retirement savings needs.

Minimum Criteria for Selecting and Evaluating Fixed Income Options	
Bank Option	<ul style="list-style-type: none"> • FDIC insured • Capital ratio as required by US government to maintain FDIC coverage • Minimum size - \$1 billion in assets
Insurance Option	<ul style="list-style-type: none"> • Top rating received by at least 2 rating agencies • No rating below a Double A or equivalent • Total capital (equivalent to total assets minus total liabilities) equal to at least 5% of invested assets • High risk assets (non-investment grade bonds and non-performing real estate loans and investments) under 200% of total capital • Performance returns compared to blended 5-year Treasury rates, or other index as appropriate
Stable Value Fund Manager	<ul style="list-style-type: none"> • Minimum five years experience managing stable value assets • Minimum \$2 billion in discretionary assets under management • Investment guidelines and performance benchmark as approved by Board
Minimum Criteria for Selecting and Evaluating Mutual Fund Options	
Selection Criteria: <i>Requirements apply to all mutual funds unless specifically waived</i>	<ul style="list-style-type: none"> • Minimum 5 year operating history – may be waived for index funds • Expense ratio [internal expense charge plus any 12(b)1 fee] not greater than the mean for the appropriate peer group • 5-year rolling average performance must equal or exceed appropriate benchmark or index • Minimum total asset size of \$400 million – may be waived for certain categories of funds • Anticipated WDC assets not greater than 5% of total fund (determined by comparing current WDC asset levels in a comparable fund) • No loads or sales charges unless they are waived for the WDC • Not a sector fund
Monitoring Criteria: <i>Requirements apply to all mutual funds unless specifically waived</i>	<ul style="list-style-type: none"> • Performance must meet or exceed one or more of established benchmarks – benchmarks used include, but are not limited to 1) peer group average, 2) appropriate index as determined by Board, and 3) internal benchmark assigned by fund manager. • For specialty funds selected for reasons other than performance (e.g., socially responsive funds or lifecycle funds), performance will only be evaluated based on a comparison to the funds peer group of funds with same specialty objective. [Participants will be fully advised that fund is selected for reasons other than investment returns.] • WDC assets in fund no greater than 10% of the total mutual fund assets • After 5 years in WDC, minimum of 3% of participants or 3% of assets.

Glossary



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12b-1 Fee The maximum annual charge deducted from fund assets to pay for distribution and marketing costs. Although usually set on a percentage basis, this amount will occasionally be a flat figure.

Actively managed fund A fund manager buys and sells securities attempting to outperform the market as a whole.

Adjustable Bonds A bond whose coupon is reset periodically—usually every six months to three years. At the reset date, the coupon is set equal to some base index, such as the one-year constant Treasury rate, plus a spread (or margin). When interest rates are falling, these bonds do better than an in-year Treasury, but when interest rates rise, they can lag Treasury yields.

Aggressive Growth (Objective) Funds that seek rapid growth of capital and that may invest in emerging market growth companies without specifying a market capitalization range. They often invest in small or emerging growth companies and are more likely than other funds to invest in IPO's or in companies with high price/earnings and price/book ratios. They may use such investment techniques as heavy sector concentrations, leveraging, and short-selling.

Alpha A measure of the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. A positive alpha figure indicates the fund has performed better than its beta would predict. In contrast, a negative alpha indicates the fund's underperformance, given the expectations established by the fund's beta.

Annual Returns Total returns calculated on a calendar-year basis. The annual return for a fund will be the same as its trailing 12-month total return only at year-end.

Annualized Returns Returns for periods longer than one year are expressed as "annualized returns." This is equivalent to the compound rate of return which, over a certain period of time, would produce a fund's total return over that same period.

Asset Allocation (Objective) Income and capital appreciation are dual goals for funds in this objective. Managers often use a flexible combination of stocks, bonds, and cash. Managers may shift assets based on analysis of business-cycle trends.

Average Credit Quality Gives a snapshot of the portfolio's overall credit quality. It is an average of each bond's credit rating, adjusted for its relative weighting in the portfolio.

Average Effective Duration A measure of a fund's interest-rate sensitivity--the longer a fund's duration, the more sensitive the fund is to shifts in interest rates. Duration is determined by a formula that includes coupon rates and bond maturities. Small coupons tend to increase duration, while shorter maturities and higher coupons shorten duration. The relationship between funds with different durations is straightforward: A fund with a duration of 10 years is twice as volatile as a fund with a five-year duration.

Average Effective Maturity Used for taxable fixed-income funds only, this figure takes into consideration all mortgage prepayments, puts, and adjustable coupons; it does not, however, account for call provisions. The number listed is a weighted average of all the maturities of the bonds in the portfolio, computed by weighing each maturity date (the date the security comes due) by the market value of the security.

Balanced (Objective) Funds that seek both income and capital appreciation by investing in a generally fixed combination of stocks and bonds. These funds generally hold a minimum of 25% of their assets in fixed-income securities at all times.

Basis Point One-hundredth of a percentage point. For example, 50 basis points equals .50%.

Beta A measure of a fund's sensitivity to market movements. The beta of the market is 1.00 by definition. Beta is calculated by comparing a fund's excess return over Treasury bills to the market's excess return over Treasury bills, so a beta of 1.10 shows that the fund has performed 10% better than its benchmark index in up markets and 10% worse in down markets, assuming all other factors remain constant. Conversely, a beta of 0.85 indicates that the fund's excess return is expected to perform 15% worse than the market's excess return during up markets and 15% better during down markets.

Bonds Interest-bearing certificates of indebtedness or IOUs. While bonds' rates of return remain fixed, bond prices change in relation to interest rates — when interest rates go up, bond prices go down, and vice versa. However, bond funds are variable funds and fluctuate with market conditions.

Bond funds Contrary to individual bonds, which offer a guaranteed rate of return, bond funds are variable funds and their returns may rise or fall depending on market conditions. Funds with 70% or more of their assets invested in bonds are classified as Bond Funds. Bond funds are divided into two main groups: Taxable Bond and Municipal Bond. Taxable Bond Fund categories include the following: Long-Term Government, Intermediate-Term Government, Short-Term Government, Long-Term Bond, Intermediate-Term Bond, Short-Term Bond, Ultrashort-Bond, International-Bond, High-Yield Bond, Emerging-Markets Bond and Multisector Bond.

Breakpoint The investment amount at which investors in a load fund qualify for a discount on the fund's sales charges.

Glossary

Broker A firm or individual that acts as an intermediary between a buyer and a seller of securities, thereby earning a commission on the transaction. Unlike a broker-dealer, a broker does not own the securities that he or she sells.

Callable Bond A bond that can be repaid early, at the issuer's discretion. A callable bond allows an issuer to refinance debt at a lower rate, should interest rates drop below the coupon rate on the bond. If interest rates have dropped significantly since the date of issue, a callable bond will trade as though its maturity were shortened to the call date, which is the earliest time at which the bond can be redeemed.

Capital Appreciation The taxable income generated when a security is sold. The amount of appreciation is measured by subtracting the purchase price from the sale price.

Capital Gains Taxable income generated only when a security is sold. This figure is calculated by subtracting the purchase price from the sale price. Under IRS regulations, funds must distribute 98% of their capital gains each year to avoid paying taxes on them. Shareholders pay taxes on these distributions, even if the gains are reinvested. Further capital gains can be generated by selling shares in a fund for more than the original purchase price.

Capitalization The total dollar value of all stock issued by a company. Small-cap stocks are issued by companies with market cap less than \$1 billion. Mid-cap stocks are issued by medium-sized companies with market cap anywhere from \$1 billion to \$5 billion. Large-cap stocks include companies with market cap greater than \$5 billion.

CMOs Collateralized mortgage obligations are derivative securities, created by chopping up mortgage pass-throughs or whole loans into various slices in order to redistribute the cash flows (both principal and interest payments) from the underlying bonds. The CMO group, except for adjustable-rate mortgage funds, includes PACs (planned amortization class bonds), floating- and inverse-floating-rate CMOs, and accrual or Z-tranche bonds, among other varieties.

Consumer Price Index (CPI) This index measures the changes in prices of goods and services purchased by urban households. Many pension and employment contracts are tied to changes in consumer prices, as protection against inflation and reduced purchasing power.

Corporate Bond--General (Objective) Funds that seek income by investing in fixed-income securities. Funds with this objective may hold a variety of issues, including but not limited to government bonds, high-quality corporates, mortgages, asset-backed, bank loans and junk bonds.

Corporate Bond--High Quality (Objective) Offerings that seek income by investing at least 65% of their assets in corporate debt securities rated A or higher. They generally maintain average ratings of AA or better.

Corporate Bond--High Yield (Objective) Funds that seek income by generally investing 65% or more of their assets in bonds rated below BBB. The price of these issues is generally affected more by the condition of the issuing company (similar to a stock) than by the interest-rate fluctuation that usually causes bond prices to move up and down.

Current income Results when a stock pays a dividend or a bond makes an interest payment. This is the value of your investment increased. With current income, you get a fairly stable pattern of income — which generally means reduced volatility. (Stock dividends must be declared, and are not predictable.)

Diversification Spreading your money over many different types of investments. Contrary to putting all your eggs in one basket, diversification can help protect your savings because when one investment is doing poorly, another may be doing well. This does not guarantee against loss of value in your investments.

Dividends The distribution of earnings to stockholders by a company. Dividends are usually paid out from current earnings.

Domestic equity funds are placed in a category based on the style and size of the stocks they typically own. The style and size parameters are based on the divisions used in the investment style box: Value, Blend, or Growth style and Small, Medium, or Large median market capitalization.

Domestic Hybrid Category Used for funds with stock holdings of greater than 20% but less than 70% of the portfolio.

Dow Jones Industrial Average Computed by summing the prices of the stocks of 30 companies and then dividing that total by an adjusted value--one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities.

Duration A time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flows consist of coupon payments and repayment of capital). A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.

Equity-Income (Objective) Funds that are expected to pursue current income by investing at least 65% of their assets in dividend-paying equity securities.

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Equity style box is a matrix that shows a fund's investment style. Nine boxes represent two variables: the size of the companies invested in (small-cap, mid-cap, large-cap), and whether a fund is growth, value, or blend oriented. Morningstar recalculates the style of each fund on a monthly basis. The equity style box is shown below (areas are shaded according to risk — the darker the area, the higher the risk associated with the investment).

Value	Blend	Growth	
1	2	3	Large
4	5	6	Medium
7	8	9	Small

Excess Returns A component found in Morningstar Return, Morningstar Risk, and the Morningstar Rating. This figure is calculated by subtracting the monthly returns of the three-month Treasury-bill from the monthly returns of the fund during the same time period.

Exchange-Traded Funds (ETFs) are not mutual funds in the traditional sense; rather, they are hybrid instruments combining aspects of common stocks and mutual funds and offering many the benefits of both. ETFs are products that trade like stocks. They mimic stock indexes and are passively managed just like an index fund. Because ETFs trade throughout the day just like a stock, investors have the ability to choose the timing and know the price of the transaction.

Expense Ratio The percentage of fund assets paid for operating expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs. Fund expenses are reflected in the fund's NAV. Sales charges are not included in the expense ratio.

FHLMC mortgages The Federal Home Loan Mortgage Commission, a federally-sponsored corporation that packages huge pools of individual mortgages and carves these pools up as mortgage-backed securities. This provides diversification, and consequently lower risk for mortgage investors. Although FHLMC securities are not directly backed by the federal government, it is implicitly recognized that the government would step in were there a likelihood that they would default.

Fixed-income style box is similar to the equity style box. Fixed income style boxes represent a bond fund's investment style. A fixed-income style would be the intersection of its duration (short, intermediate, and long) and the quality of the bonds selected for the portfolio (high, medium, low). Listed below is the matrix using the fixed-income style groupings (again, the darker the shading, the higher the risk).

Short	Int.	Long	
1	2	3	High
4	5	6	Medium
7	8	9	Low

Flagship Fund Not to be confused with the Flagship Family of funds, a flagship fund is typically the oldest of a management company's funds, or one that boasts the largest number of assets. Such funds often bear the management company's name.

Foreign Stock Category An international fund having no more than 10% of stocks invested in the United States.

Fund of Funds A fund that specializes in buying shares in other mutual funds rather than individual securities. Quite often this type of fund is not discernible from its name alone, but rather through prospectus wording (i.e.: the fund's charter).

Geometric Mean Return A compounded and annualized rate of return.

GNMA mortgages These are mortgage pass-through securities issued by the Government National Mortgage Association. These bonds are backed by the full faith and credit of the U.S. government.

Government Bond--General (Objective) Offerings that pursue income by investing in a combination of mortgage-backed securities, Treasuries, and agency securities.

Glossary

Government Bond--Mortgage (Objective) Funds that seek income by generally investing at least 65% of their assets in securities backed by mortgages, such as securities issued by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC).

Government Bond--Treasury (Objective) Treasury funds that seek income by generally investing at least 80% of their assets in U.S. Treasury securities.

Growth (Objective) Funds that pursue capital appreciation by investing primarily in equity securities. Current income, if considered at all, is a secondary concern.

Growth and Income (Objective) Growth of capital and current income are near-equal objectives for these funds. Investments are typically selected for both appreciation potential and dividend-paying ability.

Guaranteed Certificate Fund All money deposited into a certificate during a "deposit period" earns a guaranteed rate of return, credited daily until maturity. Backed by the general assets of the certificate issuer.

High-Yield Bond Category A fund with at least 65% or more of bond assets in bonds rated below BBB.

Index Fund A fund that tracks a particular index and attempts to match returns. While an index typically has a much larger portfolio than a mutual fund, the fund's management may study the index's movements to develop a representative sampling, and match sectors proportionately.

Individual Retirement Account (IRA) A personal retirement plan. Taxes on earnings are deferred until money from the account is withdrawn.

Industrial Cyclical Sector Includes aerospace and aerospace industries, building supplies, industrial-building products, business equipment, chemicals, machinery (both light and industrial), metals fabrication (iron, steel, coal, and rare metals), paper and packaging, and photo equipment. Some examples of companies in this sector include Boeing, Canon, Caterpillar, Eastman Kodak, Georgia Pacific, Potash, and Sherwin-Williams.

Information Ratio The information ratio is a measure of the consistency of excess return. This value is determined by taking the annualized excess return over a benchmark (style benchmark by default) and dividing it by the standard deviation of excess return.

Institutional Fund Any fund that meets one of the following qualifications:

a) has the word "institutional" in its name.

b) has a minimum initial purchase of \$100,000 or more.

c) states in its prospectus that it is designed for institutional investors or those purchasing on a fiduciary basis.

International Equity Funds with 40% or more of their equity holdings in foreign stocks (on average over three years) are placed in the international equity class. These categories include Europe, Japan, International Hybrid, Latin America, Diversified Pacific, Pacific ex. Japan, Specialty Precious Metals, Diversified Emerging Markets, World Stock, and Foreign Stock. Foreign investments involve special risks, including currency fluctuations and political developments.

Lehman Brothers 1-3 Year Government Bond Comprised of both the Treasury Bond index (all public obligations of the U.S. Treasury, excluding flower bonds and foreign-targeted issues) and the Agency Bond Index (all publicly issued debt of U.S. Government agencies and quasi-federal corporations and corporate-debt guaranteed by the U.S. Government). These bonds also must have maturities of one to three years. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Aggregate Index Composed of the Lehman Brothers Govt/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Credit Listed for corporate bond-general and high-quality funds. This index tracks the returns of all publicly issued, fixed-rate, nonconvertible, dollar-denominated, SEC-registered, investment-grade corporate debt. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Government Bond Index Listed for government-bond general and Treasury funds. Because it tracks the returns of U.S. Treasuries, agency bonds, and one- to three-year U.S. government obligations, this index is effective for tracking portfolios holding non-mortgage government securities. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Govt/Credit Represents a combination of the Government and Corporate Bond indices. The returns published for the index are total returns, which include reinvestment of dividends. For more information, view the Lehman Brothers Web site or call 212-526-1000.

Glossary

Lehman Brothers Intermediate Government Index Includes those indexes found in the LB Government Index which have a maturity of one to three years. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Intermediate Government/Corporate Index Includes both corporate (publicly-issued, fixed-rate, nonconvertible, investment grade, dollar-denominated, SEC-registered, corporate dept.) and government (Treasury Bond index, Agency Bond index, 1-3 Year Government index, and the 20+-Year treasury) indexes, including bonds with maturities up to ten years. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Intermediate Treasury This index includes treasury bonds with maturates of at least one year and up to 10 years with an outstanding par value of at least 100 million. They include fixed-rate debt issues, rated investment grade or higher by Moody's Investor Services, Standard & Poor's Corporation, or Fitch Investor's Service (in that order). Treasuries include all public obligations of the U.S. Treasury, excluding flower bonds and foreign-targeted issues. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Long Credit Serves as a measure of all public-issued nonconvertible investment-grade corporate debts that have a maturity of 10 years or more. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Long Term Government Index Includes those indexes found in the LB Government index which have a maturity of 10 years or more. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Mortgage-Backed Securities Includes 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA). The returns published for the index are total returns, which include reinvestment of dividends.

Life Cycle These funds are geared toward investors of a certain age or with a specific time horizon for investing. Typically they are grouped together in sets (i.e. conservative, moderate, and aggressive portfolios).

Linear Scale Linear graphs are scaled so that equal vertical distances represent the same absolute dollar value change. A drop from \$10,000 to \$9,000, for example, is represented in the same way as a drop from \$100,000 to \$99,000.

Logarithmic Scale Used for graphs, a scale that reveals percentage changes. A given percentage move takes up the same amount of space as another move of equal percentage. A change from 100 to 200, for example, is presented in the same way as a change from 1000 to 2000.

Maturity Short-term bonds mature (or come due) in less than four years. Intermediate-term bonds mature in four to ten years. Long-term bonds mature more than ten years from the date of purchase. The longer the term, the higher the risk and the rate of potential return.

Management Fees The management fee is the percentage deducted from fund assets to pay an advisor or subadvisor. Often, as the fund's net assets grow, the percentage deducted for management fees decreases. For example, a particular fund may report a management fee of 0.40% on the first \$500 million in assets, 0.35% on all assets between \$500 million and \$1 billion, and 0.30% on assets in excess of \$1 billion. Thus, if the fund contains \$1.5 billion in total net assets, the advisor scales back its management fees accordingly. Alternatively, the fund may compute the fee as a flat percentage of average net assets. The management fee might also come in the form of a group fee (G), a performance fee (P), or a gross income fee (I). Note: The management fee is just one (albeit a major) component of a fund's costs. The overall expense ratio is the most useful number for investors. Actual fees are also noted in this section.

Market-Neutral Funds These are funds that attempt to eliminate the risks of the market by holding 50% of assets in long positions in stocks and 50% of assets in short positions. Funds in this group match the characteristics of their long and short portfolios, keeping factors such as price-to-earnings and industry exposure similar. Stock picking, rather than broad market moves, should drive a market-neutral fund's performance.

Median Market Capitalization The median market capitalization of a fund's equity portfolio gives you a measure of the size of the companies in which the fund invests. It is the trimmed mean of the market capitalizations of the stocks in the fund's portfolio.

Modern Portfolio Theory (MPT) Statistics Alpha, beta, and R-squared are modern-portfolio-theory measures of a fund's relative risk, based on least-squares regression of a fund's excess returns on the excess returns of a market index. Standard deviation is not considered an MPT statistic because it is not generated through the same formula or mathematical analysis as the other three statistics.

Money market funds Best described as short-term versions of bonds. These relatively low-risk variable funds hold very short-term securities such as U.S. government securities, certificates of deposit, cash and cash equivalents. Investments in Money Market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money in Money Market funds.

Glossary

Morley Stable Value Index A hypothetical portfolio comprised of a weighted blend of 50% five-year stable value contracts, 30% three-year stable value contracts and 20% 30-day prime commercial paper. The five-year component consists of 60 hypothetical five-year stable value contracts, one purchased at the prior month end's illustrative rate at the beginning of each month for the prior 60 months. The three-year component consists of 36 hypothetical three-year stable value contracts, one purchased at the prior month end's illustrative rate at the beginning of each month for the prior 36 months.

Morningstar was founded in 1984 to provide investors with useful information for making intelligent, informed investment decisions. The company's first product, originally named the Mutual Fund Sourcebook, proved to be innovative in its ability to tap into an underserved market. Soon a demand grew for an even more in-depth and analytical publication, leading to the launch of Morningstar Mutual Funds in late 1986.

Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings (portfolio statistics and compositions over the past three years). If the fund is new and has no portfolio, we estimate where it will fall before assigning a more permanent category. When necessary, we may change a category assignment based on current information.

MSCI EAFE Ndrtr_D Listed for foreign stock funds (EAFE refers to Europe, Australasia, and Far East). Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes that collectively represent many of the major markets of the world. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty. The returns published for the index are total returns, which include reinvestment of dividends.

MSCI Europe Ndrtr_D Listed for Europe stock funds. This index measures the performance of stock markets in Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, Ireland, Portugal, and the United Kingdom. Total returns date back to December 1981. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty.

MSCI Pacific Ndrtr_D Formerly known as MS Pacific, this index is listed for Pacific stock funds and measures the performance of stock markets in Australia, Hong Kong, Japan, New Zealand, and Singapore, and Malaysia. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty. The returns we publish for the index are total returns, which include reinvestment of dividends.

MSCI World Ndrtr_D Includes all 23 MSCI developed market countries. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty.

Mutual fund An investment option that pools money from many shareholders and invests it in a group of stocks, bonds, or other securities. Also known as an open-end investment management company, mutual funds are securities required to be registered with the SEC.

NASD (National Association of Securities Dealers) A self-regulatory organization for the securities industry with jurisdiction over certain broker-dealers. The NASD enforces broker-dealers' compliance with securities regulations, including the requirement that they maintain sufficient levels of net operating capital. It also conducts market surveillance of the over-the-counter (OTC) securities market.

NAV Stands for net asset value, which is the fund's share price. Funds compute this value by dividing the total net assets by the total number of shares.

NASDAQ Composite Index Measures the performance of all issues listed in the NASDAQ Stock Market, except for rights, warrants, units, and convertible debentures.

Net Assets The month-end net assets of the mutual fund, recorded in millions of dollars. Net-asset figures are useful in gauging a fund's size, agility, and popularity. They help determine whether a small company fund, for example, can remain in its investment-objective category if its asset base reaches an ungainly size.

Ndrtr_D: Noted for various Morgan Stanley indexes, Ndrtr_D indicates that the index is listed in US dollars, with net dividends reinvested. Ndrtr_D indexes take into account actual dividends before withholding taxes, but excludes special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty.

NYSE (New York Stock Exchange Composite) Serves as a comprehensive measure of the market trend for the benefit of investors who are concerned with general stock market price movements. The index is a composite of all common stocks listed on the NYSE and four sub-groups--Industrial, Transportation, Utility, and Finance.

Options/Futures/Warrants Options and futures may be used speculatively, to leverage a portfolio, or cautiously, as a hedge against risk.

Glossary

OTC (over the counter) A name for a security that is not listed on an exchange. The OTC is the major trading market for all US bonds, as well as many small- and large-capitalization stocks. Whereas non-OTC stocks trade on the floor of actual stock exchanges, OTC issues are traded via telephone and computer networks connecting dealers in stocks and bonds. The dealer may or may not be a member of a securities exchange, but he or she must be a member of the NASD.

Price/Book Ratio The weighted average of the price/book ratios of all the stocks in a fund's portfolio. The P/B ratio of a company is calculated by dividing the market price of its stock by the company's per-share book value. Stocks with negative book values are excluded from this calculation. In theory, a high P/B ratio indicates that the price of the stock exceeds the actual worth of the company's assets, while a low P/B ratio indicates that the stock is a bargain.

Price/Earnings Ratio The weighted average of the price/earnings ratios of the stocks in a fund's portfolio. The P/E ratio of a stock is calculated by dividing the current price of the stock by its trailing 12 months' earnings per share. In computing the average, Morningstar weights each portfolio holding by the percentage of equity assets it represents, so that larger positions have proportionately greater influence on the fund's final P/E.

Price/Cash Flow This represents the weighted average of the price/cash-flow ratios of the stocks in a fund's portfolio. Price/cash-flow represents the amount an investor is willing to pay for a dollar generated from a particular company's operations. Price/cash-flow shows the ability of a business to generate cash and acts as a gauge of liquidity and solvency. Because accounting conventions differ among nations, reported earnings (and P/E ratios) may not be comparable across national boundaries. Price/cash-flow attempts to provide an internationally-standard measure of a firm's stock price relative to its financial performance.

Prospectus A fund's formal written statement, generally issued on an annual basis. In this statement the fund sets forth its proposed purposes and goals, and other facts (e.g.: history and investment objective) that an investor should know in order to make an informed decision.

Prospectus Objective Indicates a particular fund's investment goals, based on the wording in a fund's prospectus.

R-Squared Reflects the percentage of a fund's movements that can be explained by movements in its benchmark index. An R-squared of 100 indicates that all movements of a fund can be explained by movements in the index. Thus, index funds that invest only in S&P 500 stocks will have an R-squared very close to 100. Conversely, a low R-squared indicates that very few of the fund's movements can be explained by movements in its benchmark index. An R-squared measure of 35, for example, means that only 35% of the fund's movements can be explained by movements in the benchmark index.

Regression A mathematical tool used to study the way that two sets of numbers interact with each other. Regression measures how much of one number's changes might be caused by or linked to how much another number changes.

Returns Based Style Analysis In 1988, William F. Sharpe, Nobel Laureate and Professor of Finance at Stanford University, wrote an article for the Investment Analyst Review entitled "Determining a Fund's Effective Asset Mix". In this article, he demonstrated that a manager's style could be determined by analyzing portfolio returns, as opposed to holdings. This was done mathematically by comparing the manager's returns to the returns of a number of style indexes. This discovery revolutionized style and performance analysis and provided the basis for the StyleADVISOR suite of software.

Since its debut in 1993, StyleADVISOR has been the style analysis package of choice for the large institutional marketplace. Our client list has grown to include over 250 plan sponsors, consultants, and money managers. They use StyleADVISOR to determine, for themselves, using only monthly or quarterly returns, the style and consistency of managers and funds. They create custom style benchmarks, do performance, risk-return, upside downside market capture analyses, manager to peer universe comparisons, asset allocation, and much more. StyleADVISOR also enables them to perform manager searches, create custom universes, evaluate competitors, and monitor aggregate portfolios.

Risk Basically there are four types of risk: 1) inflation risk means your money may not earn enough in the long run because as prices go up the value of your money goes down; 2) market risk means you could lose money because the price of a stock may go down; 3) credit risk means a company or organization that borrowed your money may not be able to pay it back; and 4) interest rate risk means you could lose money because as interest rates go up the value of bond investments goes down.

Risk-Free Rate of Return Three-month T-bills are government-backed short-term investments considered to be risk-free and as good as cash because the maturity is only three months.

Risk/Return Graph The Manager Risk/Return Graph displays the risk/return characteristics of a manager and compares them to a benchmark, universe or other managers. It plots Return on the vertical axis and a Risk Statistic on the horizontal axis.

The chart has crosshairs that provide a basis for comparison by dividing the graph into four quadrants. The crosshairs are centered at either the Market Benchmark, the Style Benchmark or the median of the Universe, depending on the options you select. A relatively aggressive manager, for example, is likely to fall in the Northeast corner relative to the crosshairs centered at the universe median, with both more risk and more return.

Glossary

Russell 1000 Consists of the 1000 largest companies within the Russell 3000 index. Also known as the Market-Oriented Index, because it represents the group of stocks from which most active money managers choose. The returns published for the index are total returns, which include reinvestment of dividends.

Russell 1000 Growth Market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 includes the largest 1000 firms in the Russell 3000, which represents approximately 98% of the investable US equity market.

Russell 1000 Value Market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values. The Russell 1000 includes the largest 1000 firms in the Russell 3000, which represents approximately 98% of the investable US equity market.

Russell 2000 Consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 7% of the Russell 3000 total market capitalization. The returns published for the index are total returns, which include reinvestment of dividends.

Russell 2000 Growth Market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Index includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations. The Russell 3000 Index represents 98% of the of the investable US equity market.

Russell 2000 Value Market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations. The Russell 3000 Index represents 98% of the of the investable US equity market.

Russell 3000 Composed of the 3000 largest U.S. companies by market capitalization, representing approximately 98% of the U.S. equity market. The returns published for the index are total returns, which include reinvestment of dividends.

S&P 500/BARRA Growth Index A subset of the Standard & Poor's 500 Index®. Each year, all the stocks in the S&P 500® are classified as either growth or value. The stocks classified as growth make up the S&P 500/BARRA Growth Index. In general, growth companies tend to have high price-to-earnings (P/E) ratios, low dividend yields, and above-average earnings growth rates.

S&P 500/BARRA Value Index A subset of the Standard & Poor's 500 Index®. Each year, all the stocks in the S&P 500® are classified as either growth or value. The stocks classified as value make up the S&P 500/BARRA Value Index. In general, value companies tend to have low P/E ratios, high dividend yields, and below-average earnings growth rates.

S&P 400 MidCap Index The S&P 400 MidCap Index consists of 400 U.S. companies that have market capitalization from \$1 billion to \$5 billion. The index includes approximately 312 industrial companies, 10 transportation companies, 41 utilities, and 37 financial companies.

S&P 500 Index® Standard & Poor's 500 Index® is a benchmark for the United States stock market. It's a list of the 500 largest publicly traded companies, which include 400 industrial companies, 20 transportation companies, 40 utilities, and 40 financial companies.

S&P Small Cap 600 Index The Standard & Poor's SmallCap 600 Index consists of 600 U.S. companies that have market capitalization less than \$1 billion. The index includes approximately 499 industrial companies, 18 transportation companies, 27 utilities, and 56 financial companies. Equity securities of companies with small market capitalization may be more volatile than securities of larger, more established companies.

SEC Yield A calculation based on a 30-day period ending on the last of the previous month. It is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period.

Share Classes Shares of the same fund that offer different shareholder rights and obligations, such as different fee and load charges. Common share classes are A (front-end load), B (deferred fees), C (no sales charge and a relatively high annual 12b-1 fee, such as 1.00%). Multi-class funds hold the same investment portfolio for all classes, and differ only in their surrounding fee structure.

Sharpe Ratio A risk-adjusted measure developed by Nobel Laureate William Sharpe. It is calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. The Sharpe ratio is calculated for the past 36-month period by dividing a fund's annualized excess returns by its annualized standard deviation.

Glossary

Socially Conscious Any fund that invests according to non-economic guidelines. Such funds may make investments based on such issues as environmental responsibility, human rights, or religious views. A socially conscious fund may take a pro-active stance by selectively investing in, for example, environmentally-friendly companies, or firms with good employee relations. This group also includes funds that avoid investing in companies involved in promoting alcohol, tobacco, or gambling, or in the defense industry.

Standard Deviation A statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that are most likely for a given fund. When a fund has a high standard deviation, the predicted range of performance is wide, implying greater volatility.

Stocks Ownership in a company. Stocks are sold by the company and then bought/sold among investors. Risks involved include the company not performing up to expectations or that the price of your stock will fall.

Style Benchmark The concept of the style benchmark was first introduced by Nobel Laureate William F. Sharpe in 1988 and referred to as the "Effective Asset Mix". A quadratic optimizer is used to find a combination of the selected indices that would best track (have the highest correlation to) a given return series. For example, if a domestic equity manager optimization found that a weighted composite of 20% Russell Large Value, 10% Russell Large Growth, 60% Russell Small Value, 5% Russell Small Growth, and 5% T-bills had a 92% R-squared to that manager's returns, it could be said that 92% of this manager's performance may be attributed to his "style". The remaining 8% is unexplained variance due to stock selection, etc.

Tax-deferred earnings You don't have to pay taxes on any earnings in your 401(k) until you withdraw your money. The money in a 401(k) can grow faster than with other types of savings plans, because the earnings you accumulate, if any, are also tax-deferred.

Treynor Ratio The Treynor Ratio is a measure of performance per unit of market risk. It is the portfolio's excess return over the risk-free rate divided by the portfolio's beta to the selected benchmark. Also known as the Reward to Volatility Ratio.

Turnover Ratio The turnover rate of a fund is a decent proxy for how frequently a manager trades his or her portfolio. The inverse of a fund's turnover ratio is the average holding period for a security in that fund. If a fund consistently showed a 20% turnover ratio, for example, it would suggest that--on average--that fund holds a security for five years before selling it. A fund with a 200% turnover ratio pretty much changes its portfolio wholesale every six months.

Upside / Downside Market Capture Graph StyleADVISOR's Upside / Downside Market Capture graph displays the percentage of benchmark movement captured by a manager in both up and down markets. The graph plots the manager's upside capture ratio (vertical axis) against the downside capture ratio (horizontal axis). The capture ratio is the manager's return divided by the benchmark's return, or the percentage of the benchmark's return that was "captured" by the manager. The Upside capture ratio is computed for periods when the market has a positive return. The Downside capture ratio is computed for periods when the market has a negative return.

Variable funds Investments that fluctuate with market conditions. Unlike guaranteed investments, such as bonds or CDs, variable funds don't guarantee a specific rate of return. They do offer potential for higher earnings in return for higher degree of market risk.

Wilshire 4500 Listed for small-company funds, measures the performance of all U.S. common equity securities excluding the stocks in the S&P 500. The returns published for the index are total returns, which include reinvestment of dividends.

Wilshire 5000 Measures the performance of all U.S. common equity securities, and so serves as an index of all stock trades in the United States. The returns published for the index are total returns, which include reinvestment of dividends.

World Stock Category An international fund having more than 10% of stocks invested in the US. Also known as global funds. Foreign Investments involve special risks, including currency fluctuations and political developments.

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CORRESPONDENCE MEMORANDUM

DATE: October 23, 2007
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: FDIC Fixed/Floating Interest Rates

M&I Bank of Southern Wisconsin has been under contract to offer the Federal Deposit Insurance Corporation (FDIC) bank option for Wisconsin Deferred Compensation (WDC) Program participants since January 1, 2001. WDC participants holding assets in the FDIC account receive a blended rate of interest based on the fixed/floating interest rate allocation selected by the Wisconsin Deferred Compensation Board (Board).

The contract between the Board and M&I Bank permits the Board to change the percentage allocated to the fixed and floating interest rate for the following year, provided the Board gives M&I Bank a 30-day notice.

To determine the interest rate to be applied to participant accounts in 2008, the Board must set the percentage of the FDIC account assigned to the fixed and floating interest rate calculation at its November meeting. The attached memo from Alex Roitz of Advised Asset Group (AAG), a division of Great-West Retirement Services, provides a more detailed explanation and analysis of FDIC interest rate allocation options.

Given the likelihood of steady or decreasing rates in the next year, **AAG recommends the Board consider allocating seventy-five percent (75%) of the allocation to the fixed portion and the remaining twenty-five percent (25%) to the floating portion.**

Mr. Roitz and Department staff will be available at the meeting to discuss this recommendation.

attachment

Reviewed and approved by Robert J. Conlin, Deputy Secretary

Signature

Date

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Memorandum

**To: Shelly Schueller, Director,
Wisconsin Deferred Compensation Program**

**From: Alex Roitz, Senior Analyst,
Advised Assets Group**

Date: October 23, 2007

Re: Allocation for the FDIC Option

The M&I Bank of Southern Wisconsin permits the Wisconsin Deferred Compensation Board (the Board) to set the allocation of the FDIC option used in calculating the interest rate. The allocation is composed of a floating rate portion based on the 3 month LIBOR less .40% reset each quarter and a fixed portion based on the 12 month LIBOR less .40% reset annually.

Taking advantage of this blended rate requires setting a higher allocation to the floating portion (3 month LIBOR) in a rising interest rate environment. Conversely, in a falling interest rate environment a higher allocation to the fixed portion (12 month LIBOR) is more beneficial.

The summer of 2007 and into the fall has been an exceptionally tumultuous time for investors who have had to deal with a credit crisis, the continued slump in the housing market, rising energy costs, and a slowing economy. Fearing the economy would fall into a recession due to the housing and credit troubles the Federal Open Market Committee (FOMC) decided to cut the short-term Fed Funds rate by 0.50% to 4.75% on September 18, 2007. The rate cut helped to spark a rise in the stock market and eased pressure in the credit markets. However, a slowing economy is still a large concern.

It is always a difficult task to try to predict the direction of short-term interest rates, and this instance is no different. Mixed economic data and the FOMC providing little clues as to what their next move might be has put the economic community in a tug-o-war between those concerned with economic growth and those concerned with inflation. However, rising jobless claims and what seems like perpetually bad news from the housing sector seems to favor a rate cut. Further, the most recent futures markets are implying a greater than 90% chance that short-term rates will be cut by 0.25%. Thus, it seems the most probable scenario will be a cut in the Fed Funds rate before the end of the year.

Taking into account the above referenced factors, and the spread between the fixed portion (12 month LIBOR) and the floating portion (3 month LIBOR) being -0.3288% as of October 23, 2007, AAG recommends a 75% allocation to the fixed portion and a 25% allocation to the floating portion. However, should the Board care to hedge against the possibility of an unexpected rate increase; a 50/50 split would also be prudent.



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CORRESPONDENCE MEMORANDUM

DATE: October 19, 2007
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
 Wisconsin Deferred Compensation (WDC) Program
SUBJECT: Barclays Global Investors MidCap Equity Index Fund "W"

At the September 2007 Deferred Compensation Investment Committee (Committee) meeting, the Committee learned about potential changes to fees charged by Barclays Global Investors (BGI) for the MidCap Equity Index Fund "W." This memo discusses those changes and provides a recommendation for the Wisconsin Deferred Compensation Board's (Board) consideration which is to move WDC assets from the BGI MidCap "W" to the MidCap "F" fund.

Background

In February 2001, the Board added three BGI Index funds to the WDC core investment spectrum, including the BGI MidCap Equity Index Fund "W." Another BGI fund, the Russell 2000 Index "T," was added in February 2004. Commingled index funds were added because the Board felt that the WDC program should provide participants with low-cost index options in several investment categories. The BGI funds were specifically selected because they were offered to the WDC program with very low investment management fees, due primarily to BGI's close working relationship with the State of Wisconsin Investment Board.

The WDC's BGI Investment Options (as of September 30, 2007)				
Fund Name	Date Added	Fee	Participant Accounts	\$ Value
EAFE Equity Index "W" *	2-12-01	10 bps	7,733	61,981,595
MidCap Equity Index "W"	2-12-01	4 bps	9,157	67,226,996
Russell 2000 Index "T"	2-20-04	5 bps	4,426	22,178,569
U.S. Debt Index "W"	2-12-01	5 bps**	3,167	15,457,170

* WDC assets moved to Index "T" fund effective October 1, 2007. No fee change.

** Fee decreased to 4 bps effective October 1, 2007.

In early August 2007, staff learned that BGI was proposing changes to three of the four BGI funds offered by the WDC program. BGI's planned changes for October 1, 2007, included:

- Moving the EAFE Equity Index "W" fund to the EAFE Equity Index "T" fund.
- Increasing the fee for the MidCap Equity Index "W" fund from 4 basis points (bps) to 7 bps.
- Decreasing the fee for the U.S. Debt Index "W" from 5 bps to 4 bps.

Reviewed and approved by Robert J. Conlin, Deputy Secretary	
_____ Signature	_____ Date

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The annual investment management fee for the MidCap Equity Index Fund “W” has been 4 bps since the WDC began offering the fund. When BGI announced plans to increase the MidCap “W” investment management fees to 7 bps, officials said the higher fee would still be highly competitive with industry pricing for midcap equity index funds. The Committee discussed these changes at its September 11, 2007, meeting and requested that staff work with BGI and Great-West Retirement Services (GWRS) to determine if there were any alternatives to the increased management fees for the midcap fund.

OPTIONS

The Board’s options regarding the MidCap “W” fund are:

Option 1: Move from the MidCap “W” fund to the MidCap “F” fund

This is a “net of fees” fund, meaning that GWRS would modify the daily NAV (net asset value) to accrue the investment management fee. BGI would provide a fee invoice to the WDC and GWRS on a quarterly basis, and the fee would be paid by redeeming shares of the fund. Per GWRS staff, having GWRS handling the management fee would not entail an extra cost to the WDC; GWRS would absorb the cost of any additional processing and transactions. Participants would see a change in unit value, but no change in total value.

Advantages

- ◆ Allows the WDC program to retain the current low management fee of 4 bps.
- ◆ The “F” fund is larger (assets under management of approximately \$221 million), which should reduce tracking error.

Disadvantages

- ◆ Fund change at GWRS would require a 30-day advance notice and a blackout period of one day.
- ◆ Participants with assets in the BGI MidCap fund would be restricted from trading during the one-day blackout period.

Option 2: Remain in the MidCap “W” fund

This is a “gross of fees” fund, meaning that the BGI investment management fees are accrued in the daily NAV by BGI. The fees are subtracted prior to calculating investment performance returns.

Advantages

- ◆ No operational changes

Disadvantages

- ◆ Fee is increasing from 4 bps to 7 bps

Recommendation

Staff recommends that the Board consider approving the move of WDC assets from the MidCap “W” fund to the MidCap “F” fund, effective as soon as practical.

Staff will be available at the meeting to discuss this memo and recommendation.

Attachment: July 31, 2007 letter from Jim Keagy at BGI



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CORRESPONDENCE MEMORANDUM

DATE: October 17, 2007
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: WDC Fixed Investment Options Review

At the request of the Board, staff has been evaluating the Wisconsin Deferred Compensation Program (WDC) fixed fund investment options over the past 17 months. Our review indicates that the WDC has more fixed fund options than other public deferred compensation plans of similar size. The WDC also has two fixed fund options that are very similar in investment objective and performance: the Federal Deposit Insurance Corporation (FDIC) bank option offered through M&I Bank and the Vanguard Admiral Money Market option.

After reviewing the WDC's fixed investment options at the September 11, 2007, meeting, **the Investment Committee and staff recommend that the Board consider reducing the number of fixed fund options offered through the WDC.** This could be accomplished by establishing one federally insured money market fund to replace the FDIC fund and the Vanguard Admiral Money Market fund. This memo provides the Board with information on how the Investment Committee arrived at the recommendation to reduce the number of WDC fixed options.

Background

At the May 2006 meeting, the Board reviewed the potential costs and benefits of replacing the FDIC and the Vanguard Admiral Money Market options. The Board delegated further analysis of this proposal to the Investment Committee. The Investment Committee examined annualized returns from the fixed options over the past five years and requested that staff continue monitoring performance for another year, which was done.

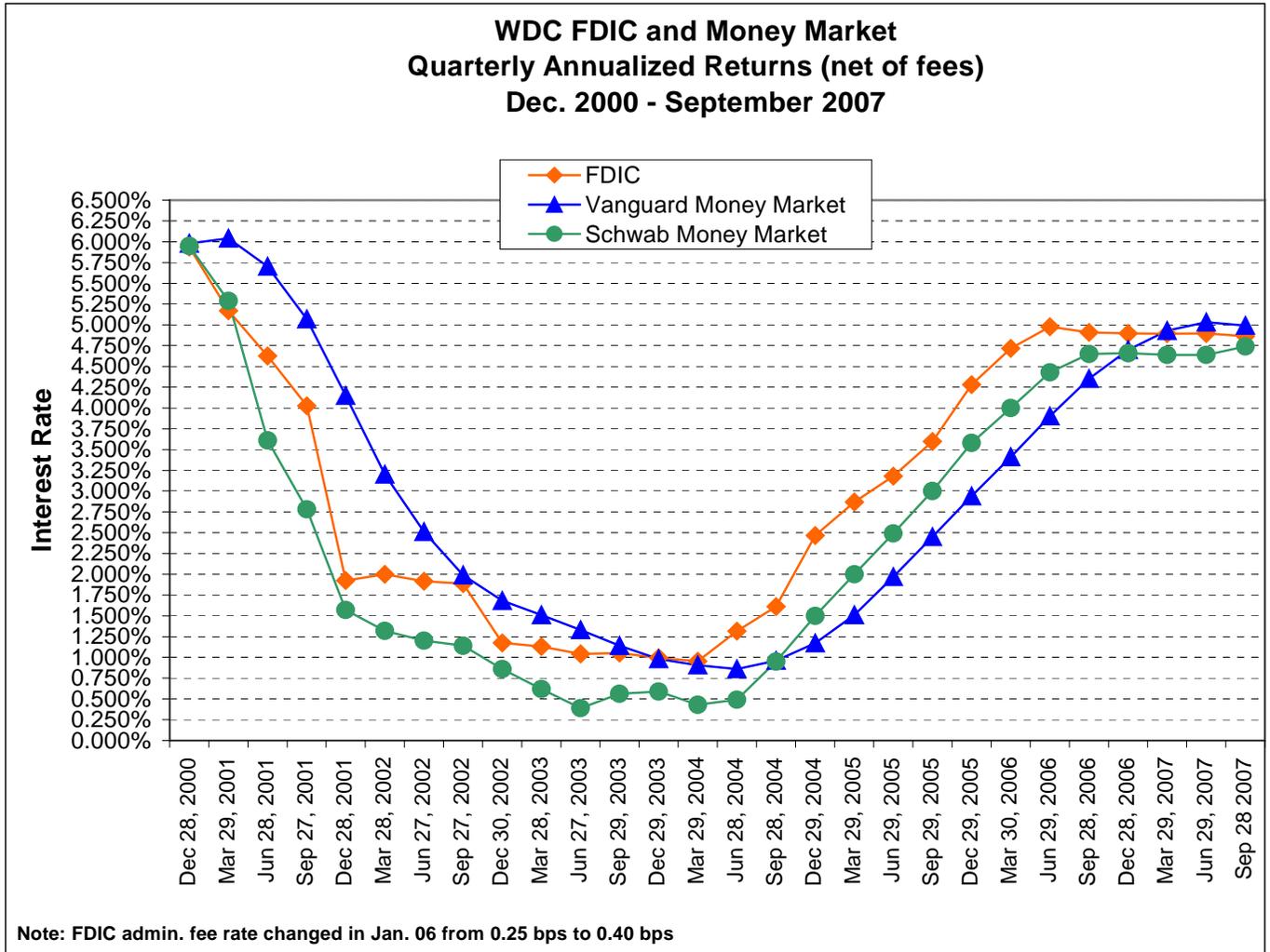
The graph on the following page tracks the funds' most recent performance. Although the FDIC option provided higher returns than the Vanguard Money Market option for most of the past three years (March 2004 through December 2006), the two funds have had virtually the same performance results during the first three quarters of 2007. The Vanguard option was slightly higher during the second and third quarters of 2007. The performance results for the Schwab

Reviewed and approved by Bob Conlin, Deputy Secretary

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money market fund are included for comparison purposes only. It should be noted that the FDIC fund is based on the LIBOR¹ fixed and floating rates, whereas the Vanguard money market is not.



