

Excessive Trading Policy

Adopted: January 2003

Last Revised: May 2006

The Deferred Compensation Board's Excessive Trading Policy is that all Wisconsin Deferred Compensation Program (WDC) participant and beneficiary accounts are subject to trading limitations and restrictions imposed by investment option providers. In the event that an investment provider identifies a participant or beneficiary account in violation, on behalf of the Board the Department of Employee Trust Funds shall direct the WDC's third party administrator (TPA