At the Department's request, staff at Advised Assets Group (AAG) reviewed the number and type of fixed option investment options offered by the large plans it advises. The analysis by AAG suggests that it is rare to see both a money market fund and a stable value fund in the same lineup. Moreover, it is very unusual to find two fixed options (FDIC and money market) and a stable value fund in the same lineup. The majority of large plans offer either a money market or a stable value fund. By offering three stable options (FDIC, Money Market and Stable Value funds), the WDC is above average in fixed fund offerings.

¹ LIBOR is the *London InterBank Offered Rate*. LIBOR is the rate on dollar-denominated deposits, also known as Eurodollars, traded between banks in London. It is the rate that the most creditworthy international banks charge each other for large loans.

Future Fixed Option Return Forecasts

In the fall of 2006, the Investment Committee asked both Vanguard and M&I Bank for future investment performance forecasts based on different market scenarios and interest rates. Neither Vanguard nor M&I Bank were willing to provide any specific performance forecasts.

Vanguard suggested that the performance of the money market will continue to be very competitive because of Vanguard’s substantial cost advantage (low fees). Vanguard also noted that due to the short-term nature of the securities in money market funds, investors should expect yields to track in the same direction as short-term interest rates in the marketplace.

Discussion

Staff reviewed the WDC’s fixed fund offerings and are in agreement that the WDC investment spectrum is overweighted with fixed income fund options. Further, two of the fixed options are very similar in investment objective and performance. The investment objective of the FDIC fund is to maintain safety of principal while ensuring that the principal plus accrued interest is available to participants. The stated investment objective of the Vanguard Money Market is to provide current income while maintaining liquidity and a stable share price of one dollar.

Staff reviewed the options the Board may choose from, which include:

Option 1: Replace the FDIC and Vanguard Admiral Money Market fund options with a single FDIC insured money market fund.

Creation of one fund would affect approximately 13,350 accounts worth approximately \$115,224,519. It would require a competitive bid process, which could take place during calendar year 2008.

Selected WDC Fixed Investment Options As of September 30, 2007					
Fund Name	Participant Accounts	% all WDC Participants	Average Account Balance	WDC Assets in Option	% of All WDC Assets
FDIC (M&I)	2,813	6%	\$16,590	\$50,159,711	2%
Vanguard Adm. Money Market *	10,531	3%	\$6,063	\$65,064,808	3%
Total	13,344	---	---	\$115,224,519	---

* The Vanguard Admiral Money Market is the Board’s designated default fund and includes approximately 3,100 accounts that were defaulted when other WDC fund options were phased out and participants failed to move their assets.

Advantages to Replacing the FDIC and Money Market Funds

- Continues to provide federal insurance for participants. As of late 2006, the FDIC increased its insurance rates from \$100,000 to \$250,000. Money market funds such as the WDC’s Vanguard Admiral Money Market fund cannot provide similar insurance.
- Continues to provide a sound fixed investment option with a competitive rate of return.
- Reduces, by one, the number of investment options for WDC participants without losing a money market option; the Schwab Self-Directed Option provides a money market.

- Preserves principal upon default. If the Board designated this new FDIC fund as the default option, participants whose account balances defaulted would be guaranteed preservation of principal through the FDIC insurance.
- Reduces the number of competing funds requiring an “equity wash,” or intermediate transfer to an equity fund, prior to receiving assets transferred from the Stable Value Fund.
- Potentially reduces confusion among participants about small differences in fixed investment options.
- Potentially reduces cost due to the requirement in the Board’s Investment Policy Statement that fixed options be selected through a competitive bid (Request for Proposal) process. See the following table of fixed option participant expenses for details.

Fixed Option Participant Expenses	
Option	Expense
FDIC (@ M&I Bank)	Blended fixed/floating rate less a spread of 0.40 bps ²
Money Market (Vanguard Admiral)	0.13% of assets
Stable Value Fund (@ Galliard)	Performance is net of management fees of approx. 0.21%
Barclays US Debt Index	0.04% of assets (1 bps decrease effective 10-1-07)
Federated 2-5 Year Government Bonds	0.57% of assets
Vanguard Long Term Investment Grade	0.19% of assets

Disadvantages to Replacing FDIC and Money Market Funds

- Reduces the overall number of fixed options for WDC participants.
- Potentially reduces some trading flexibility because the FDIC option has a two account (“NOW” and money market) feature to address Regulation D requirements, which limit transactions in FDIC money market accounts to six per month.
- Requires the Board to designate a new default option when closing a fund or “map” to the new FDIC insured money market option.
- Requires a Request for Proposal, per the Board’s Investment Policy Statement.
- Creates some additional administrative work for staff at the Department and the WDC’s record keeper, Great-West Retirement Services. This would include planning and creating an information outreach/education plan to notify all WDC participants of the anticipated changes. Because the Vanguard Money Market fund has been the default fund when a fund is closed, there are many participants with Money Market accounts.

Option 2: Request further review of the WDC’s other fixed options – specifically the Federated US Government 2-5 Year Fund.

The Federated US Government 2-5 Year Fund (Federated) is a short-term bond fund, which makes it similar to both a stable value and money market fund. Because of the similarities, Department staff have questioned whether the WDC has too many fixed fund options. AAG staff specifically reviewed the Federated fund and offered the following commentary:

² This rate is reset quarterly.

This fund's duration is about a year longer than its typical peer, and it carries no exposure to mortgages as opposed to the average fund in its category, which holds around a 35% exposure to mortgages. The longer duration of the Federated fund causes it to trail its peers in a rising interest rate environment. However, the converse is also true; Federated will outperform most of its peers in times of declining interest rates. This fund will typically perform better in a falling or flat interest rate environment than it will in a rising interest rate environment.

The Federated fund tends to be a bit more volatile than its peer funds while not delivering investment performance returns that differ much from stable investment options. For example, over the past 1 and 5-year time periods ending June 30, 2007, the difference in returns between the Federated fund and the average money market fund (net of fees) have been 23 basis points (1 year) and 82 basis points (5 year). In addition, the average money market has outperformed the Federated fund over the 3 year time period by 74 basis points. Looking back over a longer time period, the Federated fund has outperformed the average money market by only 156 basis points over the last ten years (ending June 30, 2007). The slight additional return provided by this fund may not be worth the risk or the confusion it adds to participants trying to discern slight differences between the WDC's fixed fund options.

Option 3: Do nothing (make no changes). Continue to provide all current similar fixed option investments.

Recommendation

The Investment Committee recommends that the Board consider reducing the number of fixed fund options offered through the WDC. This could be best accomplished by replacing the M&I FDIC option and the Vanguard Admiral Money Market option with an insured money market fund.

Staff will be available at the meeting to discuss this memo and recommendation.



STATE OF WISCONSIN
Department of Employee Trust Funds

David A. Stella
SECRETARY

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CORRESPONDENCE MEMORANDUM

DATE: October 30, 2007

TO: Wisconsin Deferred Compensation Board

FROM: Shelly Schueller, Director
Deferred Compensation Program

Mary Alice McGreevy, Compliance Officer
Quality Assurance Services Bureau

SUBJECT: Amendment of Wis. Stat. §§ 40.08(2) and 40.80 for § 845 of the Pension Protection Act (PPA) of 2006

The Board is asked to consider approving a proposed amendment to Wis. Stat. §§ 40.08(2) and 40.80 that would allow certain retirees who have a Wisconsin Deferred Compensation (WDC) Program account to take advantage of § 845 of the PPA.

Section 845 of the PPA permits certain retirees from public safety occupations (a term defined by the PPA) to exclude \$3,000 annually from their taxable retirement benefits for health and long-term care insurance premium payments made for themselves, a spouse or dependent. Currently, Wisconsin state law prohibits most assignments of benefits payable by the Department of Employee Trust Funds. This proposed statute change would amend Wis. Stat. §§ 40.08(2) and 40.80 to allow an annuitant who at the time of retirement or disability, was a protective occupation participant, (generally police officers and firefighters) to take advantage of this deduction by allowing a premium payment to be made from the annuitant's WDC Program account.

The proposed amendments follow (revisions underlined):

- 1) Amend Wis. Stat. § 40.08(2) to create exemption for insurance premium deductions.

Wis. Stat. § 40.08(2) is amended to read as follows:

(2) Insurance premiums. Insurance premiums:

(a) Shall be deducted from annuities for group insurance benefit plans as provided in s. 40.05 and with the written consent of the annuitant, for premiums for group life and health insurance plans provided by the city of Milwaukee to former Milwaukee teachers if the annuity is sufficient.

(b) For health and long-term care insurance may be deducted from an annuitant's deferred compensation account pursuant to s. 40.80.

Reviewed and approved by Robert J. Conlin, Deputy Secretary

Signature

Date

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2) Amend Wis. Stat. § 40.80 to allow insurance premiums to be deducted from a WDC account as allowed by the PPA.

Wis. Stat. § 40.80 (2t) of the statutes is created to read:

(a) In this subsection "account" means an account held in a deferred compensation plan created under this subchapter.

(b) An annuitant who separated from service as a protective occupation participant may authorize the plan provider to deduct premiums for group health and long-term care insurance from the annuitant's account.

Recommendation

Staff recommends that the Board approve amending Wis. Stat. §§ 40.08(2) and 40.80 to allow retirees who have a WDC account to take advantage of § 845 of the PPA. If approved, staff will seek to have appropriate legislation drafted and introduced in the current session of the Legislature.

Staff will be available at the November 13, 2007, meeting to answer any questions about this proposed amendment.



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CORRESPONDENCE MEMORANDUM

DATE: October 18, 2007
TO: Wisconsin Deferred Compensation Board
FROM: David H. Nispel
SUBJECT: Proposed Chapter ETF 70, Wisconsin Administrative Code Modifications

The Department proposes to modify Wisconsin Administrative Code ss. ETF 70.08 (3), ETF 70.10, and ETF 70.02, relating to adjusting the start date for phasing out a Wisconsin Deferred Compensation (WDC) program investment option, permitting financial emergency hardship withdrawals for named beneficiaries, and including a definition for “beneficiary.”

This memo explains the rationale for these proposed revisions and recommends that the Wisconsin Deferred Compensation Board (Board) consider approving the scope statements for these administrative code modifications. Board approval of the scope statement is the first step in promulgating an administrative rule. The scope statements are attached to this memo for your review. If the scope statements are approved, staff anticipates submitting the final version of rule revisions to the Board in 2008.

Fund Phase Out Process

Currently, s. ETF 70.08 (3) requires that phase one of the 12-month investment fund removal process begin on January 1 of the year following the Board’s decision to remove a fund from the WDC program. Starting the process on January 1 and ending it on December 31 of that same calendar year presents many difficulties, including reconciliation requirements and other end-of-year activities. The process is further complicated by the additional days that the financial markets are closed for holidays. By eliminating the January 1 start date and permitting the process to begin six months after the Board has made a fund removal decision, many of these complications will be eliminated.

The proposed revision would create a rolling fund closure window outside of end-of-calendar year complications, yet retain the 12-month time frame to notify participants of the pending closure.

Financial Emergency Hardship Withdrawals

Financial emergency hardship withdrawals from the WDC program are permitted under s. ETF 70.10. The federal Pension Protection Act of 2006 expanded financial emergency hardship withdrawals to include hardships for a named beneficiary. While the WDC *Plan and Trust Document* already provides for this type of hardship withdrawal, there is no similar provision in the Wisconsin Administrative Code. Therefore, it is necessary to revise the administrative rule to allow hardship withdrawals for named beneficiaries. This could be done by adding the word “beneficiary” to the applicable subsections of s. ETF 70.10.

Reviewed and approved by Robert J. Conlin, Deputy Secretary

Signature Date

Board	Mtg Date	Item #
DC	11/13/2007	10

Definition of "Beneficiary"

The proposed revision would add the definition of "beneficiary" to s. ETF 70.02, which is the definition section of the existing rule. The definition of "beneficiary" proposed is a cross-reference to the definition of beneficiary as it appears in Wis. Stat. s. 40.02 (8). In that section, "beneficiary" is defined as:

40.02 (8)(a) "Beneficiary" means:

1. The person, or a trust in which the person has a beneficial interest, so designated by a participant or insured employee or annuitant in the last written designation of beneficiary on file with, and in the form approved by, the department at the time of death, except as provided in s. 40.23 (4) (c). A written designation of beneficiary for a specified benefit plan applies only for determining beneficiaries under that specified benefit plan.
2. In the absence of a written designation of beneficiary, or if all beneficiaries so designated die before filing with the department an application for any death benefit payable, the person determined in the following sequence: group 1, widow or widower; group 2, children if at least one child survives the participant, employee or annuitant, in which event the share of any deceased child shall be payable to the surviving spouse of the child or to the surviving children of the child if there is no spouse, or otherwise to the other eligible children in this group; group 3, grandchild; group 4, parent; group 5, brother and sister. No payment may be made to a person included in any group if there is a living person in any preceding group.
3. The estate of the participant, employee or annuitant, if there is no written designation of beneficiary and no beneficiary determined under subd. 2. or par. (b) or if so specified in the last written designation of beneficiary filed prior to time of death.

40.02 (8)(b) "Beneficiary" does not include a person who dies before filing with the department either a beneficiary designation applicable to that death benefit or an application for any death benefit payable to the person except as otherwise provided under group 2, under par. (a) 2. If a person dies after filing a beneficiary application but before the date on which the benefit check, share draft or other draft is issued or funds are otherwise transferred, any benefit payable shall be paid in accord with the written designation of beneficiary, if any, filed with the department in connection with the application or, if none, in accord with the last designation previously filed by the person, or otherwise to the person's estate.

Recommendation

Staff recommends that the Board consider approving the scope statements necessary to pursue these changes to the Wisconsin Administrative Code.

Staff will be available at the meeting to discuss this memo and recommendations.

Attachment

Statement of Scope of Proposed Rule Department of Employee Trust Funds

The Department of Employee Trust Funds (Department) gives notice pursuant to Wis. Stat. s. 227.135, that it proposes to modify an existing administrative rule, ch. ETF 70, specifically Wis. Admin. Code ss. ETF 70.08 (3), ETF 70.10, and ETF 70.02. The modifications relate to the start date for phasing out a primary or alternate plan and to emergency withdrawals for beneficiaries.

DESCRIPTION OF RULE

The proposed modifications concern adjusting the start date for phasing out a primary or alternate plan in order to reduce complications associated with the phase out, and also expands financial emergency hardship withdrawals to include hardships for a named beneficiary.

POLICY ANALYSIS

Fund Phase Out Process

Currently, s. ETF 70.08 (3) requires that phase one of the 12-month fund removal process begin on January 1 of the year following the Deferred Compensation Board's (Board) decision to remove a fund from the program. At the end of the phase out process, any remaining accounts left in the closed fund are moved to the Board's default fund. By starting the process on January 1, the end of phase two of the process is supposed to occur on December 31 of that calendar year.

These modifications are prompted by recent experiences in closing out funds on December 31. It was evident that closing a fund at the end of a calendar year creates complications for all involved because the action occurs at a time when there are end-of-year valuations, reconciliation activities, reports being issued, and additional days that the financial markets are closed. All of these events occur at approximately the same time. By eliminating the January start date, and permitting the process to begin six months after the Board has made a fund removal decision, these problems will be eliminated. This change would create a rolling closure window outside of end-of-calendar year complications and still allow enough time to notify participants of the pending closure. For example, if the Board decides in May 2008 to close a fund, the process would begin on November 1, 2008, and conclude on April 30, 2009.

Emergency Hardship Withdrawal

Currently, s. ETF 70.10 allows a participant to make an emergency hardship withdrawal. The federal Pension Protection Act of 2006 expanded financial emergency hardship withdrawals to include hardships for a named beneficiary. However, the Wisconsin Deferred Compensation *Plan and Trust Document* and s. ETF 70.10 are inconsistent on this matter. The *Plan and Trust Document* already provides for this type of expansion in the law. Now, it is necessary to revise the administrative rule in order to allow this expansion.

Definition of Beneficiary

This modification adds “beneficiary” to the applicable subsections of s. ETF 70.10. The rule also adds the definition of “beneficiary” to s. ETF 70.02, the definitions section of the existing rule. The definition of “beneficiary” is the same as that in Wis. Stat. s. 40.02 (8).

STATUTORY AUTHORITY

Wis. Stat. ss. 40.03 (2) (ir) and 227.11 (2) (a) provide the authority for the proposed rule.

ESTIMATE OF AGENCY STAFF TIME TO DEVELOP RULE:

The Department estimates that state employees will spend 20 hours to develop this rule.

ENTITIES LIKELY TO BE AFFECTED BY THE PROPOSED RULE

The proposed modification would affect the Board and the Department itself.

SUMMARY OF AND COMPARISON TO FEDERAL REGULATIONS

This action will make the administrative code consistent with the Plan document and clarify any confusion about compliance with the Pension Protection Act of 2006.

I have reviewed this Statement of Scope and approve
it for publication in the Administrative Register
this _____ day of November, 2007.

David A. Stella, Secretary
Department of Employee Trust Funds



STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella, Secretary

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CORRESPONDENCE MEMORANDUM

DATE: October 23, 2007

TO: Wisconsin Deferred Compensation Board

FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program

SUBJECT: Proposed *Plan and Trust Document* Revisions Related to:

- The Pension Protection Act of 2006;
- Beneficiaries; and
- Financial Emergency Hardship Withdrawals

At the May 2007 meeting, the Board authorized staff to draft revisions to the Wisconsin Deferred Compensation (WDC) Program's *Plan and Trust Document*. These changes are recommended in order to implement certain optional provisions of the Pension Protection Act of 2006 (PPA), including:

1. s. 824, permitting rollovers to Roth IRAs;
2. s. 826, expanding financial emergency hardship withdrawals to include beneficiary hardships;
3. s. 829, adding non-spouse beneficiary rollovers; and
4. s. 845, providing tax-free distributions of up to \$3,000 for retired public safety officers paying health and long-term care insurance premiums directly to insurance companies.

In addition, staff proposes that the *Plan and Trust* article regarding beneficiaries include language on waiving rights to WDC benefits and the intentional killing of a WDC participant. If approved, these changes would make WDC policies regarding beneficiaries consistent with the Wisconsin Retirement System.

Staff also recommends a change to clarify that per State Statutes, the Department will determine whether a participant or beneficiary is faced with an unforeseeable emergency that satisfies the criteria established by the WDC and federal regulations. This section would further state that the amount necessary to pay any federal, state, or local income taxes or penalties resulting from the hardship release may be included in the funds released.

The Board will be asked to consider approving these proposed *Plan and Trust Document* revisions at the meeting on November 13, 2007. An excerpt with all proposed changes, as well as the draft *Plan and Trust Document* with the proposed revisions, are included as attachments to this memo.

Reviewed and approved by Robert J. Conlin, Deputy Secretary

Signature _____

Date _____

Background

President Bush signed the PPA into law on August 17, 2006. The PPA made many changes to federal regulations regarding retirement savings plans. Perhaps the most important change was the one that permanently extended the retirement savings provisions of the Economic Growth and Tax Relief and Reconciliation Act of 2001 (EGTRRA), which were set to expire on December 31, 2010. These provisions included annual deferral amount and cost of living increases; age 50 catch-up contributions; enhanced portability including rollovers; flexible distributions; Domestic Relations Order account divisions; and the Saver's Tax Credit.

The PPA also added some new optional provisions that plans may choose to include. The table below outlines PPA provisions that apply to s. 457 defined contribution plans such as the WDC. Because the Internal Revenue Service and the Treasury Department are expected to issue further guidance on PPA provisions, government plan sponsors such as the Board have until January 1, 2011, to amend plan documents to conform with the new provisions authorized under the PPA.

Pension Protection Act of 2006 and the WDC			
Provision	Summary	Effective Date	Notes
s. 824 Rollovers to Roth IRAs	Permits direct rollovers to Roth IRAs. This is for amounts eligible for conversion only, subject to a \$100,000 limit. The taxable amount is taxed at the time of the rollover.	January 1, 2008	Optional provision Eliminates previous two-step rollover (from s. 457 plan to traditional IRA, then from traditional IRA to Roth IRA).
s. 826 Expanded Financial Emergency Hardship Withdrawals	Permits withdrawals for qualifying financial emergency hardships and unforeseen emergencies for the participant's designated beneficiary. Previous law only permitted this if the beneficiary was a spouse or dependent.	Immediate	Optional provision Coverage is not automatic for non-spouse beneficiaries; participant must designate them.
s. 829 Non-spouse beneficiary rollovers Amends s. 457(e)(16)(B) to include cross reference to the new s. 402(c)(11)	A participant's account may be transferred to a non-spouse beneficiary (domestic partner, sibling, parent, child, etc.) when the participant dies. Benefits received by a non-spouse beneficiary from a qualified plan may be directly rolled over to an IRA, which is then treated as an inherited IRA.	Distributions after December 31, 2006	Optional provision Allows beneficiary to delay receipt of required minimum distributions until they are 70 ½. Must be a direct trustee-to-trustee transfer.

Pension Protection Act of 2006 and the WDC			
Provision	Summary	Effective Date	Notes
s. 845 Public Safety Officer distributions for health and long-term care insurance premiums tax exemption up to \$3,000.	<p>Tax-free distributions up to \$3,000 for health and long-term care insurance for retired public safety officers, their spouses and dependents from qualified plans, including qualified government plans, 403(b) and 457 plans.</p> <p>Under the PPA, an eligible retired public safety officer is a law enforcement officer, a firefighter, a chaplain, or a member of a rescue squad or ambulance crew who, by reason of disability or attainment of normal retirement age, separated from service as a public safety officer.</p>	January 1, 2007	<p>Optional provision -- only applicable if the plan agrees to deduct and directly remit premiums to an insurer.</p> <p>It appears that participants must request the tax-free treatment for these distributions when they file their tax returns.</p> <p>Requires an amendment to state statutes to allow.¹</p>

Proposed Revisions

Article I: Definitions

Staff is proposing multiple changes to the definitions found in Article I of the *Plan and Trust Document*. A summary of the definition revisions follows:

1. A revision to the definition of “eligible rollover distribution” in Article 1.01 (j). The revision clarifies that a non-spousal beneficiary, as defined by IRC Section 402(c)(11), is also permitted to rollover distributions.
2. An addition to the definition of “eligible retirement plan”. This change to Article 1.01 (k) will clarify that when “eligible retirement plan” is used in the *Plan and Trust Document*, it also refers to Roth IRAs as permitted and described in IRC Section 408A. If this change is approved by the Board, the WDC will be able to provide participants with the option to roll their Roth IRA assets in to their WDC accounts.
3. A simplification of the definition of “normal retirement age” in Article 1.01 (p). Rather than repeat the language in Section 40.02 (42), Wis. Stats., the definition will instead reference Section 40.02 (42), Wis. Stats.
4. The inclusion of a definition of “public safety officer” in Article 1.01 t m. This new definition will reference the definition at 42 USC 3796b(90A), which is used to determine coverage for federal public safety officers’ death benefits. Because the definitions used by Wisconsin

¹ The proposed statutory change will be addressed in a separate memo prepared for the Board and distributed with the November 2007 meeting materials

Statutes and federal code are not identical, the definition used in the *Plan and Trust Document* will also state that a protective occupation participant, as defined by s. 40.02 (48), is not necessarily a public safety officer, and a person who is not a protective occupation participant may nevertheless qualify as a public safety officer.

5. An addition to the definition of “unforeseeable emergency” in Article 1.01 (x) to provide that a severe financial hardship to either a participant or a beneficiary may qualify for a release of funds.

Article IV: Plan Transfers and Eligible Rollover Distributions

Staff is proposing to modify Article 4.05, which governs eligible rollover distributions, to permit a beneficiary to elect a rollover distribution. Coupled with the change in definitions outlined previously, this change will permit the WDC to implement s. 824 of the PPA and process direct rollovers to Roth IRAs.

Article V: Beneficiaries

To make the beneficiary section of the *Plan and Trust Document* consistent with language in the state statutes governing other benefits paid by the State of Wisconsin, such as the Wisconsin Retirement System, staff is proposing changes to Article 5.05 as follows that will:

- Clarify that pursuant to s. 40.02(8)(a)2, Wis. Stats., and except as otherwise provided by that statute, a beneficiary does not include a person who dies before filing either a beneficiary designation applicable to that death benefit or an application or an application for any death benefit payable to the person except as otherwise provided. If a person dies after filing a beneficiary application but before the date on which the benefits are transferred, any benefit payable shall be paid in accordance with the written designation of beneficiary filed in connection with the application or, if none, in accord with the last designation previously filed by the person, or otherwise to the person’s estate.
- Permit a beneficiary to waive all or a portion of any benefit payable under the WDC to the beneficiary as provided in s. 40.08 (3) Wis. Stats. Once in effect, a waiver is absolute, without right of reconsideration or recovery.
- Make clear that no person may be the beneficiary of a WDC participant that he or she has unlawfully and intentionally killed.

Article X: Benefits

Staff is proposing three changes to this article. The first change would modify Article 10.03, which governs hardship withdrawals, to clarify that per state statutes, the Department will determine whether a participant or beneficiary is faced with an unforeseeable emergency that satisfies the criteria established by the WDC and federal regulations. This section would further state that the amount necessary to pay for any federal, state or local income taxes or penalties resulting from the hardship release may be included in the funds released.

Staff is also proposing a new Article 10.06, which would allow public safety officers to elect to have distributions made directly from the WDC to an insurer to pay qualified health insurance premiums for coverage for the retired public safety officers, their spouses and dependents, by

an accident or health insurance plan or qualified long-term care insurance contract as defined in IRC Section 7703B(b). Before such distributions may be made, the public safety officer must file a written election for the distributions on the form provided by the administrator. The participant must self-identify as qualified to receive this benefit, identify the insurer and specify the premium amount.

ETF's chief legal counsel has determined that a state statutory change² is necessary in order to implement this provision of the PPA. The Department is pursuing this revision. If successful, the statutory revision, coupled with the change in definitions outlined previously and the proposed change to Article 10.06 will permit the WDC to implement Section 845 of the PPA and process tax-free distributions from the WDC of up to \$3,000 for health and long term-care insurance for retired public safety officers, their spouses and dependents.

Recommendation

Staff recommends that the Board consider approving the revisions to the *Plan and Trust Document* discussed in this memo.

Department staff will be available at the meeting to discuss this memo and answer any questions you may have regarding the proposed revisions.

Attachments: *Plan and Trust Document* Excerpt (showing proposed changes)
Draft Revised *Plan and Trust Document*

² The proposed statutory change will be addressed in a separate memo prepared for the Board and distributed with the November 2007 meeting materials.

**Wisconsin Plan and Trust Document Excerpt
Proposed Changes
October 2007**

**THE STATE OF WISCONSIN
PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST**

The State of Wisconsin hereby amends and restates effective ~~November 8, 2006~~, (the Effective Date”), the State of Wisconsin Public Employees Deferred Compensation Plan and Trust (hereinafter called the “PLAN”).

ARTICLE I

Definitions

1.01. The following terms shall, for purposes of this PLAN, have the meaning set forth below:

- j. ELIGIBLE ROLLOVER DISTRIBUTION means an eligible rollover distribution as defined in IRC Section 402(c)(4), including eligible rollover distributions to a surviving spouse under IRC Section 402(c)(9) or a non-spousal beneficiary as defined by IRC Section 402(c)(11).
- k. ELIGIBLE RETIREMENT PLAN means an eligible retirement plan as defined in IRC Section 402(c)(8)(B) as well as a Roth IRA as described in IRC Section 408A.
- p. NORMAL RETIREMENT AGE means the normal retirement date under WIS. STAT. § 40.02 (42) applicable to the PARTICIPANT based on the category of employment from which the PARTICIPANT retired.
- tm. PUBLIC SAFETY OFFICER is a term having the same meaning as provided by 42 USC 3796b(9)(A) for purposes of determining coverage for federal public safety officers' death benefits. A protective occupation participant as defined by WIS. STAT. § 40.02 (48) is not necessarily a PUBLIC SAFETY OFFICER and a person who is not a protective occupation participant may nevertheless qualify as a PUBLIC SAFETY OFFICER.
- x. UNFORESEEABLE EMERGENCY means a severe financial hardship to the PARTICIPANT or BENEFICIARY resulting from: a sudden and unexpected an illness or accident of the PARTICIPANT or BENEFICIARY, the spouse of the PARTICIPANT or BENEFICIARY, or the PARTICIPANT or BENEFICIARY's a-dependent, as that term is (as defined by 26 USC 152 but without regard to 26 USC 152 (b)(1) or (2) or (d)(1)(B); ~~in IRC Section 152(a)) of the PARTICIPANT or BENEFICIARY,~~ loss of PARTICIPANT'S or BENEFICIARY'S property due to casualty, including the need to rebuild a home following

damage to a home not otherwise covered by homeowners insurance, such as damage that is the result of a natural disaster; or, other similar or extraordinary and unforeseeable circumstances ~~(occurring with respect to such PARTICIPANT or dependent)~~, arising as a result of events beyond the control of the PARTICIPANT or BENEFICIARY. Examples of circumstances which may constitute an unforeseeable emergency include: the imminent foreclosure of, or eviction from, the participant's or beneficiary's primary residence; the need to pay for medical expenses, including non-refundable deductibles, as well as for the cost of prescription drug medication; the need to pay for the funeral expenses of a PARTICIPANT's or BENEFICIARY's spouse or a dependent, as defined by 26 USC 152 without regard for 26 USC 152(b)(1) or (2) or (d)(1)(B). Examples that are not unforeseeable emergencies include: payment of college tuition; and, the purchase of a home, except as expressly provided above concerning the replacement of a home lost due to casualty. Whether circumstances constitute an UNFORESEEABLE EMERGENCY depends on the facts of each case, but in any case, payment may not be made to the extent that such emergency is or may be relieved:

- (i) ~~through reimbursement or compensation by insurance or otherwise;~~
- (ii) ~~by liquidation of the PARTICIPANT'S assets, to the extent that liquidation itself would not cause severe financial hardship; or~~
- (iii) ~~by cessation of deferrals under the PLAN.~~

~~For example, the imminent foreclosure of or eviction from the PARTICIPANT'S or BENEFICIARY'S primary residence, the need to pay for medical expenses (including non-refundable deductibles), and the cost of prescription drug medication may constitute an unforeseeable emergency. Except in extraordinary circumstances, the purchase of a home and the payment of college tuition are not unforeseeable emergencies.~~

ARTICLE IV - Plan Transfers and Eligible Rollover Distributions

4.05 Subject to Section 10.01, and the rules of 26 USC 402(c)(2) through (7), (9) and (11) and (f), a PARTICIPANT or BENEFICIARY may elect at the time and in the manner prescribed by the ADMINISTRATOR, to have any portion of an ELIGIBLE ROLLOVER DISTRIBUTION paid directly to an ELIGIBLE RETIREMENT PLAN specified by the PARTICIPANT or BENEFICIARY, provided the PARTICIPANT or BENEFICIARY presents to the satisfaction of the ADMINISTRATOR a letter of acceptance or other written acknowledgment from the accepting plan that it is an ELIGIBLE RETIREMENT PLAN qualified to accept the ELIGIBLE ROLLOVER DISTRIBUTION.

ARTICLE V - Beneficiaries

5.01. The ACCOUNT HOLDER under this PLAN, shall have the right to file, with the ADMINISTRATOR, a written BENEFICIARY designation form designating the person or persons who shall receive the benefits payable under this PLAN in the event of the ACCOUNT HOLDER's death. An ACCOUNT HOLDER who has filed a written BENEFICIARY designation form, accepted by the ADMINISTRATOR, may change his

or her BENEFICIARY designations only by filing a new BENEFICIARY designation form. This means, for example, that a BENEFICIARY designation naming a spouse is not affected by a subsequent divorce. The form for this purpose shall be provided by the ADMINISTRATOR and will have no effect unless it is signed and filed with the ADMINISTRATOR prior to the ACCOUNT HOLDER's death, and accepted by the ADMINISTRATOR. In the absence of a written designation of BENEFICIARY, or if all BENEFICIARIES so designated die before the ACCOUNT HOLDER, the ACCOUNT HOLDER's BENEFICIARIES shall be determined pursuant to Wisconsin Statutes 40.02(8)(a)2., as in effect on the date of death, -with all relationships determined relative to the deceased ACCOUNT HOLDER. At present, the statute provides the following sequence of potential beneficiaries:

- Group I Surviving Spouse;
- Group II Children, if at least one child survives, in which event the share of any deceased child shall be payable to the surviving spouse of the child, or to the surviving children if there is no spouse, or otherwise to the other eligible children in this group;
- Group III Grandchildren;
- Group IV Parents;
- Group V Siblings;
- Group VI The estate of the deceased ACCOUNT HOLDER.

The current statute provides that payments shall be made equally to each surviving member of a group, except as otherwise specifically indicated. No members of any succeeding group shall have the right to receive any payments if there is a surviving member of a preceding group.

Pursuant to Wisconsin Statutes 40.02(8)(a)2, a BENEFICIARY does not include a person who dies before filing with the ADMINISTRATOR either a beneficiary designation applicable to that death benefit or an application or an application for any death benefit payable to the person except as otherwise provided under Group II above. If a person dies after filing a beneficiary application but before the date on which the benefit check, share draft or other draft is issued or funds are otherwise transferred, any benefit payable shall be paid in accord with the written designation of beneficiary, if any, filed with the ADMINISTRATOR in connection with the application or, if none, in accord with the last designation previously filed by the person, or otherwise to the person's estate.

A BENEFICIARY may waive all or a portion of the right to or the payment of any benefit payable or to become payable under the PLAN to the BENEFICIARY as provided in WIS. STAT. § 40.08 (3). With respect only to the portion of the right to, or payment of, any benefit waived, any beneficiary designation or application filed by the BENEFICIARY shall be void and the BENEFICIARY shall be treated as having predeceased the ACCOUNT HOLDER. Once in effect, a waiver is absolute, without right of reconsideration or recovery.

No person may be the BENEFICIARY of an ACCOUNT HOLDER he or she has unlawfully and intentionally killed and shall instead be treated as if he or she had previously waived all rights to payment of benefits under the PLAN.

The above provisions reflect applicable Wisconsin State law, in existence as of the Effective Date. Any amendment of State law after the Effective Date, which conflicts with any of these provisions will control, rather than the above provisions, to the extent of such conflict.

Each ACCOUNT HOLDER accepts and acknowledges that he or she had the burden of executing and filing with the ADMINISTRATOR, a proper BENEFICIARY designation form.

ARTICLE X - Benefits

10.03 Hardship Withdrawal: Notwithstanding any other provisions herein, in the event of an UNFORESEEABLE EMERGENCY, a PARTICIPANT or BENEFICIARY may request that benefits be paid to him at any time. Such request shall be filed in accordance with procedures established pursuant to this PLAN. If the application for payment is approved by the TRUSTEE or its designee, payments shall be effected within ten (10) working days of receipt of such approval. The decision whether a PARTICIPANT or BENEFICIARY is faced with an UNFORSEEABLE EMERGENCY will be based upon the relevant facts and circumstances of each case and in accordance with the terms of the PLAN and 26 CFR §1.457-6(c)(2). -Benefits to be paid shall be limited strictly to the amount necessary to meet the UNFORESEEABLE EMERGENCY constituting financial hardship, and may include any amounts necessary to pay for any federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution, to the extent such UNFORESEEABLE EMERGENCY is not relieved:

- a. by reimbursement or compensation from insurance or otherwise;
- b. by liquidation of the PARTICIPANT'S assets, to the extent the liquidation of such assets would not itself cause financial hardship; or
- c. by cessation of deferrals under the PLAN.

A PARTICIPANT'S deferrals will automatically be terminated upon approval of a hardship application and the PARTICIPANT cannot re-enroll in the PLAN for 180 days from the date of approval of the hardship withdrawal. The ADMINISTRATOR may require such medical, financial or other evidence deemed appropriate for a determination to be made concerning the PARTICIPANT'S or BENEFICIARY'S withdrawal request.

Foreseeable personal expenditures normally budgetable, such as a down payment on a home, the purchase of an automobile, college or other educational expenses, etc., may not necessarily constitute an UNFORESEEABLE EMERGENCY. The decision of the

TRUSTEE or its designee concerning the payment of benefits under this Section shall be appealable under Wisconsin Statutes Sections 40.80(2g) and 40.08 (12).

10.06. Subject to the requirements and limitations of 26 USC 402(l), a PARTICIPANT- who, by reason of disability or attainment of NORMAL RETIREMENT AGE, is separated from service as a PUBLIC SAFETY OFFICER for the State of Wisconsin, may elect to have distributions made directly from the PLAN to an insurer to pay qualified health insurance premiums for coverage for such eligible retired PUBLIC SAFETY OFFICER, his spouse and their dependents, by an accident or health insurance plan or qualified long-term care insurance contract as defined in IRC Section 7703B(b). Before such distributions may be made, the PARTICIPANT must file with the ADMINISTRATOR a written election for such distributions on the form provided for the purpose by the ADMINISTRATOR, identifying the insurer and specifying the premium amount. In addition, the individual must provide information sufficient to establish to the satisfaction of the ADMINISTRATOR that the PARTICIPANT is a PUBLIC SAFETY OFFICER and that the premiums are for qualified health insurance premiums within the meaning of 26 USC 402(l)(4)(D).

Wisconsin Plan and Trust Document
Amended and Restated
November 8, 2006 draft for November 13, 2007

THE STATE OF WISCONSIN
PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST

The State of Wisconsin hereby amends and restates effective ~~November 8, 2006~~November 13, 2007, (the Effective Date”), the State of Wisconsin Public Employees Deferred Compensation Plan and Trust (hereinafter called the “PLAN”).

ARTICLE I

Definitions

1.01. The following terms shall, for purposes of this PLAN, have the meaning set forth below:

- a. ACCOUNT HOLDER means the PARTICIPANT. The term also includes an ALTERNATE PAYEE with respect only to the separate account, which may be established for the ALTERNATE PAYEE by reason of the award to the ALTERNATE PAYEE of a share of a PARTICIPANT’S account under a DOMESTIC RELATIONS ORDER. The term includes a BENEFICIARY who, as determined by the ADMINISTRATOR, has inherited control of a PARTICIPANT’S account under the provisions of the PLAN.
- am. ADMINISTRATOR means the DEPARTMENT and, to the extent provided by the terms and conditions of contract, the entity contracted by the TRUSTEES to assist the DEPARTMENT in administering this benefit plan and to provide administrative services to the PLAN. Depending on the responsibilities assigned to the contracted entity, it may or may not be a “plan administrator” within the meaning of 26 U.S.C. §414(g).
- b. ALTERNATE PAYEE means the person identified in a DOMESTIC RELATIONS ORDER to whom is awarded a portion of a PARTICIPANT’S account, or to whom is payable a portion or all of a PARTICIPANT’S benefit, under the PLAN.
- c. BENEFICIARY means the person or estate entitled to receive benefits under this PLAN after the death of a PARTICIPANT.

- d. COMPENSATION means all cash compensation for services to the EMPLOYER, including salary, wages, fees, commissions, bonuses, and overtime pay, that is includable in the EMPLOYEE'S gross income for the calendar year, plus amounts that would be cash compensation for services to the EMPLOYER includable in the EMPLOYEE'S gross income for the calendar year but for a compensation reduction election under IRC Sections 125, 132(f), 401(k), 403(b), or 457(b), including an election to defer COMPENSATION under this PLAN.
- e. CORE INVESTMENT SPECTRUM means the slate of investment options selected and monitored by the Deferred Compensation Board for offering to PARTICIPANTS of the PLAN for the investment of DEFERRED COMPENSATION and ELIGIBLE ROLLOVER DISTRIBUTION amounts.
- f. DEFERRED COMPENSATION means the amount of COMPENSATION that a PARTICIPANT elects to defer into the PLAN under the PARTICIPATION AGREEMENT.
- g. DEFERRED COMPENSATION ACCOUNT means the separate bookkeeping account maintained by the ADMINISTRATOR within the PLAN for a PARTICIPANT for amounts of COMPENSATION deferred into the PLAN.
- gm. DEPARTMENT means the Department of Employee Trust Funds.
- h. DOMESTIC RELATIONS ORDER means a judgment, decree, or order issued by a court pursuant to a domestic relations law of any state or territory of the United States relating to a marriage that terminated after December 1, 2001 and that conforms to the requirements of Wisconsin Statutes Section 40.80(2r) and the BOARD.
- i. ELIGIBLE ROLLOVER ACCOUNT means the separate bookkeeping account maintained by the ADMINISTRATOR within the PLAN for a PARTICIPANT for amounts of ELIGIBLE ROLLOVER DISTRIBUTIONS as defined in Section 1.01(j).
- j. ELIGIBLE ROLLOVER DISTRIBUTION means an eligible rollover distribution as defined in IRC Section 402(c)(4), including eligible rollover distributions to a surviving spouse under IRC Section 402(c)(9) or a non-spousal beneficiary as defined by IRC Section 402(c)(11).
- k. ELIGIBLE RETIREMENT PLAN means an eligible retirement plan as defined in IRC Section 402(c)(8)(B) as well as a Roth IRA as described in IRC Section 408A.
- l. EMPLOYEE means any person, other than independent contractors, who receives any type of compensation from the EMPLOYER, for which services are rendered

- (including, but not limited to, elected or appointed officials, salaried employees and limited term employees).
- m. EMPLOYER means the State of Wisconsin or any governmental unit, any of its agencies, departments, subdivisions, or instrumentalities for which services are performed by a PARTICIPANT.
 - n. INCLUDIBLE COMPENSATION means an EMPLOYEE'S actual wages in box 1 of Form W-2 for a year for services to the EMPLOYER, but subject to a maximum of \$200,000 (or such higher maximum as may apply under IRC Section 401(a)(17)) and increased (up to the dollar maximum) by any compensation reduction election under IRC Sections 125, 132(f), 401(k), 403(b), or 457(b), including an election to defer COMPENSATION under this Plan.
 - o. IRC means the Internal Revenue Code of 1986 as now in effect or as hereafter amended.
 - p. NORMAL RETIREMENT AGE means [the normal retirement date under Wis. STAT. § 40.02 \(42\) applicable to the PARTICIPANT based on the category of employment from which the PARTICIPANT retired.](#)
 - q. PARTICIPANT means an individual who is currently deferring COMPENSATION, or who has previously deferred COMPENSATION under the PLAN by salary reduction and who has not received a distribution of his or her entire benefit under the PLAN. Only individuals who perform services for the EMPLOYER as an EMPLOYEE may defer COMPENSATION under the Plan.
 - r. PARTICIPATION AGREEMENT means the application of the PARTICIPANT to the ADMINISTRATOR to participate in the PLAN.
 - s. PLAN means the State of Wisconsin Public Employees Deferred Compensation Plan and Trust as set forth in this document and as it may be amended from time to time.
 - t. PLAN YEAR means the calendar year in which the PLAN becomes effective, and each succeeding calendar year of existence of this PLAN.
 - [tm. PUBLIC SAFETY OFFICER](#) is a term having the same meaning as provided by [42 USC 3796b\(9\)\(A\) for purposes of determining coverage for federal public safety officers' death benefits. A protective occupation participant as defined by Wis. STAT. § 40.02 \(48\) is not necessarily a PUBLIC SAFETY OFFICER and a person who is not a protective occupation participant may nevertheless qualify as a PUBLIC SAFETY OFFICER.](#)
 - u. SEVERANCE FROM EMPLOYMENT means the date that the EMPLOYEE dies, retires, or otherwise has a severance from employment with the

EMPLOYER, as determined by the ADMINSTRATOR (and taking into account guidance issued under the IRC).

- v. SDO means the Self-Directed Brokerage Option offered for additional opportunities for investment of account balance as a transfer of assets from the CORE INVESTMENT SPECTRUM account.
- w. TRUSTEES mean the Wisconsin Deferred Compensation Board.
- x. UNFORESEEABLE EMERGENCY means a severe financial hardship to the PARTICIPANT or BENEFICIARY resulting from: a sudden and unexpected an illness or accident of the PARTICIPANT or BENEFICIARY, the spouse of the PARTICIPANT or BENEFICIARY, or the PARTICIPANT or BENEFICIARY's ~~a dependent, as that term is (as defined by 26 USC 152 but without regard to 26 USC 152 (b)(1) or (2) or (d)(1)(B); in IRC Section 152(a)) of the PARTICIPANT or BENEFICIARY,~~ loss of PARTICIPANT'S or BENEFICIARY'S property due to casualty, including the need to rebuild a home following damage to a home not otherwise covered by homeowner's insurance, such as damage that is the result of a natural disaster; or, other similar or extraordinary and unforeseeable circumstances ~~(occurring with respect to such PARTICIPANT or dependent),~~ arising as a result of events beyond the control of the PARTICIPANT or BENEFICIARY. Examples of circumstances which may constitute an unforeseeable emergency include: the imminent foreclosure of, or eviction from, the participant's or beneficiary's primary residence; the need to pay for medical expenses, including non-refundable deductibles, as well as for the cost of prescription drug medication; the need to pay for the funeral expenses of a PARTICIPANT's or BENEFICIARY's spouse or a dependent, as defined by 26 USC 152 without regard for 26 USC 152(b)(1) or (2) or (d)(1)(B). Examples that are not unforeseeable emergencies include: payment of college tuition; and, the purchase of a home, except as expressly provided above concerning the replacement of a home lost due to casualty. Whether circumstances constitute an UNFORESEEABLE EMERGENCY depends on the facts of each case, but in any case, payment may not be made to the extent that such emergency is or may be relieved:
 - (i) ~~through reimbursement or compensation by insurance or otherwise;~~
 - (ii) ~~by liquidation of the PARTICIPANT'S assets, to the extent that liquidation itself would not cause severe financial hardship; or~~
 - (iii) ~~by cessation of deferrals under the PLAN.~~

~~For example, the imminent foreclosure of or eviction from the PARTICIPANT'S or BENEFICIARY'S primary residence, the need to pay for medical expenses (including non-refundable deductibles), and the cost of prescription drug medication may constitute an unforeseeable emergency. Except in extraordinary~~

~~circumstances, the purchase of a home and the payment of college tuition are not unforeseeable emergencies.~~

ARTICLE II

Election to Defer Compensation

- 2.01. The PARTICIPANT may elect to participate by signing the PARTICIPATION AGREEMENT and consenting to a reduction of salary by the deferral amount specified in the PARTICIPATION AGREEMENT.
- 2.02. The PARTICIPANT may elect to defer accumulated sick pay, accumulated vacation pay, and back pay amounts into the PLAN, provided that a PARTICIPATION AGREEMENT is entered into before the beginning of the month in which the amounts would otherwise be paid or made available and the PARTICIPANT is an EMPLOYEE of EMPLOYER in that month. In the case of accumulated sick pay, vacation pay, or back pay that is payable before the PARTICIPANT has a SEVERANCE FROM EMPLOYMENT, the requirements of the preceding sentence are deemed satisfied if the PARTICIPATION AGREEMENT is entered into before the amount is currently available (as defined in regulations under IRC Section 401(k)).
- 2.03. The EMPLOYER shall commence the salary reduction no earlier than the first pay period commencing during the first month that begins after the date on which the PARTICIPATION AGREEMENT is filed with the ADMINISTRATOR.
 - a. The PARTICIPANT may revoke his election to participate and may amend the amount of DEFERRED COMPENSATION by filing with the ADMINISTRATOR a revocation or amendment according to the procedural manner established by the ADMINISTRATOR. In addition, the PARTICIPANT may amend his investment specification in the procedural manner established by the ADMINISTRATOR. Any amendment that increases the amount of DEFERRED COMPENSATION for any pay period shall be effective only if an agreement providing for such additional amount is entered into before the beginning of the month in which the pay period commences. Any revocation or amendment of the amount of DEFERRED COMPENSATION shall be effective prospectively only. Any change in the PARTICIPANT'S investment specification by the PARTICIPANT, whether it applies to amounts previously deferred or amounts to be deferred in the future, shall be effective prospectively only, subject to the underlying restrictions and limitations of the PLAN, the ADMINISTRATOR, the investment option to which, or from which, a change is made, or as may be otherwise required by law. Any change shall be effective on a date consistent with these rules and specifications. Such specifications are available from the ADMINISTRATOR upon request.

- b. After the death of the PARTICIPANT, his BENEFICIARY shall have the right to amend the PARTICIPANT'S, or the BENEFICIARY'S own, investment specification by filing with the ADMINISTRATOR an amendment according to the procedural manner established by the ADMINISTRATOR. Any change in an investment specification by a BENEFICIARY shall be subject to the underlying restrictions and limitations of the PLAN, the ADMINISTRATOR, the investment option to which, or from which, a change is made, or as may be otherwise required by law. Any change shall be effective on a date consistent with these rules and specifications. Such specifications are available from the ADMINISTRATOR upon request.
- 2.04. Except as provided in Sections 2.05 and 2.06, the maximum amount of DEFERRED COMPENSATION under the PLAN for the PARTICIPANT'S taxable year shall not exceed the lesser of (a) the maximum dollar amount under IRC Section 457 (b)(2)(A) as adjusted for cost of living adjustments described in IRC Section 457(e)(15); or (b) 100% of the PARTICIPANT'S INCLUDIBLE COMPENSATION as provided in IRC Section 457(b)(2)(B).
- 2.05. The maximum deferral amount described in Section 2.04 under the PLAN for the PARTICIPANT'S taxable year may be increased for a PARTICIPANT who has attained age 50 or over by the end of the taxable year pursuant to IRC Section 414(v)(2)(B) and any applicable treasury regulations. This section shall not be applicable for any taxable year for which a higher limitation under Section 2.06 applies.
- 2.06. If the applicable year is one of a PARTICIPANT'S last 3 calendar years ending before the year in which the PARTICIPANT attains NORMAL RETIREMENT AGE and the amount deferred under this Section exceeds the amount computed under Sections 2.04 and 2.05, then the maximum deferral under this Section shall be the lesser of:
- a. An amount equal to 2 times the maximum deferral amount described in Section 2.04 for such year; or
- b. The sum of:
- (i) An amount equal to (A) the aggregate of maximum deferral amount for the current year plus each prior calendar year beginning after December 31, 2001 during which the PARTICIPANT was an EMPLOYEE under the PLAN, minus (B) the aggregate amount of COMPENSATION that the PARTICIPANT deferred under the PLAN during such years; plus
- (ii) An amount equal to (A) the aggregate limit referred to in IRC Section 457(b)(2) for each prior calendar year beginning after December 31, 1978 and before January 1, 2002 during which the PARTICIPANT was an EMPLOYEE (determined without regard to this Section and Section 2.05), minus (B) the aggregate contributions to Pre-2002 Coordination.

However, in no event can the deferred amount be more than the PARTICIPANT'S COMPENSATION for the year. If the PARTICIPANT is or has been a PARTICIPANT in one or more eligible plans within the meaning of IRC Section 457(b), then this PLAN and all such other plans shall be considered as one plan for purposes of applying the foregoing limitations. For this purpose, the ADMINISTRATOR shall take into account any other such eligible plan for which the ADMINISTRATOR receives from the PARTICIPANT sufficient information concerning his or her participation in such other plan. In applying the foregoing limitations, a year shall be taken into account only if (i) the PARTICIPANT was eligible to participate in the PLAN during all or a portion of the year and (ii) COMPENSATION deferred, if any, under the PLAN during the year was subject to the maximum annual limit described in Section 2.04 or any other plan ceiling required by IRC Section 457(b).

The term "contributions to Pre-2002 Coordination Plans" means an employer contribution, salary reduction or elective contribution under any other eligible IRC Section 457(b) plan, or a salary reduction or elective contribution under an IRC Section 401(k) qualified cash or deferred arrangement, IRC Section 402(h)(1)(B) simplified employee pension (SARSEP), IRC Section 403(b) annuity contract, and IRC Section 408(p) simple retirement account, or under any plan for which a deduction is allowed because of a contribution to an organization described in IRC Section 501(c)(18), including plans, arrangements or accounts maintained by the EMPLOYER or any employer for whom the PARTICIPANT performed services. However, the contributions for any calendar year are only taken into account for purposes of Section 2.06(b)(2)(B) to the extent that the total of such contributions does not exceed the aggregate limited referred to in IRC Section 457(b)(2) for that year.

- 2.07. If the DEFERRED COMPENSATION on behalf of a PARTICIPANT for any calendar year exceeds the limitations described in this Article, or the DEFERRED COMPENSATION on behalf of a PARTICIPANT for any calendar year exceeds the limitations described in this Article when combined with other amounts deferred by the PARTICIPANT under another eligible deferred compensation plan under IRC Section 457(b) for which the PARTICIPANT provides information that is accepted by the ADMINISTRATOR, then the DEFERRED COMPENSATION, to the extent in excess of the applicable limitation (adjusted for any income or loss in value, if any allocable thereto), shall be distributed to the PARTICIPANT.
- 2.08. An EMPLOYEE whose employment is interrupted by qualified military service under IRC Section 414(u) or who is on a leave of absence for qualified military service under IRC Section 414(u) may elect to make additional deferrals upon resumption of employment with the EMPLOYER equal to the maximum deferral limit that the EMPLOYEE could have elected during that period if the EMPLOYEE'S employment with the EMPLOYER had continued (at the same level of COMPENSATION) without the interruption or leave, reduced by the deferrals, if any, actually made for the EMPLOYEE during the period of the interruption or leave. This right applies for five

years following the resumption of employment (or, if sooner, for a period equal to three times the period of interruption or leave).

ARTICLE III

EMPLOYER Contributions

- 3.01. If the EMPLOYER agrees to make, or any collective bargaining agreement requires to be made, any contributions to the PLAN for PARTICIPANTS, the EMPLOYER may contribute to the PLAN for PARTICIPANTS. If the EMPLOYER makes any contributions, they shall become PARTICIPANT contributions under the PLAN at the time such contributions are made. For purposes of administering Sections 2.04, 2.05 and 2.06 of this PLAN, EMPLOYER contributions shall apply toward the maximum deferral limits in the PLAN YEAR that such contributions are made.

ARTICLE IV

Plan Transfers and Eligible Rollover Distributions

- 4.01. If a PARTICIPANT terminates employment with the EMPLOYER and accepts employment with another employer which maintains an eligible deferred compensation plan (as defined in IRC Section 457) and the new employer's plan accepts transfers, the PARTICIPANT may transfer his account balance from the PLAN to the plan maintained by the new employer. The PARTICIPANT'S election to transfer shall be filed with the ADMINISTRATOR before the date for any benefit distributions.
- 4.02. If the EMPLOYER offers an eligible deferred compensation plan (as defined in IRC Section 457) other than the PLAN, and such other plan accepts transfers, the PARTICIPANT may transfer the account balance from the PLAN to the other plan. The PARTICIPANT'S election to transfer shall be filed with the ADMINISTRATOR.
- 4.03. Transfer from other eligible deferred compensation plans (as defined in IRC Section 457) to the PLAN will be accepted at the PARTICIPANT'S request if such transfers are in cash or in non-annuity products currently offered under the PLAN. Any such transferred amount shall not be subject to the limitations of Section 2.04, provided, however, that the actual amount deferred during the calendar year under both plans shall be taken into account in calculating the deferral limitation for that year. For purposes of determining the limitation set forth in Section 2.06, years of eligibility to participate in the prior plan and deferrals under that plan shall be considered.
- 4.04. The PLAN may receive an ELIGIBLE ROLLOVER DISTRIBUTION on behalf of a PARTICIPANT from an ELIGIBLE RETIREMENT PLAN provided (a) the ELIGIBLE ROLLOVER DISTRIBUTION is made entirely in the form of U.S. dollars, and (b) the PARTICIPANT demonstrates to the ADMINISTRATOR'S satisfaction that the amount

is a qualifying eligible rollover distribution under IRC Sections 402(c)(4), 403(a)(4) or 408(d)(3).

- 4.05. Subject to Section 10.01, and the rules of 26 USC 402(c)(2) through (7), (9) and (11) and (f), a PARTICIPANT or BENEFICIARY may elect at the time and in the manner prescribed by the ADMINISTRATOR, to have any portion of an ELIGIBLE ROLLOVER DISTRIBUTION paid directly to an ELIGIBLE RETIREMENT PLAN specified by the PARTICIPANT or BENEFICIARY, provided the PARTICIPANT or BENEFICIARY presents to the satisfaction of the ADMINISTRATOR a letter of acceptance or other written acknowledgment from the accepting plan that it is an ELIGIBLE RETIREMENT PLAN qualified to accept the ELIGIBLE ROLLOVER DISTRIBUTION.
- 4.06. A PARTICIPANT may use all or a portion of an account balance as a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in IRC Section 414(d)), including the Wisconsin Retirement System (“WRS”) to purchase permissive service credit or for the repayment of service credits. Such plan must permit such a transfer, and the PARTICIPANT must demonstrate to the ADMINISTRATOR’S satisfaction that the transfer is to an eligible defined benefit governmental plan and the transfer is permissible for the purchase of service credit (as defined in Code Section 415(n)(3)(A)) or for the repayment of service credits permissible by IRC Section 415(k)(3).

ARTICLE V

Beneficiaries

- 5.01. The ACCOUNT HOLDER under this PLAN, shall have the right to file, with the ADMINISTRATOR, a written BENEFICIARY designation form designating the person or persons who shall receive the benefits payable under this PLAN in the event of the ACCOUNT HOLDER’S death. An ACCOUNT HOLDER who has filed a written BENEFICIARY designation form, accepted by the ADMINISTRATOR, may change his or her BENEFICIARY designations only by filing a new BENEFICIARY designation form. This means, for example, that a BENEFICIARY designation naming a spouse is not affected by a subsequent divorce. The form for this purpose shall be provided by the ADMINISTRATOR and will have no effect unless it is signed and filed with the ADMINISTRATOR prior to the ACCOUNT HOLDER’S death, and accepted by the ADMINISTRATOR. In the absence of a written designation of BENEFICIARY, or if all BENEFICIARIES so designated die before the ACCOUNT HOLDER, the ACCOUNT HOLDER’S BENEFICIARIES shall be determined pursuant to Wisconsin Statutes 40.02(8)(a)2., as in effect on the date of death, -with all relationships determined relative to the deceased ACCOUNT HOLDER. At present, the statute provides the following sequence of potential beneficiaries:

Group I Surviving Spouse;

- Group II Children, if at least one child survives, in which event the share of any deceased child shall be payable to the surviving spouse of the child, or to the surviving children if there is no spouse, or otherwise to the other eligible children in this group;
- Group III Grandchildren;
- Group IV Parents;
- Group V Siblings;
- Group VI The estate of the deceased ACCOUNT HOLDER.

The current statute provides that payments shall be made equally to each surviving member of a group, except as otherwise specifically indicated. No members of any succeeding group shall have the right to receive any payments if there is a surviving member of a preceding group.

Pursuant to Wisconsin Statutes 40.02(8)(a)2, a BENEFICIARY does not include a person who dies before filing with the ADMINISTRATOR either a beneficiary designation applicable to that death benefit or an application or an application for any death benefit payable to the person except as otherwise provided under Group II above. If a person dies after filing a beneficiary application but before the date on which the benefit check, share draft or other draft is issued or funds are otherwise transferred, any benefit payable shall be paid in accord with the written designation of beneficiary, if any, filed with the ADMINISTRATOR in connection with the application or, if none, in accord with the last designation previously filed by the person, or otherwise to the person's estate.

A BENEFICIARY may waive all or a portion of the right to or the payment of any benefit payable or to become payable under the PLAN to the BENEFICIARY as provided in WIS. STAT. § 40.08 (3). With respect only to the portion of the right to, or payment of, any benefit waived, any beneficiary designation or application filed by the BENEFICIARY shall be void and the BENEFICIARY shall be treated as having predeceased the ACCOUNT HOLDER. Once in effect, a waiver is absolute, without right of reconsideration or recovery.

No person may be the BENEFICIARY of an ACCOUNT HOLDER he or she has unlawfully and intentionally killed and shall instead be treated as if he or she had previously waived all rights to payment of benefits under the PLAN.

The above provisions reflect applicable Wisconsin State law, in existence as of the Effective Date. Any amendment of State law after the Effective Date, which conflicts with any of these provisions will control, rather than the above provisions, to the extent of such conflict.

Each ACCOUNT HOLDER accepts and acknowledges that he or she had the burden of executing and filing with the ADMINISTRATOR, a proper BENEFICIARY designation form.

ARTICLE VI**Accounts and Reports**

- 6.01. The EMPLOYER shall remit DEFERRED COMPENSATION amounts to the ADMINISTRATOR or his designated agent. The ADMINISTRATOR shall have no duty to determine whether the funds paid to him by the EMPLOYER are correct, nor to collect or enforce such payment. The ADMINISTRATOR shall maintain a DEFERRED COMPENSATION ACCOUNT with respect to each PARTICIPANT'S DEFERRED COMPENSATION amounts. A written report of the status of the PARTICIPANT'S DEFERRED COMPENSATION ACCOUNT shall be furnished quarterly and within twenty (20) days after the end of each calendar quarter to the PARTICIPANT or BENEFICIARY.
- 6.02. The PARTICIPANT or an ELIGIBLE RETIREMENT PLAN shall remit ELIGIBLE ROLLOVER DISTRIBUTION amounts to the ADMINISTRATOR or his designated agent. The ADMINISTRATOR shall maintain an ELIGIBLE ROLLOVER ACCOUNT with respect to each PARTICIPANT'S ELIGIBLE DISTRIBUTION amounts. A written report of the status of the PARTICIPANT'S ELIGIBLE ROLLOVER ACCOUNT shall be furnished quarterly and within twenty (20) days after the end of each calendar quarter to the PARTICIPANT or BENEFICIARY.
- 6.03. The statement of accounts furnished by the ADMINISTRATOR to the PARTICIPANT or BENEFICIARY no later than twenty (20) days from the end of the quarter shall reflect the current balance and all activity in each account during the quarter. Amounts corresponding to the CORE INVESTMENT SPECRTUM options will be itemized. Any balance held in the SDO will be shown as the aggregate balance of all investments in the SDO with detail that includes the total of all transfers into and out of the SDO option for the reporting period.
- 6.04. Within ninety (90) days after the end of the calendar year, the ADMINISTRATOR shall file with the EMPLOYER a balance sheet for the PLAN, showing the total assets at the beginning and end of the calendar year, a schedule of all receipts and disbursements, and a report for all material transactions of the PLAN during the preceding year.
- 6.05. The ADMINISTRATOR'S records shall be open to inspection on any official State business day between 8:00 a.m. and 4:30 p.m. Central Time, by the EMPLOYER or any PARTICIPANT, or their designated representatives.
- 6.06. Within thirty (30) days from the end of each quarter, the ADMINISTRATOR shall furnish to the EMPLOYER a quarterly statement that identifies the aggregate balance of all employee accounts in the PLAN. Amounts corresponding to the CORE INVESTMENT SPECTRUM options will be itemized. Any balances held in the SDO will be shown as the aggregate balance of all investments in the SDO with detail that includes the total of all transfers into and out of the SDO option for the reporting period.

ARTICLE VII

Investments of Accounts

- 7.01. DEFERRED COMPENSATION and ELIGIBLE ROLLOVER DISTRIBUTION amounts shall be delivered to the ADMINISTRATOR or his designated agent for investment as designated by the PARTICIPANT or BENEFICIARY. Such amounts shall be treated as contributed to the PLAN within a period that is not longer than reasonable for the proper administration if the contribution is made within 15 business days following the end of the month in which the amounts would otherwise have been paid to the PARTICIPANT.
- 7.02. The ADMINISTRATOR, as agent for the TRUSTEES, shall use the PARTICIPANT'S or BENEFICIARY'S investment specifications to determine the value of any DEFERRED COMPENSATION ACCOUNT and/or ELIGIBLE ROLLOVER ACCOUNT maintained with respect to the PARTICIPANT, and shall invest the amounts in each account according to such specifications.
- 7.03. All interest, dividends, charges for premiums and administrative expenses, and changes in value due to market fluctuations applicable to each PARTICIPANT'S account shall be credited or debited to the account as they occur. Dividends and capital gains distributions shall be automatically reinvested as applicable.
- 7.04. All assets of the PLAN, including all DEFERRED COMPENSATION and ELIGIBLE ROLLOVER DISTRIBUTION amounts, property and rights purchased with such amounts, and all income attributable to such amounts, property or rights shall be held in Trust, in accordance with the provisions of Section 9.06, by the TRUSTEES (until made available to the PARTICIPANT or BENEFICIARY) for the exclusive benefit of PARTICIPANTS and their BENEFICIARIES. Contracts and other evidence of the investments of all assets under this PLAN shall be registered in the name of the TRUSTEES, who shall be the owners thereof.
- 7.05. If any contribution (or any portion of a contribution) is made to the PLAN by a good faith mistake of fact, then within one year after the payment of the contribution, and upon receipt in good order of a proper request approved by the ADMINISTRATOR, the amount of the mistaken contribution (adjusted for any income or loss in value, if any, allocable thereto) shall be returned directly to the PARTICIPANT or, to the extent required or permitted by the ADMINISTRATOR, to the EMPLOYER.

ARTICLE VIII

Special Rules Regarding the Self Directed Option (SDO)

- 8.01. In addition to the CORE INVESTMENT SPECTRUM, the PLAN also offers an SDO for additional investment choices. Investments can only be made in the SDO as a transfer of assets from the account balance in the CORE INVESTMENT SPECTRUM.
- 8.02. The PARTICIPANT or BENEFICIARY acknowledge that the TRUSTEES, EMPLOYER, PLAN or its ADMINISTRATOR have no express or implied responsibility for the evaluation, selection, and/or monitoring of the continued offering of additional investment options in the SDO by the PLAN, including any duty to supervise or monitor the PARTICIPANT or BENEFICIARY'S investment experience in the SDO. The PARTICIPANT or BENEFICIARY acknowledge that it is their sole responsibility to determine if the SDO investment options selected are appropriate for long-term retirement savings and the PARTICIPANT or BENEFICIARY hereby agree to remain liable for any investment losses related thereto. It is understood that the TRUSTEES, EMPLOYER, PLAN or its ADMINISTRATOR are held harmless from any liability for investment losses or lost investment opportunities pertaining to the PARTICIPANT'S or BENEFICIARY'S investment in SDO options.
- 8.03. The PARTICIPANT or BENEFICIARY acknowledge that any PARTICIPANT-related disputes or controversies involving SDO accounts are solely the responsibility of the PARTICIPANT or BENEFICIARY and hereby agree to settle such disputes according to the terms and conditions of the LPOA form referenced in Section 8.05 herein. It is understood that the TRUSTEES, EMPLOYER, PLAN or its ADMINISTRATOR have no responsibility or liability to any PARTICIPANT or BENEFICIARY for any act, error, omission, controversy or dispute involving SDO accounts being offered by the PLAN as additional investment choices.
- 8.04. A minimum balance of \$1,000 in the CORE INVESTMENT SPECTRUM is required for a PARTICIPANT or BENEFICIARY to be eligible to establish an SDO account. A minimum amount of \$500 must be maintained in the CORE INVESTMENT SPECTRUM account. If at anytime this account balance falls below \$250 the ADMINISTRATOR will provide notification to the PARTICIPANT or BENEFICIARY and may subsequently initiate an automatic transfer from the SDO to restore the CORE INVESTMENT SPECTRUM account balance to the \$500 minimum required balance. This liquidation will be made based on the steps identified in Section 10.06(3).
- 8.05. Once eligible, a PARTICIPANT or BENEFICIARY may elect to participate in the SDO offered by the PLAN by signing a Limited Power of Attorney form (LPOA) to establish a separate account with the SDO provider. By signing this form and submitting it to the ADMINISTRATOR, the PARTICIPANT or BENEFICIARY acknowledges that the options available through the SDO are not evaluated or monitored by the PLAN. The LPOA form filed with the ADMINISTRATOR will be processed on the same business day as received if receipt is by 3:00 p.m. Central Time. All LPOA forms received after 3:00 p.m. Central Time will be processed on the next business day.
- 8.06. After establishment of the SDO account, the PARTICIPANT or BENEFICIARY may initiate a transfer of assets from the CORE INVESTMENT SPECTRUM into the SDO.

The minimum initial transfer amount to the SDO is \$500 with no minimum amount required for any subsequent transfers.

- 8.07. Amounts transferred from the CORE INVESTMENT SPECTRUM to the SDO will be initially deposited into the SDO money market account. The PARTICIPANT or BENEFICIARY must initiate transfers from the money market fund to other SDO options by contacting the SDO provider. Transfer activity within the SDO may not take place until the initial transfer to the SDO has been processed by the ADMINISTRATOR and recorded into the SDO account. Transfers to the SDO require one (1) business day to process and the transferred assets will be out of the market during this processing period.
- 8.08. Amounts transferred from the SDO back to the CORE INVESTMENT SPECTRUM can only be made from the SDO money market account. Prior to initiating a transfer back into the core options, the PARTICIPANT or BENEFICIARY must first liquidate sufficient SDO investments and deposit this amount into the SDO money market fund. Once dollars are available in the SDO money market fund, transfers from the SDO back to the CORE INVESTMENT SPECTRUM require two (2) business days to process and the transferred assets will be out of the market for one business day of this processing period.
- 8.09. Administrative fees assessed by the PLAN will be based on the PARTICIPANT'S or BENEFICIARY'S entire account balance in the PLAN and include amounts invested in the SDO. The fee will be deducted entirely from the balance in the CORE INVESTMENT SPECTRUM account.
- 8.10. The PLAN may assess an additional fee to PARTICIPANTS and BENEFICIARIES who have established or maintained an SDO account for administration of this option.
- 8.11. Notwithstanding any other provision of this Article, the ADMINISTRATOR may compel a PARTICIPANT to liquidate SDO investments, deposit the realized amount into the SDO money market fund and transfer a sum sufficient to enable implementation of a DOMESTIC RELATIONS ORDER into the CORE INVESTMENT SPECTRUM money market account, as provided in Article XI, §11.025 j (i) (D) and (ii) (B). In the event the PARTICIPANT fails to act within 15 days after being sent a request to do so, the PLAN shall liquidate all SDO investments, deposit the realized amount into the SDO money market fund and transfer the entire amount to the CORE INVESTMENT SPECTRUM money market account.

ARTICLE IX

Trust Provisions

- 9.01. TRUSTEES. The TRUSTEES shall be, at any time, the duly appointed and authorized members of the Wisconsin Deferred Compensation Board ("BOARD"). Resignation, removal, and appointment of TRUSTEES shall be conducted and governed by provisions

of Wisconsin law applicable to resignation, renewal and appointment of such Board members. Compensation and expense reimbursement of the TRUSTEES shall also be in accordance with compensation and expenses of Board members.

- 9.02. The TRUSTEES shall adopt various investment options to establish the CORE INVESTMENT SPECTRUM for the investment of deferred amounts by PARTICIPANTS or their BENEFICIARIES, and shall monitor and evaluate the appropriateness of continued offerings by the PLAN. The TRUSTEES may de-select options that are determined to be no longer appropriate for offering. In adopting or de-selecting such options, the TRUSTEES shall be governed by the applicable Wisconsin Statutes and Wisconsin Administrative Code. Following such adoption or de-selection of investment options by the TRUSTEES, PARTICIPANTS or their BENEFICIARIES shall be entitled to select from among the available options for investment of their accounts. In the event options are de-selected, the TRUSTEES may require PARTICIPANTS or their BENEFICIARIES to move balances to an alternative option offered by the PLAN. If PARTICIPANTS or their BENEFICIARIES fail to act in response to the written notice, the TRUSTEES shall transfer monies out of the de-selected option to an alternative option chosen by the TRUSTEES. By exercising such right to select investment options or by failing to respond to notice to transfer from a de-selected option where the TRUSTEES move the monies on behalf of such PARTICIPANTS or their BENEFICIARIES, PARTICIPANTS and their BENEFICIARIES agree that none of the PLAN fiduciaries will be liable for any investment losses, or lost investment opportunity in situations where monies are moved by TRUSTEES, that are experienced by a PARTICIPANT or BENEFICIARY in the investment option(s) they selected or are selected for them if they fail to take appropriate action in regard to a de-selected fund.
- 9.03. Designation of Fiduciaries. The EMPLOYER, ADMINISTRATOR, and TRUSTEES and the persons they designate to carry out or help carry out their duties or responsibilities are fiduciaries under the PLAN. Each fiduciary has only those duties or responsibilities specifically assigned to him under the PLAN or Trust or delegated to him by another fiduciary. Each fiduciary may assume that any direction, information or action of another fiduciary is proper and need not inquire into the propriety of any such action, direction, or information. Except as provided by law, no fiduciary will be responsible for the malfeasance, misfeasance or nonfeasance of any other fiduciary.
- 9.04. Fiduciary Standards.
- a. The TRUSTEES and all other fiduciaries shall discharge their duties with respect to this Trust solely in the interest of the PARTICIPANTS and BENEFICIARIES of the PLAN. Such duties shall be discharged for the exclusive purpose of providing benefits to the PARTICIPANTS and BENEFICIARIES and defraying expenses of the PLAN.
 - b. All fiduciaries shall discharge their duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor acting in

a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and as defined by Wisconsin law.

- 9.05. TRUSTEES' Powers and Duties. The TRUSTEES' powers and duties shall be those defined for the Board members under applicable Wisconsin State Statutes and the Administrative Code.
- 9.06. This Trust is intended to be exempt from taxation under Section 501(a) of the Internal Revenue Code ("Code") and is intended to comply with Section 457(g) of such Code. The TRUSTEES shall be empowered to submit or designate appropriate agents to submit this PLAN and TRUST to the Internal Revenue Service for a determination of the eligibility of the PLAN under Section 457, and the exempt status of the Trust under Section 501(a), if the TRUSTEES conclude that such a determination is desirable.

ARTICLE X

Benefits

- 10.01. Commencement of Distributions. Except for Hardship Withdrawals under Section 10.03 and De Minimus withdrawals under Section 10.04, distributions from the PLAN may not be made to a PARTICIPANT earlier than (a) the calendar year in which the PARTICIPANT attains age 70 ½; or (b) the calendar year in which there is a SEVERANCE FROM EMPLOYMENT by the PARTICIPANT. All irrevocable elections of a Benefit Commencement Date made by PARTICIPANTS or BENEFICIARIES prior to January 1, 2002 shall become revocable as of January 1, 2002. If a PARTICIPANT has an ELIGIBLE ROLLOVER ACCOUNT, the PARTICIPANT may at any time elect to receive a distribution of all or any portion of the amount held in the ELIGIBLE ROLLOVER ACCOUNT subject to any procedures established by the ADMINISTRATOR.
- 10.02. All distributions under the PLAN must comply with IRC Section 401(a)(9) and the regulations issued thereunder. The provisions of this Section will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year. The term "designated beneficiary" as used in this Section shall have the meaning set forth in Treasury Regulation Section 1.401(a)(9)-4.
- a. Requirements of Treasury Regulations Incorporated. All distributions required under this Section will be determined and made in accordance with the Treasury regulations under IRC Section 401(a)(9).
 - b. Required Beginning Date. The PARTICIPANT'S entire interest will be distributed, or begin to be distributed, to the PARTICIPANT no later than the PARTICIPANT'S required beginning date.

- c. Death of PARTICIPANT Before Distributions Begin. If the PARTICIPANT dies before distributions begin, the PARTICIPANT'S entire interest will be distributed, or begin to be distributed, no later than as follows:
- (i) If the PARTICIPANT'S surviving spouse is the PARTICIPANT'S sole designated beneficiary, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the PARTICIPANT died, or by December 31 of the calendar year in which the PARTICIPANT would have attained age 70 1/2, if later.
 - (ii) If the PARTICIPANT'S surviving spouse is not the PARTICIPANT'S sole designated BENEFICIARY, distributions to the designated BENEFICIARY will begin by December 31 of the calendar year immediately following the calendar year in which the PARTICIPANT died.
 - (iii) If there is no designated BENEFICIARY as of September 30 of the year following the year of the PARTICIPANT'S death, the PARTICIPANT'S entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the PARTICIPANT'S death.
 - (iv) If the PARTICIPANT'S surviving spouse is the PARTICIPANT'S sole designated BENEFICIARY and the surviving spouse dies after the PARTICIPANT but before distributions to the surviving spouse begin, this Section will apply as if the surviving spouse were the PARTICIPANT.
- d. Required Minimum Distributions During PARTICIPANT'S Lifetime. During the PARTICIPANT'S lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:
- (i) the quotient obtained by dividing the PARTICIPANT'S account balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the PARTICIPANT'S age as of the PARTICIPANT'S birthday in the distribution calendar year; or
 - (ii) if the PARTICIPANT'S sole designated BENEFICIARY for the distribution calendar year is the PARTICIPANT'S spouse, the quotient obtained by dividing the PARTICIPANT'S account balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the PARTICIPANT'S and spouse's attained ages as of the PARTICIPANT'S and spouse's birthdays in the distribution calendar year.
- e. Death On or After Date Distributions Begin and PARTICIPANT Survived by Designated BENEFICIARY.

- (i) If the PARTICIPANT dies on or after the date distributions begin and there is a designated BENEFICIARY, the minimum amount that will be distributed for each distribution calendar year after the year of the PARTICIPANT'S death is the quotient obtained by dividing the PARTICIPANT'S account balance by the longer of the remaining life expectancy of the PARTICIPANT or the remaining life expectancy of the PARTICIPANT'S designated BENEFICIARY, determined as follows: The PARTICIPANT'S remaining life expectancy is calculated using the age of the PARTICIPANT in the year of death, reduced by one for each subsequent year.
 - (ii) If the PARTICIPANT'S surviving spouse is the PARTICIPANT'S sole designated BENEFICIARY, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the PARTICIPANT'S death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.
 - (iii) If the PARTICIPANT'S surviving spouse is not the PARTICIPANT'S sole designated BENEFICIARY, the designated BENEFICIARY's remaining life expectancy is calculated using the age of the BENEFICIARY in the year following the year of the PARTICIPANT'S death, reduced by one for each subsequent year.
 - (iv) No Designated BENEFICIARY. If the PARTICIPANT dies on or after the date distributions begin and there is no designated BENEFICIARY as of September 30 of the year after the year of the PARTICIPANT'S death, the minimum amount that will be distributed for each distribution calendar year after the year of the PARTICIPANT'S death is the quotient obtained by dividing the PARTICIPANT'S account balance by the PARTICIPANT'S remaining life expectancy calculated using the age of the PARTICIPANT in the year of death, reduced by one for each subsequent year.
- f. Death Before Date Distributions Begin and PARTICIPANT Survived by Designated BENEFICIARY. If the PARTICIPANT dies before the date distributions begin and there is a designated BENEFICIARY, the minimum amount that will be distributed for each distribution calendar year after the year of the PARTICIPANT'S death is the quotient obtained by dividing the PARTICIPANT'S account balance by the remaining life expectancy of the PARTICIPANT'S designated BENEFICIARY.

- (i) No Designated BENEFICIARY. If the PARTICIPANT dies before the date distributions begin and there is no designated BENEFICIARY as of September 30 of the year following the year of the PARTICIPANT'S death, distribution of the PARTICIPANT'S entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the PARTICIPANT'S death.
- g. Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the PARTICIPANT dies before the date distributions begin, the PARTICIPANT'S surviving spouse is the PARTICIPANT'S sole designated BENEFICIARY, and the surviving spouse dies before distributions are required to begin, this Section will apply as if the surviving spouse were the PARTICIPANT.

If a PARTICIPANT or BENEFICIARY fails to elect a payment option that meets the requirements of IRC Section 401(a)(9), the ADMINISTRATOR will initiate such a distribution. A PARTICIPANT or BENEFICIARY who has chosen a payment option, other than an annuity option, shall have the ability to change his or her payment option subject to any administrative restrictions and charges established by the TRUSTEES.

10.03. **Hardship Withdrawal:** Notwithstanding any other provisions herein, in the event of an UNFORESEEABLE EMERGENCY, a PARTICIPANT or BENEFICIARY may request that benefits be paid to him at any time. Such request shall be filed in accordance with procedures established pursuant to this PLAN. If the application for payment is approved by the TRUSTEE or its designee, payments shall be effected within ten (10) working days of receipt of such approval. The decision whether a PARTICIPANT or BENEFICIARY is faced with an UNFORESEEABLE EMERGENCY will be based upon the relevant facts and circumstances of each case and in accordance with the terms of the PLAN and 26 CFR §1.457-6(c)(2). Benefits to be paid shall be limited strictly to the amount necessary to meet the UNFORESEEABLE EMERGENCY constituting financial hardship, and may include any amounts necessary to pay for any federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution, to the extent such UNFORESEEABLE EMERGENCY is not relieved:

- a. by reimbursement or compensation from insurance or otherwise;
- b. by liquidation of the PARTICIPANT'S assets, to the extent the liquidation of such assets would not itself cause financial hardship; or
- c. by cessation of deferrals under the PLAN.

A PARTICIPANT'S deferrals will automatically be terminated upon approval of a hardship application and the PARTICIPANT cannot re-enroll in the PLAN for 180 days from the date of approval of the hardship withdrawal. The ADMINISTRATOR may

require such medical, financial or other evidence deemed appropriate for a determination to be made concerning the PARTICIPANT'S or BENEFICIARY's withdrawal request.

Foreseeable personal expenditures normally budgetable, such as a down payment on a home, the purchase of an automobile, college or other educational expenses, etc., may not necessarily constitute an UNFORESEEABLE EMERGENCY. The decision of the TRUSTEE or its designee concerning the payment of benefits under this Section shall be appealable under Wisconsin Statutes Sections 40.80(2g) and 40.08 (12).

10.04. **De Minimus Distributions:** Notwithstanding any other provision of the PLAN, if the PARTICIPANT has not deferred any amount for a two (2) year period, a PARTICIPANT may elect to receive, or the PLAN may elect to distribute without the PARTICIPANT'S consent, the entire account in a lump sum distribution if the value of his DEFERRED COMPENSATION ACCOUNT does not exceed the maximum amount allowed under IRC Section 411(a)(11)(A) for this De Minimus distribution. The amount to be distributed may also include amounts from any ELIGIBLE ROLLOVER ACCOUNT as well as the balance in the DEFERRED COMPENSATION ACCOUNT. No subsequent distribution under this provision to such PARTICIPANT may occur, once distribution occurs. Such distribution shall be made within three (3) days of the receipt, by the ADMINISTRATOR of an appropriate election.

10.05. **Special Rules Regarding Distributions when an SDO Account Exists:** Notwithstanding any other provision of the PLAN, if a PARTICIPANT or BENEFICIARY elects a distribution from the PLAN while maintaining a balance in an SDO account, the following requirements must be met:

- a. For distributions of a lump sum, partial lump sum or amount paid under the UNFORESEEABLE EMERGENCY provision: The PARTICIPANT or BENEFICIARY is responsible for liquidating assets in the SDO account and transferring the balance back to the CORE INVESTMENT SPECTRUM account. The ADMINISTRATOR will not process the withdrawal request until a sufficient balance exists in the CORE INVESTMENT SPECTRUM account. For a total lump sum distribution, the SDO account balance must be completely liquidated and transferred back into the CORE INVESTMENT SPECTRUM before the ADMINISTRATOR will process the payment.
- b. For periodic distributions from the account: The PARTICIPANT or BENEFICIARY must maintain a sufficient account balance in the CORE INVESTMENT SPECTRUM to cover the periodic payments for a minimum one (1) year period. The PARTICIPANT or BENEFICIARY will be instructed to replenish the balance in the CORE INVESTMENT SPECTRUM on an annual basis to ensure the next year's payments are available. If the PARTICIPANT or BENEFICIARY fails to transfer sufficient assets into the CORE INVESTMENT SPECTRUM to meet this requirement, the ADMINISTRATOR will notify the PARTICIPANT or BENEFICIARY that one of the following actions will occur:

- (i) If occurrence is prior to the required minimum distribution date, payments will cease and the PARTICIPANT or BENEFICIARY will be required to reapply to continue the distribution.
 - (ii) If occurrence is after the required minimum distribution date, an automatic distribution will be initiated by the ADMINISTRATOR as specified in paragraph (c).
- c. If a PARTICIPANT or BENEFICIARY fails to timely initiate transfer from the SDO account to execute continuing distributions as required in (ii) above, and upon receiving notification from the ADMINISTRATOR, the ADMINISTRATOR is hereby authorized by the PLAN to liquidate assets in the SDO account in accordance with paragraph (2) herein in the following sequence:
- (i) Assets will first be liquidated from the SDO money market fund (sweep), then from other money market funds that do not assess a transaction fee, redeeming shares first from those fund(s) with the highest balance;
 - (ii) Assets will then be liquidated from the SDO account in mutual funds that have been held for more than ninety (90) days and do not assess a transaction fee, redeeming shares first from those fund(s) with the highest balance;
 - (iii) Assets will then be liquidated from the SDO account in mutual funds held for less than ninety (90) days and do not assess a transaction fee, redeeming shares first from those fund(s) with the highest balance;
 - (iv) Assets will then be liquidated from the remaining SDO account held in any other mutual fund(s) according to the highest balance.

The PARTICIPANT or BENEFICIARY will be responsible for any transaction fees assessed and deducted from the SDO account as a result of the automatic transfers initiated by the ADMINISTRATOR to fund benefit payments.

10.06. Subject to the requirements and limitations of 26 USC 402(l), a PARTICIPANT- who, by reason of disability or attainment of NORMAL RETIREMENT AGE, is separated from service as a PUBLIC SAFETY OFFICER for the State of Wisconsin, may elect to have distributions made directly from the PLAN to an insurer to pay qualified health insurance premiums for coverage for such eligible retired PUBLIC SAFETY OFFICER, his spouse and their dependents, by an accident or health insurance plan or qualified long-term care insurance contract as defined in IRC Section 7703B(b). Before such distributions may be made, the PARTICIPANT must file with the ADMINISTRATOR a written election for such distributions on the form provided for the purpose by the ADMINISTRATOR, identifying the insurer and specifying the premium amount. In addition, the individual must provide information sufficient to establish to the satisfaction of the ADMINISTRATOR that the PARTICIPANT is a PUBLIC SAFETY OFFICER and that

the premiums are for qualified health insurance premiums within the meaning of 26 USC 402(1)(4)(D).

ARTICLE XI

Domestic Relations Order Account Divisions

11.01. When the ADMINISTRATOR receives a judgment, decree or order (“Order”) issued by a court pursuant to a domestic relations law of any state or territory of the United States, the ADMINISTRATOR shall adhere to the procedures and requirements of Wisconsin Statutes Section 40.80(2r) and the PLAN in determining whether it is a valid DOMESTIC RELATIONS ORDER.

- a. The ADMINISTRATOR shall promptly notify the PARTICIPANT and ALTERNATE PAYEE of the receipt of the Order and the PLAN’S procedures for determining the status of the Order, and
- b. Within a reasonable time, the ADMINISTRATOR will follow the procedures adopted by the PLAN to determine whether the Order meets the requirements of a valid DOMESTIC RELATIONS ORDER and will notify the PARTICIPANT and ALTERNATE PAYEE of such determination.

11.02. A DOMESTIC RELATIONS ORDER is a judgment, decree, or order issued by a court pursuant to a domestic relations law of any state or territory of the United States that conforms with this Article as determined by the ADMINISTRATOR and the provisions of 26 USC §414(p) applicable to a governmental plan and does all of the following:

- a. Relates to a marriage that terminated after December 1, 2001.
- b. Assigns all or part of a PARTICIPANT’S accumulated assets held in the PLAN to one or more persons known as “ALTERNATE PAYEEs.” A person may be an ALTERNATE PAYEE if the PLAN PARTICIPANT is both required to satisfy a marital property or family support obligation to the person under both the applicable law and the court’s judgment, decree or order terminating the marriage, and the person is one of the following:
 - (i) The PARTICIPANT’s spouse, but only in the event the action terminating the marriage is a court-ordered, legal separation which includes a final property division.
 - (ii) The PARTICIPANT’s former spouse of the marriage terminated by the court’s judgment, decree or order.
 - (iii) A child of the PARTICIPANT who is dependent upon the PARTICIPANT for his or her support. “Child” includes a natural child, stepchild, adopted child or

child in court-ordered adoptive placement, regardless of age, provided the PARTICIPANT is legally obligated to support the child.

- c. Names the PLAN and is submitted to the ADMINISTRATOR.
- d. Is actually received by the Administrator while the PLAN PARTICIPANT is still living.
- e. Is on the form approved by the DEPARTMENT for the purpose.

NOTE: See "Order to Divide Wisconsin Deferred Compensation Program Account," form ET-2367 and "Supplement To Order To Divide Wisconsin Deferred Compensation Program Account," form ET-2368.

- f. Was issued by the court having jurisdiction over the property division while the court still had jurisdiction.
- g. The Order clearly specifies the following:
 - (i) The name, last known mailing address, date of birth, and tax reporting identification numbers of the PARTICIPANT and each and every ALTERNATE PAYEE, as well as the relationship of each ALTERNATE PAYEE to the PARTICIPANT.
 - (ii) The dollar amount or percentage of the PARTICIPANT'S PLAN account to be paid to each ALTERNATE PAYEE, in the form of the specific award option available under s. 11.025 of the PLAN. All awards to all ALTERNATE PAYEES in a DOMESTIC RELATIONS ORDER must be expressed in the options under s. 11.025.
 - (iii) That the Order is intended to be a permanent, not temporary, division and is issued only after the termination of the marriage is final and either the property division is final and there is no pending appeal which could potentially affect the assignment to the ALTERNATE PAYEES ordered in the DOMESTIC RELATIONS ORDER.
 - (iv) That the Order does not require a form of payment or any other benefit to the ALTERNATE PAYEE that is not otherwise provided under the PLAN.
 - (v) That the Order does not require the payment of benefits to an ALTERNATE PAYEE which are required by a prior DOMESTIC RELATIONS ORDER to be paid to another ALTERNATE PAYEE.

- (vi) That the Order does not apply to any portion of a PARTICIPANT'S PLAN account that has already been distributed or paid to the participant, including a distribution in the form of the purchase of an annuity.

11.025. Division of a PLAN account under a DOMESTIC RELATIONS ORDER is subject to the following requirements and limitations:

- a. There are three different permitted options for dividing a WDC account. Exactly the same option choice must be applied to each ALTERNATE PAYEE named in the DOMESTIC RELATIONS ORDER, although differing percentages or dollar amounts (depending on the option chosen) may be assigned to each. All three Options are available for marriages terminated on or after December 1, 2005. Only Option 1 is available for marriages terminated prior to December 1, 2005.
 - (i) **OPTION 1.** The ALTERNATE PAYEE may be awarded a sum certain. This award will not be affected by any market gains and losses that may have occurred before the DOMESTIC RELATIONS ORDER is processed by the ADMINISTRATOR. The award is limited to stated dollar amount and may not specify assets to be liquidated. The sum certain will be distributed to the ALTERNATE PAYEE as a lump-sum distribution if an approved ALTERNATE PAYEE distribution request is received on or before the date the DOMESTIC RELATIONS ORDER is received by the ADMINISTRATOR. Otherwise, when the DOMESTIC RELATIONS ORDER is processed by the ADMINISTRATOR, the sum certain will be deposited into a DEFERRED COMPENSATION ACCOUNT established for the ALTERNATE PAYEE and thereafter will be subject to the investment instructions of the ALTERNATE PAYEE and to gains and losses. A DOMESTIC RELATIONS ORDER making an Option 1 award shall be rejected if there are insufficient funds in the PARTICIPANT'S DEFERRED COMPENSATION account to process the DOMESTIC RELATIONS ORDER. Option 1 is the only option available if the marriage terminated prior to December 1, 2005.
 - (ii) **OPTION 2.** The ALTERNATE PAYEE may be awarded a share of the PARTICIPANT'S DEFERRED COMPENATION ACCOUNT determined by dollar value as of the date the marriage is terminated, along with all subsequent gains and losses experienced by the assets awarded to the ALTERNATE PAYEE to make up that dollar value, beginning on the date the marriage is terminated. The award is limited to a dollar value and may not specify assets to be transferred.
 - (iii) **OPTION 3.** The ALTERNATE PAYEE may be awarded a percentage of the PARTICIPANT'S DEFERRED COMPENATION ACCOUNT, as of the date the marriage is terminated, along with all subsequent gains and losses experienced by the share of the assets awarded to the ALTERNATE PAYEE, beginning on the date the marriage is terminated. The award is

limited to a percentage and may not specify assets to be transferred. The percentage awarded may be expressed to a maximum of two decimal places. The aggregate of all percentages awarded to all ALTERNATE PAYEES by the DOMESTIC RELATIONS ORDER may not exceed 100%.

- b. A PLAN PARTICIPANT'S account may be affected only once by a DOMESTIC RELATIONS ORDER for each terminated marriage to which the PARTICIPANT is a party. All ALTERNATE PAYEES awarded an interest in the PARTICIPANT'S DEFERRED COMPENSATION ACCOUNT as a result of the termination of the marriage must be named in the same DOMESTIC RELATIONS ORDER.
- (i) Except as provided in paragraph c., if the ADMINISTRATOR has accepted a DOMESTIC RELATIONS ORDER as valid under WIS. STAT. § 40.80 (2r) and this Article, then any subsequent DOMESTIC RELATIONS ORDERS pertaining to the same marriage and purporting to divide the same DEFERRED COMPENSATION ACCOUNT shall be rejected.
 - (ii) Remarriage of the parties to a divorce shall not result in voiding the effects of a previous DOMESTIC RELATIONS ORDER division of the PLAN PARTICIPANT'S account between the parties.
 - (iii) If the ADMINISTRATOR has accepted and acted upon a DOMESTIC RELATIONS ORDER based upon a judgment of legal separation, then the subsequent conversion of the judgment of legal separation into a judgment of divorce shall have no effect under this Article.
- c. Notwithstanding paragraph a., in order to enable correction of an error by the court, a DOMESTIC RELATIONS ORDER may be amended for up to six months after the order is first received and accepted by the ADMINISTRATOR, provided that:
- (i) The court terminating the marriage retains jurisdiction.
 - (ii) The amended order must be clearly identified as such.
 - (iii) The amended order must be received by the ADMINISTRATOR while the PARTICIPANT and each affected ALTERNATE PAYEE is still living.
 - (iv) There have been no intervening withdrawals of assets or other transactions, during the period between receipt of the original and amended DOMESTIC RELATIONS ORDERS, that make the amended division impossible, as determined by the ADMINISTRATOR.

- (v) In recreating the PLAN PARTICIPANT account as if the original division had not occurred, any asset investments made in the interim in an ALTERNATE PAYEE account created by the original DOMESTIC RELATIONS ORDER shall be attributed to the PLAN PARTICIPANT, who shall bear any resulting gains or losses.
 - (vi) The amended assignment must be in the same Option 1, 2 or 3 form as the original. That is, an assignment of a percentage may not be amended into the assignment of a dollar amount, or vice versa. An assignment of a sum certain may not be amended into the award of a dollar or percentage share as of the termination of the marriage.
 - (vii) No ALTERNATE PAYEE may be added to or deleted from the original DOMESTIC RELATIONS ORDER by an amended order.
 - (viii) The amended DOMESTIC RELATIONS ORDER complies in all respects with this Article.
- d. Paragraph c. above shall apply only to amending a DOMESTIC RELATIONS ORDER accepted by the ADMINISTRATOR. Paragraph c. shall not be construed to prevent a court from issuing a DOMESTIC RELATIONS ORDER to replace an order rejected by the ADMINISTRATOR.
 - e. If both parties to the action to terminate a marriage are each a PLAN PARTICIPANT through his or her individual employment, then the PLAN PARTICIPANT account of each may be divided by using two separate DOMESTIC RELATIONS ORDERS.
 - f. Each and every ALTERNATE PAYEE to whom an assignment of any part of the PLAN PARTICIPANT'S account is made in the course of the termination of the particular marriage must be named in the same DOMESTIC RELATIONS ORDER.
 - g. The PARTICIPANT must be living on the date the DOMESTIC RELATIONS ORDER is received by the ADMINISTRATOR, or the DOMESTIC RELATIONS ORDER is void.
 - h. The ADMINISTRATOR shall make all reasonable efforts to restore a DEFERRED COMPENSATION ACCOUNT divided in error under a DOMESTIC RELATIONS ORDER. The ADMINISTRATOR shall not be required to attempt to collect distributions made in the good faith belief that the PARTICIPANT was alive on the date the DOMESTIC RELATIONS ORDER was received by the ADMINISTRATOR.
 - j. Upon determining that a DOMESTIC RELATIONS ORDER is valid, the ADMINISTRATOR shall create a separate account for the ALTERNATE

PAYEE and transfer into it from the PLAN PARTICIPANT'S account assets sufficient to satisfy the ordered assignment. Except, if the ALTERNATE PAYEE has filed an approved ALTERNATE PAYEE distribution request for a lump-sum distribution on or before the date the DOMESTIC RELATIONS ORDER is received, then in lieu of creating a separate account for the ALTERNATE PAYEE, the ADMINISTRATOR shall make the appropriate lump-sum distribution to the ALTERNATE PAYEE.

- (i) If the assignment to the ALTERNATE PAYEE is of a specific dollar amount (Note: this refers to Options 1 and 2 on form ET-2367):
 - (A) The ADMINISTRATOR shall transfer assets into the ALTERNATE PAYEE account (or make a lump-sum distribution to the ALTERNATE PAYEE) having the stated dollar value. If the dollar award is under Option 2, the stated dollar valued shall first be adjusted by the interest and investment gains and losses attributable to the ALTERNATE PAYEE'S share since the date the marriage was terminated.
 - (B) The ADMINISTRATOR shall transfer any such assets, or liquidate assets and transfer funds, as the ADMINISTRATOR deems necessary to satisfy the dollar amount stated in the DOMESTIC RELATIONS ORDER, beginning with existing assets in the CORE INVESTMENT SPECTRUM.
 - (C) If the ALTERNATE PAYEE'S dollar amount exceeds the dollar value of the PARTICIPANT'S account, the DOMESTIC RELATIONS ORDER shall be rejected.
 - (D) If the ALTERNATE PAYEE'S dollar amount exceeds the dollar value of the PARTICIPANT'S CORE INVESTMENT SPECTRUM account, the ADMINISTRATOR shall notify the PARTICIPANT in writing of the necessary remaining sum from the SDO that needs to be liquidated and transferred into the CORE INVESTMENT SPECTRUM to enable the implementation of the DOMESTIC RELATIONS ORDER. If the PARTICIPANT fails to immediately comply, the ADMINISTRATOR shall liquidate all the SDO assets as provided in Article VIII, Section 8.11.
- (ii) If the assignment to the ALTERNATE PAYEE is of a percentage of the PLAN PARTICIPANT'S account (Note: this refers to Option 3 on form ET-2367):
 - (A) The DOMESTIC RELATIONS ORDER shall be rejected if the aggregate of the percentages assigned to all ALTERNATE PAYEES exceeds 100%.

- (B) The ADMINISTRATOR shall value the PARTICIPANT'S entire account including both the CORE INVESTMENT SPECTRUM and SDO assets and liquidate or transfer to the ALTERNATE PAYEE account, insofar as possible, and except as otherwise expressly provided in this subdivision, the same stated percentage of each fund or other investment in the PLAN PARTICIPANT'S account, so that the award to the ALTERNATE PAYEE consists of essentially the same asset mix as the PARTICIPANT'S account. However, the ADMINISTRATOR may, in order to achieve the overall percentage award ordered, vary the transfer of portions of particular assets to the extent necessary. If the PARTICIPANT'S account includes assets in the SDO, the ADMINISTRATOR shall first apply existing assets in the CORE INVESTMENT SPECTRUM to satisfy the award to the ALTERNATE PAYEE. If these assets are insufficient to satisfy the award to the ALTERNATE PAYEE, the ADMINISTRATOR shall follow the same procedure as described above in Section 11.025 j (i) (D) to liquidate SDO assets.
- k. Following a division under a DOMESTIC RELATIONS ORDER, and establishment of a DEFERRED COMPENATION ACCOUNT for the ALTERNATE PAYEE, the ALTERNATE PAYEE shall then be responsible for transferring assets to achieve whatever investment goals or diversification the ALTERNATE PAYEE desires.
- l. Prior to receiving a total distribution under the PLAN of all assigned assets, an ALTERNATE PAYEE shall have the same rights, benefits and interests in his or her ALTERNATE PAYEE account as a former employee, no longer employed by an employer participating in the PLAN, has in his or her PLAN PARTICIPANT account, including but not limited to the right to designate a BENEFICIARY for death benefit purposes and the right to direct PLAN investments to the extent permitted under the PLAN and generally being treated as a PARTICIPANT. Except, however:
- (i) Benefits will be payable to the ALTERNATE PAYEE in any form or permissible option available to PARTICIPANTS under the terms of the PLAN.
 - (ii) An ALTERNATE PAYEE account created in response to a DOMESTIC RELATIONS ORDER may not be merged or otherwise joined with any other PLAN account held by the individual.
 - (iii) An ALTERNATE PAYEE account is not subject to division by a DOMESTIC RELATIONS ORDER.

- m. Unless an Internal Revenue Service or Wisconsin Department of Revenue levy or attachment exceeds the remainder or jointly names an ALTERNATE PAYEE, to whom the levy or attachment shall then also apply, any levy or attachment against the PARTICIPANT'S account shall continue to apply only to the remainder of the PARTICIPANT'S account.
- 11.03. The ADMINISTRATOR shall make no distributions from a PARTICIPANT'S account while it determines the validity of or processes a DOMESTIC RELATIONS ORDER.
- 11.04. The ADMINISTRATOR shall establish a separate account for the ALTERNATE PAYEE and transfer the assigned value or benefit from the PARTICIPANT'S account into the ALTERNATE PAYEE'S account, unless the ALTERNATE PAYEE has timely and appropriately applied for a lump-sum distribution of the entire award on or before the date the DOMESTIC RELATIONS ORDER is received. In all other circumstances, a DEFERRED COMPENSATION ACCOUNT shall be established for the ALTERNATE PAYEE.
- 11.05. The ALTERNATE PAYEE shall be treated as a PARTICIPANT who is no longer employed by a participating employer, except as otherwise provided in this Article.
- a. Distributions made to an ALTERNATE PAYEE are reported as taxable income to the ALTERNATE PAYEE. State taxes, if applicable, and federal taxes will be withheld from any distribution on the ALTERNATE PAYEE'S account based upon the tax withholding elections of the ALTERNATE PAYEE.
 - b. The ALTERNATE PAYEE may not make any contributions to his or her account.
 - c. The ALTERNATE PAYEE is permitted to designate beneficiaries for the account and to exercise exchanges among the investment options as permitted by the PLAN.
 - d. Unless otherwise provided in this Article, all other PLAN rules and procedures applicable to a PARTICIPANT shall be applicable to the ALTERNATE PAYEE'S account.
- 11.06. The TRUSTEES, DEPARTMENT, EMPLOYER and ADMINISTRATOR, and any member, employee, or agent thereof shall be immune from civil liability for any act or omission while performing duties relating to implementing a DOMESTIC RELATIONS ORDER and for any act or omission of a PARTICIPANT with respect to the PARTICIPANT'S account under the PLAN, including specifically any deferral or investment election or distribution during the period that begins on the day on which the PARTICIPANT'S marriage is terminated by a court and ends on the day on which his or her account is divided pursuant to a DOMESTIC RELATIONS ORDER.
- 11.07. **Tax Treatment of Distributions.** For purposes Sections 402(a)(1) and 72 of the Internal Revenue Code, any ALTERNATE PAYEE shall be treated as the distributee of any

distribution or payments made to the ALTERNATE PAYEE under the terms of the DOMESTIC RELATIONS ORDER, including for purposes of reporting the distributions or payments for income tax purposes.

11.08. Responsibility for Errors.

- a. In the event that the ADMINISTRATOR pays to the PARTICIPANT any benefits that are assigned to the ALTERNATE PAYEE pursuant to the terms of a DOMESTIC RELATIONS ORDER, the PARTICIPANT shall immediately, within ten days, report the error to the ADMINISTRATOR and is personally liable for reimbursement to the ALTERNATE PAYEE.
- b. In the event that the ADMINISTRATOR pays to the ALTERNATE PAYEE any benefits that were not assigned to the ALTERNATE PAYEE pursuant to the terms of a DOMESTIC RELATIONS ORDER, and instead remained the property of the PARTICIPANT, the ALTERNATE PAYEE shall immediately, within ten days, report the error to the ADMINISTRATOR and is personally liable for reimbursement to the PARTICIPANT.
- c. The entity contracted to assist the DEPARTMENT and provide administrative services for the PLAN may be held liable to the PLAN, TRUSTEES or DEPARTMENT for any damages resulting from a division performed contrary to the terms and conditions of the PLAN contrary to the terms and conditions of a DOMESTIC RELATIONS ORDER or under an order which did not qualify as a DOMESTIC RELATIONS ORDER. Aside from actions undertaken consistent with written DEPARTMENT determinations, the contracted entity shall hold harmless and indemnify the DEPARTMENT, its employees, and agents and the TRUSTEES and Deferred Compensation Board employees and agents, from liability for any action or omission by the contracted entity regarding handling of any order purporting to be, or treated, as a DOMESTIC RELATIONS ORDER.

11.09 Responsibility for Participant Transactions Made Before Implementation of the Domestic Relations Order. The PLAN, ADMINISTRATOR, DEPARTMENT, Deferred Compensation Board, EMPLOYER, and Public Employee Trust Fund are not liable to any third person, including any ALTERNATE PAYEE, for trades or transactions made by the PARTICIPANT after the date a marriage is terminated and before a DOMESTIC RELATIONS ORDER is implemented by the ADMINISTRATOR and the PARTICIPANT is notified that the division is completed. Such trades and transactions involving funds or assets in the PARTICIPANT's account as of the date the marriage was terminated may affect the interests of the ALTERNATE PAYEE. Such trades and transactions will be treated for PLAN purposes as part of the gains and losses experienced by the PARTICIPANT's account since the marriage was terminated. This provision may not be construed to interfere with any right of the ALTERNATE PAYEE to seek redress directly against the PARTICIPANT for wastage or any other damages suffered.

ARTICLE XII

Administration of the PLAN

- 12.01. The TRUSTEES may at any time amend, modify or terminate this PLAN without the consent of the PARTICIPANT (or any BENEFICIARY thereof). All amendments shall become effective on the first day of the calendar month beginning after the date of the amendment. Notice shall be deemed given when the amendment and an explanation of such is posted in the quarterly newsletter that is distributed to all PARTICIPANTS and BENEFICIARIES along with the quarterly statement of account. No amendment shall deprive the PARTICIPANT of any of the benefits to which he is entitled under this PLAN with respect to deferred amounts credited to his account before the effective date of the amendment. If the PLAN is curtailed, terminated, or the acceptance of additional deferred amounts suspended permanently, the ADMINISTRATOR shall nonetheless be responsible for the supervision of the payment of benefits resulting from amounts deferred before the amendment, modification, or termination in accordance with Article XI hereof.
- 12.02. The TRUSTEES may at any time establish, amend or terminate rules, procedures or policies necessary in their judgment for the effective administration of the PLAN.
- 12.03. Any companies that may issue any policies, contracts, or other forms of investment media adopted by the TRUSTEES or specified by the PARTICIPANT, do not have rights under this PLAN. All assets invested with these companies are held on behalf of PARTICIPANTS and their BENEFICIARIES.
- 12.04. Participation in this PLAN by the EMPLOYEE shall not be construed to give a contract of employment to the PARTICIPANT, or to alter or amend an existing employment contract of the PARTICIPANT, nor shall participation in this PLAN be construed as affording to the PARTICIPANT any representation or guarantee regarding his continued employment.
- 12.05. The TRUSTEES, the EMPLOYER, and the ADMINISTRATOR do not represent or guarantee that any particular Federal or State income, payroll, personal property, or other tax consequences will occur because of the PARTICIPANT'S participation in this PLAN. The PARTICIPANT is obligated to consult with his own tax representative regarding all questions of Federal or State income, payroll, personal property, or other tax consequences arising from participation in this PLAN.
- 12.06. As authorized by the TRUSTEES, the ADMINISTRATOR shall have the power to appoint agents to act for the ADMINISTRATOR and in the administration of this PLAN.
- 12.07. Whenever used herein, the masculine gender shall include the feminine and the singular shall include the plural unless the provisions of the PLAN specifically require a different construction.

- 12.08. The laws of the State of Wisconsin and Section 457 of the Internal Revenue Code shall apply in determining the construction and validity of this PLAN.
- 12.09. The rights of PARTICIPANTS and their BENEFICIARIES under this PLAN shall not be subject to the rights of creditors of the PARTICIPANT or any BENEFICIARY, and shall be exempt from the execution, attachment, prior assignment, or any other judicial relief or order for the benefit of creditors or other third persons.
- 12.10. It is agreed that neither the PARTICIPANT nor his BENEFICIARY nor any other designee shall have the right to commute, sell, assign, transfer, or otherwise convey or receive any payments hereunder which payments and right thereto are expressly declared to be non-assignable and non-transferable.
- 12.11. This PLAN, and any properly adopted amendments, shall constitute the total agreement or contract between the EMPLOYER and the PARTICIPANT regarding the PLAN. No oral statement to the contrary regarding the PLAN may be relied upon by the PARTICIPANT.
- 12.12. This PLAN and any properly adopted amendments, shall be binding on the parties hereto and their respective heirs, administrators, trustees, successors, and assignees and on all BENEFICIARIES of the PARTICIPANT.
- 12.13. The ADMINISTRATOR shall establish and follow a formal complaint procedure that includes an appeal to the Wisconsin Deferred Compensation Board. A copy of the written complaint procedure shall be provided to the PARTICIPANT upon request. The PARTICIPANT has the right to exercise the formal complaint procedure up to and including the formal appeal process under Wisconsin Statute 40.80(g) and Wisconsin Administrative Code, Chapter ETF 11.

ARTICLE XIII

Notice to ALL PARTICIPANTS to Read These Provisions Providing Board Powers and Absolute Safeguards of the Employer and Trustees.

- 13.01. The EMPLOYER, the TRUSTEES or their authorized agent, the ADMINISTRATOR, is authorized to resolve any questions of fact necessary to decide the PARTICIPANT'S rights under this PLAN unless reversed on appeal under Section 12.12.
- 13.02. The EMPLOYER, the TRUSTEES or their authorized agent, the ADMINISTRATOR, shall be authorized to construe the PLAN and to resolve any ambiguity in the PLAN and to apply reasonable and fair procedures for the administration of the PLAN.
- 13.03. The PARTICIPANT specifically agrees not to seek recovery against the EMPLOYER, the TRUSTEES, the ADMINISTRATOR, or any other employee, contractee, or agent of

the EMPLOYER, TRUSTEES, or ADMINISTRATOR, or any endorser of any loss sustained by the PARTICIPANT or his BENEFICIARY, for the non-performance of their duties, negligence, or any other misconduct of the above named persons except that this paragraph shall not excuse fraud or wrongful taking by any person.

- 13.04. The EMPLOYER, the TRUSTEES, or their agents including the ADMINISTRATOR, if in doubt concerning the correctness of their action in making a payment of benefit, may suspend the payment until satisfied as to the correctness of the payment or the person to receive the payment or allow the filing in any State Court of competent jurisdiction, a suit in such form as they consider appropriate for a legal determination of the benefits to be paid out and the person to receive them.
- 13.05. The EMPLOYER, the TRUSTEES, and their agents including the ADMINISTRATOR, are hereby held harmless from all court costs and all claims for the attorney's fees arising from any action brought by the PARTICIPANT or any BENEFICIARY thereof under this PLAN or to enforce his rights under the PLAN, including any amendments hereof.
- 13.06. The ADMINISTRATOR shall not be required to participate in any litigation concerning the PLAN except upon written demand from the EMPLOYER or TRUSTEES. The ADMINISTRATOR may compromise, adjust or effect settlement of litigation when specifically instructed to do so by the EMPLOYER or TRUSTEES.

IN WITNESS WHEREOF, the undersigned has executed this Amended and Restated PLAN this ~~8th~~ day of November ~~2006~~.

Edward D. Main, Chairman
State of Wisconsin Deferred Compensation Board

Witnessed By:



STATE OF WISCONSIN
Department of Employee Trust Funds

David A. Stella
SECRETARY

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CORRESPONDENCE MEMORANDUM

DATE: October 17, 2007
TO: Deferred Compensation Board
FROM: Pam Henning, Administrator
Division of Management Services
SUBJECT: Designation of Records Custodian

Recommendation

The Deferred Compensation Board (Board), pursuant to the state's Open Records Law, must designate a legal custodian of its public records. We recommend the Board designate Employee Trust Funds (ETF) Director of Deferred Compensation, Shelly Schueller, as the Board's records custodian.

Background

In March 2007, the *Appleton Post-Crescent* newspaper published an article that reviewed the legal sufficiency of the public records notices under the state's Open Records Law of 41 state agencies, including ETF. The article noted numerous problems with the various notices, including the fact that a number of agencies failed to even post the required notice. The only problem highlighted with ETF's notice was that it was incomplete because it was missing information related to the cost of obtaining records.

In the process of revising our public notice to include the cost of obtaining records, we discovered other information that must be included due to a relatively recent change in the law. The law requires that each public notice separately designate each position of the governmental authority that constitutes a "state public office." ETF's prior notice did not identify those positions. Since each attached Board is an "authority" in its own right and ETF is responsible for the records of each Board, a separate public notice has been developed describing each attached Board and identifying the "state public offices" associated with the Board. The ETF Board's public notice is included with the Department's notice.

In addition, a critical part of obtaining access to public records is the designation of a records custodian for each public entity and listing that position in the notice so the public knows whom to contact. We are uncertain if the Board has ever designated a custodian. The Group Insurance, Teachers Retirement, Wisconsin Retirement and Employee Trust Funds Boards have all recently made an official designation. The new notice will include this designation once the Board authorizes it, so the public knows whom to contact. Copies of the public records notices are attached for your information.

Staff will be available at the meeting to answer any questions.

Attachments

Board	Mtg Date	Item #
DC	11/13/2007	12



EMPLOYEE TRUST FUNDS PUBLIC RECORDS NOTICE Wis. Stat. § 19.34 (1)

DEPARTMENT DESCRIPTION

The Department is headed by a secretary appointed by a 13 member Employee Trust Funds Board and is responsible for the state-administered retirement program; group insurance programs (health, life, income continuation, long-term disability and long-term care); employee reimbursement account program; commuter benefits program; deferred compensation trust funds for state and local government employees; state accumulated sick leave conversion credits program; and private health insurance for small businesses.

Recognizing the people's right to information about the government's decision making process, the Department will, consistent with the state's Open Records Law (Wis. Stat. §§ 19.31 to 19.37), provide information regarding the Department's affairs, except for personal information restricted by statute.

HOW TO INSPECT RECORDS

Members of the public may obtain information and access to the Department's public records, or obtain copies of these records by contacting the agency Records Officer, Diane Vultaggio, 801 W Badger Rd., PO Box 7931, Madison WI 53707-7931, telephone number 608-266-5578. Requests for information and access to records may be made orally or in writing between the hours of 7:45 a.m. and 4:30 p.m., Monday through Friday, except legal holidays. Requests for access to a public record must reasonably describe the record sought and be limited to the subject matter and/or length of time represented by the record.

POSITIONS OF STATE PUBLIC OFFICE

Pursuant to Wis. Stat. § 19.34 (1), the positions in the Department that constitute a "state public office" as defined in Wis. Stat. §§ 19.32 (4) and 19.42 (13) are the Secretary, Deputy Secretary, Executive Assistant, and Administrators of the Divisions of Retirement Services, Information Technology, Trust Finance and Employer Services, Insurance Services and Management Services. In addition, the following Employee Trust Funds Board positions constitute a state public office: the Governor (or Governor's designee); the Director of the Office of State Employment Relations; and a public member who is not a participant or beneficiary of the Wisconsin Retirement System appointed by the Governor under Wis. Stat. §§ 15.16 (1) (c).

COST OF COPIES OF RECORDS

The Department will charge the actual, necessary and direct cost of copying, printing, recording and/or transcribing records that are releasable. The charge for photocopying or printing is \$.10 per single sided page, plus sales tax (currently 5.5%). The charge for reproduction of microfilmed documents is \$.25 per page. The Department will also charge the actual, necessary and direct costs associated with staff time to perform these tasks. Postage will be charged if the requester desires copies to be mailed. The cost of locating a record may be charged if the actual cost of locating the record is \$50 or more. If the total cost of responding to a request for records is estimated to be \$10 or more, pre-payment may be required.



EMPLOYEE TRUST FUNDS - ATTACHED BOARDS PUBLIC RECORDS NOTICE Wis. Stat. § 19.34 (1)

GROUP INSURANCE BOARD DESCRIPTION

The Group Insurance Board sets policy, oversees administration and hears appeals for all group insurance plans under Chapter 40 of the Wisconsin Statutes, including health, income continuation, life and long-term disability insurance. The Group Insurance Board may also provide other insurance if the employees pay the entire premium.

Positions of State Public Office

Pursuant to Wis. Stat. § 19.34 (1), each of the following positions of the 11-member Group Insurance Board constitute a "state public office" as defined in Wis. Stat. §§ 19.32 (4) and 19.42 (13): all Board members, including the Governor, or Governor's designee. However, if the Attorney General, Department of Administration Secretary, Director of the Office of State Employment Relations or Commissioner of Insurance appoints a designee instead of serving personally, then that designee does not hold state public office.

TEACHERS RETIREMENT BOARD DESCRIPTION

The Teachers Retirement Board is an advisory board to the Employee Trust Funds Board on retirement system matters specific to teachers. The Board approves or rejects administrative rules affecting teachers and oversees the Department's administration of disability annuity benefits for teachers, including hearing administrative appeals of denied applications or terminated benefits.

Positions of State Public Office

Pursuant to Wis. Stat. § 19.34 (1), each of the following positions of the 13-member Teachers Retirement Board constitute a "state public office" as defined in Wis. Stat. §§ 19.32 (4) and 19.42 (13): the four Board members appointed by the Governor under Wis. Stats. §§ 15.165 (3) (a) 3., 4. and 5. (i.e., the non-classroom teacher public school administrator, the member of a school board and the two UW System teachers who participate in the WRS).

WISCONSIN RETIREMENT BOARD DESCRIPTION

The Wisconsin Retirement Board is an advisory board to the Employee Trust Funds Board on retirement system matters specific to non-teacher employees. The Board approves or rejects administrative rules affecting non-teachers and oversees the Department's administration of disability annuity benefits for non-teachers and the amount of monthly duty disability benefits for protective occupation participants, including hearing appeals.

Positions of State Public Office

Pursuant to Wis. Stat. § 19.34 (1), each of the following positions of the nine-member Wisconsin Retirement Board constitute a "state public office" as defined in Wis. Stat. §§ 19.32 (4) and 19.42 (13): all Board members. However, if the Commissioner of Insurance designates an actuary from his or her office instead of serving personally the designee does not hold state public office.

How To Inspect Records

Members of the public may obtain information and access to the Group Insurance Board, Teachers Retirement Board, or Wisconsin Retirement Board's public records or obtain copies of these records by contacting the agency Records Officer, Diane Vultaggio, 801 W Badger Rd., PO Box 7931, Madison WI 53707-7931, telephone number 608-266-5578. Requests for information and access to records may be made orally or in writing between the hours of 7:45 a.m. and 4:30 p.m., Monday through Friday, except legal holidays. Requests for access to a public record must reasonably describe the record sought and be limited to the subject matter and/or length of time represented by the record.

DEFERRED COMPENSATION BOARD DESCRIPTION

The Deferred Compensation Board selects and contracts with deferred compensation plan providers; develops policies, procedures, and rules that govern provider participation in the program; and hears appeals of program determinations by participants.

Positions of State Public Office

Pursuant to Wis. Stat. § 19.34 (1), each of the five members of the Deferred Compensation Board constitute a "state public office" as defined in Wis. Stat. §§ 19.32 (4) and 19.42 (13).

How To Inspect Records

Members of the public may obtain information and access to the Deferred Compensation Board's public records or obtain copies of these records by contacting the Director of the Deferred Compensation Program, Shelly Schueller, 801 W Badger Rd., PO Box 7931, Madison WI 53707-7931, telephone number 608-266-6611. Requests for information and access to records may be made orally or in writing between the hours of 7:45 a.m. and 4:30 p.m., Monday through Friday, except legal holidays. Requests for access to a public record must reasonably describe the record sought and be limited to the subject matter and/or length of time represented by the record.

PRIVATE EMPLOYER HEALTH CARE COVERAGE BOARD

The Private Employer Health Care Coverage (PEHCC) Board was created to carry out the following duties: design an actuarially sound health care coverage program for private employers; contract for administration of the health care coverage plans under the program; contract for actuarial, legal and marketing services under the program; and maintain a toll-free telephone number for information on the program. Presently, the PEHCC Board and Program are non-operational.

Positions of State Public Office

Pursuant to Wis. Stat. § 19.34 (1), each of the nine positions of the Private Employer Health Care Coverage Board constitute a "state public office" as defined in Wis. Stat. §§ 19.32 (4) and 19.42 (13).

How To Inspect Records

Members of the public may obtain information and access to the Private Employer Health Care Coverage Board's public records or obtain copies of these records by contacting the Administrator of the Division of Insurance Services, Tom Korpady, 801 W Badger Rd., PO Box 7931, Madison WI 53707-7931, telephone number 608-266-0207. Requests for information and access to records may be made orally or in writing between the hours of 7:45 a.m. and 4:30 p.m., Monday through Friday, except legal holidays. Requests for access to a public record must reasonably describe the record sought and be limited to the subject matter and/or length of time represented by the record.

COST OF COPIES OF RECORDS (ALL BOARDS)

The Department will charge the actual, necessary and direct cost of copying, printing, recording and/or transcribing records that are releasable. The charge for photocopying or printing is \$.10 per single sided page, plus sales tax (currently 5.5%). The charge for reproduction of microfilmed documents is \$.25 per page. The Department will also charge the actual, necessary and direct costs associated with staff time to perform these tasks. Postage will be charged if the requester desires copies to be mailed. The cost of locating a record may be charged if the actual cost of locating the record is \$50 or more. If the total cost of responding to a request for records is estimated to be \$10 or more, pre-payment may be required.



STATE OF WISCONSIN
Department of Employee Trust Funds

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CORRESPONDENCE MEMORANDUM

DATE: October 8, 2007
TO: Deferred Compensation Board
FROM: Robert Weber, Chief Counsel
SUBJECT: Final Draft Report on Clearinghouse Rule #07-066, Relating to Hearsay Evidence

The Boards is asked to approve the Final Draft Report on Clearinghouse Rule #07-066, relating to hearsay evidence, for promulgation.

Background

Clearinghouse Rule #07-066 amends the rules governing the procedures for administrative appeals heard by the ETF Board and the four Boards attached to the Department. The current administrative rule prohibits the Boards from basing a finding of fact in an appeal case upon hearsay. This rule-making amends that provision to instead allow the Boards to make a finding of fact based upon hearsay to the same, limited, extent as allowed in state courts.

“Hearsay” is second-hand information, such as a witness repeating what he or she heard someone else say. Hearsay evidence is generally excluded in court because of concerns over its reliability. However, some hearsay evidence is allowed because it is considered sufficiently trustworthy or important. Typical examples of allowable hearsay evidence include dying declarations, excited utterances, admissions against interest, and business or public records. Wisconsin has created a number of statutory hearsay exceptions. For example, a witness’s prior inconsistent statement, used to impeach his or her testimony, is not defined as hearsay and may be allowed. Similarly, records of regularly conducted activities, health care provider records, public records, former testimony, and statements against interest are examples of allowable hearsay, at least if certain prerequisites are met.

The rule will allow the Boards some increased discretion in evaluating the evidence presented in an appeal. The rule might, in some cases, allow parties the option of presenting certain kinds of evidence by complying with the hearsay exceptions instead of going to the expense of calling a witness to testify from his or her personal knowledge. This may be a useful option, for example, with respect to certain health care provider records that may be offered without having to call the physician or other health care provider as a witness.

The final draft report has been approved by the Group Insurance Board, the Employee Trust Funds Board, the Teachers Retirement Board and the Wisconsin Retirement Board. After approval by all five Boards, it will be submitted to the Legislature for review.

Reviewed and approved by Bob Conlin, Deputy Secretary.
Signature _____ Date _____

Board	Mtg Date	Item #
DC	11/13/07	13

**State of Wisconsin
Department of Employee Trust Funds,
Employee Trust Funds Board, Deferred Compensation Board, Group Insurance
Board, Teachers Retirement Board
and
Wisconsin Retirement Board**

FINAL DRAFT REPORT ON CLEARINGHOUSE RULE #07-066

FINAL RULE to amend ETF 11.06 (1) and 11.12 (2) (b) regarding hearsay evidence in administrative appeal hearings.

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Agency Person to be Contacted for Questions

Please direct any questions about this rule-making to Robert Weber, Chief Counsel, Department of Employee Trust Funds, P.O. Box 7931, Madison WI 53707. Telephone: (608) 266-5804. E-mail address: rob.weber@etf.state.wi.us.

Statement Explaining Need for Rule

The rule is needed in order to allow the five Boards hearing appeals of determinations made by the Department of Employee Trust Funds (DETF) to rely upon hearsay evidence to make factual findings in administrative hearings to the same extent permitted in state court.

Analysis Prepared by the Department of Employee Trust Funds

1. Statute interpreted:

Sections 40.03 (1) (j), (6) (l), (7) (f), (8) (f) and 40.80 (2g), Stats., concerning the hearing authority of the Employee Trust Funds, Group Insurance, Teachers Retirement, Wisconsin Retirement and Deferred Compensation Boards, respectively.

2. Statutory authority:

Sections 40.03 (2) (i) and 227.11 (2) (a), Stats.

3. Explanation of agency authority:

By statute, the DETF Secretary is expressly authorized, with Board approval, to promulgate rules required for the efficient administration of any benefit plan established in ch. 40, Stats. Also, each state agency may promulgate rules interpreting the provisions of any statute enforced or administered by the agency, if the agency considers it necessary to effectuate the purpose of the statute.

4. Related statute or rule:

None.

5. Plain language analysis:

The present s. ETF 11.12 (2) (b), Wis. Admin. Code, prohibits a Board from basing any finding of fact on hearsay. The proposed rule eliminates that absolute prohibition. This change permits the Board hearing the appeal to base its findings of fact upon hearsay when that hearsay is corroborated by other non-hearsay evidence, or in any other circumstances in which Wisconsin courts may determine that reliance upon hearsay evidence is permissible in administrative proceedings. The proposed rule expressly allows the Boards to rely upon hearsay evidence as the basis for their factual findings to the same extent permitted in hearings in Wisconsin courts.

6. Summary of, and comparison with, existing or proposed federal regulations:

No existing or proposed federal regulations apply to the evidentiary standards that may be applied by the Boards in hearing administrative appeals of determinations made by the Department of Employee Trust Funds.

7. Comparison with rules in adjacent states:

Although there are a number of governmental retirement plans in Illinois, Iowa, Minnesota and Michigan, their administrative rules are not directly relevant to interpreting the Wisconsin statutes governing the Wisconsin Retirement System. Governmental plans differ in the degree to which the terms of the plan are established by enabling legislation or left to subsequent administrative rulemaking or other means.

Illinois

The various governmental retirement systems in Illinois have not adopted administrative rules specifically concerning hearsay evidence in their administrative proceedings. Other state administrative rules deal with hearsay in different ways. For example:

- The Department of Children and Family Services mandates that previous statements by the child relating to abuse or neglect must be admitted as hearsay exceptions. Ill. Admin. Code title 89, §§ 336.120 b) 10) and 412.60 g) 1) B).
- The Illinois Gaming Board permits hearsay to support a finding of the Administrative Law Judge if it is the best evidence available, has sufficient indicia of trustworthiness and reliability and is of the type reasonably and customarily relied on in the gaming industry. See Ill. Admin. Code title 86, § 3000.430 a).
- The Department of Central Management Services appeal rules provide that the technical rules of evidence do not apply. Any material evidence, including hearsay, may be accepted, but the finder-of-fact must weigh the hearsay nature of such evidence. See Ill. Admin. Code title 14, § 105.60 l) 6).
- In consumer protection hearings by the Attorney General any relevant evidence which is not privileged is admissible, whether or not the evidence is hearsay or would be inadmissible in a court of law. See Ill. Admin. Code title 14, § 450.20 b) 3).
- The State Board of Elections permits hearsay evidence to be admitted into evidence if the hearing examiner deems it reliable and trustworthy. See Ill. Admin. Code title 26, § 150.115 a).

On the other hand, some administrative rules appear to discourage hearsay evidence with general statements that the common rule against hearsay will be deemed substantive, not merely technical, for hearing purposes. For examples, see Ill. Admin. Code title 41, § 123.180 b) [*Office of the State Fire Marshall*], Ill. Admin. Code title 56, § 2605.360 b) [*Department of Commerce and Economic Opportunity*] and Ill. Admin. Code title 68, § 1110.180 b) [*Department of Financial and Professional Regulation*]. In many cases, however, the agency's rules then go on to recognize exceptions to this exclusion of hearsay evidence. For instance:

- The State Fire Marshal's rules for contested cases involving boiler and other pressure vessels state that hearsay is not admissible — unless the statement is subject to a hearsay exception under Illinois law or has circumstantial

guarantees of trustworthiness. The probative value of the hearsay statement must also outweigh any prejudice resulting from an inability to cross-examine the maker of the statement. See Ill. Admin. Code title 41, § 123.220 b). The rules also identify the kinds of statements which will not be viewed as hearsay, including certain kinds of prior statements made by the witness and admissions made by the other party. See Ill. Admin. Code title 41, § 123.220 c).

- The Department of Commerce and Economic Opportunity, the Department of Financial and Professional Regulation and the Illinois Comptroller have taken similar approaches virtually identical to the State Fire Marshall's. See Ill. Admin. Code title 56, § 2605.340 d) and e), Ill. Admin. Code title 68, § 1110.220 b) and c) and Ill. Admin. Code title 74, § 310.220 b) and c), respectively.
- Language recognizing the hearsay exceptions in Illinois law or circumstantial guarantees of trustworthiness (and of probative value outweighing the prejudice of the inability to cross-examine) is also found in the Department of Children and Family Services rules, although those rules do not contain the list of statements not considered hearsay. See Ill. Admin. Code title 89, § 412.60 g) 1) C).
- Under Ill. Admin. Code title 56 § 2830.335 c), the Department of Employment Security provides that, in actions pertaining to the re-issuance of benefit checks, hearsay which was not objected to may nevertheless not form the sole basis for a decision, if the claimant testified under oath to the contrary. The sole exception is if the Department's special agent finds that the claimant's testimony is incredible, inconsistent or inherently improbable.
- The Illinois Department of Revenue, in Ill. Admin. Code title 86, § 200.155 a), provides that hearsay may not be admitted, except to the extent that it is of a type commonly relied upon by reasonably prudent persons in the conduct of their affairs.

Iowa

The only Iowa administrative rules expressly concerning hearsay evidence in administrative proceedings allow findings to be based on hearsay, regardless of whether the evidence would be admissible in a jury trial, if the evidence is of a kind that reasonably prudent persons are accustomed to rely upon for the conduct of their serious affairs. See Iowa Admin. Code r. 193-7.26(7) [*contested cases concerning professional licensing and regulation*], Iowa Admin. Code r. 263-9.10(4)(intro.) [*City Development Board involuntary development actions*], and

Iowa Admin. Code r. 721-25.24(7) [*Secretary of State administrative complaints regarding elections*].

Michigan

The State Employee Retirement System does not yet have administrative rules. The Michigan Administrative Code contains no rules relating specifically to hearsay.

Minnesota

The Minnesota governmental retirement systems have not adopted administrative rules specifically concerning hearsay evidence. Other state administrative rules deal with hearsay in a fairly uniform way.

Under Minnesota's Office of Administrative Hearings, the rules governing a variety of different kinds of hearings, including contested cases, allow hearsay evidence with probative value to be admitted into evidence. See Minn. R. 1400.7300 subp. 1., Minn. R. 1400.8601 subp. 1., and Minn. R. 1405.1700 subp. 3. The rules on hearings by other state agencies also permit receiving any evidence, expressly including hearsay, if it is the type of evidence on which reasonable, prudent persons are accustomed to rely in the conduct of their serious affairs. See Minn. R. 3310.2922 [*unemployment compensation procedure*], Minn. R. 3525.4320 [*Dept. of Education disabled children hearings*], Minn. R. 5510.1910 subp. 9 [*Public employment labor relations*], Minn. R. 7897.0170 subp. 3 [*Racing Commission*], Minn. R. 9200.4800 subp. 19 A. [*Environmental quality board*].

The rules of two boards specify that hearsay evidence may be used to supplement or explain direct evidence, but is insufficient to support a finding in itself, unless the hearsay would be admissible over objection in a civil action. See Minn. R. 5601.3145 [*Board of Physical Therapy*] and Minn. R. 5615.0900 subp. 3 [*Board of Medical Practice*].

8. Summary of factual data and analytical methodologies:

The proposed rule is based on logical analysis of the evidentiary issues that can arise under the administrative appeal process as well as many years of experience with evidence offered in such hearings.

9. Analysis and supporting documents used to determine effect on small business or in preparation of economic impact report:

This rule-making affects only administrative hearings before the Employee Trust Funds Board and four other Boards attached to the DETF. The parties to such

hearings are governmental employees affected by determinations made by the DETF in administering the pension, insurance and other fringe benefit plans under ch. 40, Stats. their beneficiaries and sometimes the governmental agencies that employ them. Third party administrators contracted by the DETF or Boards to assist in the administration of particular benefit plans may sometimes participate as parties, if they wish. However, such third-party administrators do not now, and have not in the past, met the definition of a “small business” in s. 227.114 (1), Stats.

10. Anticipated costs incurred by private sector:

None.

11. Effect on small business:

No effect.

Regulatory Flexibility Analysis:

The proposed rule has no effect on small businesses.

Fiscal Estimate:

The proposed rule is expected to have no fiscal effect on any county, city, village, town, school district, technical college district or sewerage district. Although such governmental entities may appear as parties in the administrative appeals affected by this rule, they remain free to present their evidence in those administrative appeals in exactly the same manner as at present. It is possible that the rule will enable some limited savings if evidence can be presented in the form of corroborated, or otherwise reliable, hearsay rather than through, for example, expert testimony.

Text of Rule

SECTION 1. ETF 11.06 (1) is amended to read:

ETF 11.06 (1) Rules of privilege recognized by law shall be given effect. However, common law or statutory rules of evidence do not apply, except as provided in s. ETF 11.12 (2) (b) concerning hearsay. The hearing examiner shall admit all testimony having a reasonable probative value. The hearing examiner shall exclude from the record irrelevant, immaterial, or unduly repetitious testimony.

SECTION 2. ETF 11.12 (2) (b) is amended to read:

ETF 11.12 (2) (b) *Factual basis.* The factual basis of the final decision shall be solely the evidence and matters officially noticed. ~~No finding of fact may be based upon hearsay.~~ Hearsay evidence may be relied upon as the basis for factual findings to the same extent permitted in a Wisconsin court of law.

(end of rule text)

Effective Date

This rule shall take effect on the first day of the month following publication in the Wisconsin Administrative Register as provided in Wis. Stat. s. 227.22 (2).



**WISCONSIN LEGISLATIVE COUNCIL
RULES CLEARINGHOUSE**

Ronald Sklansky
Clearinghouse Director

Terry C. Anderson
Legislative Council Director

Richard Sweet
Clearinghouse Assistant Director

Laura D. Rose
Legislative Council Deputy Director

CLEARINGHOUSE REPORT TO AGENCY

[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

CLEARINGHOUSE RULE 07-066

AN ORDER to amend ETF 11.06 (1) and 11.12 (2) (b), relating to hearsay evidence in administrative appeal hearings.

Submitted by DEPARTMENT OF EMPLOYE TRUST FUNDS

06-26-2007 RECEIVED BY LEGISLATIVE COUNCIL.

07-16-2007 REPORT SENT TO AGENCY.

RNS:WF

LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT

This rule has been reviewed by the Rules Clearinghouse. Based on that review, comments are reported as noted below:

1. STATUTORY AUTHORITY [s. 227.15 (2) (a)]

Comment Attached YES NO

2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

Comment Attached YES NO

3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

Comment Attached YES NO

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS [s. 227.15 (2) (e)]

Comment Attached YES NO

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE [s. 227.15 (2) (f)]

Comment Attached YES NO

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL REGULATIONS [s. 227.15 (2) (g)]

Comment Attached YES NO

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

Comment Attached YES NO

Response to Legislative Council Staff Recommendations

The Legislative Council staff made no recommendations.

List of Persons Appearing or Registering For or Against the Rules.

No persons registered either for or against the rule at the public hearing on August 1, 2007.

Summary of Comments Received at Public Hearing.

No person wished to testify concerning the rule. The record was held open for written comments until 4:30 p.m. on August 10, 2007, but no comments were received.

Modifications to Rule as Originally Proposed as a Result of Public Comments

No modifications to the rule were made as a result of public comments.

Modifications to the Analysis Accompanying the Proposed Rule.

Minor non-substantive, editorial changes were made for clarity and the analysis was revised as necessary to fit into the slightly different format of a final draft report.

Modifications to the Initial Fiscal Estimate

None.

Board Authorization for Promulgation

This final draft report on Clearinghouse Rule #07-066 has been duly approved for submission to the Legislature, and for promulgation, by the Department of Employee Trust Funds and by:

The Employee Trust Funds Board at its meeting on _____.

The Deferred Compensation Board at its meeting on _____.

The Group Insurance Board at its meeting on _____.

The Teachers Retirement Board at its meeting on _____.

The Wisconsin Retirement Board at its meeting on _____.

Respectfully submitted,

DEPARTMENT OF EMPLOYEE TRUST FUNDS

David Stella
Secretary

Date: _____



STATE OF WISCONSIN
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CORRESPONDENCE MEMORANDUM

DATE: October 23, 2007
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller
Deferred Compensation Director
SUBJECT: Excessive Trading Policy Procedure Revision

This memo explains a proposed revision to the procedures used to implement the Wisconsin Deferred Compensation Board's (Board) excessive trading policy for Wisconsin Deferred Compensation (WDC) Program participants. The revision provides that either a mutual fund company or the WDC's recordkeeper, Great-West Retirement Services (GWRS), may determine if excessive trading is occurring. Currently, the Board's procedures state that only mutual fund companies can make this determination.

Staff recommends approval of this change, as it ensures the WDC's excessive trading procedures are compatible with the market timing prevention procedures instituted by GWRS as part of an overall effort to comply with Security and Exchange Commission (SEC) Rule 22c-2¹.

Background

In January 2003, the Board approved an excessive trading policy under which all WDC accounts are subject to trading limitations and restrictions imposed by fund companies. The policy 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.

¹ The SEC adopted Rule 22c-2 to address abuses associated with short-term trading of fund shares. Effective October 16, 2007, Rule 22c-2 under the Investment Company Act of 1940 requires mutual fund companies to enter into a shareholder information agreement with certain omnibus financial intermediaries (such as banks, broker-dealers, and 401(k) or 457 plans) that purchase or exchange mutual fund shares for others.

Reviewed and approved by Robert J. Conlin, Deputy Secretary

Signature Date

Board	Mtg Date	Item #
DC	11/13/2007	14

The Board and the WDC's recordkeeping firm, Great-West Retirement Services, updated the WDC's excessive trading procedures in May 2006. These procedures are followed when a mutual fund company suspects that excessive trading may have occurred. If Great-West Retirement Services is contacted by a fund company that suspects a WDC participant is engaging in excessive trading, Great-West Retirement Services will provide the fund company with the recent trading activity of the participant. Such information is kept confidential. If the fund company determines the participant is engaging in excessive trading, the WDC will request that the participant cease the excessive trading. Any participant who is notified of an excessive trading problem and does not comply may be restricted from executing future trades through the WDC Web site or via the telephone."

Discussion

To comply with SEC Rule 22c-2, GWRS provided all mutual fund companies with two options for monitoring excessive trading: 1) the fund companies could monitor the data themselves using data provided by GWRS; or 2) the fund companies could have GWRS provide the monitoring services.

- 1) Fund Companies Monitor Using GWRS Data. The WDC mutual fund companies that elected to continue monitoring themselves using data provided by GWRS are as follows: Dimensional Fund Advisors, Fidelity, Federated, American Funds, T. Rowe Price, and Vanguard. Fund companies may request participant level data on an ad-hoc, monthly or quarterly basis. They review the data and request that letters warning or restricting participants are sent as necessary. With this option there is no need for any WDC procedural revisions.
- 2) GWRS Monitors on Behalf of Fund Company. One WDC mutual fund provider, Calvert, has opted to have GWRS monitor for excessive trading. Currently, the GWRS monitoring system automatically examines numerous round trip transactions and will restrict a participant who has been trading excessively. Participants will receive warnings from GWRS about potential excessive trading. To be consistent with this monitoring option, the Board should consider revising its excessive trading administrative procedures.

Proposed Revision

The Board should consider revising the stated procedures in the WDC's excessive trading policy to reflect the implementation of SEC Rule 22c-2. Staff proposes the following revisions for Board consideration:

"... These procedures are followed when a mutual fund company suspects that excessive trading may have occurred. If Great-West Retirement Services is contacted by a fund company that suspects a WDC participant is engaging in excessive trading, Great-West Retirement Services will provide the fund company with the recent trading activity of the participant. Such information is kept confidential. Great-West Retirement Services may also monitor participant trading on behalf of fund companies. ~~If the Great-West Retirement Services or a~~ fund company determines the participant is engaging in excessive trading, the WDC will request that the participant cease the excessive trading. Any participant who is notified of an excessive trading problem and does not comply may be restricted from executing future trades through the WDC Web site or via the telephone."

Recommendation

Staff recommends that the excessive trading procedural change described above be adopted by the Board. Adopting this will permit either GWRS or the fund company to enforce the Board's excessive trading policy.



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CORRESPONDENCE MEMORANDUM

DATE: October 29, 2007
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Deferred Compensation Director
SUBJECT: Miscellaneous Items for November 2007 Board Meeting

The following items are included with the Board materials for November 13, 2007:

Wisconsin Deferred Compensation Program Information

- a) *MoneyTalks* Participant Newsletters: Second and Third Quarter 2007. July newsletter includes article on socially conscious investing and an announcement of participant fee reductions beginning January 1, 2008
- b) The WDC received a Leadership Award for the “Steppingstones” presentations held in 2006 from the National Association of Government Defined Contribution Administrators (NAGDCA). The plaque will be at the Board meeting for viewing. Developed by the WDC, ETF, and the federal Social Security Administration, the “Steppingstones” presentations provide participants with information on all three retirement benefit programs in one convenient presentation. The presentations were offered in four locations around Wisconsin last spring and were very popular; participants filled meeting rooms to capacity each time. We hope to offer them again in the near future. ETF is also recording the WDC and Social Security portions for viewing on-demand through ETF’s Web-access video library.
- c) WDC Comparison – The WDC’s average rate of investment return is in line with the peer group and is slightly above the average of the 5 plans in the table here.

Weighted Average Investment Return – WDC v. Selected Peers As of June 30, 2007		
PLAN	Return	Notes
WDC	15.63%	<i>around 20% in stable value</i>
Plan A	18.54%	very little in stable value fund, around 10%
Plan B	13.04%	over 30% in stable value
Plan C	15.77%	around 20% in stable value
Plan D	14.57%	
Average of 5 Plans	15.51%	

- d) 2006 Financial Statements Audit

Investment Product Information

- e) Schwab: PCRA Report – Second and Third Quarter 2007
- f) Calvert: October 22, 2007 News Release (Boone Transition)
- g) Galliard: Stable Value Portfolio Review – Second and Third Quarter 2007

Stable Value Fund Manager Allocations

Galliard Capital Management (Galliard) manages the WDC Stable Value fund. The WDC’s Stable Value assets are allocated between Galliard and two subadvisors: Alliance and

PIMCO. The table below illustrates the percentage of the account managed by each firm. Gallaird's goal is to maintain an approximate division of the assets under management with 60% remaining at Galliard and 40% at subadvisors PIMCO and Alliance.

WDC STABLE VALUE FUND ASSET MANAGEMENT			
As of:	Galliard	Alliance	PIMCO
09/30/2007	60.2%	14.8%	25.0%
06/30/2007	60.1%	14.8%	25.1%
03/31/2007	60.0%	14.8%	25.2%
12/31/2006	60.6%	14.0%	25.4%
09/30/2006	61.3%	13.7%	25.0%
06/30/2006	61.7%	13.6%	24.7%
03/31/2006	60.7%	14.0%	25.3%
12/31/2005	59.9%	14.2%	25.3%
09/30/2005	63.9%	13.9%	22.2%
06/30/2005	64.5%	14.5%	21.0%
03/31/2005	62.8%	15.6%	21.6%
12/31/2004	62.0%	16.0%	22.0%
09/30/2004	61.9%	16.0%	22.1%
06/30/2004	61.5%	16.5%	21.9%
03/31/2004	60.2%	17.1%	22.7%
12/31/2003	60.1%	17.2%	22.7%
09/30/2003	59.6%	17.4%	23.0%
06/30/2003	59.2%	17.6%	23.2%
03/31/2003	58.5%	17.9%	23.6%

Reports

- h) Selected WDC Quarterly Statistics
- i) Quarterly Plan Status - Second and Third Quarter 2007
 - WDC Participant Assets
 - WDC Participant Contributions
 - Participation Statistics
 - Participant Activity (Web site and phone usage)
- j) Performance Standards Report - Second and Third Quarter 2007
- k) Local Employer Elections – Second and Third Quarter 2007
- l) Financial Emergency Withdrawal Report – Second and Third Quarter 2007

Correspondence

- m) Participant Gajewski emails (2)

Media Articles

- n) *The Wall Street Journal* "Why Libor Defies Gravity" September 5, 2007
- o) *Pensions and Investments* "More to Come: Great-West's recent acquisitions aren't the end of the company's growth plans..." August 6, 2007
- p) *NASRA alert* "Statement by SEC Chair Cox Concerning Companies' Activities in Countries Known to Sponsor Terrorism" – July 23, 2007
- q) *Institutional Investor* "Public Service Mission" – June 2007
- r) *PlanSponsor.com* "Court Dismisses Janus Shareholders' Market Timing-linked Claim" – May 29, 2007
- s) *www.definedsavingsalert.com* "Wisconsin To Lower Recordkeeping Fee" – May 28, 2007

**Wisconsin Deferred Compensation Program
Report of Financial Emergency Hardship Withdrawals – ETF 70.10 (6)
Deferred Compensation Board Meeting
November 13, 2007**

DATE SUBMITTED BY GWRS	FINANCIAL HARDSHIP EMERGENCY WITHDRAWAL REQUEST SITUATION	ETF DECISION AND DATE
May 10, 2007	The participant requested an emergency withdrawal because the household is experiencing financial difficulties and regular bills are past due. These bills include property taxes, a water bill and other utility bills, and furnace repair charges. No documentation has been provided regarding a foreclosure on the home. Denied as the participant failed to demonstrate or document how her financial situation could be considered unforeseen or unbudgetable per the IRS code requirement.	Denied May 14, 2007
2 nd request May 2, 2007 3 rd request May 21, 2007 4 th request August 13, 2007	The participant requested an emergency withdrawal because the household is experiencing financial difficulties and regular bills are past due. These bills are a result of lost income (the participant was on leave without pay for surgery, and now the spouse has left the household) and include property taxes for three years. The participant's house is now in foreclosure because property taxes have not been paid. Denied in May for the property taxes as the participant failed to demonstrate or document how three years' worth of property taxes could be considered unforeseen or unbudgetable per the IRS code requirement. Approved the emergency release of funds for the loss of income in May as the medical condition that caused the LWOP was beyond the participant's control, and approved the foreclosure notice release in August as there is now a foreclosure notice.	Denied May 17, 2007 Partial Approval May 23, 2007 Approval August 15, 2007
May 14, 2007	The participant requested an emergency withdrawal to keep her primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved May 21, 2007
May 17, 2007	The participant requested an emergency withdrawal to pay rent on her primary residence. The household is experiencing financial difficulties and is behind on multiple bills, resulting in missed rent payments. The participant has received a 5-day notice to pay rent or quit. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved May 21, 2007
May 21, 2007	The participant requested an emergency withdrawal to cover financial losses which include their primary residence (destroyed in a fire in January 2007) and loss of income. Both the participant and his spouse had unpaid leave of absences as they mourned the death of their child in a car accident with an uninsured driver. Approved as this situation was unforeseen, unbudgetable and beyond the participant's controls, per the IRS code requirement.	Approved May 23, 2007
May 30, 2007	The participant requested an emergency withdrawal to pay rent on her primary residence. The household is experiencing financial difficulties because of a medical injury resulting in unpaid time off from work and in missed rent payments. The participant has received a 5-day notice to pay rent or quit. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved June 4, 2007

DATE SUBMITTED BY GWS	FINANCIAL HARDSHIP EMERGENCY WITHDRAWAL REQUEST SITUATION	ETF DECISION AND DATE
June 1, 2007	The participant requested an emergency withdrawal because the household is experiencing financial difficulties and regular bills are past due. These bills include a month's rent payment. Denied as the participant failed to demonstrate or document what happened regarding her financial situation that could be considered unforeseen or unbudgetable per the IRS code requirement and thus make a monthly expense an approvable hardship.	Denied June 5, 2007
June 4, 2007	The participant requested an emergency withdrawal because the participant is on leave without pay pending a WRS disability determination and has no other income. Approved the emergency release of funds as this situation is unforeseen, unbudgetable and beyond the participant's control.	Approved June 6, 2007
June 5, 2007	The participant requested an emergency withdrawal to cover medical expenses not covered by her insurance. Approved as this situation was unforeseen, unbudgetable and beyond the participant's control, per the IRS code requirement.	Approved June 7, 2007
June 12, 2007	The participant requested an emergency withdrawal to keep her primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved June 13, 2007
June 14, 2007	The married participants jointly requested emergency withdrawals to keep their primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control. The female's WDC account will be liquidated. The balance needed to prevent the foreclosure will then be taken from the male's WDC account.	Approved June 18, 2007
June 19, 2007	The participant requested an emergency withdrawal to keep her primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds (liquidation) as this situation is beyond the participant's control.	Approved June 25, 2007
June 19, 2007 Second request August 2, 2007	The participant requested an emergency withdrawal to cover rent and medical bills not covered by insurance. The participant divorced two years ago and the ex-spouse has stopped making payments. Consequently, the household is experiencing financial difficulties and regular bills are past due. The participant has received a 5-day notice to pay rent or quit. Approved the emergency release of funds as this situation is beyond the participant's control. Second request for medically necessary dental expenses not covered by insurance also approved.	Approved June 25, 2007 Second request approved August 8, 2007
June 26, 2007 Second request August 12, 2007	The participant requested an emergency withdrawal for loss of income. The participant has been on an unpaid medical leave of absence and has no other income at this time. Approved the emergency release of funds as this situation was unforeseen, planned, unbudgeted and beyond the participant's control.	Approved July 2, 2007 Second request approved August 13, 2007

DATE SUBMITTED BY GWS	FINANCIAL HARDSHIP EMERGENCY WITHDRAWAL REQUEST SITUATION	ETF DECISION AND DATE
June 26, 2007 Second request July 18, 2007	The participant requested an emergency withdrawal for loss of income and job. The participant has applied for a disability retirement but has no other income at this time. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved July 2, 2007 Approved July 23, 2007
June 26, 2007	The participant requested an emergency withdrawal for basement foundation repairs. Despite requests, the participant failed to demonstrate or document what happened regarding her basement to create a financial situation that could be considered unforeseen or unbudgetable per the IRS code requirement and thus make a home repair an approvable hardship.	Denied July 2, 2007
June 26, 2007	The participant requested an emergency withdrawal to keep her primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed rent payments and an eviction notice. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved July 2, 2007
June 26, 2007	The participant requested an emergency withdrawal for loss of income. The participant's spouse has been on an unpaid medical leave of absence and as a result, the household is experiencing financial difficulties. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved July 2, 2007
June 27, 2007 Second request August 14, 2007	The participant requested an emergency withdrawal to cover rent and medical bills not covered by insurance. The participant was recently divorced and the household has lost the income of the ex-spouse. Consequently, the household is experiencing financial difficulties and medical bills not covered by insurance are past due. The participant has received a 5-day notice to pay rent or quit. Second release approved as the landlord provided documentation on the full amount owed. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved July 2, 2007 Second Approval August 16, 2007
June 27, 2007	The participant requested an emergency withdrawal to keep her primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings with a Right to Cure. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved July 2, 2007
June 27, 2007	The participant requested an emergency withdrawal because her adjustable rate mortgage is increasing (along with interest rates). The participant's primary residence is not in foreclosure. Denied as the participant failed to demonstrate or document what happened regarding her financial situation that could be considered unforeseen or unbudgetable per the IRS code requirement and thus make a monthly expense an approvable hardship.	Denied July 2, 2007
June 28, 2007	The participant requested an emergency withdrawal to keep her primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings with a Right to Cure. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved July 3, 2007

DATE SUBMITTED BY GWS	FINANCIAL HARDSHIP EMERGENCY WITHDRAWAL REQUEST SITUATION	ETF DECISION AND DATE
July 2, 2007	The participant requested an emergency withdrawal to pay for funeral expenses for his spouse. The household has no other resources to pay for the funeral. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved July 9, 2007
July 3, 2007	The participant requested an emergency withdrawal to keep his primary residence out of foreclosure. The participant's spouse was on leave without pay due to medical reasons and now the household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved July 9, 2007
July 3, 2007	The participant requested an emergency withdrawal to pay for legal expenses related to keeping his primary residence. The participant believes his home was taken from him through a fraud scheme and has hired a lawyer to represent him. Legal fees thus far must be paid or the lawyer will not represent the participant, which could negatively impact the trial. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved July 10, 2007
July 9, 2007	The participant requested an emergency withdrawal to keep her primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved July 10, 2007
July 10, 2007	The participant requested an emergency withdrawal for loss of income. The participant was injured at work and has used up all leave. She has been on an unpaid medical leave of absence and the household is experiencing financial difficulties including increased medical expenses. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved July 16, 2007
July 16, 2007	The participant requested an emergency withdrawal to keep her primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved July 17, 2007
July 16, 2007	The participant requested an emergency withdrawal for loss of income and to make mortgage payments. The participant's spouse was off work and as a result the household is experiencing financial difficulties. The household did make payment arrangements for their mortgage. Denied as the participant failed to document what happened regarding her financial situation that could be considered unforeseen or unbudgetable per the IRS code requirements.	Denied July 18, 2007
July 16, 2007	The participant requested an emergency withdrawal for loss of income. The participant was injured and has been on an unpaid medical leave of absence and as a result, the household is experiencing financial difficulties. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved July 18, 2007

DATE SUBMITTED BY GWRS	FINANCIAL HARDSHIP EMERGENCY WITHDRAWAL REQUEST SITUATION	ETF DECISION AND DATE
July 18, 2007	The participant requested an emergency withdrawal for loss of income. The participant's spouse was laid off in 2006 and as a result, the household is experiencing financial difficulties, including falling behind on their mortgage payments. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved July 23, 2007
July 18, 2007	The participant requested an emergency withdrawal for loss of income. The participant will be on medical leave for 2 to 3 months (40-60 days) and has only 9 days of sick leave/vacation to use. The remaining time will be leave without pay and the household has no other sources of income. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved July 23, 2007
July 19, 2007	The participant requested an emergency withdrawal for loss of income. The participant's spouse lost her job in 2006 and has not found another due to needing to care for family members with major medical problems. As a result, the household is experiencing financial difficulties. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved July 23, 2007
July 23, 2007	The participant requested an emergency withdrawal for loss of income. The participant's spouse was laid off in 2006 and as a result, the household is experiencing financial difficulties, including falling behind on their rent payments. They have been served with a notice to quit or pay rent. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved July 30, 2007
August 1, 2007	The participant requested an emergency withdrawal because the household is experiencing financial difficulties and regular bills are past due, including several months' rent payments. No documentation has been provided regarding the amount due for rent. Denied as the participant failed to demonstrate or document how her financial situation could be considered unforeseen or unbudgetable per the IRS code requirement.	Denied August 2, 2007
August 1, 2007	The participant requested an emergency withdrawal to keep her primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved August 1, 2007
August 1, 2007	The participant requested an emergency withdrawal to keep her primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved August 1, 2007
August 8, 2007	The participant requested an emergency withdrawal to pay rent. The household is experiencing financial difficulties, including falling behind on their rent payments, and has been served with a notice to quit or pay rent. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved August 13, 2007

DATE SUBMITTED BY GWRS	FINANCIAL HARDSHIP EMERGENCY WITHDRAWAL REQUEST SITUATION	ETF DECISION AND DATE
August 8, 2007	The participant requested an emergency withdrawal for loss of income. The participant was unemployed for part of 2006 for medical reasons and returned to reduced work appointment. As a result, the household is experiencing financial difficulties. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved August 13, 2007
August 13, 2007	The participant requested an emergency withdrawal to keep her primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved August 15, 2007
August 13, 2007 Second request October 17, 2007	The participant requested an emergency withdrawal to keep his primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. The amount released in August was not enough, because the participant did not submit current documentation. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved August 15, 2007 Second request approved October 18, 2007
August 13, 2007	The participant requested an emergency withdrawal to keep his primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved August 15, 2007
August 13, 2007 Second request September 11, 2007	The participant requested an emergency withdrawal to pay for legal expenses related to custody of a minor child. The participant's ex-spouse violated a court order by removing the child from her home and has refused to return the child. Legal fees must be paid or the lawyer will not represent the participant, which could negatively impact the child. Approved the emergency release of funds as this situation is beyond the participant's control. Second request: to pay for legal expenses related to custody of the participant's spouse's two minor children who previously were residing in Utah. Their natural mother was not caring for them properly. Legal fees must be paid so the family has legal representation and the children may be placed in custody of their father. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved August 15, 2007 Second Approval September 12, 2007
August 14, 2007	The participant requested an emergency withdrawal for dental expenses beyond what insurance will pay. Both the participant and spouse are in need of dentures and extractions. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved August 16, 2007
August 15, 2007	The participant requested an emergency withdrawal for loss of income. The participant's spouse is not working due to a leg amputation and the participant is taking care of him as well as her terminally ill mother via an unpaid leave of absence. (All available leave has been used up.) As a result of the loss of income, the household is experiencing financial difficulties. Approved the	Approved August 16, 2007

DATE SUBMITTED BY GWRS	FINANCIAL HARDSHIP EMERGENCY WITHDRAWAL REQUEST SITUATION	ETF DECISION AND DATE
	emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	
August 15, 2007	The participant requested an emergency withdrawal for loss of income. The participant experienced an injury at work and has been off work. Due to the injury, she has been unable to work at her second job as well, resulting in financial difficulties with routine monthly expenses. Denied as the participant failed to provide any documentation regarding her financial situation could be considered unforeseen or unbudgetable per the IRS code requirement.	Denied August 16, 2007
August 23, 2007	The participant requested an emergency withdrawal to pay an energy bill that one of his tenants (the participant was the landlord) failed to pay. There was no documentation that this was the tenant's responsibility or any legal action has been taken to secure the funds from the tenant. Denied as the participant failed to provide any documentation regarding actions to collect from the tenant or how his financial situation could be considered unforeseen or unbudgetable per the IRS code requirement.	Denied August 27, 2007
August 23, 2007	The participant requested an emergency withdrawal to keep his primary residence out of foreclosure. The participant is divorced and a result, the household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved August 27, 2007
August 25, 2007	The participant requested an emergency withdrawal to pay for legal expenses related to guardianship of an incompetent adult child and two grandchildren. The participant's child was in an accident and sustained major brain injuries. As a result, she has been found incompetent. The participant has been given guardianship of his daughter and her two grandchildren. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved August 27, 2007
August 25, 2007	The participant requested an emergency withdrawal to keep his primary residence out of foreclosure. Because the participant's spouse lost her job, the household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved August 27, 2007
August 25, 2007	The participant requested an emergency withdrawal because he used his resources to pay for legal expenses regarding an alleged excessive disciplinary action instead of his mortgage. Now the participant has received a right to cure from his mortgage company. Approved the emergency release of funds as this situation was unforeseen, unbudgeted and beyond the participant's control.	Approved August 27, 2007
August 27, 2007	The participant requested an emergency withdrawal to keep her primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved August 30, 2007

DATE SUBMITTED BY GWRS	FINANCIAL HARDSHIP EMERGENCY WITHDRAWAL REQUEST SITUATION	ETF DECISION AND DATE
August 28, 2007	The participant requested an emergency withdrawal to pay for funeral expenses for his mother and loss of income. The household has no other resources to pay for the funeral. Approved the emergency release of funds for the funeral expenses as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved August 30, 2007
August 28, 2007	The participant requested an emergency withdrawal to keep her primary residence out of foreclosure. The participant has been off work with no other income and as a result, the household is experiencing financial difficulties including missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved August 30, 2007
August 28, 2007	The participant requested an emergency withdrawal for loss of income. The participant experienced an unanticipated medical problem and all available leave has been used up. As a result of the loss of income, the household is experiencing financial difficulties. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved September 5, 2007
August 29, 2007	The participant requested an emergency withdrawal for loss of income. The participant will be on medical leave for 4-6 weeks and has already used up all sick leave. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved September 5, 2007
August 29, 2007 Second Request October 9, 2007	The participant requested an emergency withdrawal for loss of income and to pay for legal expenses related to the spouse's termination from employment. The participant's spouse was allegedly wrongfully terminated and they are hiring a lawyer in an effort to have her reinstated. The household has suffered a loss of income as the spouse is not working and there will be attorney fees to pay. Approved the emergency release for loss of income only for August and September. Did not approve the October and November reconsideration request submitted on October 9 as the documentation submitted indicated the previous release of funds coupled with the closure and distribution of the spouse's WDC account covered the loss of income. Would consider release of funds for an attorney once a lawyer has been retained as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Partial approval September 5, 2007 Denied second request October 10, 2007
August 30, 2007	The participant requested an emergency withdrawal to pay for in-house medical patient treatment for her minor daughter for additional days beyond what insurance will cover. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved September 5, 2007
August 30, 2007	The participant requested an emergency withdrawal to keep her primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved September 5, 2007

DATE SUBMITTED BY GWRS	FINANCIAL HARDSHIP EMERGENCY WITHDRAWAL REQUEST SITUATION	ETF DECISION AND DATE
September 7, 2007	The participant requested an emergency withdrawal to keep his primary residence out of foreclosure. The participant's roommates moved out, creating financial difficulties that resulted in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved September 10, 2007
September 7, 2007	The participant requested an emergency withdrawal for loss of income. The participant was on unexpected medical leave for nearly two months and her spouse also had to take unpaid leave to care for her; neither had any sick leave to use. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved September 10, 2007
September 7, 2007	The participant requested an emergency withdrawal for loss of income. The participant's infant son was born with problems requiring extensive medical treatment. Not all the care is covered by insurance. The participant has reduced her work hours to care for her son, which coupled with the medical bills has created a financial hardship for the household. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved September 10, 2007
September 11, 2007	The participant requested an emergency withdrawal because the household is experiencing financial difficulties resulting from helping to pay for his mother's funeral expenses. No documentation has been provided regarding a foreclosure on the home. Denied as the participant failed to demonstrate or document how his financial situation could be considered unforeseen or unbudgetable per the IRS code requirement.	Denied September 12, 2007
September 11, 2007	The participant requested an emergency withdrawal for loss of income. The participant was on leave after being injured in 2006 and his worker's compensation claim has been denied. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved September 12, 2007
September 11, 2007	The participant requested an emergency withdrawal for loss of income. The participant's spouse has been incarcerated since December 2006 and as a result he has not been contributing any financial support to the household. As a result of the lost income, the participant has fallen behind on expenses and is experiencing financial hardship. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved September 12, 2007
September 11, 2007	The participant requested an emergency withdrawal to keep her primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved September 12, 2007
September 11, 2007	The participant requested an emergency withdrawal because the household is experiencing financial difficulties resulting from helping to pay for his mother's medical expenses. However, no documentation has been provided regarding the medical expenses. Denied as the participant failed to demonstrate or document how his financial situation could be considered unforeseen or	Denied September 12, 2007

DATE SUBMITTED BY GWS	FINANCIAL HARDSHIP EMERGENCY WITHDRAWAL REQUEST SITUATION	ETF DECISION AND DATE
September 11, 2007	<p>unbudgetable per the IRS code requirement.</p> <p>The participant requested an emergency withdrawal because the participant is on an unpaid and unplanned medical leave due to surgery and has no accrued vacation or sick leave time or other income. Approved the emergency release of funds as this situation was unforeseen, unbudgetable and beyond the participant's control.</p>	Approved September 13, 2007
September 19, 2007	<p>The participant requested an emergency withdrawal for loss of income. The participant's spouse has been incarcerated since October 2006 and as a result he has not been contributing any financial support to the household. As a result of the lost income, the participant has fallen behind on expenses and is experiencing financial hardship. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.</p>	Approved September 24, 2007
September 19, 2007	<p>The participant requested an emergency withdrawal for loss of income. The participant is going through a divorce. The spouse left the household in December 2006 and as a result he has not been contributing any financial support. As a result of the lost income, the participant has fallen behind on expenses and is experiencing financial hardship. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.</p>	Approved September 25, 2007
September 24, 2007	<p>The participant requested an emergency withdrawal to keep her primary residence out of foreclosure. This is the second request this year; the first request for foreclosure expenses was received and approved in February 2007. Despite the earlier release, the household continues to experience financial difficulties, resulting in missed mortgage payments. The mortgage company has begun foreclosure proceedings. Approved the emergency release of funds as this situation is beyond the participant's control.</p>	Approved September 26, 2007
September 27, 2007	<p>The participant requested an emergency withdrawal for loss of income. The participant's spouse left the household and as a result he has not been contributing any financial support. They are likely going to be going through a divorce. As a result of the lost income, the participant has fallen behind on expenses and is experiencing financial hardship, including a foreclosure on her primary residence by the mortgage company. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.</p>	Approved October 1, 2007
October 15, 2007	<p>The participant requested an emergency withdrawal to pay for medical treatment for a minor child living outside of the United States. Treatment will not be provided without pre-payment. Absolutely no documentation has been provided regarding the child and anticipated medical expenses. Denied as the participant failed to demonstrate or document how this financial situation could be considered unforeseen or unbudgetable per the IRS code requirement.</p>	Denied October 15, 2007
<p>October 17, 2007</p> <p>Second request October 24, 2007</p>	<p>The participant requested an emergency withdrawal for unplanned medical expenses and to keep her primary residence out of foreclosure. The household is experiencing financial difficulties, resulting in missed mortgage payments and delinquency notices.</p>	<p>Partial approval October 22, 2007</p> <p>Additional approval</p>

DATE SUBMITTED BY GWRS	FINANCIAL HARDSHIP EMERGENCY WITHDRAWAL REQUEST SITUATION	ETF DECISION AND DATE
	However, the mortgage company has not yet begun foreclosure proceedings; the participant did not provide a right to cure demonstrating imminent foreclosure. Approved the emergency release of funds for medical expenses, including those submitted a week after the original request, as this situation was unplanned and beyond the participant's control.	October 29, 2007
Second Request October 22, 2007	The participant requested and was granted an emergency withdrawal to pay for unforeseen legal expenses related to defending the participant's minor child against felony charges in December 2006. Additional legal bills for continued defense of the minor were incurred in 2007 and due in October 2007. The participant has no other resources to pay this bill. Approved as the participant documented how this situation was unforeseen and unbudgetable and beyond control per the IRS code requirement.	Approved October 24, 2007
October 23, 2007	The participant requested an emergency withdrawal because the participant was required to pay for her mother's funeral expenses. The participant has no other resources to pay for the funeral. Approved the emergency release of funds as this situation was unforeseen, unbudgetable and beyond the participant's control.	Approved October 29, 2007
October 24, 2007	The participant requested an emergency withdrawal to pay rent on his primary residence. The household is experiencing financial difficulties and is behind on multiple bills, resulting in missed rent payments. The participant has received a 5-day notice to pay rent or quit. Approved the emergency release of funds as this situation is beyond the participant's control.	Approved October 29, 2007
October 24, 2007	The participant requested an emergency withdrawal for environmental damages to his garage and dental expenses beyond what insurance will pay. Both the participant and a dependent child are in need of dental work. The household is struggling and cannot pay the insurance deductible for the garage or the dental fees. Approved the emergency release of funds as this situation was unforeseen, unplanned, unbudgeted and beyond the participant's control.	Approved October 29, 2007

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN
AND TRUST
Madison, Wisconsin**

**FINANCIAL STATEMENTS
December 31, 2006 and November 30, 2005**

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Independent Auditor's Report

State of Wisconsin Deferred
Compensation Board

We have audited the accompanying statements of net assets available for plan benefits of the State of Wisconsin Public Employees Deferred Compensation Plan and Trust (the Plan), as of December 31, 2006 and November 30, 2005 and the related statements of changes in net assets available for plan benefits for the thirteen-month and eleven-month periods then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits as of December 31, 2006 and November 30, 2005 and the changes in net assets available for plan benefits for the thirteen-month and eleven-month periods then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Baltimore, Maryland
October 22, 2007

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2006**

This discussion and analysis of the Wisconsin Public Employees Deferred Compensation Plan and Trust (the Plan) financial performance provides an overview of the Plan's financial activities for the thirteen-month period ended December 31, 2006 and the eleven-month period ended November 30, 2005. It is presented as required supplemental information to the financial statements.

Financial Highlights

- Net assets available for plan benefits increased by approximately \$290.7 million during the thirteen month period ended December 31, 2006 from \$1.75 billion at November 30, 2005 to \$2.04 billion at December 31, 2006. Net assets available for plan benefits increased approximately \$186.4 million during the prior period from \$1.56 billion at December 31, 2004 to \$1.75 billion at November 30, 2005.
- Mutual fund investment income increased from a \$106.5 million gain for the eleven month period ended November 30, 2005 to a \$186 million gain for the thirteen month period ended December 31, 2006 due to more favorable market conditions. Mutual fund investment income decreased from a \$132.1 million gain for the year ended December 31, 2004 to \$106.5 million gain for the eleven month period ended November 30, 2005. The decrease was attributable to less favorable market conditions in 2005 as compared to 2004 for the equity assets held by the plan.
- Employee contributions increased from \$115.4 million for the eleven month period ended November 30, 2005 to \$142.1 million for the thirteen month period ended December 31, 2006. This increase was primarily due to the difference between the thirteen and eleven month periods. Employee contributions decreased from \$118.5 million for the year ended December 31, 2004 to \$115.4 million for the eleven month period ended November 30, 2005. The decrease was primarily due to the time period differences between the periods.
- Distributions to participants increased from \$67.6 million for the eleven month period ended November 30, 2005 to \$73 million for the thirteen month period ended December 31, 2006. Distributions to participants increased from \$64.2 million for the year ended December 31, 2004 to \$67.6 million for the eleven month period ended November 30, 2005. These increases are primarily due to an increase in the number of retirees.

Overview of the Financial Statements

This financial report consists of the Statements of Net Assets Available for Plan Benefits and the Statements of Changes in Net Assets Available for Plan Benefits. These statements provide information about the financial position and activities of the Plan as a whole. These amounts are included in the Statement of Fiduciary Net Assets on the State of Wisconsin's financial statements.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2006**

The Plan's net assets available for plan benefits increased during the thirteen-month period ended December 31, 2006 by \$290,705,475 from \$1,749,387,298 to \$2,040,092,773. The Plan's net assets available for plan benefits increased during the eleven-month period ended November 30, 2005 by \$186,403,878 from \$1,562,983,420 to \$1,749,387,298. These increases relate to generally favorable market conditions and contributions from participants partially offset by distributions to participants. The analysis below focuses on Net Assets available for Plan Benefits (Table 1) and Changes in Net Assets Available for Plan Benefits (Table 2).

**Table 1
Net Assets Available for Plan Benefits**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Investments	\$ 2,041,165,878	\$ 1,750,612,700	\$ 1,564,082,815
Receivables	<u>785,611</u>	<u>458,657</u>	<u>430,845</u>
Total assets	2,041,951,489	1,751,071,357	1,564,513,660
Administration fees payable	<u>1,858,716</u>	<u>1,684,059</u>	<u>1,530,240</u>
Net assets available for plan benefits	<u>\$ 2,040,092,773</u>	<u>\$ 1,749,387,298</u>	<u>\$ 1,562,983,420</u>

**Table 2
Changes in Net Assets Available for Plan Benefits**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
ADDITIONS TO NET ASSETS			
ATTRIBUTED TO			
Employee contributions	\$ 142,166,202	\$ 115,390,941	\$ 118,465,646
Transfers-in from other plans	6,392,134	14,786,382	14,260,287
Interest income	22,057,281	14,276,991	12,504,973
Investment income:			
Mutual fund investment income	186,469,101	106,472,373	132,084,062
Change in value of self-directed option	<u>8,891,067</u>	<u>4,831,776</u>	<u>5,244,468</u>
Total additions	<u>365,975,785</u>	<u>255,758,463</u>	<u>282,559,436</u>
DEDUCTIONS FROM NET ASSETS			
ATTRIBUTED TO			
Distributions to participants	73,039,324	67,578,586	64,178,339
Administrative expenses	1,771,177	1,362,729	1,347,509
Change in value of group annuity policy	<u>459,809</u>	<u>413,270</u>	<u>562,391</u>
Total deductions	<u>75,270,310</u>	<u>69,354,585</u>	<u>66,088,239</u>
NET INCREASE	<u>\$ 290,705,475</u>	<u>\$ 186,403,878</u>	<u>\$ 216,471,197</u>

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2006**

Financial Contact

The Plan's financial statements are designed to present users with a general overview of the Plan's finances and to demonstrate the trustee's accountability. If you have questions about the report or need additional financial information, contact the Deferred Compensation Director for the Department of Employee Trust Funds at P.O. Box 7931, Madison, Wisconsin 53707-7931.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
December 31, 2006 and November 30, 2005**

	2006	2005
ASSETS		
INVESTMENTS	\$ 2,041,165,878	\$ 1,750,612,700
RECEIVABLE - CONTRIBUTIONS	785,611	458,657
TOTAL ASSETS	2,041,951,489	1,751,071,357
LIABILITIES		
ADMINISTRATIVE EXPENSES PAYABLE	1,858,716	1,684,059
NET ASSETS AVAILABLE FOR PLAN BENEFITS	\$ 2,040,092,773	\$ 1,749,387,298

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to financial statements

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
Thirteen-Month Period Ended December 31, 2006 and Eleven-Month Period Ended November 30, 2005**

	2006	2005
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Employee contributions	\$ 142,166,202	\$ 115,390,941
Transfers-in from other plans	6,392,134	14,786,382
Interest income	22,057,281	14,276,991
Investment income:		
Mutual fund investment income	186,469,101	106,472,373
Change in value of self-directed option	8,891,067	4,831,776
Total additions	365,975,785	255,758,463
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Distributions to participants	73,039,324	67,578,586
Administrative expenses	1,771,177	1,362,729
Change in value of group annuity policy	459,809	413,270
Total deductions	75,270,310	69,354,585
NET INCREASE	290,705,475	186,403,878
NET ASSETS AVAILABLE FOR PLAN BENEFITS, BEGINNING OF PERIOD	1,749,387,298	1,562,983,420
NET ASSETS AVAILABLE FOR PLAN BENEFITS, END OF PERIOD	\$ 2,040,092,773	\$ 1,749,387,298

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to financial statements

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2006 and November 30, 2005**

GENERAL

The State of Wisconsin Public Employees Deferred Compensation Plan and Trust (the Plan) was established in 1981 pursuant to Wisconsin State Statute Section 40.80. In accordance with Section 457 of the Internal Revenue Code (IRC), the Plan limits the amount of an employee's annual contributions to an amount not to exceed the lesser of \$15,000 in 2006 (\$14,000 in 2005) or 100% of the employee's includable compensation. The Plan also provides certain catch-up contribution provisions for participants age 50 or older and for participants within three years of their normal retirement age. Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. The Plan allows the employer to make contributions to the Plan on behalf of employees. No such contributions were made in 2006 or 2005.

Under the Plan provisions, employees of the State of Wisconsin and municipalities in Wisconsin (employer) that elect to participate are eligible to contribute to the Plan through payroll deductions. As of December 31, 2006 and November 30, 2005, approximately 79% and 73% of the Plan assets were applicable to State employees and the remaining 21% and 27% represent the assets of other Wisconsin municipalities participating in the Plan.

Under provisions of the Small Business Job Protection Act of 1996 (SBJPA), which became effective for plan years beginning after December 31, 1996, assets of IRC Section 457 plans must be held in a trust, custodial account, or annuity contract for the exclusive benefit of employees and beneficiaries by January 1, 1999. In March 2006, Wisconsin Act 150 was signed into law, creating Code Section s.40.80 (2)(g) of the Wisconsin Statutes. Section s.40.80 (2)(g) incorporates requirements of the federal tax code by establishing the Wisconsin Deferred Compensation (WDC) Program as a trust. Furthermore, it established Deferred Compensation Board members as trustees with fiduciary responsibilities.

The Plan is governed by the Wisconsin Deferred Compensation Board (the Board) and is administered by a third party. The Board is also the trustee of the Plan.

Employees electing to participate in the Plan may contribute or exchange to any of the following investment options:

- Fixed earnings investment of the Stable Value option managed by Galliard Capital Management, Inc.
- Variable earnings investments consisting of various mutual funds.
- Self-directed option – Personal Choice Retirement Accounts (PCRA) offered by Charles Schwab & Co., Inc. Participants may exchange funds accumulated in the core options of the Plan to a PCRA account, which provides approximately 3,000 additional mutual fund offerings other than the Plan's core options.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2006 and November 30, 2005**

Employees may withdraw the value of the funds contributed to the Plan upon termination of employment with the employer, retirement, death, or financial hardship. Employees, or their beneficiaries, may select various payout options which include lump sum or periodic payments.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and present the net assets available for plan benefits and the net changes in those assets.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

CONTRIBUTIONS AND CONTRIBUTIONS RECEIVABLE

Employee contributions are recognized when such amounts are withheld. Contributions receivable represent amounts withheld from employees but not yet received or remitted to the investment carriers at fiscal year-end.

INVESTMENT VALUATION

Fixed earnings investment values represent contributions received plus interest income earned to date less applicable charges and amounts withdrawn.

Variable earnings investments (mutual funds), including personal choice retirement accounts, are presented at fair values based on published quotations. All purchases and sales are recorded on a trade-date basis.

Assets held for annuity payout reserves and allocated insurance contracts are actuarially valued as reported by Great-West Life Annuity Insurance Company (Great-West Life).

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of investments and contributions receivable approximates their fair value.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 2006 and November 30, 2005**

DISTRIBUTIONS

Distributions are recorded at the time withdrawals are made from participant accounts.

MUTUAL FUND INVESTMENT INCOME

Mutual fund investment income consists of dividend income and realized and unrealized gains and losses attributed to the mutual funds.

INTEREST INCOME

During 2006, the Stable Value option paid interest ranging from 5.10% to 5.27% (ranging from 4.90% to 5.15% during 2005). At December 31, 2006 and November 30, 2005, the actual crediting rate was 5.23% and 5.08%, respectively.

Interest income is recorded as earned on the accrual basis.

PARTICIPANTS ACCOUNTS

Earnings are credited to individual participants' accounts based upon the investment performance of each specific option selected.

TRANSFERS-IN

Transfers-in represent the transfer of asset balances for employees who transferred assets from other eligible Plans.

RELATED PARTY TRANSACTIONS

Certain members of the Deferred Compensation Board, Wisconsin Retirement Board, Teachers Retirement Board and Employee Trust Funds Board are participating or retired members of the Plan.

This information is an integral part of the
accompanying financial statements.

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and November 30, 2005**

NOTE 1 – INVESTMENTS

Investments held in the name of the Plan at December 31, 2006 and November 30, 2005 were as follows. Investments marked with an asterisk (*) represent individual investment options, which exceed 5% of net assets available for plan benefits as of December 31, 2006 and November 30, 2005, respectively.

	Fair and Carrying Value	
	2006	2005
Fixed earnings investment:		
Stable Value	\$ 355,706,616 *	\$ 321,225,236 *
M&I Bank of Southern Wisconsin	41,371,121	29,822,935
Variable earnings investments:		
Fidelity Contrafund	367,770,811 *	325,940,647 *
Vanguard Wellington Fund Admiral Shares	232,722,516 *	197,791,514 *
Vanguard Institutional Index Fund Plus Shares - Institutional Plus Shares	230,711,432 *	211,566,150 *
T. Rowe Price Mid-Cap Growth Fund	186,598,294 *	171,131,090 *
DFA US Micro Cap Fund	155,216,553 *	134,034,560 *
Euro - Pacific Growth Fund - Class W	89,737,154	44,120,195
Vanguard Long-Term Investment Grade Fund Admiral Shares	64,363,521	62,147,910
Vanguard Admiral Treasury Money Market Fund - Admiral Shares	62,171,285	31,463,388
BGI Mid Cap Equity Index Fund - Class W	57,156,421	50,283,849
BGI EAFE Equity Index Fund - Class W	45,513,422	27,959,768
BGI Russell 2000 Index Collective T	18,623,915	-
Federated U.S. Government Securities Fund - 2-5 Institutional Shares	18,310,389	17,296,149
Calvert Social Investment Fund - Equity Portfolio - Class I	15,516,574	13,634,757
Vanguard Target Retirement 2015 Fund	15,069,018	4,882,238
BGI U.S. Debt Index Fund - Class W	12,175,932	9,389,582
Vanguard Target Retirement 2025 Fund	10,036,527	2,568,739
Vanguard Target Retirement 2035 Fund	6,644,840	1,135,432
Vanguard Target Retirement 2045 Fund	4,244,755	513,240
Vanguard Target Retirement Income Fund	3,840,229	1,810,016
BGI Small Cap Index Fund - Class W	-	12,186,440
Janus Fund	-	22,797,757
T. Rowe Price International Stock Fund	-	17,301,201
Self-directed option:		
Personal Choice Retirement Accounts - Charles Schwab	43,458,924	34,567,858
Group Annuity Policy:		
Great West Life	4,205,629	4,665,338
Other:		
US Bank	-	376,711
Total investments	\$ 2,041,165,878	\$ 1,750,612,700

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and November 30, 2005**

NOTE 1 – INVESTMENTS (CONTINUED)

At December 31, 2006, \$71 of the fixed earnings investments on deposit at Vanguard Admiral Treasury Money Market and \$1,858,645 of the Stable Value option fixed earnings investment was payable to the Board for Plan administration costs. At November 30, 2005, \$376,711 of the fixed earnings investment on deposit at US Bank and \$1,307,348 of the Stable Value option fixed earnings investment were payable to the Board for Plan administration costs.

The fixed earnings investments with M&I Bank of Southern Wisconsin are insured with the Federal Deposit Insurance Corporation up to \$250,000 per participant. Eighty-one accounts of individual participants held more than \$250,000 at December 31, 2006.

An agreement was reached between the Board and Great-West Life on April 27, 1994, whereby the Plan purchased a single premium group annuity policy on May 1, 1994 for \$12,946,917 (the balance in the annuity payout reserve at the time of purchase). Under the terms of the policy, Great-West Life assumed the contractual liability for the remaining annuity terms and amounts and assumed all risk related to market fluctuation. The actuarial value of the group annuity contracts, as determined by Great-West Life, was \$4,205,629 and \$4,665,338 at December 31, 2006 and November 30, 2005, respectively.

The plan conforms to the reporting requirements of Governmental Accounting Standards Board Statement No. 40. As of December 31, 2006 the Plan had the following investments and maturities in its fixed earnings investments and 9 of its mutual funds, which include investments in bonds.

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Fixed earnings investment:		
Stable Value	\$ 355,706,616	3.80
Variable earnings investments:		
Vanguard Wellington Fund Admiral Shares	232,722,516	7.00
Vanguard Long-Term Investment Grade Fund Admiral Shares	64,363,521	21.90
Federated U.S. Government Securities Fund:		
2-5 Institutional Shares	18,310,389	4.10
Vanguard Target Retirement 2015 Fund	15,069,018	7.10
BGI U.S. Debt Index Fund – Class W	12,175,932	6.92
Vanguard Target Retirement 2025 Fund	10,036,527	7.10
Vanguard Target Retirement 2035 Fund	6,644,840	7.10
Vanguard Target Retirement 2045 Fund	4,244,755	7.10
Vanguard Target Retirement Income Fund	3,840,229	7.90

**STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and November 30, 2005**

NOTE 2 – PLAN ADMINISTRATION

Effective December 1, 2005, the Plan contracted with a new third party administrator, Great West Retirement Services (GWRS). The transfer agreement between the State of Wisconsin Deferred Compensation Board and Nationwide Retirement Solutions provided for plan assets to be transferred to GWRS beginning December 1, 2005.

The Plan receives periodic recordkeeping fee payments from certain investment companies. Such fees are paid to the Board to support Board costs, which include the contractual fee paid to the third party administrator, Great-West Life Annuity Insurance Company (Great-West Life).

Each participant in the Plan is charged a fee based upon their account balance and a tiered dollar charge ranging from \$6.00 to \$120.00 annually, assessed monthly. Fees assessed in excess of the Plan administrative expenses as of December 31, 2006 and November 30, 2005 were \$1,858,716 and \$1,684,059, respectively. At the Board's discretion, these excess fees are invested and available to defray future administrative expenses and participant fee increases.

NOTE 3 – TAX STATUS

The Plan is reviewed by legal counsel to ensure conformity with Section 457 of the IRC. Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts so deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or otherwise made available to the participant or other beneficiary.

NOTE 4 – CONTINGENCIES

The Plan is subject to various threatened and pending claims. It is the opinion of management that the ultimate liability arising from such threatened and pending claims will not have a material effect on the financial position of the Plan. The Plan is exposed to various other liabilities and risks related to the fiduciary responsibility of directors and officers.

NOTE 5 – RISK AND UNCERTAINTIES

The Plan, as directed by participants, may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities may occur in the near term and that such change could materially affect the amounts reported in the Statements of Net Assets Available for Plan Benefits.

This information is an integral part of the
accompanying financial statements.

Wisconsin Deferred Compensation Board
and Management
State of Wisconsin
Department of Employee Trust Funds
Madison, Wisconsin

In planning and performing our audit of the financial statements of the State of Wisconsin Deferred Compensation Plan and Trust (Plan) as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Significant Deficiency

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles (GAAP) such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

FINANCIAL REPORTING

Current auditing standards define the following areas as minimum requirements for controls over financial reporting:

- Personnel should have sufficient expertise in the selection and application of accounting principles that are in conformity with GAAP.
- Controls must be maintained over the financial reporting process, including procedures for entering transaction totals into the general ledger; initiating, authorizing, recording and processing journal entries into the general ledger; and recording recurring and nonrecurring adjustments to the financial statements.

The Plan employs Great West Retirement Solutions (GWRS) as the administrator of the Plan. GWRS does not maintain an adequate set of financial records for the Plan. All transactions are recorded on various schedules; however, such transactions are not summarized in a general ledger, nor are all transactions recorded on the books. Such a system does not permit the preparation of accurate and reliable financial statements. The importance of a good accounting system cannot be overemphasized. Without adequate financial records, management could be basing decisions on incomplete and/or inaccurate information during the year, and excessive time is spent at year-end in preparing and auditing the financial statements.

Reliance on the auditor to provide missing disclosures, record adjustments and ultimately prepare the financial statements is not an acceptable control. Even if the Plan utilizes and engages GWRS to prepare its financial statements, management and the Plan's Board needs to have controls in place to monitor the preparation of financial statements.

We recommend the Plan's management in conjunction with GWRS staff, develop a set of financial reporting controls whereby transactions are reconciled in a general ledger and financial statements are prepared on at least an annual basis. In addition, the Plan's management and the Board should develop a process to monitor the financial reporting controls of their administrator.

Other Matters

In addition to the significant deficiency discussed above, we noted the following matter which we would like to bring to your attention.

HARDSHIP PROCESSING

During our testing of hardship disbursements we noted the following:

One disbursement processed as a hardship by GWRS was not a hardship, but rather a 'Separation of Service' disbursement. For a second hardship tested, GWRS was unable to provide documentation to support the hardship application and justification for the hardship disbursement.

All hardship disbursements should be supported by the proper documentation to ensure that the Plan complies with the Internal Revenue Code.

This communication is intended solely for the information and use of management, the Plan's Board, others within the organization, and Great West Retirement Solutions and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Baltimore, Maryland
October 22, 2007



October 24, 2007

Deferred Compensation Board
State of Wisconsin Public Employees
Deferred Compensation Plan and Trust
Madison, Wisconsin

The purpose of this letter is to provide you with information about significant matters related to our audit of the financial statements of the State of Wisconsin Public Employees Deferred Compensation Plan and Trust (the Plan) for the thirteen month period ended December 31, 2006 in order to assist you with your oversight responsibilities of the financial reporting process, and so that we may comply with our professional responsibilities to the Members of the Deferred Compensation Board. This letter is intended solely for the information and use of the Members of the Deferred Compensation Board and is not intended to be and should not be used by anyone other than this specified party.

Auditor's Responsibility Under Generally Accepted Auditing Standards. Our audit of the financial statements of the State of Wisconsin Public Employees Deferred Compensation Plan and Trust for the thirteen month period ended December 31, 2006, was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Reasonable assurance in an audit is obtained by examining evidence supporting the amounts and disclosures in the financial statements on a test basis. An audit does not include verification of all transactions and account balances, nor does it represent a certification of the absolute accuracy of the financial statements.

In testing whether the financial statements are free of material misstatement, we focus more of our attention on items with a higher potential of material misstatement, and less on items that have a remote chance of material misstatement. For this purpose, accounting literature has defined materiality as “the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Although we may make suggestions as to the form and content of the financial statements, or even prepare them in whole or in part, the financial statements remain the representations of management. In an audit, our responsibility with respect to the financial statements is limited to forming an opinion as to whether the financial statements are a fair presentation of the Plan's net assets available for plan benefits and the related changes in plan benefits.

Significant Accounting Policies. There were no significant accounting policies or their application which were either initially selected or changed during the year.

There were no significant, unusual transactions in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates. There were significant accounting estimates of financial data which would be particularly sensitive and require substantial judgments by management. These estimates relate to the investment valuation of the Great-West Life Group Annuity policies which are based on actuarial assumptions.

Significant Audit Adjustments. There were no adjustments arising from the audit that could, in our judgment, either individually or in the aggregate, have a significant effect on the Plan's financial reporting process.

Disagreements With Management. There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters which would be significant to the Plan's financial statements or our report on those financial statements.

Consultations With Other Accountants. We were informed by management that they made no consultations with other accountants on the application of generally accepted accounting principles and generally accepted auditing standards.

Major Issues Discussed With Management Prior to Retention. There were no major issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

Difficulties Encountered in Performing the Audit. We encountered no difficulties in dealing with management related to the performance of our audit.

We will be pleased to respond to any questions you have regarding the foregoing comments.

Clifton Henderson LLP

State of Wisconsin Plan

*Schwab Personal Choice
Retirement Account (PCRA)
Quarterly Report*

As of 6/30/2007

**The Schwab Self-Directed Brokerage Account Quarterly Report
for the State of Wisconsin plan as of 6/30/2007**

Plan Profile Information	
Company Name	State of Wisconsin
Total PCRA Assets	\$49,434,246
Total PCRA Accounts	758
PCRA Accounts Opened this Quarter	32
PCRA Assets In and Out this Quarter*	\$181,956

PCRA Participant Profile Information	
Average PCRA Account Balance	\$65,217

Average Positions (per Account)	
Cash & Equivalents	1.0
Mutual Funds	4.4
Other	0.0
Total	5.4

Average Trades (per Account)	
Mutual Funds	1.7
Other	0.0
Total	1.7

Top 10 Mutual Fund Holdings	Symbols	\$ MF Assets	% MF Assets
Mainstay Icap Select Eq Fd CI	ICSLX	\$1,027,951	2.25%
Julius Baer Intl Equity Fund	BJBIX	\$841,631	1.84%
Fmi Large Cap Fund	FMIHX	\$812,041	1.78%
Artisan Intl Fund	ARTIX	\$682,589	1.49%
Artisan Intl Small Cap Fund	ARTJX	\$651,767	1.42%
Tocqueville Gold Fund	TGLDX	\$563,952	1.23%
Mainstay Icap Intl Fd CI I	ICEUX	\$557,915	1.22%
Pimco All Asset Fund Instit	PAAIX	\$543,589	1.19%
Oakmark Equity Income Fd	OAKBX	\$519,360	1.14%
Hussman Strategic Growth	HSGFX	\$457,917	1.00%

* Assets In and Out includes contributions and distributions

Top 10 Mutual Funds % does not include Money Market Funds

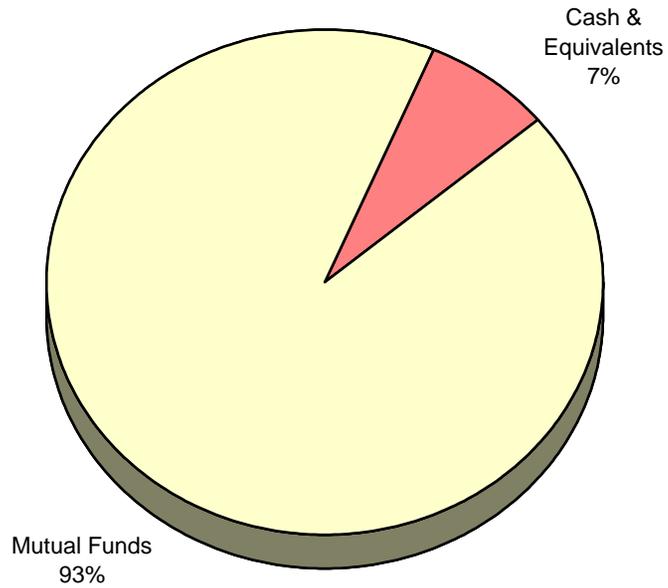
© 2002 Charles Schwab & Co., Inc. Member SIPC/NYSE (0802-10162)

**The Schwab Self-Directed Brokerage Account Quarterly Report
for the State of Wisconsin plan as of 6/30/2007**

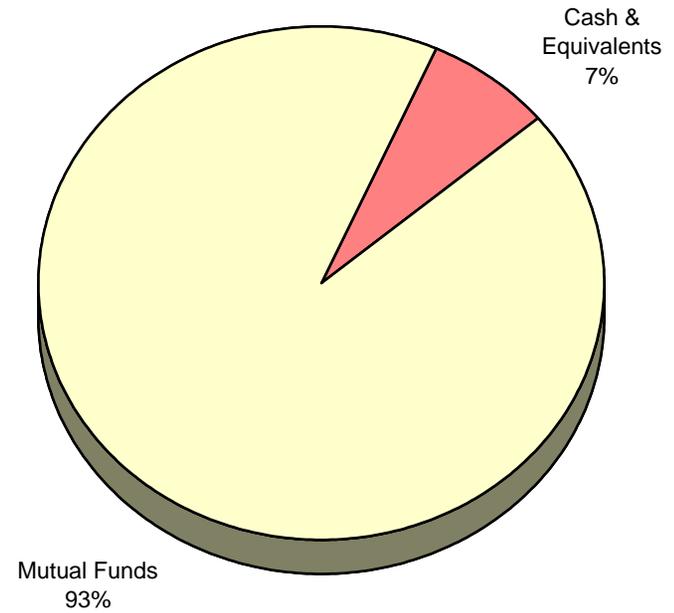
Market Value Allocation - Asset Classes

(Quarter over Quarter)

As of 6/30/2007



As of 3/31/2007

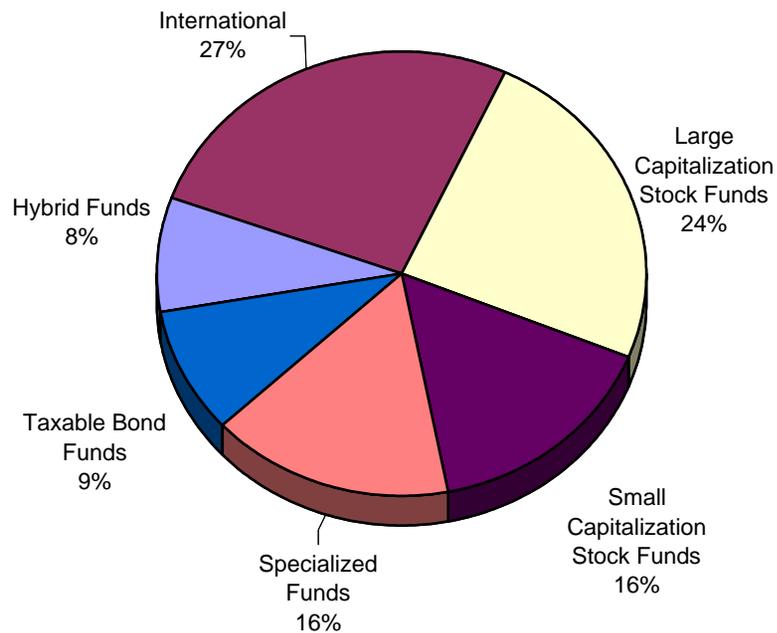


This chart illustrates the percent of PCRA participant assets in each noted asset class as a percentage of total PCRA assets. Percentages are calculated as of month end. Money market mutual funds are classified under Cash & Equivalents.

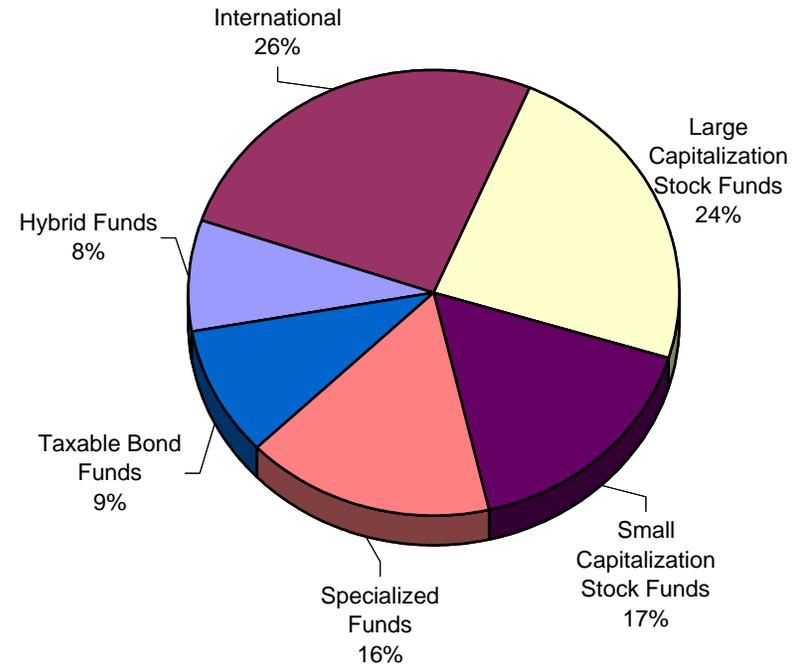
**The Schwab Self-Directed Brokerage Account Quarterly Report
for the State of Wisconsin plan as of 6/30/2007**

Market Value Allocation - Mutual Funds

As of 6/30/2007



As of 3/31/2007

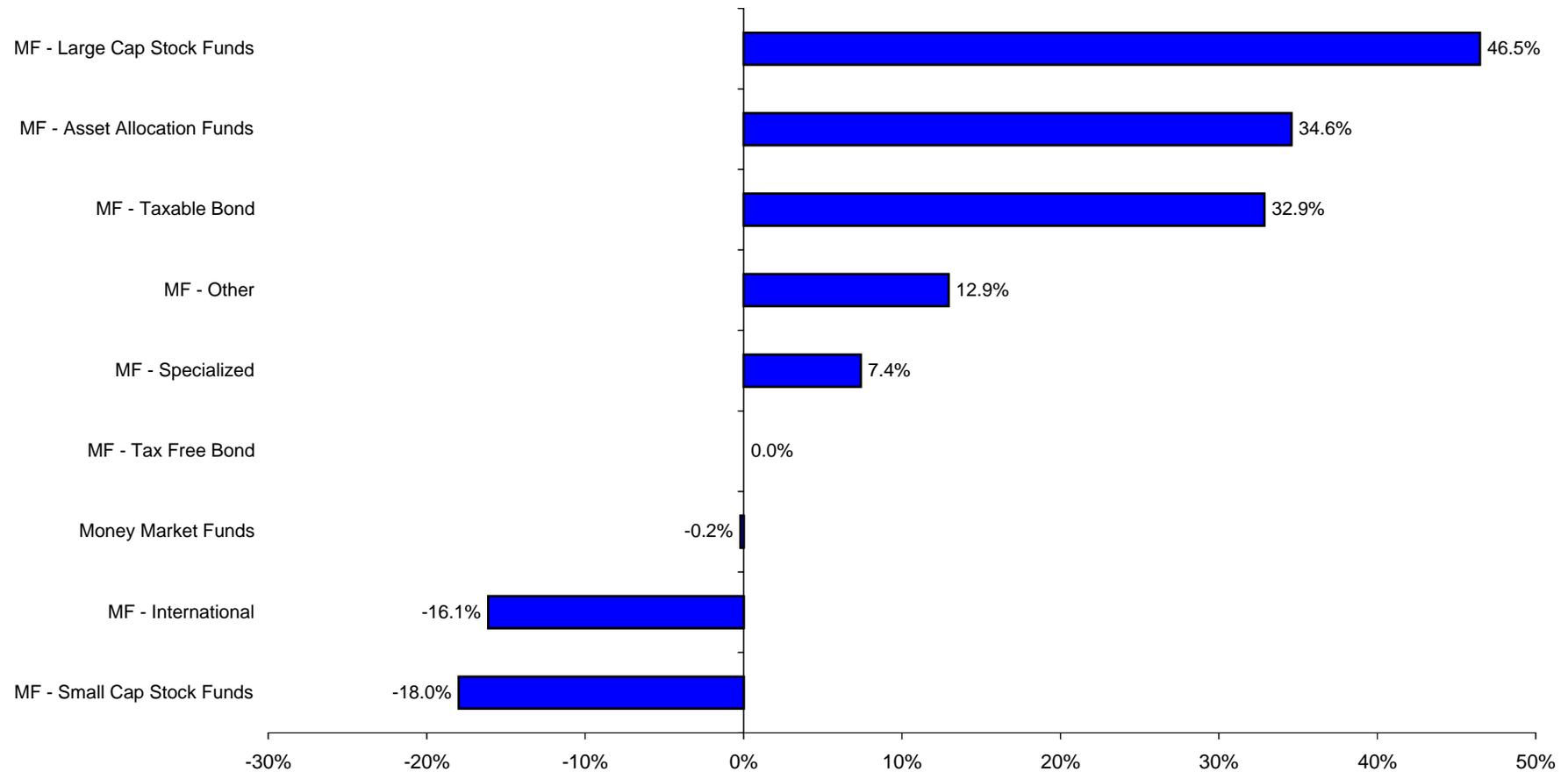


This chart illustrates the percent of PCRA participant assets in each mutual fund category, as classified by Morningstar Inc., as a percentage of total PCRA long-term mutual fund assets. Percentages are calculated as of month end. Small cap funds are subject to greater volatility than those in other asset categories. International investments are subject to additional risks such as currency fluctuation, political instability and the potential for illiquid markets. Since sector funds focus investments on companies involved in a particular sector, the funds may involve a greater degree of risk than an investment in other mutual funds with greater diversification. All data is for informational purposes only.

The Schwab Self-Directed Brokerage Account Quarterly Report for the State of Wisconsin plan as of 6/30/2007

Net Asset Flow - All Investment Categories

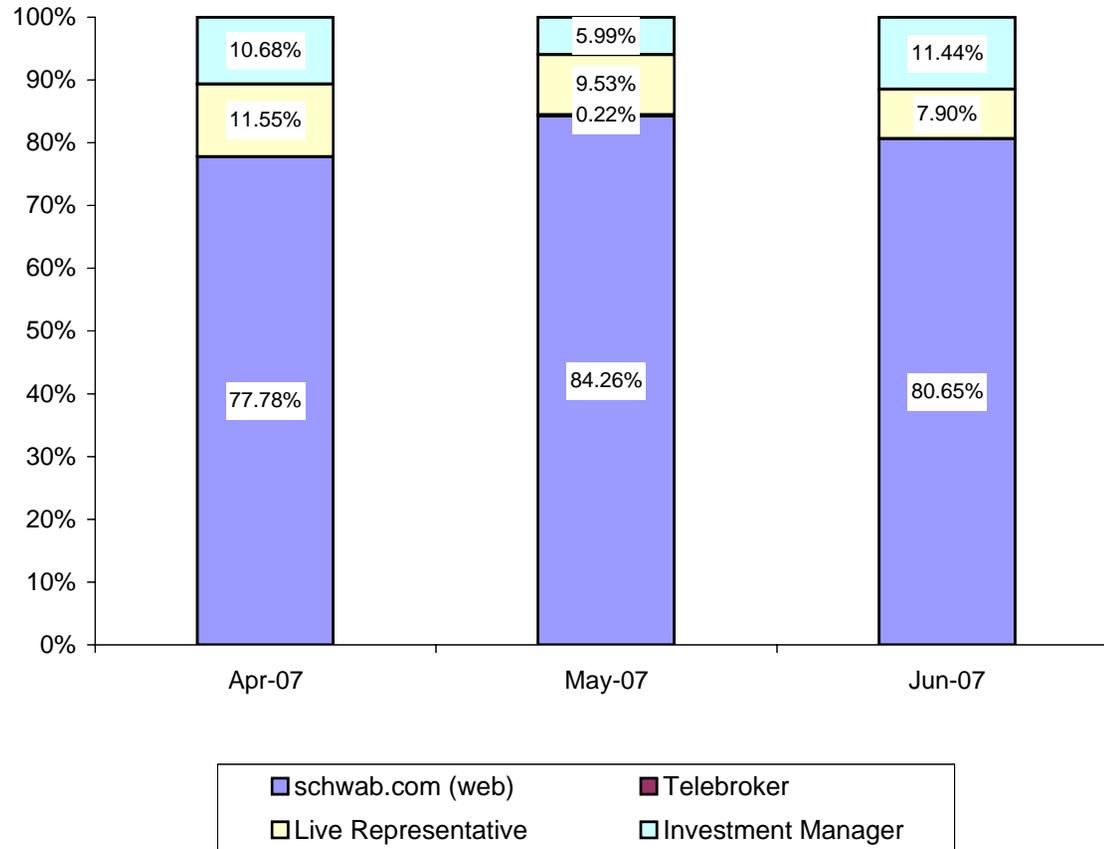
3 month period ending 6/30/2007



This chart illustrates the percent of total net flows within each investment category, as classified by Standard & Poor's and Morningstar Inc., over the last three month period. Net flow percentages are calculated by adding the purchases and sales amounts within each respective investment category and dividing by the total net flows over the period. Data is for informational purposes only.

The Schwab Self-Directed Brokerage Account Quarterly Report for the State of Wisconsin plan as of 6/30/2007

Trading Channel Mix (Month over Month)



This chart illustrates the trading channel participants used to place trade orders over the last three month period. Data is for informational purposes only.

2002 Charles Schwab & Co., Inc. Member SIPC/NYSE (0802-10162)

State of Wisconsin Plan

*Schwab Personal Choice
Retirement Account (PCRA)
Quarterly Report*

As of 9/30/2007

**The Schwab Self-Directed Brokerage Account Quarterly Report
for the State of Wisconsin plan as of 9/30/2007**

Plan Profile Information	
Company Name	State of Wisconsin
Total PCRA Assets	\$52,562,860
Total PCRA Accounts	772
PCRA Accounts Opened this Quarter	17
PCRA Assets In and Out this Quarter*	\$132,537

PCRA Participant Profile Information	
Average PCRA Account Balance	\$68,087

Average Positions (per Account)	
Cash & Equivalents	1.0
Mutual Funds	4.4
Other	0.0
Total	5.4

Average Trades (per Account)	
Mutual Funds	2.2
Other	0.0
Total	2.2

Top 10 Mutual Fund Holdings	Symbols	\$ MF Assets	% MF Assets
Mainstay Icap Select Eq Fd Cl	ICSLX	\$1,016,023	2.13%
Fmi Large Cap Fund	FMIHX	\$837,283	1.75%
Julius Baer Intl Equity	BJBIX	\$826,662	1.73%
Tocqueville Gold Fund	TGLDX	\$736,940	1.54%
Artisan Intl Fund	ARTIX	\$724,940	1.52%
Artisan Intl Small Cap	ARTJX	\$688,606	1.44%
Oakmark Equity Income Fd	OAKBX	\$581,499	1.22%
Mainstay Icap Intl Fd	ICEUX	\$576,534	1.21%
Matthews China Fund	MCHFX	\$515,282	1.08%
Excelsior Value And	UMBIX	\$495,820	1.04%

* Assets In and Out includes contributions and distributions

Top 10 Mutual Funds % does not include Money Market Funds

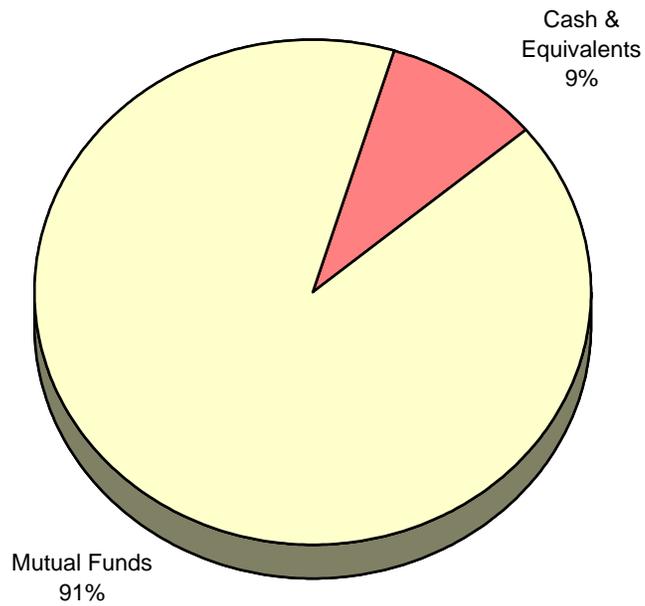
© 2002 Charles Schwab & Co., Inc. Member SIPC/NYSE (0802-10162)

**The Schwab Self-Directed Brokerage Account Quarterly Report
for the State of Wisconsin plan as of 9/30/2007**

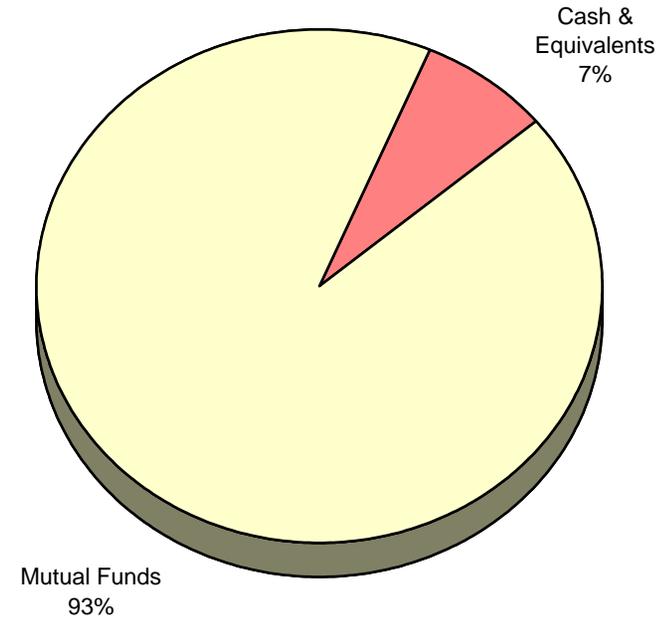
Market Value Allocation - Asset Classes

(Quarter over Quarter)

As of 9/30/2007



As of 6/30/2007

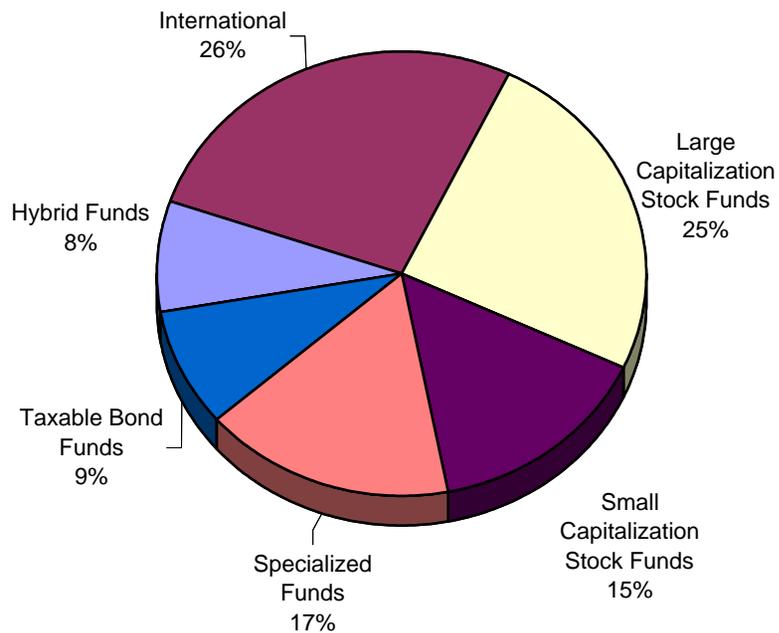


This chart illustrates the percent of PCRA participant assets in each noted asset class as a percentage of total PCRA assets. Percentages are calculated as of month end. Money market mutual funds are classified under Cash & Equivalents.

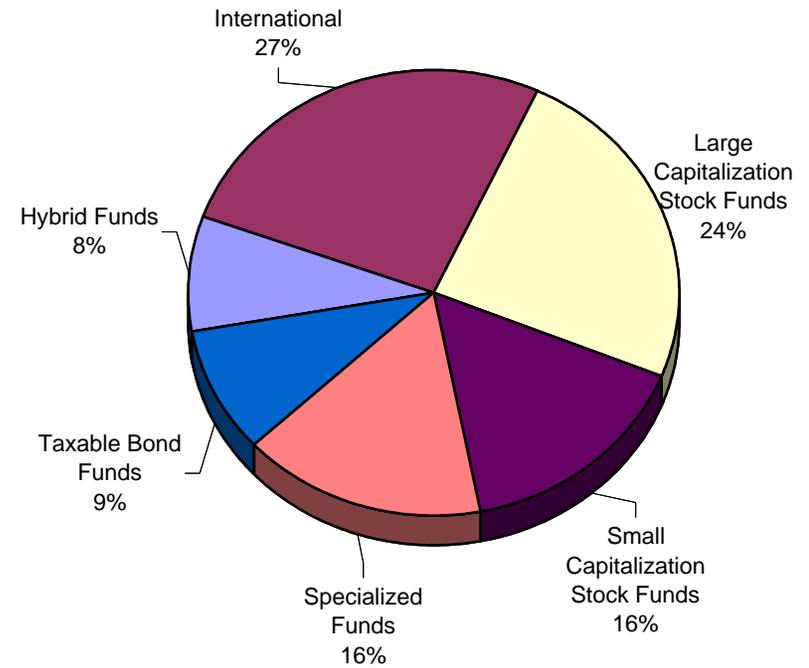
**The Schwab Self-Directed Brokerage Account Quarterly Report
for the State of Wisconsin plan as of 9/30/2007**

Market Value Allocation - Mutual Funds

As of 9/30/2007



As of 6/30/2007

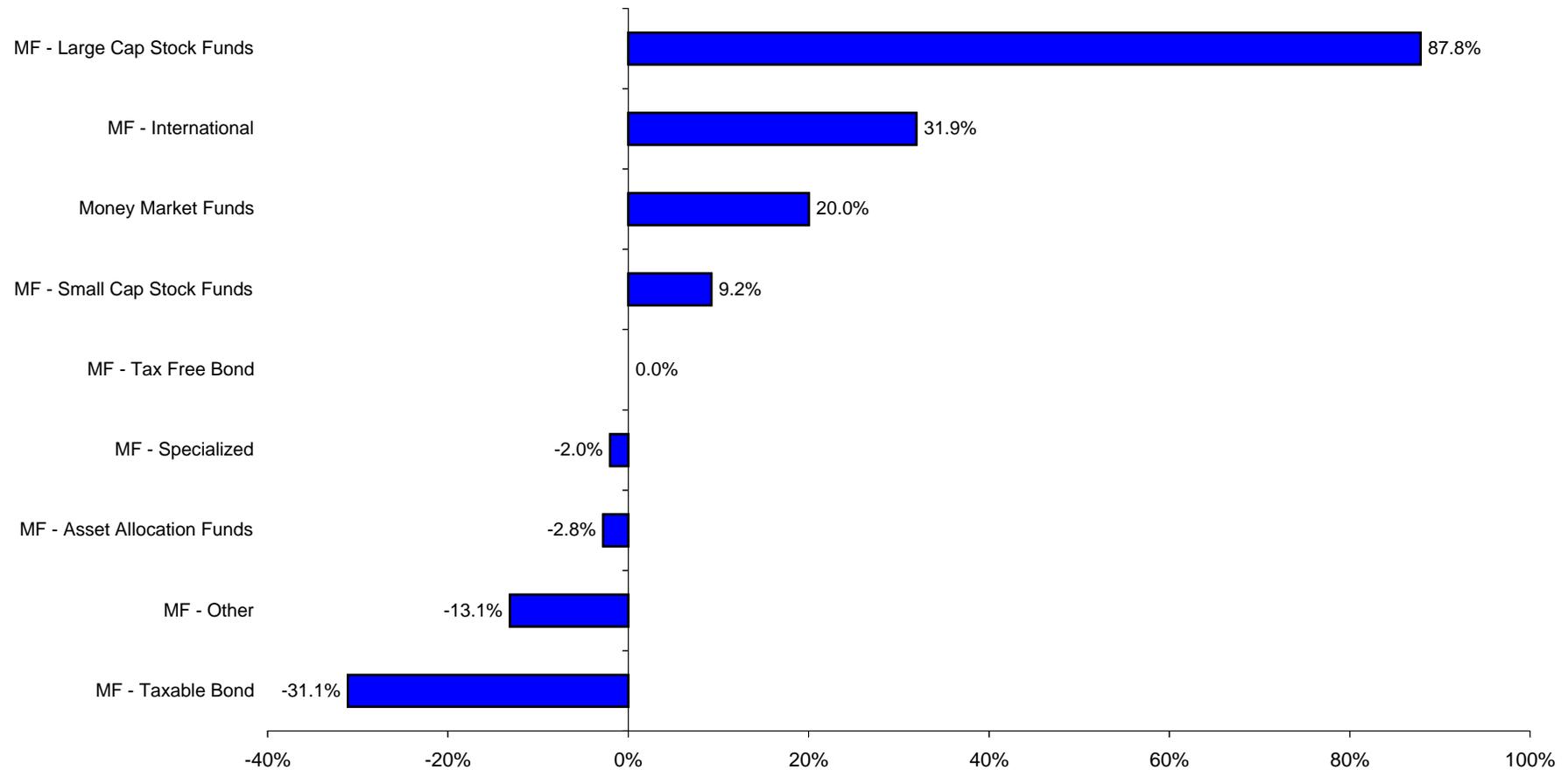


This chart illustrates the percent of PCRA participant assets in each mutual fund category, as classified by Morningstar Inc., as a percentage of total PCRA long-term mutual fund assets. Percentages are calculated as of month end. Small cap funds are subject to greater volatility than those in other asset categories. International investments are subject to additional risks such as currency fluctuation, political instability and the potential for illiquid markets. Since sector funds focus investments on companies involved in a particular sector, the funds may involve a greater degree of risk than an investment in other mutual funds with greater diversification. All data is for informational purposes only.

The Schwab Self-Directed Brokerage Account Quarterly Report for the State of Wisconsin plan as of 9/30/2007

Net Asset Flow - All Investment Categories

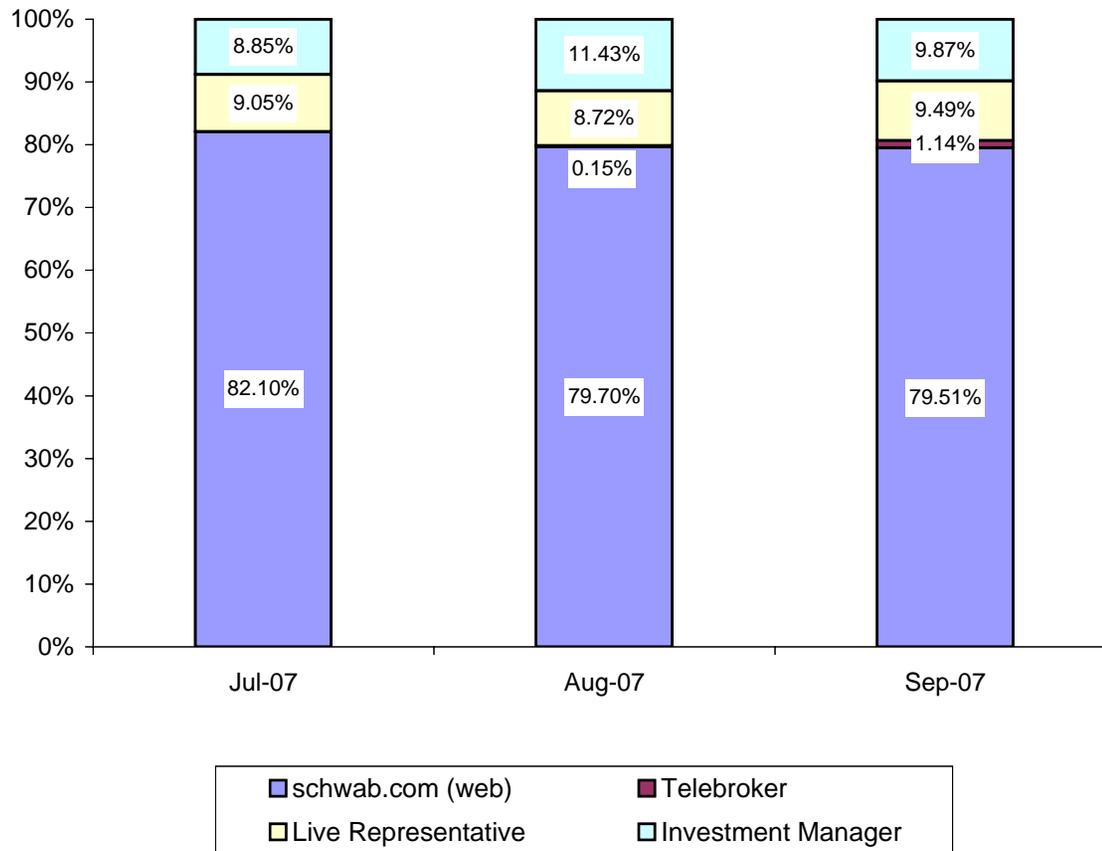
3 month period ending 9/30/2007



This chart illustrates the percent of total net flows within each investment category, as classified by Standard & Poor's and Morningstar Inc., over the last three month period. Net flow percentages are calculated by adding the purchases and sales amounts within each respective investment category and dividing by the total net flows over the period. Data is for informational purposes only.

**The Schwab Self-Directed Brokerage Account Quarterly Report
for the State of Wisconsin plan as of 9/30/2007**

Trading Channel Mix
(Month over Month)



This chart illustrates the trading channel participants used to place trade orders over the last three month period. Data is for informational purposes only.

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Dan Boone to Relinquish Lead Portfolio Management Role to Richard England on Calvert Social Investment Fund Equity Portfolio and Calvert Variable Series, Inc. Social Equity Portfolio

October 22, 2007 –Calvert confirmed today that as part of an orderly succession plan constructed by the sub-advisor to its **Calvert Social Investment Fund Equity Portfolio** and **Calvert Variable Series, Inc. Social Equity Portfolio**, Atlanta Capital Management Company, LLC, lead portfolio manager Daniel W. Boone III will relinquish his portfolio management duties to Richard B. England effective December 31, 2007. Mr. Boone will remain with Atlanta Capital managing high-net-worth portfolios and participating in the firm’s fundamental research process. These changes are in accordance with the succession plan of Atlanta Capital Management established in 2001 to provide for an orderly transition of leadership over a multi-year period.

“With great amount of gratitude and respect, we at Calvert thank Dan Boone for his years of tireless effort and dedication to the Calvert Funds,” said Steve Falci, Calvert’s CIO, Equities. “We continue to have confidence in Richard England, who has been on the Funds’ investment team since 2006, as well as the whole investment team at Atlanta Capital Management who work on the Calvert account.”

“Through a combination of internal promotions and outside recruitments, we have identified and put in place the next generation of leaders who are committed to Atlanta Capital’s high quality philosophy and to the core values that distinguish our firm,” said Mr. Boone. “It is my strong confidence in Richard and the rest of the portfolio management team that allows me to move ahead with a change in my role at the firm and with the Calvert Funds.”

Mr. England, who has been on the Funds’ portfolio management team since July 31, 2006, will be assisted by existing managers William R. Hackney III and Marilyn R. Irvin, along with the firm’s fundamental research analysts. “Strict adherence to our style and investment process is the hallmark of our firm,” said Mr. England. “By combining our research-driven, bottom-up approach to high quality investing with Calvert’s social-investment criteria, investors have access to a high quality, socially responsible growth portfolio that can substantially outperform the broad markets over time.”

With more than 20 years of experience, Mr. England, age 49, joined Atlanta Capital in 2004 from Putnam Investments where he co-managed the Putnam Investors' Fund and the Putnam Health Sciences Trust. He received an MBA with honors from the Wharton School at the University of Pennsylvania and a bachelor's degree from the University of Florida. Mr. England holds the Chartered Financial Analyst designation.

Dan Boone, age 63, joined Atlanta Capital in 1976 as Vice President and Director of Research. Since 1996, he has been a member of the firm's Executive Committee, Co-Chief Investment Officer and a co-leader of the firm's High Quality Large Cap Growth investment team. Mr. Boone continues to maintain a significant personal investment in the Calvert Social Investment Fund Equity Portfolio, and although he will no longer have day-to-day decision-making responsibility, he will continue to provide input and participate in the research process and stock selection.

ABOUT CALVERT

Calvert is one of the nation's largest socially responsible mutual fund firms with \$15 billion in assets under management. Calvert offers forty-one funds that allow individual and institutional investors to pursue a broad range of investment objectives within a single fund family. Calvert launched the Calvert Social Index®, a benchmark for measuring the performance of large, U.S.-based socially responsible companies. In addition to its equity funds, Calvert has an extensive lineup of tax-free and taxable fixed income investments. For more information on Calvert, click on www.calvert.com.

For more information on any Calvert mutual fund, please call Calvert at 800.818.8397 for a free prospectus. An investor should consider the investment objectives, risks, charges, and expenses of an investment carefully before investing. The prospectus contains this and other information. Read it carefully before you invest or send money.

Calvert mutual funds are underwritten and distributed by Calvert Distributors Inc., member FINRA, a subsidiary of Calvert Group, Ltd., a UNIFI Company. (7436#, 10/07)

###END###

Quarterly Report For:
State of Wisconsin
For the Period Ending June 30, 2007



Great-West
RETIREMENT SERVICES™

The Power of PartneringSM



WDC Assets – All Participants

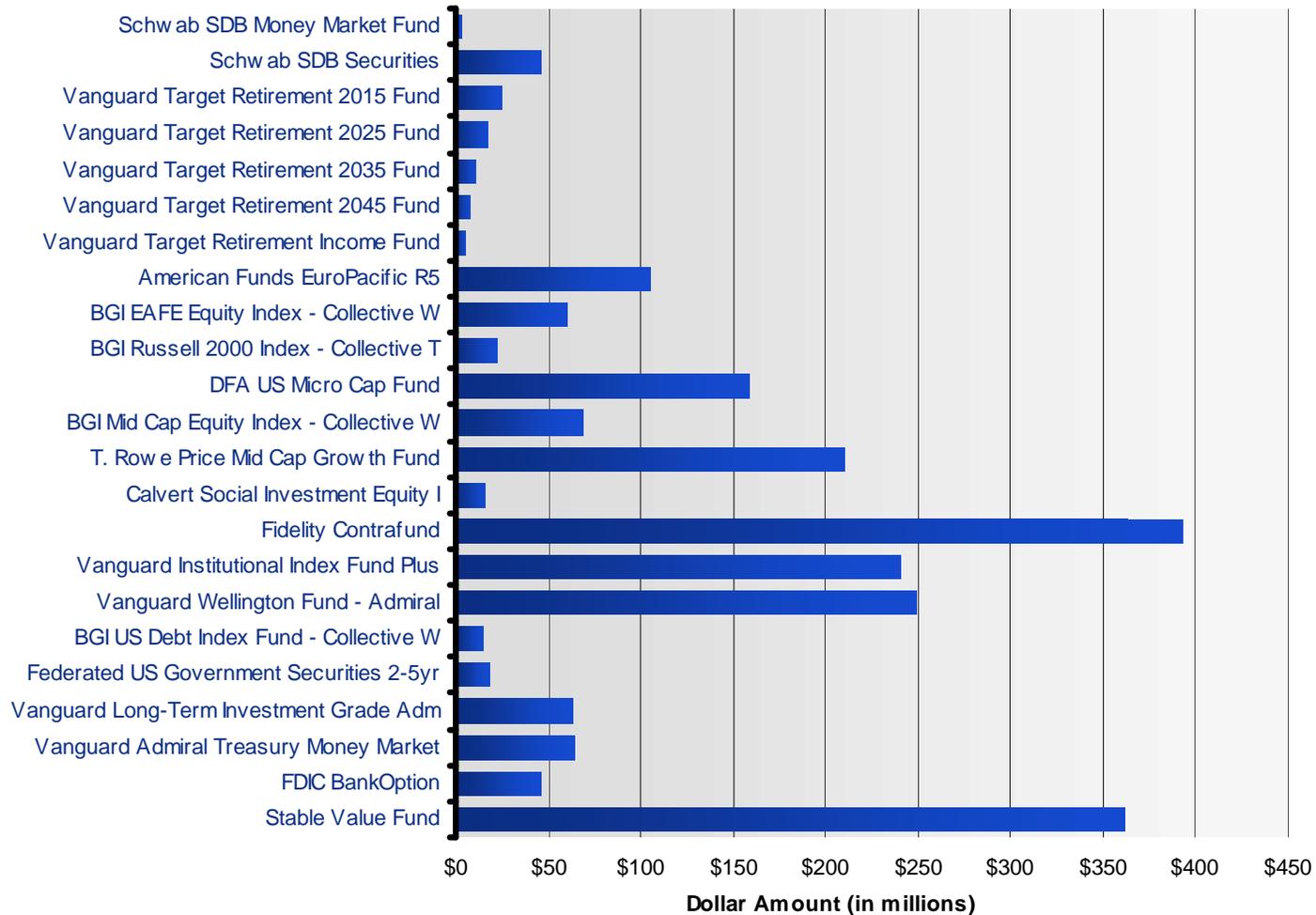


Great-West
RETIREMENT SERVICES

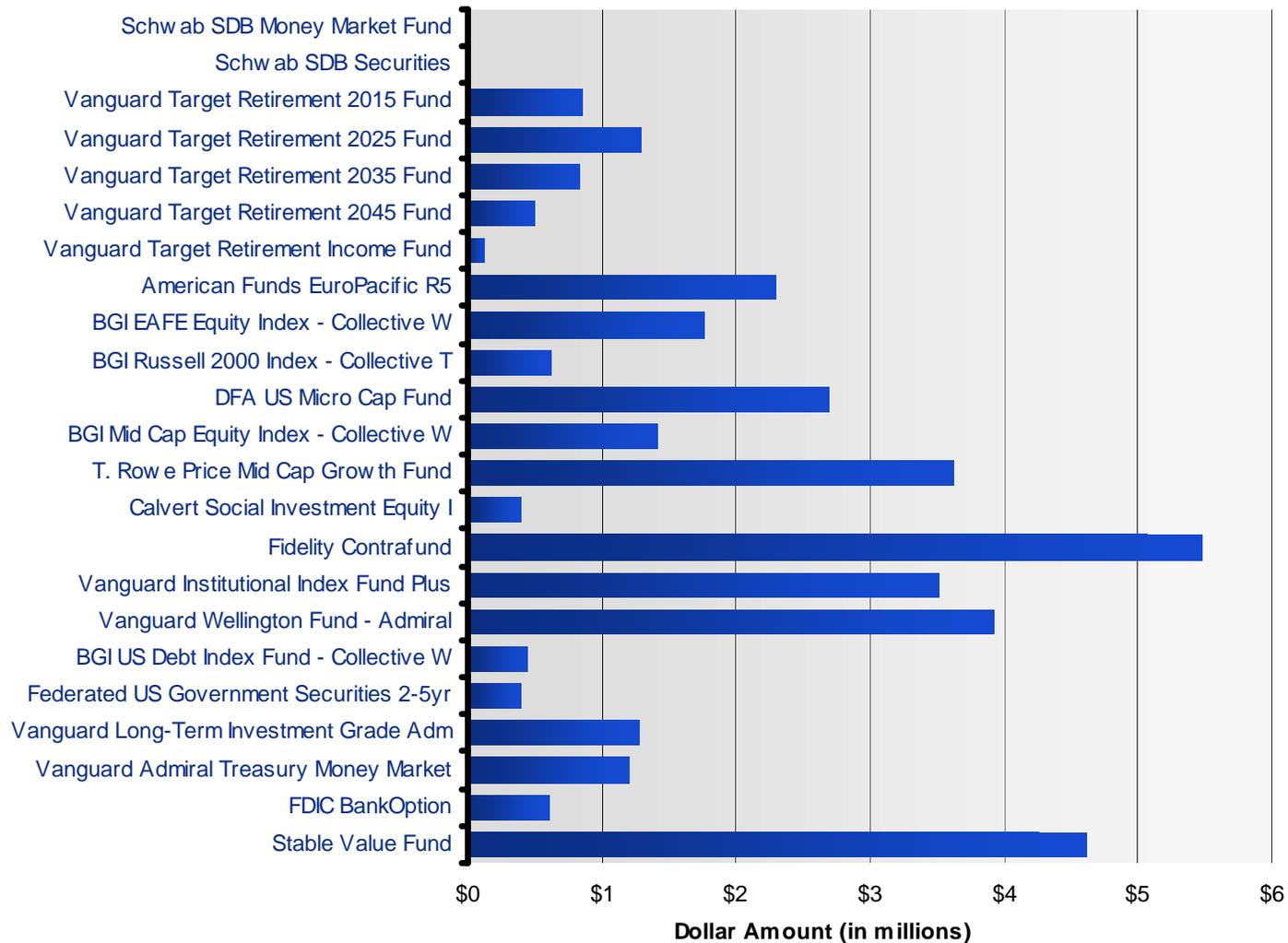
Asset Class/Fund Name	Participants			Plan Assets			
	Date Added	Active	Total	Beginning Balance	Contributions	Change	Ending Balance
Self-Directed							
Schw ab SDB Money Market Fund	February 17, 2000	0	679	\$2,999,890	\$0	\$396,710	\$3,396,599
Schw ab SDB Securities	February 17, 2000	0	724	\$42,906,754	\$0	\$3,235,082	\$46,141,836
		0	1,403	\$45,906,643	\$0	\$3,631,791	\$49,538,435
Fund of Funds							
Vanguard Target Retirement 2015 Fund	November 30, 2005	785	1,064	\$20,115,544	\$857,914	\$4,052,855	\$24,168,399
Vanguard Target Retirement 2025 Fund	November 30, 2005	1,266	1,527	\$13,034,832	\$1,287,950	\$4,527,822	\$17,562,654
Vanguard Target Retirement 2035 Fund	November 30, 2005	1,214	1,408	\$8,785,591	\$841,030	\$2,134,398	\$10,919,989
Vanguard Target Retirement 2045 Fund	November 30, 2005	936	1,135	\$6,072,843	\$504,149	\$1,113,249	\$7,186,092
Vanguard Target Retirement Income Fund	November 30, 2005	158	279	\$4,220,806	\$124,229	\$646,163	\$4,866,969
		4,359	5,413	\$52,229,615	\$3,615,273	\$12,474,487	\$64,704,103
International							
American Funds EuroPacific R5	January 28, 2005	8,565	11,574	\$94,720,018	\$2,297,239	\$10,378,782	\$105,098,800
BGI EAFE Equity Index - Collective W	February 1, 2001	5,682	7,672	\$52,699,440	\$1,760,693	\$7,889,924	\$60,589,364
		14,247	19,246	\$147,419,457	\$4,057,932	\$18,268,706	\$165,688,164
Small-Cap							
BGI Russell 2000 Index - Collective T	February 20, 2004	3,295	4,387	\$21,485,842	\$617,708	\$1,285,239	\$22,771,081
DFA US Micro Cap Fund	February 1, 1997	13,493	18,295	\$156,256,072	\$2,702,724	\$2,282,987	\$158,539,059
		16,788	22,682	\$177,741,914	\$3,320,432	\$3,568,226	\$181,310,140
Mid-Cap							
BGI Mid Cap Equity Index - Collective W	February 1, 2001	6,705	9,186	\$62,389,851	\$1,411,865	\$6,306,203	\$68,696,054
T. Rowe Price Mid Cap Growth Fund	February 1, 1998	15,276	21,303	\$189,419,306	\$3,628,116	\$21,532,249	\$210,951,555
		21,981	30,489	\$251,809,156	\$5,039,981	\$27,838,452	\$279,647,609
Large-Cap							
Calvert Social Investment Equity I	April 18, 2003	1,983	2,790	\$15,395,208	\$391,394	\$596,247	\$15,991,455
Fidelity Contrafund	February 1, 1994	18,209	26,022	\$370,105,591	\$5,477,432	\$23,008,318	\$393,113,909
Vanguard Institutional Index Fund Plus	September 1, 1999	12,084	18,591	\$230,202,655	\$3,520,641	\$10,247,489	\$240,450,144
Vanguard Wellington Fund - Admiral	October 26, 2001	11,981	18,070	\$236,878,882	\$3,931,884	\$12,247,672	\$249,126,554
		44,257	65,473	\$852,582,337	\$13,321,350	\$46,099,725	\$898,682,062
Bond							
BGI US Debt Index Fund - Collective W	February 1, 2001	2,363	3,122	\$13,436,056	\$434,755	\$1,081,398	\$14,517,454
Federated US Government Securities 2-5yr	February 1, 1992	2,225	3,886	\$18,485,170	\$388,470	\$229,084	\$18,714,254
Vanguard Long-Term Investment Grade Adm	October 26, 2001	5,880	10,227	\$63,700,916	\$1,285,632	\$123,211	\$63,824,127
		10,468	17,235	\$95,622,142	\$2,108,858	\$1,433,692	\$97,055,834
Money Market							
Vanguard Admiral Treasury Money Market	November 1, 1993	4,414	10,529	\$62,256,671	\$1,196,303	\$1,674,570	\$63,931,241
		4,414	10,529	\$62,256,671	\$1,196,303	\$1,674,570	\$63,931,241
Fixed							
FDIC BankOption	March 15, 1988	1,361	2,784	\$42,783,844	\$606,363	\$3,410,045	\$46,193,889
Stable Value Fund	April 1, 1984	9,147	15,513	\$356,433,813	\$4,610,546	\$5,486,209	\$361,920,022
		10,508	18,297	\$399,217,657	\$5,216,909	\$8,896,253	\$408,113,910
		127,022	190,767	2,084,785,592	37,877,038	123,885,903	2,208,671,498

Period Ending June 30, 2007

WDC Assets – All Participants



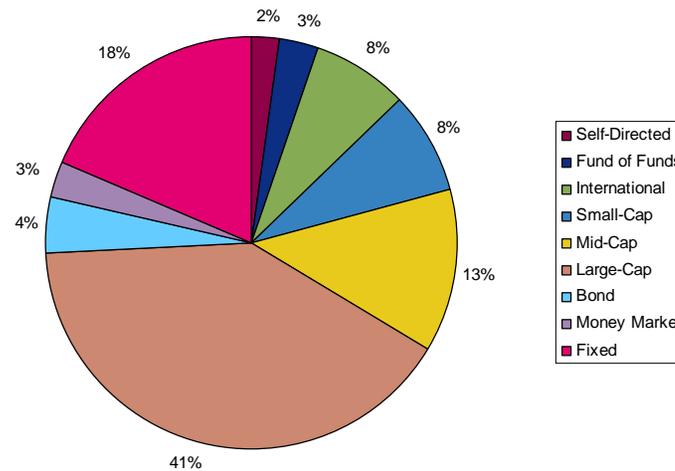
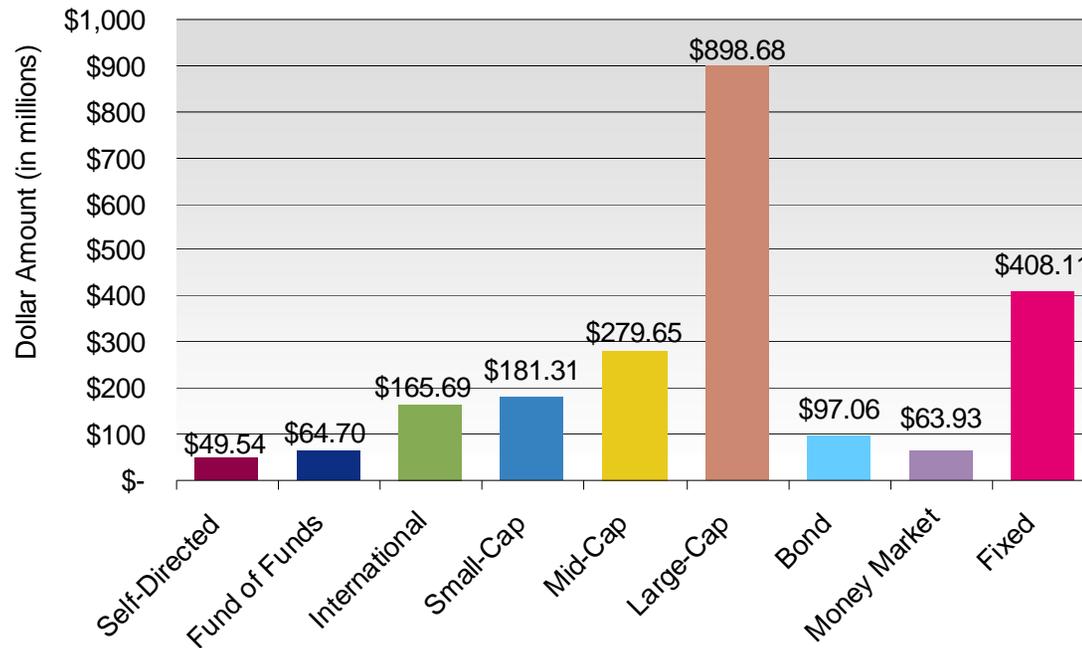
Contributions – All WDC Participants



Average Quarterly Deferral = \$396.20



Assets by Asset Class – All Participants



Great-West
RETIREMENT SERVICES

Assets – State Participants

Asset Class/Fund Name	Participants			Plan Assets			
	Date Added	Active	Total	Beginning Balance	Contributions	Change	Ending Balance
Self-Directed							
Schw ab SDB Money Market Fund	February 17, 2000	0	499	\$2,117,094	\$0	\$652,037	\$2,769,131
Schw ab SDB Securities	February 17, 2000	0	532	\$32,385,337	\$0	\$2,361,231	\$34,746,568
		0	1,031	\$34,502,431	\$0	\$3,013,268	\$37,515,699
Fund of Funds							
Vanguard Target Retirement 2015 Fund	November 30, 2005	492	687	\$14,297,643	\$590,743	\$3,343,229	\$17,640,872
Vanguard Target Retirement 2025 Fund	November 30, 2005	800	965	\$8,246,949	\$844,147	\$2,908,714	\$11,155,663
Vanguard Target Retirement 2035 Fund	November 30, 2005	730	856	\$5,827,187	\$582,303	\$1,581,855	\$7,409,042
Vanguard Target Retirement 2045 Fund	November 30, 2005	601	729	\$3,964,999	\$329,474	\$547,377	\$4,512,376
Vanguard Target Retirement Income Fund	November 30, 2005	87	168	\$2,434,141	\$89,079	\$419,300	\$2,853,441
		2,710	3,405	\$34,770,919	\$2,435,746	\$8,800,474	\$43,571,393
International							
American Funds EuroPacific R5	January 28, 2005	5,227	7,244	\$69,169,342	\$1,533,820	\$7,207,936	\$76,377,278
BGI EAFE Equity Index - Collective W	February 1, 2001	3,449	4,765	\$38,940,383	\$877,862	\$5,760,236	\$44,700,619
		8,676	12,009	\$108,109,725	\$2,411,682	\$12,968,172	\$121,077,897
Small-Cap							
BGI Russell 2000 Index - Collective T	February 20, 2004	1,884	2,584	\$15,083,806	\$379,816	\$658,225	\$15,742,031
DFA US Micro Cap Fund	February 1, 1997	7,737	10,838	\$110,608,910	\$1,711,149	\$1,076,123	\$111,685,033
		9,621	13,422	\$125,692,716	\$2,090,965	\$1,734,348	\$127,427,064
Mid-Cap							
BGI Mid Cap Equity Index - Collective W	February 1, 2001	3,871	5,507	\$45,058,618	\$912,545	\$4,335,670	\$49,394,288
T. Rowe Price Mid Cap Growth Fund	February 1, 1998	8,904	12,822	\$132,781,079	\$2,295,615	\$14,516,356	\$147,297,435
		12,775	18,329	\$177,839,697	\$3,208,160	\$18,852,025	\$196,691,722
Large-Cap							
Calvert Social Investment Equity I	April 18, 2003	1,297	1,843	\$11,854,311	\$284,083	\$459,181	\$12,313,492
Fidelity Contrafund	February 1, 1994	10,713	15,787	\$264,048,786	\$3,435,154	\$16,107,705	\$280,156,491
Vanguard Institutional Index Fund Plus	September 1, 1999	7,205	11,524	\$169,323,883	\$2,181,332	\$7,193,378	\$176,517,261
Vanguard Wellington Fund - Admiral	October 26, 2001	7,261	11,224	\$167,971,517	\$2,528,329	\$8,426,780	\$176,398,297
		26,476	40,378	\$613,198,497	\$8,428,899	\$32,187,043	\$645,385,540
Bond							
BGI US Debt Index Fund - Collective W	February 1, 2001	1,312	1,784	\$9,767,920	\$290,993	\$783,155	\$10,551,075
Federated US Government Securities 2-5yr	February 1, 1992	1,460	2,609	\$14,270,320	\$261,693	\$215,598	\$14,485,918
Vanguard Long-Term Investment Grade Adm	October 26, 2001	3,295	6,703	\$47,303,977	\$878,513	\$143,923	\$47,447,900
		6,067	11,096	\$71,342,217	\$1,431,199	\$1,142,676	\$72,484,893
Money Market							
Vanguard Admiral Treasury Money Market	November 1, 1993	2,805	6,712	\$45,954,775	\$783,209	\$1,611,182	\$47,565,957
		2,805	6,712	\$45,954,775	\$783,209	\$1,611,182	\$47,565,957
Fixed							
FDIC BankOption	March 15, 1988	944	1,979	\$33,645,306	\$468,056	\$2,951,465	\$36,596,771
Stable Value Fund	April 1, 1984	5,532	9,904	\$265,833,255	\$3,192,076	\$5,395,844	\$271,229,099
		6,476	11,883	\$299,478,561	\$3,660,132	\$8,347,309	\$307,825,870
		75,606	118,265	\$1,510,889,538	\$24,449,991	\$88,656,497	\$1,599,546,035



Great-West
RETIREMENT SERVICES

Assets – Local Participants

Asset Class/Fund Name	Participants			Plan Assets			
	Date Added	Active	Total	Beginning Balance	Contributions	Change	Ending Balance
Self-Directed							
Schw ab SDB Money Market Fund	February 17, 2000	0	180	\$882,796	\$0	-\$255,327	\$627,469
Schw ab SDB Securities	February 17, 2000	0	192	\$10,521,417	\$0	\$873,851	\$11,395,268
		0	372	\$11,404,212	\$0	\$618,524	\$12,022,736
Fund of Funds							
Vanguard Target Retirement 2015 Fund	November 30, 2005	293	377	\$5,817,901	\$267,171	\$709,626	\$6,527,527
Vanguard Target Retirement 2025 Fund	November 30, 2005	466	562	\$4,787,883	\$443,804	\$1,619,108	\$6,406,991
Vanguard Target Retirement 2035 Fund	November 30, 2005	484	552	\$2,958,404	\$258,727	\$552,543	\$3,510,947
Vanguard Target Retirement 2045 Fund	November 30, 2005	335	406	\$2,107,844	\$174,675	\$565,872	\$2,673,716
Vanguard Target Retirement Income Fund	November 30, 2005	71	111	\$1,786,665	\$35,149	\$226,863	\$2,013,528
		1,649	2,008	\$17,458,697	\$1,179,527	\$3,674,013	\$21,132,709
International							
American Funds EuroPacific R5	January 28, 2005	3,338	4,330	\$25,550,676	\$763,419	\$3,170,846	\$28,721,522
BGI EAFE Equity Index - Collective W	February 1, 2001	2,233	2,907	\$13,759,057	\$882,831	\$2,129,688	\$15,888,745
		5,571	7,237	\$39,309,733	\$1,646,250	\$5,300,533	\$44,610,266
Small-Cap							
BGI Russell 2000 Index - Collective T	February 20, 2004	1,411	1,803	\$6,402,036	\$237,892	\$627,014	\$7,029,050
DFA US Micro Cap Fund	February 1, 1997	5,756	7,457	\$45,647,162	\$991,575	\$1,206,865	\$46,854,027
		7,167	9,260	\$52,049,198	\$1,229,467	\$1,833,879	\$53,883,077
Mid-Cap							
BGI Mid Cap Equity Index - Collective W	February 1, 2001	2,834	3,679	\$17,331,233	\$499,320	\$1,970,534	\$19,301,767
T. Rowe Price Mid Cap Growth Fund	February 1, 1998	6,372	8,481	\$56,638,227	\$1,332,501	\$7,015,893	\$63,654,120
		9,206	12,160	\$73,969,460	\$1,831,821	\$8,986,427	\$82,955,887
Large-Cap							
Calvert Social Investment Equity I	April 18, 2003	686	947	\$3,540,897	\$107,311	\$137,066	\$3,677,964
Fidelity Contrafund	February 1, 1994	7,496	10,235	\$106,056,805	\$2,042,278	\$6,900,613	\$112,957,418
Vanguard Institutional Index Fund Plus	September 1, 1999	4,879	7,067	\$60,878,772	\$1,339,309	\$3,054,111	\$63,932,883
Vanguard Wellington Fund - Admiral	October 26, 2001	4,720	6,846	\$68,907,365	\$1,403,555	\$3,820,891	\$72,728,256
		17,781	25,095	\$239,383,839	\$4,892,451	\$13,912,682	\$253,296,521
Bond							
BGI US Debt Index Fund - Collective W	February 1, 2001	1,051	1,338	\$3,668,136	\$143,763	\$298,243	\$3,966,379
Federated US Government Securities 2-5yr	February 1, 1992	765	1,277	\$4,214,850	\$126,778	\$13,486	\$4,228,336
Vanguard Long-Term Investment Grade Adm	October 26, 2001	2,585	3,524	\$16,396,939	\$407,119	-\$20,712	\$16,376,227
		4,401	6,139	\$24,279,925	\$677,660	\$291,016	\$24,570,941
Money Market							
Vanguard Admiral Treasury Money Market	November 1, 1993	1,609	3,817	\$16,301,896	\$413,094	\$63,389	\$16,365,285
		1,609	3,817	\$16,301,896	\$413,094	\$63,389	\$16,365,285
Fixed							
FDIC BankOption	March 15, 1988	417	805	\$9,138,538	\$138,307	\$458,580	\$9,597,118
Stable Value Fund	April 1, 1984	3,615	5,609	\$90,600,558	\$1,418,470	\$90,364	\$90,690,922
		4,032	6,414	\$99,739,096	\$1,556,777	\$548,944	\$100,288,040
		51,416	72,502	\$573,896,057	\$13,427,047	\$35,229,406	\$609,125,463



Great-West
RETIREMENT SERVICES

WDC Participation Statistics

	State	Local	Total
Participants 3/31/2007	27,941	16,633	44,574
New Enrollments 4/1/2007 - 6/30/2007	551	418	969
Withdrawals			
Service Separation			
<i>Full</i>	163	97	260
<i>Partial</i>	157	54	211
Periodic Payments	1,432	419	1,851
Hardship			
<i>Full</i>	0	0	0
<i>Partial</i>	9	9	18
DeMinimis			
<i>Full</i>	1	0	1
<i>Partial</i>			
Final Withdrawals			
<i>Rollovers out of the WDC</i>	106	110	216
<i>Final Withdrawals</i>	213	159	372
Participants 6/30/2007	28,279	16,892	45,171

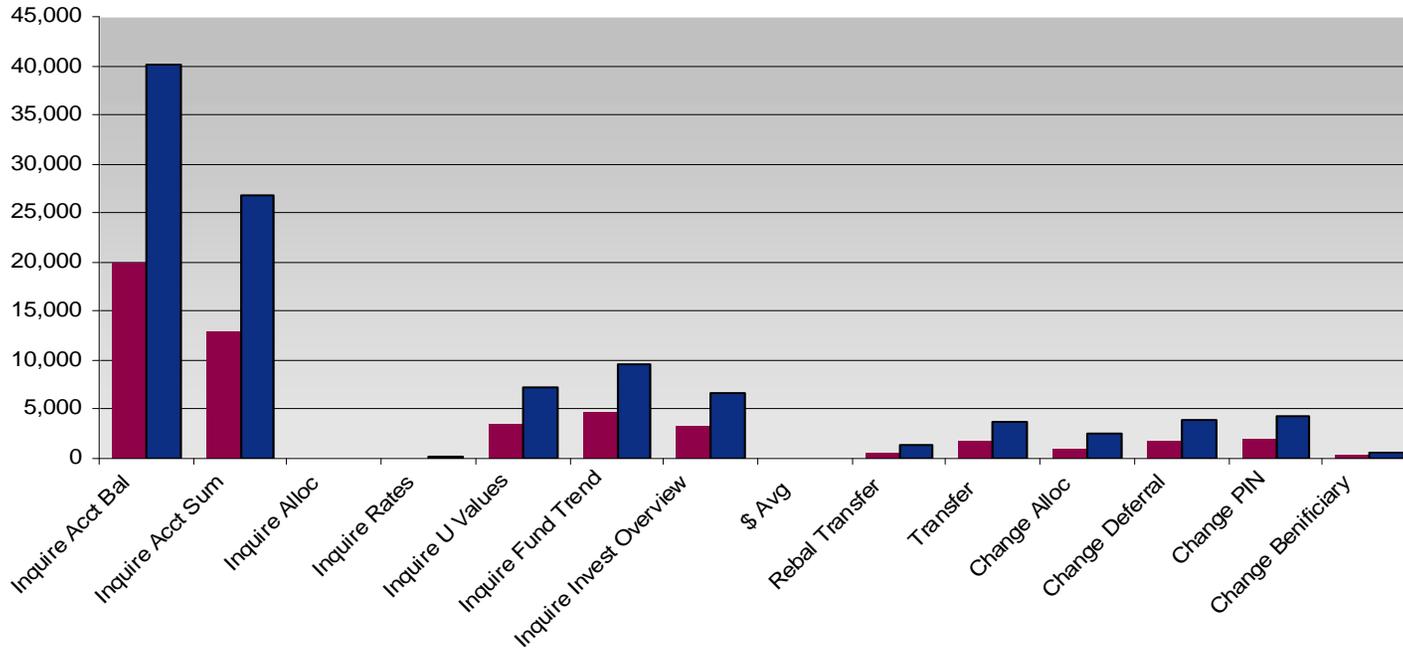


Web Activity

YTD	Quarter	Transaction Type
40,059	19,928	Inquire Acct Bal
26,721	12,837	Inquire Acct Sum
83	37	Inquire Alloc
212	89	Inquire Rates
7,189	3,457	Inquire U Values
9,554	4,731	Inquire Fund Trend
6,738	3,359	Inquire Invest Overview
15	10	\$ Avg
1,314	621	Rebal Transfer
3,689	1,740	Transfer
2,451	914	Change Alloc
3,848	1,713	Change Deferral
4,327	1,911	Change PIN
623	297	Change Beneficiary
252,563	133,066	Total Logins



Web Activity - continued



■ Totals
■ Cumulative



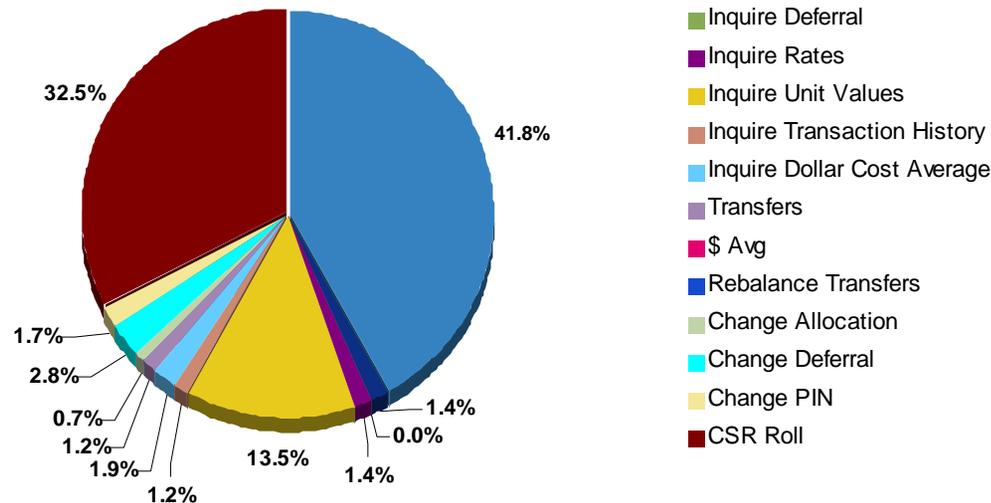
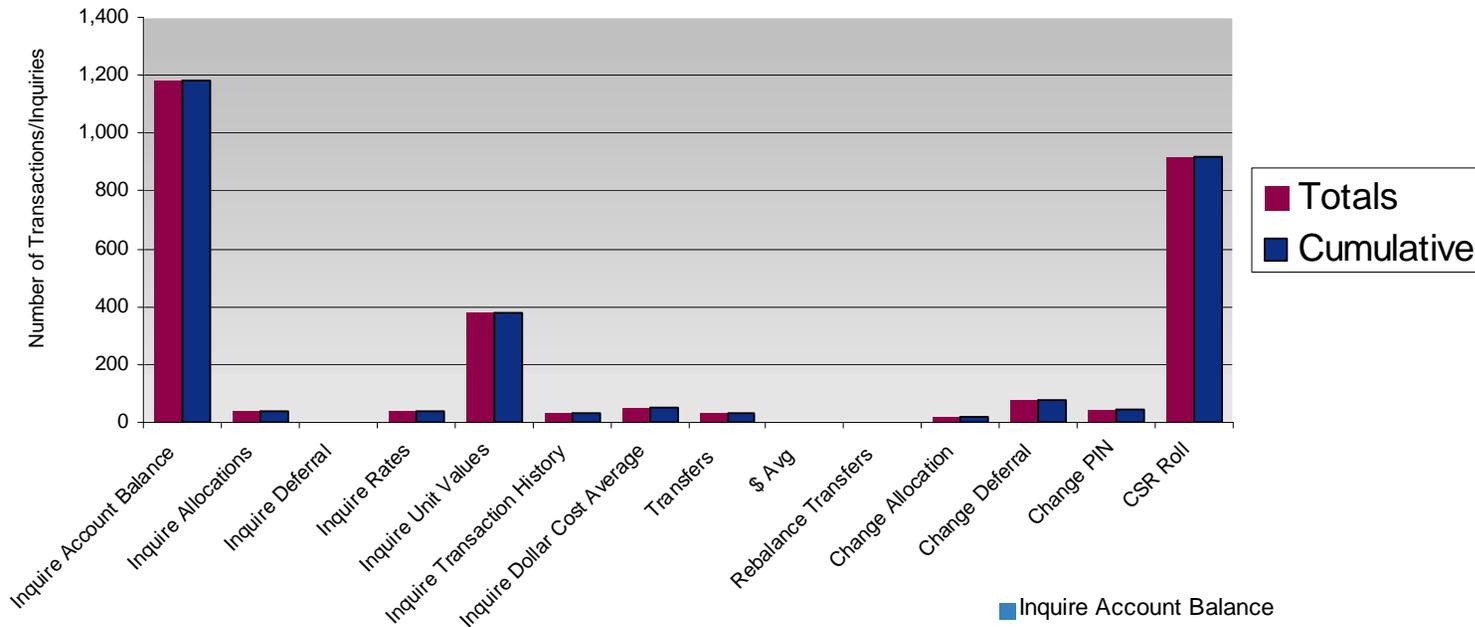
KeyTalk (IVR) Activity

YTD	Quarter	Transaction Type
2,332	1,150	Inquire Account Balance
63	24	Inquire Allocations
0	0	Inquire Deferral
88	49	Inquire Rates
771	390	Inquire Unit Values
61	27	Inquire Transaction History
106	53	Inquire Dollar Cost Average
66	33	Transfers
0	0	\$ Avg
0	0	Rebalance Transfers
34	14	Change Allocation
136	57	Change Deferral
85	38	Change PIN
1,556	638	CSR Roll

Total distinct callers = 2,149



KeyTalk (IVR) Activity - continued



Period Ending June 30, 2007

Call Center Statistics



	Jan	Feb	Mar	1st Qtr	Apr	May	Jun	2nd Qtr	YTD
Calls Offered 532	3038	1903	1882	6823	2060	1845	1307	5212	12035
Calls Answered	2996	1885	1857	6738	2020	1830	1299	5149	11887
Abandoned Calls	42	18	25	85	40	15	8	63	148
Speed of Answer	0:32	0:17	0:24	0:26	0:39	0:17	0:11	0:24	0:25
Abandon Time	1:12	0:40	1:10	1:05	1:17	1:17	2:33	1:36	1:14
Talk Time	4:04	3:39	3:52	3:54	4:05	3:18	2:46	3:28	3:43
Delay	4:49	5:23	8:08	8:08	6:16	8:03	18:26	18:26	18:26
Calls Answered w/in 90 secs	93%	97%	97%	95%	92%	98%	99%	96%	96%
Calls Receiving a Busy signal	0%	0%	0%	0%	0%	0%	0%	0%	0%
Calls Abandoned	1.38%	0.95%	1.33%	1.25%	1.94%	0.81%	0.61%	1.21%	1.23%

Quarterly Report For:
State of Wisconsin
For the Period Ending September 30, 2007



Great-West
RETIREMENT SERVICES™

The Power of PartneringSM



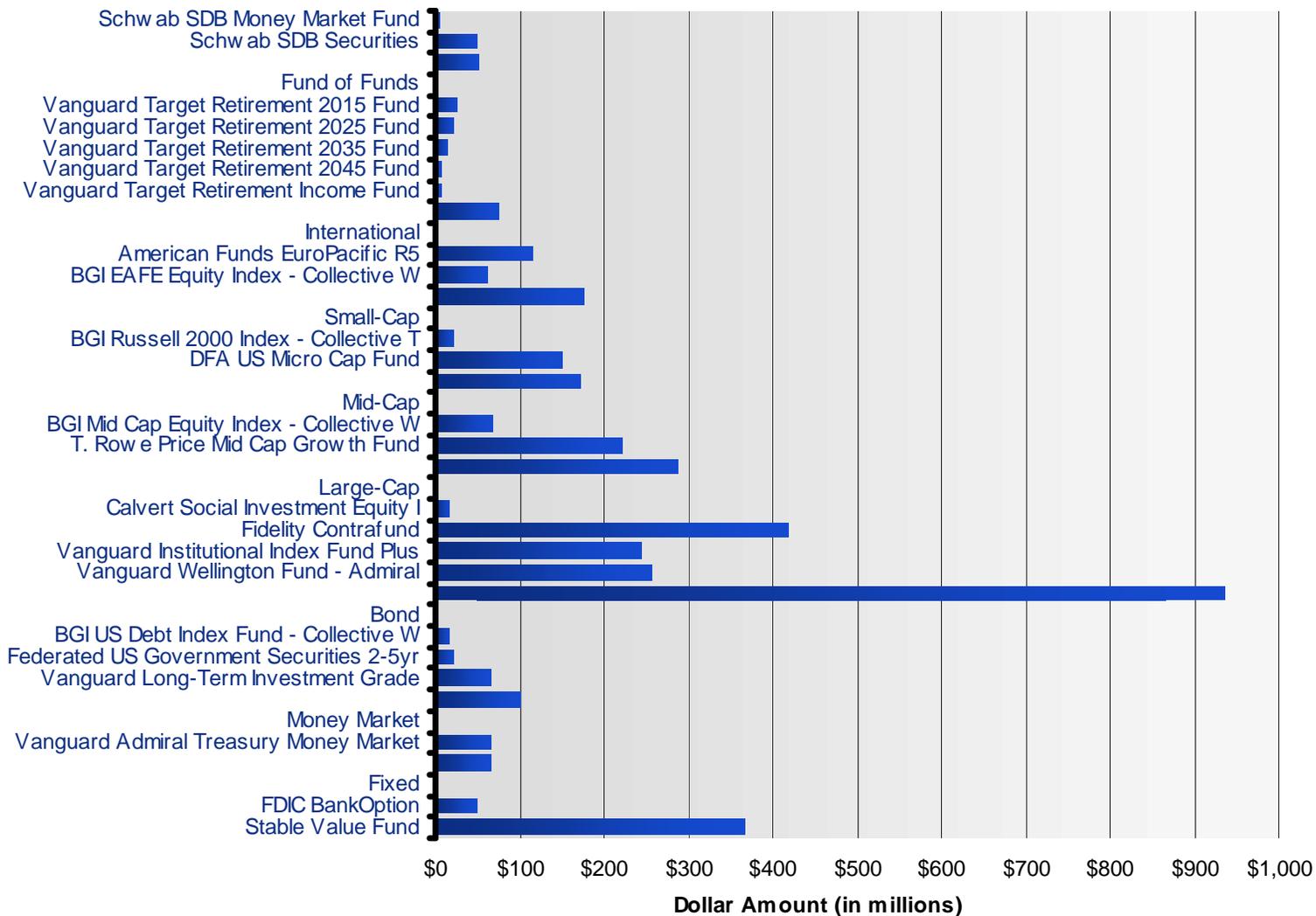
WDC Assets – All Participants



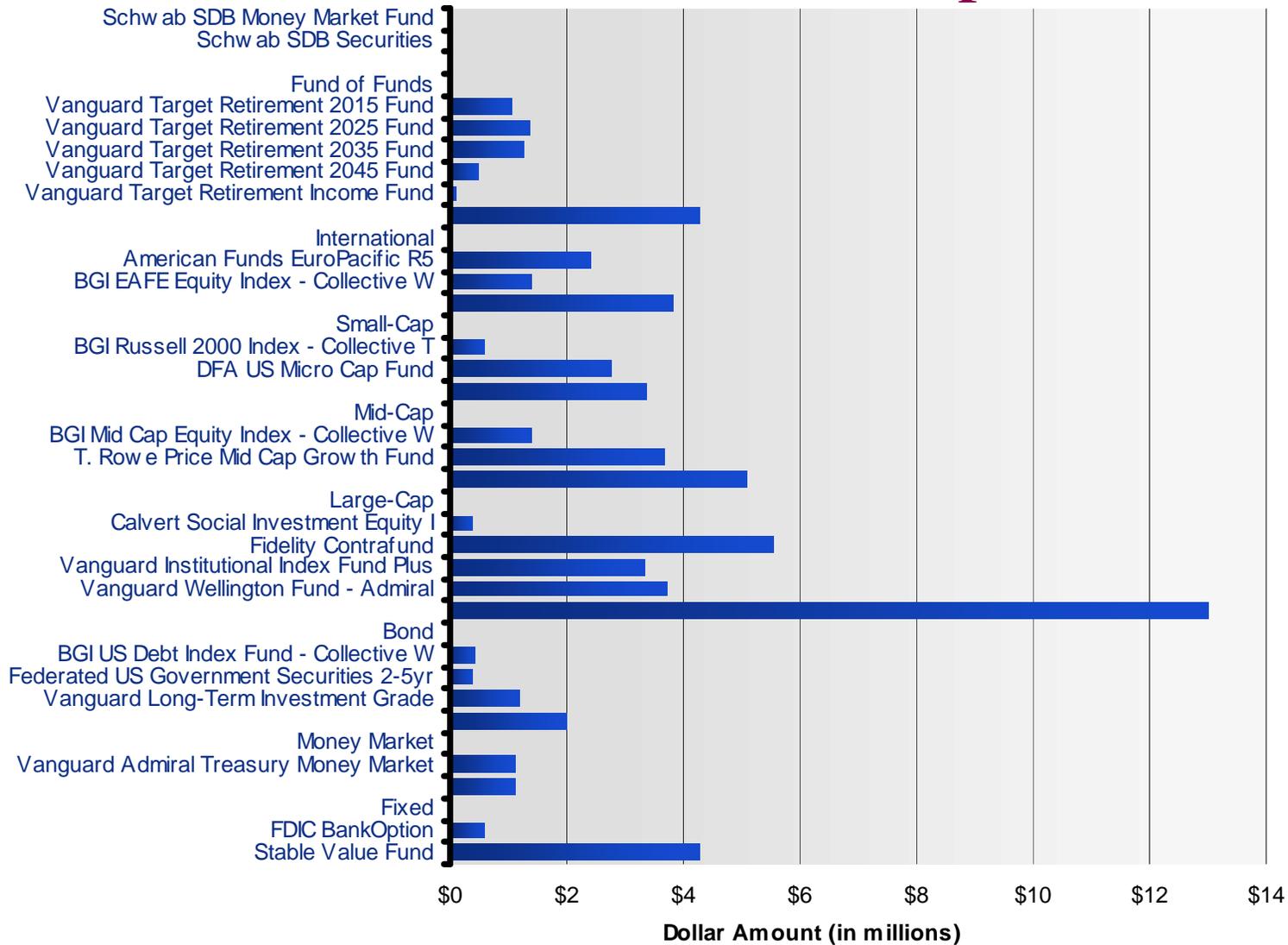
Asset Class/Fund Name	Participants			Plan Assets			
	Date Added	Active	Total	Beginning Balance	Contributions	Change	Ending Balance
Self-Directed							
Schw ab SDB Money Market Fund	February 17, 2000	0	691	\$3,396,599	\$0	\$939,181	\$4,335,780
Schw ab SDB Securities	February 17, 2000	0	732	\$46,141,836	\$0	\$2,107,159	\$48,248,995
		0	1,423	\$49,538,435	\$0	\$3,046,340	\$52,584,775
Fund of Funds							
Vanguard Target Retirement 2015 Fund	November 30, 2005	865	1,172	\$24,168,399	\$1,046,159	\$2,155,902	\$26,324,301
Vanguard Target Retirement 2025 Fund	November 30, 2005	1,463	1,744	\$17,562,654	\$1,379,131	\$3,585,974	\$21,148,628
Vanguard Target Retirement 2035 Fund	November 30, 2005	1,424	1,657	\$10,919,989	\$1,251,034	\$2,116,495	\$13,036,484
Vanguard Target Retirement 2045 Fund	November 30, 2005	1,067	1,312	\$7,186,092	\$494,787	\$919,332	\$8,105,424
Vanguard Target Retirement Income Fund	November 30, 2005	181	328	\$4,866,969	\$108,070	\$1,679,544	\$6,546,513
		5,000	6,213	\$64,704,103	\$4,279,181	\$10,457,248	\$75,161,351
International							
American Funds EuroPacific R5	January 28, 2005	8,852	12,130	\$105,098,800	\$2,419,906	\$10,413,249	\$115,512,049
BGI EAFE Equity Index - Collective T	February 1, 2001	5,691	7,733	\$60,589,364	\$1,400,707	\$1,392,232	\$61,981,595
		14,543	19,863	\$165,688,164	\$3,820,614	\$11,805,481	\$177,493,644
Small-Cap							
BGI Russell 2000 Index - Collective T	February 20, 2004	3,294	4,426	\$22,771,081	\$591,486	-\$592,512	\$22,178,569
DFA US Micro Cap Fund	February 1, 1997	13,301	18,293	\$158,539,059	\$2,783,612	-\$8,082,108	\$150,456,952
		16,595	22,719	\$181,310,140	\$3,375,098	-\$8,674,620	\$172,635,521
Mid-Cap							
BGI Mid Cap Equity Index - Collective W	February 1, 2001	6,595	9,156	\$68,696,054	\$1,397,357	-\$1,471,210	\$67,224,844
T. Rowe Price Mid Cap Growth Fund	February 1, 1998	15,233	21,552	\$210,951,555	\$3,673,262	\$9,430,252	\$220,381,807
		21,828	30,708	\$279,647,609	\$5,070,619	\$7,959,042	\$287,606,650
Large-Cap							
Calvert Social Investment Equity I	April 18, 2003	1,941	2,787	\$15,991,455	\$399,257	\$1,012,232	\$17,003,688
Fidelity Contrafund	February 1, 1994	18,002	26,112	\$393,113,909	\$5,549,092	\$26,739,249	\$419,853,158
Vanguard Institutional Index Fund Plus	September 1, 1999	11,778	18,440	\$240,450,144	\$3,321,582	\$3,187,408	\$243,637,552
Vanguard Wellington Fund - Admiral	October 26, 2001	11,760	18,015	\$249,126,554	\$3,733,517	\$6,729,904	\$255,856,457
		43,481	65,354	\$898,682,062	\$13,003,449	\$37,668,793	\$936,350,855
Bond							
BGI US Debt Index Fund - Collective W	February 1, 2001	2,336	3,167	\$14,517,454	\$411,321	\$939,717	\$15,457,170
Federated US Government Securities 2-5yr	February 1, 1992	2,175	3,927	\$18,714,254	\$376,866	\$1,470,932	\$20,185,186
Vanguard Long-Term Investment Grade Adm	October 26, 2001	5,704	10,243	\$63,824,127	\$1,199,804	\$1,211,251	\$65,035,377
		10,215	17,337	\$97,055,834	\$1,987,991	\$3,621,899	\$100,677,733
Money Market							
Vanguard Admiral Treasury Money Market	November 1, 1993	4,238	10,531	\$63,931,241	\$1,137,954	\$1,133,567	\$65,064,808
		4,238	10,531	\$63,931,241	\$1,137,954	\$1,133,567	\$65,064,808
Fixed							
FDIC BankOption	March 15, 1988	1,338	2,813	\$46,193,889	\$609,129	\$3,965,822	\$50,159,711
Stable Value Fund	April 1, 1984	8,894	15,450	\$361,920,022	\$4,289,099	\$5,258,855	\$367,178,877
		242,032	366,559	\$398,776,574	\$70,248,038	\$9,224,677	\$417,338,588

Period Ending September 30, 2007

WDC Assets – All Participants



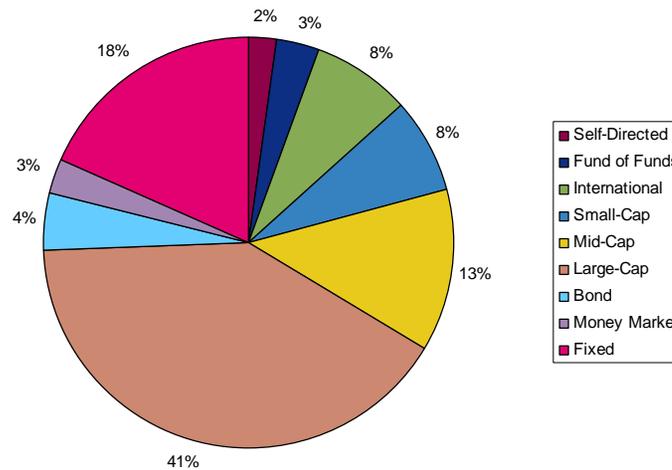
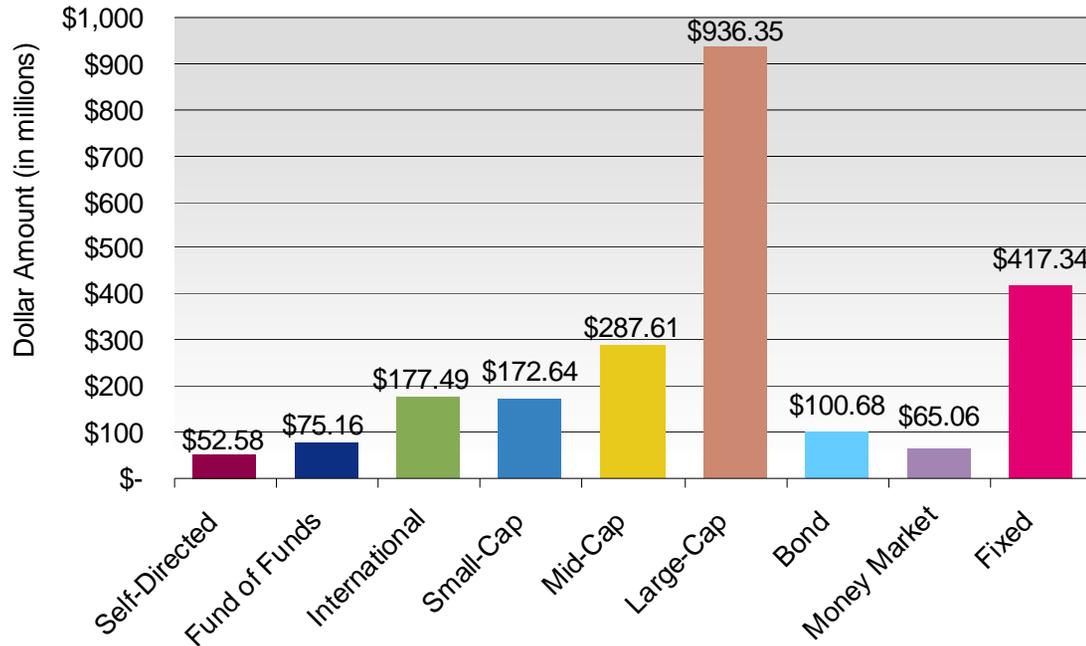
Contributions – All WDC Participants



Average Quarterly Deferral = \$396.20



Assets by Asset Class – All Participants



Assets – State Participants



Asset Class/Fund Name	Participants			Plan Assets			
	Date Added	Active	Total	Beginning Balance	Contributions	Change	Ending Balance
Self-Directed							
Schw ab SDB Money Market Fund	February 17, 2000	0	512	\$2,769,131	\$0	\$840,363	\$3,609,494
Schw ab SDB Securities	February 17, 2000	0	537	\$34,746,568	\$0	\$1,552,388	\$36,298,956
		0	1,049	\$37,515,699	\$0	\$2,392,751	\$39,908,450
Fund of Funds							
Vanguard Target Retirement 2015 Fund	November 30, 2005	535	751	\$17,640,872	\$602,293	\$1,230,974	\$18,871,845
Vanguard Target Retirement 2025 Fund	November 30, 2005	879	1,066	\$11,155,663	\$940,838	\$2,382,827	\$13,538,489
Vanguard Target Retirement 2035 Fund	November 30, 2005	837	989	\$7,409,042	\$718,808	\$1,239,318	\$8,648,360
Vanguard Target Retirement 2045 Fund	November 30, 2005	678	841	\$4,512,376	\$317,131	\$590,483	\$5,102,859
Vanguard Target Retirement Income Fund	November 30, 2005	104	203	\$2,853,441	\$63,743	\$1,320,926	\$4,174,367
		3,033	3,850	\$43,571,393	\$2,642,813	\$6,764,527	\$50,335,920
International							
American Funds EuroPacific R5	January 28, 2005	5,404	7,575	\$76,377,278	\$1,621,150	\$7,579,374	\$83,956,652
BGI EAFE Equity Index - Collective T	February 1, 2001	3,436	4,794	\$44,700,619	\$970,202	\$757,202	\$45,457,821
		8,840	12,369	\$121,077,897	\$2,591,352	\$8,336,576	\$129,414,473
Small-Cap							
BGI Russell 2000 Index - Collective T	February 20, 2004	1,886	2,611	\$15,742,031	\$392,302	-\$451,277	\$15,290,754
DFA US Micro Cap Fund	February 1, 1997	7,634	10,832	\$111,685,033	\$1,799,561	-\$5,840,543	\$105,844,490
		9,520	13,443	\$127,427,064	\$2,191,864	-\$6,291,820	\$121,135,244
Mid-Cap							
BGI Mid Cap Equity Index - Collective W	February 1, 2001	3,812	5,490	\$49,394,288	\$943,718	-\$1,163,728	\$48,230,559
T. Rowe Price Mid Cap Growth Fund	February 1, 1998	8,879	12,985	\$147,297,435	\$2,413,249	\$6,157,007	\$153,454,442
		12,691	18,475	\$196,691,722	\$3,356,966	\$4,993,279	\$201,685,001
Large-Cap							
Calvert Social Investment Equity I	April 18, 2003	1,270	1,843	\$12,313,492	\$300,208	\$812,124	\$13,125,616
Fidelity Contrafund	February 1, 1994	10,617	15,860	\$280,156,491	\$3,682,730	\$19,211,603	\$299,368,094
Vanguard Institutional Index Fund Plus	September 1, 1999	7,007	11,420	\$176,517,261	\$2,291,413	\$2,344,219	\$178,861,480
Vanguard Wellington Fund - Admiral	October 26, 2001	7,114	11,186	\$176,398,297	\$2,529,107	\$5,230,759	\$181,629,057
		26,008	40,309	\$645,385,540	\$8,803,458	\$27,598,706	\$672,984,247
Bond							
BGI US Debt Index Fund - Collective W	February 1, 2001	1,290	1,801	\$10,551,075	\$273,865	\$577,569	\$11,128,643
Federated US Government Securities 2-5yr	February 1, 1992	1,419	2,631	\$14,485,918	\$269,007	\$1,097,272	\$15,583,190
Vanguard Long-Term Investment Grade Adm	October 26, 2001	3,631	6,724	\$47,447,900	\$878,431	\$945,599	\$48,393,499
		6,340	11,156	\$72,484,893	\$1,421,303	\$2,620,439	\$75,105,332
Money Market							
Vanguard Admiral Treasury Money Market	November 1, 1993	2,690	6,716	\$47,565,957	\$786,028	\$656,677	\$48,222,633
		2,690	6,716	\$47,565,957	\$786,028	\$656,677	\$48,222,633
Fixed							
FDIC BankOption	March 15, 1988	925	1,996	\$36,596,771	\$490,954	\$2,995,450	\$39,592,221
Stable Value Fund	April 1, 1984	5,374	9,872	\$271,229,099	\$3,048,732	\$3,450,254	\$274,679,353
		6,299	11,868	\$307,825,870	\$3,539,686	\$6,445,704	\$314,271,574
		75,421	119,235	\$1,599,546,035	\$25,333,470	\$53,516,839	\$1,653,062,874

Period Ending September 30, 2007

Assets – Local Participants

Asset Class/Fund Name	Participants			Plan Assets			
	Date Added	Active	Total	Beginning Balance	Contributions	Change	Ending Balance
Self-Directed							
Schw ab SDB Money Market Fund	February 17, 2000	0	179	\$627,469	\$0	\$98,817	\$726,286
Schw ab SDB Securities	February 17, 2000	0	195	\$11,395,268	\$0	\$554,771	\$11,950,038
		0	374	\$12,022,736	\$0	\$653,588	\$12,676,324
Fund of Funds							
Vanguard Target Retirement 2015 Fund	November 30, 2005	330	421	\$6,527,527	\$443,867	\$924,929	\$7,452,456
Vanguard Target Retirement 2025 Fund	November 30, 2005	584	678	\$6,406,991	\$438,293	\$1,203,148	\$7,610,139
Vanguard Target Retirement 2035 Fund	November 30, 2005	587	668	\$3,510,947	\$532,226	\$877,177	\$4,388,124
Vanguard Target Retirement 2045 Fund	November 30, 2005	389	471	\$2,673,716	\$177,656	\$328,849	\$3,002,565
Vanguard Target Retirement Income Fund	November 30, 2005	77	125	\$2,013,528	\$44,327	\$358,618	\$2,372,146
		1,967	2,363	\$21,132,709	\$1,636,368	\$3,692,721	\$24,825,430
International							
American Funds EuroPacific R5	January 28, 2005	3,448	4,555	\$28,721,522	\$798,756	\$2,833,875	\$31,555,397
BGI EAFE Equity Index - Collective W	February 1, 2001	2,255	2,939	\$15,888,745	\$430,505	\$635,030	\$16,523,775
		5,703	7,494	\$44,610,266	\$1,229,261	\$3,468,905	\$48,079,171
Small-Cap							
BGI Russell 2000 Index - Collective T	February 20, 2004	1,408	1,815	\$7,029,050	\$199,184	-\$141,235	\$6,887,815
DFA US Micro Cap Fund	February 1, 1997	5,667	7,461	\$46,854,027	\$984,051	-\$2,241,565	\$44,612,462
		7,075	9,276	\$53,883,077	\$1,183,235	-\$2,382,800	\$51,500,277
Mid-Cap							
BGI Mid Cap Equity Index - Collective W	February 1, 2001	2,783	3,666	\$19,301,767	\$453,639	-\$307,482	\$18,994,284
T. Rowe Price Mid Cap Growth Fund	February 1, 1998	6,354	8,567	\$63,654,120	\$1,260,014	\$3,273,245	\$66,927,365
		9,137	12,233	\$82,955,887	\$1,713,653	\$2,965,763	\$85,921,649
Large-Cap							
Calvert Social Investment Equity I	April 18, 2003	671	944	\$3,677,964	\$99,050	\$200,108	\$3,878,072
Fidelity Contrafund	February 1, 1994	7,385	10,252	\$112,957,418	\$1,866,362	\$7,527,646	\$120,485,064
Vanguard Institutional Index Fund Plus	September 1, 1999	4,771	7,020	\$63,932,883	\$1,030,169	\$843,189	\$64,776,072
Vanguard Wellington Fund - Admiral	October 26, 2001	4,646	6,829	\$72,728,256	\$1,204,409	\$1,499,145	\$74,227,401
		17,473	25,045	\$253,296,521	\$4,199,991	\$10,070,087	\$263,366,608
Bond							
BGI US Debt Index Fund - Collective W	February 1, 2001	1,046	1,366	\$3,966,379	\$137,456	\$362,148	\$4,328,527
Federated US Government Securities 2-5yr	February 1, 1992	756	1,296	\$4,228,336	\$107,859	\$373,660	\$4,601,996
Vanguard Long-Term Investment Grade Adm	October 26, 2001	2,073	3,519	\$16,376,227	\$321,373	\$265,652	\$16,641,879
		3,875	6,181	\$24,570,941	\$566,688	\$1,001,460	\$25,572,401
Money Market							
Vanguard Admiral Treasury Money Market	November 1, 1993	1,548	3,815	\$16,365,285	\$351,925	\$476,890	\$16,842,175
		1,548	3,815	\$16,365,285	\$351,925	\$476,890	\$16,842,175
Fixed							
FDIC BankOption	March 15, 1988	413	817	\$9,597,118	\$118,175	\$970,372	\$10,567,490
Stable Value Fund	April 1, 1984	3,520	5,578	\$90,690,922	\$1,240,368	\$1,808,601	\$92,499,524
		3,933	6,395	\$100,288,040	\$1,358,543	\$2,778,974	\$103,067,014
		50,711	73,176	\$609,125,463	\$12,239,663	\$22,725,588	\$631,851,050



Great-West
RETIREMENT SERVICES

WDC Participation Statistics

	State	Local	Total
Participants 6/30/2007	28,279	16,892	45,171
New Enrollments 6/30/2007 - 9/30/07	397	397	794
Withdrawals			
Service Separation			
<i>Full</i>	127	107	234
<i>Partial</i>	149	61	210
Periodic Payments	1,322	497	1,819
Hardship			
<i>Full</i>	1	0	1
<i>Partial</i>	43	8	51
DeMinimis			
<i>Full</i>	0	0	0
<i>Partial</i>	0	0	0
Final Withdraw als			
<i>Rollovers out of the WDC</i>	0	10	10
<i>Final Withdrawals</i>	0	351	351
Participants 9/30/2007	28,475	17,139	45,614

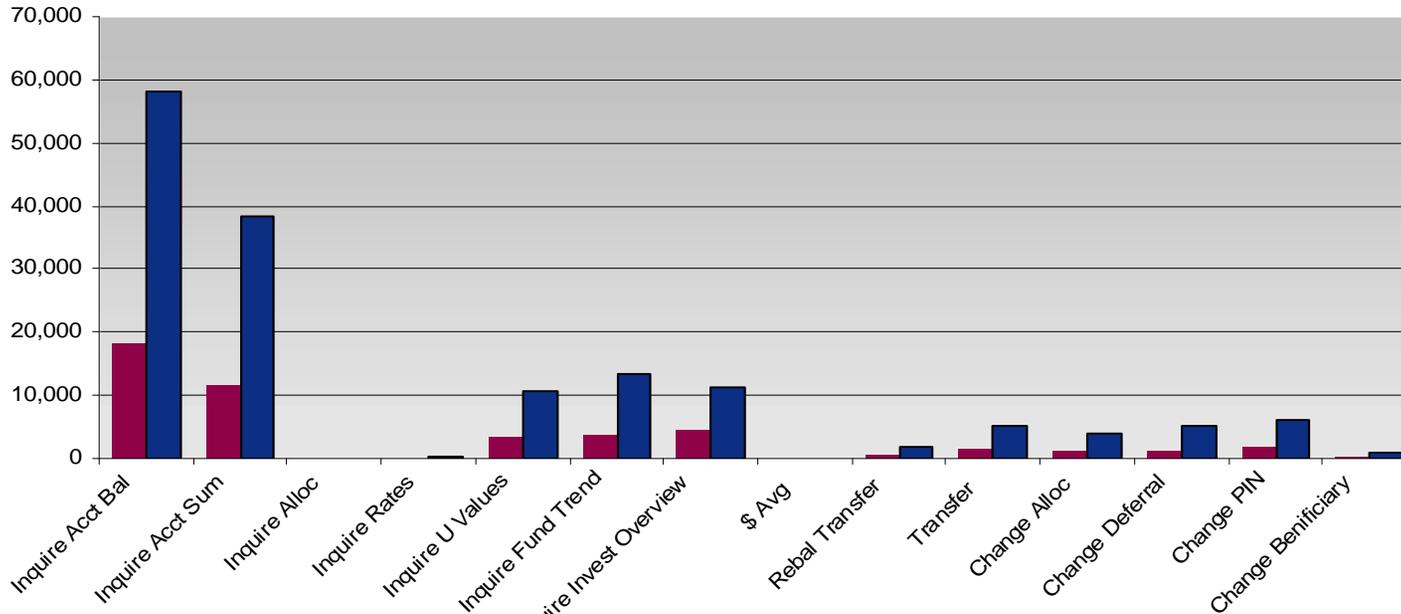


Web Activity

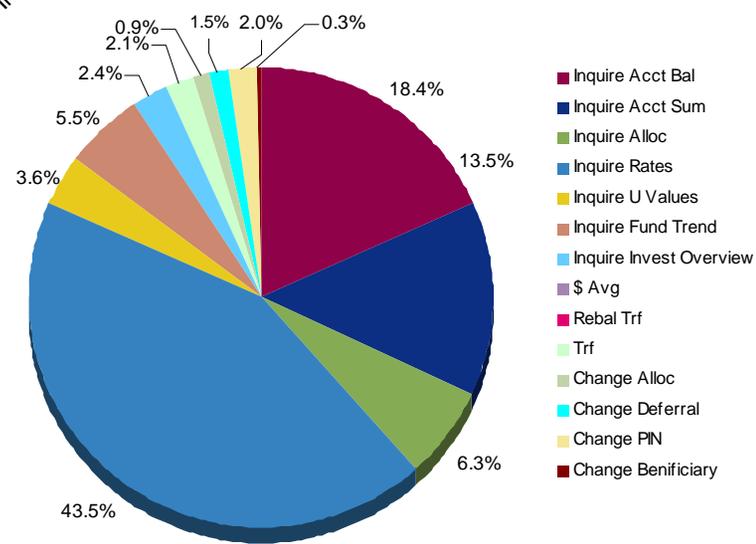
YTD	Quarter	Transaction Type
58,278	18,220	Inquire Acct Bal
38,427	11,706	Inquire Acct Sum
91	8	Inquire Alloc
291	79	Inquire Rates
10,583	3,376	Inquire U Values
13,308	3,754	Inquire Fund Trend
11,357	4,619	Inquire Invest Overview
31	16	\$ Avg
1,820	506	Rebal Transfer
5,298	1,611	Transfer
3,852	1,078	Change Alloc
5,198	1,351	Change Deferral
6,004	1,677	Change PIN
912	289	Change Beneficiary
372,857	120,726	Total Logins



Web Activity - continued



■ Totals
■ Cumulative



KeyTalk (IVR) Activity

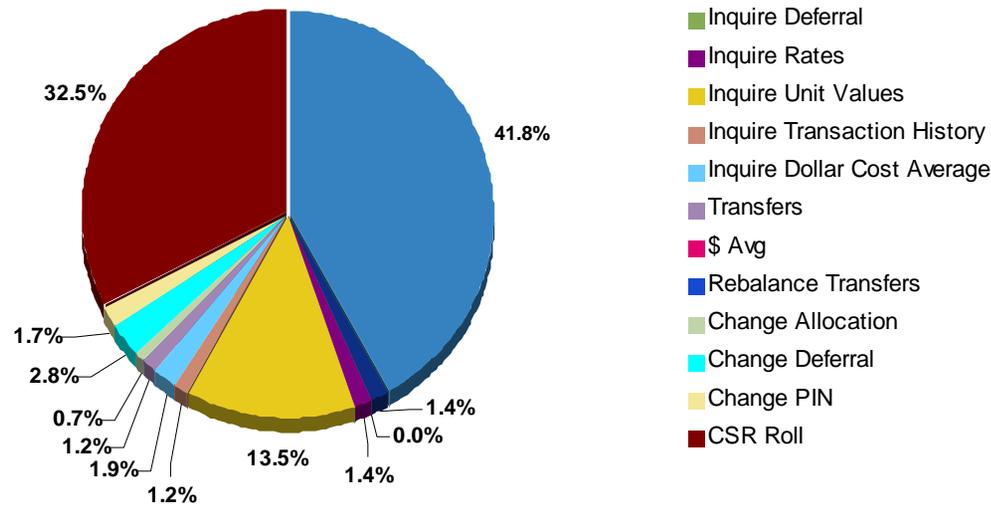
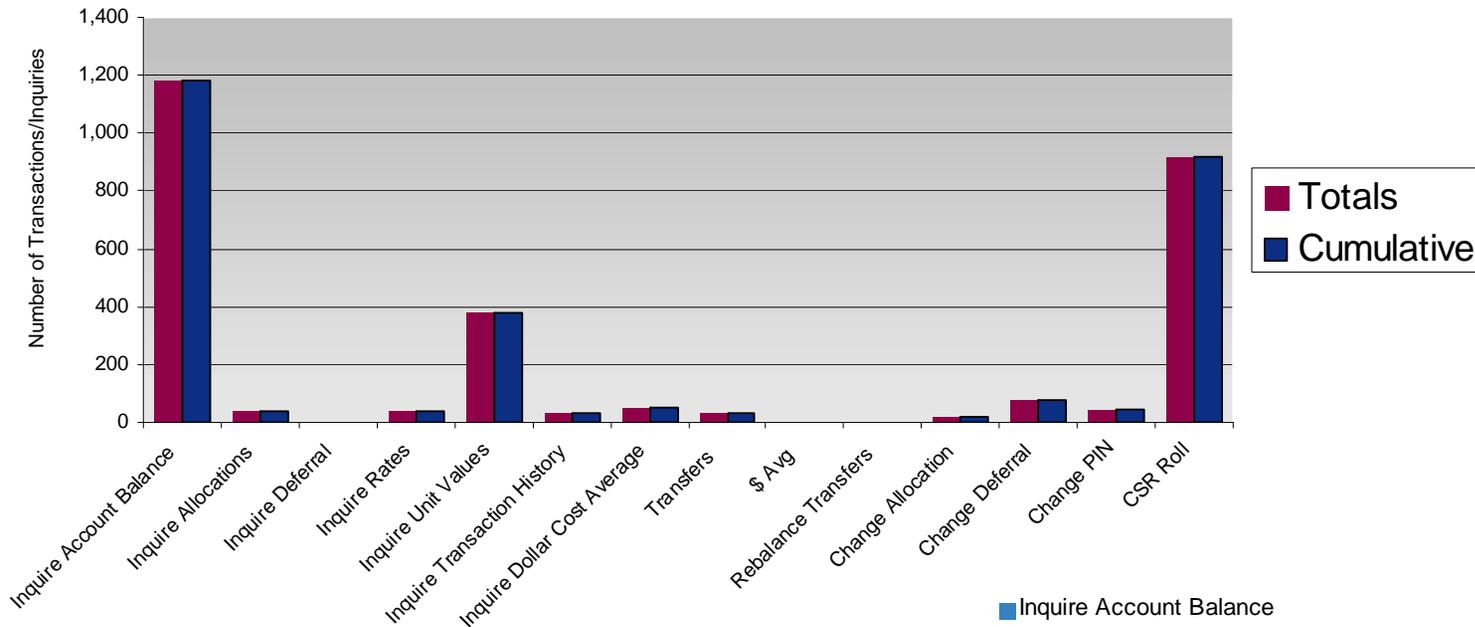
YTD	Quarter	Transaction Type
3,341	1,009	Inquire Account Balance
74	11	Inquire Allocations
0	0	Inquire Deferral
144	56	Inquire Rates
1,160	389	Inquire Unit Values
92	31	Inquire Transaction History
140	34	Inquire Dollar Cost Average
104	38	Transfers
0	0	\$ Avg
0	0	Rebalance Transfers
44	10	Change Allocation
173	37	Change Deferral
111	26	Change PIN
2,172	615	CSR Roll

Total distinct callers = 1,591



Great-West
RETIREMENT SERVICES

KeyTalk (IVR) Activity - continued



Period Ending September 30, 2007

Call Center Statistics



	Jan	Feb	Mar	1st Qtr	Apr	May	Jun	2nd Qtr	Jul	Aug	Sep	3rd Qtr	YTD
Total Calls Offered	3038	1903	1882	6823	2060	1845	1307	5212	1977	1534	1233	4744	16779
Total CS Calls Answered	2996	1885	1857	6738	2020	1830	1299	5149	1955	1521	1226	4702	16589
Total Abandoned Calls	42	18	25	85	40	15	8	63	22	13	7	42	190
Average Speed of Answer	0:32	0:17	0:24	0:26	0:39	0:17	0:11	0:24	0:29	0:07	0:10	0:15	0:33
Average Abandon Time	1:12	0:40	1:10	1:05	1:17	1:17	2:33	1:36	1:52	1:43	0:44	1:26	1:01
Average Talk Time	4:04	3:39	3:52	3:54	4:05	3:18	2:46	3:28	3:42	3:41	4:04	3:49	3:45
Longest Delay	4:49	5:23	8:08	8:08	6:16	8:03	18:26	18:26	7:09	14:21	5:10	8:53	18:26
% of Calls Answered w/in 90 secs	93%	97%	97%	95%	92%	98%	99%	96%	95%	100%	100%	98%	96%
% of Calls Abandoned	1.38%	0.95%	1.33%	1.25%	1.94%	0.81%	0.61%	1.21%	1.11%	0.85%	0.57%	0.89%	1.13%

State of Wisconsin Deferred Compensation Program Performance Standards Report 2nd Quarter 2007

Participant Services

Contract Provision		Requirement	Number Processed	Standard	% Met Standard
	Enrollment Applications	Process enrollment applications	969	Processed within 5 days; established within 31 days or later, if requested.	100%
	Increase/Decrease Deferrals	Process deferral increases/decreases	1,770	Processed within 5 days; established within 31 days or later, if requested.	100%
	Allocation Changes	Process allocation changes	1,252	Processed within 5 days; effective next pay or later, if requested.	100%
	Transfers between funds	Process transfer requests	1,773	Processed same day if received in good order prior to 3:00 PM Central Time; otherwise, next business day	100%
	Lump Sum Distributions	Process lump sum distribution requests	339	Processed same day if received in good order prior to 3:00 PM Central Time; otherwise, next business day	100%
	Installment Payment Options	Process installment payment (PPAY) requests	1,851	Processed same day if received in good order prior to 3:00 PM Central Time; otherwise, next business day. Payments on the 29th, 30th or 31st of the month not allowed.	100%
	Complaints Error Resolution	Resolve complaints forwarded by participants	4	Respond to participants within time frame agreed upon with Great-West	100%

State of Wisconsin Deferred Compensation Program Performance Standards Report 2nd Quarter 2007

Participant Services

Contract Provision	Requirement	Number Processed	Standard	% Met Standard	
Section C, Part 1.1 & 1.2	Local office	Field customer services will be provided in Wisconsin to participating employees and employers (to answer questions, provide additional information and services, etc.)	N/A	Every work day of the year.	100%
Section C, Part 3.0	Targeted Presentations	Conduct informational presentations targeted at various groups of employees (new, close to retirement, lower income or gender, etc.)	N/A	Format to be approved by the Department and Great-West.	Std Met
Section C, Part 3.0	Employer Presentations	Offer every participating employer an informational presentation.	N/A	At least annually for each employer	Std Met
Section C, Part 3.0	Employee Presentations	Offer every participating employee an informational presentation.	N/A	At least annually.	Std Met
Section C, Part 4.2	Eligible employer contact	Every eligible local government employer will be contacted regarding the WDC.	N/A	At least annually.	Std Met
Section C, Part 4.2	Eligible employee contact	All eligible state and local government employees will be notified of their eligibility to participate in the WDC.	N/A	Annually with an agreed upon payroll staffer.	Std Met
Section C, Part 5.3	Financial emergency hardships	Financial emergency hardship application review and processing.	N/A	Application and recommendation submitted to the Department within 5 working days from receipt of properly completed application and required documentation; distributions within 10 working days of receipt of notification of approval.	Std Met
Section C, Part 8.0	Contacting eligible employers not participating	Contact each eligible employer not participating in the WDC and offer an informational presentation.	N/A	At least annually.	Std Met

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Administrative Services

Contract Provision		Requirement	Number Processed	Standard	% Met Standard
Section B, Part 2.8	Audit expenses	Great-West to remit up to \$15,000 annually toward the cost of the annual audit of WDC's financial condition by the independent Certified Public Accounting firm selected, monitored and retained by the WDC.	N/A	Payment of up to \$15,000 to the Plan Administrative Account within 90 days from the end of the calendar year.	Std Met
Section B, Part 2.9	Open records for Audits	Open all books, records, ledgers and journals relating to the WDC for inspection and audit.	N/A	Within 30 days of receipt of request.	Std Met
Section B, Part 2.11	Participant Fees	Participant fees will be assessed monthly and deposited into the WDC's Plan Administrative Account maintained by Great-West.	N/A	Deposited on the date assessed or next business day thereafter.	Std Met
Section B, Part 2.12	Payments from Administrative Account	Payments from the WDC's Plan Administrative Account maintained by Great-West to reimburse Department expenses will be made on a quarterly basis.	N/A	Within 15 days after the end of the quarter from receipt of request unless insufficient funds available.	Std Met
Section C, Part 6.1	Web site availability	Web site available	N/A	Web site availability 24 hours a day, except for routine maintenance of the system, which when necessary generally takes place on Sunday between the hours of 12:01 a.m. Mountain Time and 12:01 p.m. Mountain Time. Access to the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades, maintenance or for other reasons.	Std Met

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Reporting

Contract Provision		Requirement	Number Processed	Standard	% Met Standard
Section B, Part 2.10	Annual Report	Annual report itemizing local office actual administrative costs incurred by Great-West.	N/A	Within 120 days from the end of the calendar year.	Std Met
Section C, Part 7.6	Consolidated quarterly participant statements	Consolidated quarterly participant statements, including personal rate of return.	N/A	Within 20 business days from the end of each quarter, or within ten (10) business days after receipt of information in good order from third party sources, (including the newsletter) whichever is later.	Std Met
Section C, Part 7.7	Investment returns	Investment return of the quarterly investment performance of products and participant newsletter.	N/A	Within 20 business days from the end of each quarter, or within ten (10) business days after receipt of information in good order from third party sources, (including the newsletter) whichever is later.	Std Met
Section C, Part 10.1	Plan Status Report	Plan Status Report as contained in Exhibit 5	N/A	Quarterly within 45 days of the end of the quarter.	Std Met
Section C, Part 10.2	Performance Standards Report	Performance Standards Report in a mutually agreeable format as contained in Exhibit 5: WDC Report Details.	N/A	Quarterly within 45 days of the end of the quarter.	Std Met
Section C, Part 10.10	Demographic Analysis	WDC Demographic Analysis	N/A	Within 75 days of the end of the year.	Std Met
Section C, Part 12.5	Basic Fund Performance	Basic Fund Performance Reports	N/A	Within 60 days of the end of each quarter. Three quarters will receive a Basic Fund Performance.	Std Met
Section C, Part 12.8	Annual Fund Performance Report	Annual Expanded Fund Performance Report	N/A	Draft within 75 days of the end of the year with the final version delivered within 90 days after the end of the year.	Std Met

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Interactive Services

Contract Provision		Requirement	Number Processed	Standard	% Met Standard
Section C, Part 10.8	Web site statistics	Web site statistics: information to be included in each report located in Exhibit 5: WDC Report Details.	N/A	Quarterly within 45 days of the end of the quarter.	Std Met
Section C, Part 10.9	IVR statistics	IVR statistics: information to be included in each report located in Exhibit 5: WDC Report Details	N/A	Quarterly within 45 days of the end of the quarter.	Std Met
Telephones	CSR and IVR Systems	Client Service Representatives and Automated Voice Response System	N/A	All telephone calls to the Wisconsin and Home Office Client Service Representatives and the automated voice response system combined will be answered within ninety (90) seconds on average at least ninety percent (90%) of the time on an on-going average annual calendar year basis. On average for the calendar year, there will be less than one percent (1%) of calls that receive a busy signal, and the abandoned call rate will average less than five percent (5%) for the calendar year.	Std Met; 96% of calls answered inside 90 seconds, 0% of calls received busy signal, and 1.21% calls abandoned.

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Participant Services

Contract Provision		Requirement	Number Processed	Standard	% Met Standard
	Enrollment Applications	Process enrollment applications	794	Processed within 5 days; established within 31 days or later, if requested.	100%
	Increase/Decrease Deferrals	Process deferral increases/decreases	1,388	Processed within 5 days; established within 31 days or later, if requested.	100%
	Allocation Changes	Process allocation changes	1,088	Processed within 5 days; effective next pay or later, if requested.	100%
	Transfers between funds	Process transfer requests	1,649	Processed same day if received in good order prior to 3:00 PM Central Time; otherwise, next business day	100%
	Lump Sum Distributions	Process lump sum distribution requests	235	Processed same day if received in good order prior to 3:00 PM Central Time; otherwise, next business day	100%
	Installment Payment Options	Process installment payment (PPAY) requests	1,819	Processed same day if received in good order prior to 3:00 PM Central Time; otherwise, next business day. Payments on the 29th, 30th or 31st of the month not allowed.	100%
	Complaints Error Resolution	Resolve complaints forwarded by participants	1	Respond to participants within time frame agreed upon with Great-West	100%

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Participant Services

Contract Provision	Requirement	Number Processed	Standard	% Met Standard	
Section C, Part 1.1 & 1.2	Local office	Field customer services will be provided in Wisconsin to participating employees and employers (to answer questions, provide additional information and services, etc.)	N/A	Every work day of the year.	100%
Section C, Part 3.0	Targeted Presentations	Conduct informational presentations targeted at various groups of employees (new, close to retirement, lower income or gender, etc.)	N/A	Format to be approved by the Department and Great-West.	Std Met
Section C, Part 3.0	Employer Presentations	Offer every participating employer an informational presentation.	N/A	At least annually for each employer	Std Met
Section C, Part 3.0	Employee Presentations	Offer every participating employee an informational presentation.	N/A	At least annually.	Std Met
Section C, Part 4.2	Eligible employer contact	Every eligible local government employer will be contacted regarding the WDC.	N/A	At least annually.	Std Met
Section C, Part 4.2	Eligible employee contact	All eligible state and local government employees will be notified of their eligibility to participate in the WDC.	N/A	Annually with an agreed upon payroll staffer.	Std Met
Section C, Part 5.3	Financial emergency hardships	Financial emergency hardship application review and processing.	N/A	Application and recommendation submitted to the Department within 5 working days from receipt of properly completed application and required documentation; distributions within 10 working days of receipt of notification of approval.	Std Met
Section C, Part 8.0	Contacting eligible employers not participating	Contact each eligible employer not participating in the WDC and offer an informational presentation.	N/A	At least annually.	Std Met

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Administrative Services

Contract Provision		Requirement	Number Processed	Standard	% Met Standard
Section B, Part 2.8	Audit expenses	Great-West to remit up to \$15,000 annually toward the cost of the annual audit of WDC's financial condition by the independent Certified Public Accounting firm selected, monitored and retained by the WDC.	N/A	Payment of up to \$15,000 to the Plan Administrative Account within 90 days from the end of the calendar year.	Std Met
Section B, Part 2.9	Open records for Audits	Open all books, records, ledgers and journals relating to the WDC for inspection and audit.	N/A	Within 30 days of receipt of request.	Std Met
Section B, Part 2.11	Participant Fees	Participant fees will be assessed monthly and deposited into the WDC's Plan Administrative Account maintained by Great-West.	N/A	Deposited on the date assessed or next business day thereafter.	Std Met
Section B, Part 2.12	Payments from Administrative Account	Payments from the WDC's Plan Administrative Account maintained by Great-West to reimburse Department expenses will be made on a quarterly basis.	N/A	Within 15 days after the end of the quarter from receipt of request unless insufficient funds available.	Std Met
Section C, Part 6.1	Web site availability	Web site available	N/A	Web site availability 24 hours a day, except for routine maintenance of the system, which when necessary generally takes place on Sunday between the hours of 12:01 a.m. Mountain Time and 12:01 p.m. Mountain Time. Access to the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades, maintenance or for other reasons.	Std Met

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Reporting

Contract Provision		Requirement	Number Processed	Standard	% Met Standard
Section B, Part 2.10	Annual Report	Annual report itemizing local office actual administrative costs incurred by Great-West.	N/A	Within 120 days from the end of the calendar year.	Std Met
Section C, Part 7.6	Consolidated quarterly participant statements	Consolidated quarterly participant statements, including personal rate of return.	N/A	Within 20 business days from the end of each quarter, or within ten (10) business days after receipt of information in good order from third party sources, (including the newsletter) whichever is later.	Std Met
Section C, Part 7.7	Investment returns	Investment return of the quarterly investment performance of products and participant newsletter.	N/A	Within 20 business days from the end of each quarter, or within ten (10) business days after receipt of information in good order from third party sources, (including the newsletter) whichever is later.	Std Met
Section C, Part 10.1	Plan Status Report	Plan Status Report as contained in Exhibit 5	N/A	Quarterly within 45 days of the end of the quarter.	Std Met
Section C, Part 10.2	Performance Standards Report	Performance Standards Report in a mutually agreeable format as contained in Exhibit 5: WDC Report Details.	N/A	Quarterly within 45 days of the end of the quarter.	Std Met
Section C, Part 10.10	Demographic Analysis	WDC Demographic Analysis	N/A	Within 75 days of the end of the year.	Std Met
Section C, Part 12.5	Basic Fund Performance	Basic Fund Performance Reports	N/A	Within 60 days of the end of each quarter. Three quarters will receive a Basic Fund Performance.	Std Met
Section C, Part 12.8	Annual Fund Performance Report	Annual Expanded Fund Performance Report	N/A	Draft within 75 days of the end of the year with the final version delivered within 90 days after the end of the year.	Std Met

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Interactive Services

Contract Provision		Requirement	Number Processed	Standard	% Met Standard
Section C, Part 10.8	Web site statistics	Web site statistics: information to be included in each report located in Exhibit 5: WDC Report Details.	N/A	Quarterly within 45 days of the end of the quarter.	Std Met
Section C, Part 10.9	IVR statistics	IVR statistics: information to be included in each report located in Exhibit 5: WDC Report Details	N/A	Quarterly within 45 days of the end of the quarter.	Std Met
Telephones	CSR and IVR Systems	Client Service Representatives and Automated Voice Response System	N/A	All telephone calls to the Wisconsin and Home Office Client Service Representatives and the automated voice response system combined will be answered within ninety (90) seconds on average at least ninety percent (90%) of the time on an on-going average annual calendar year basis. On average for the calendar year, there will be less than one percent (1%) of calls that receive a busy signal, and the abandoned call rate will average less than five percent (5%) for the calendar year.	Std Met; 98% of calls answered inside 90 seconds, 0% of calls received busy signal, and .89% calls abandoned.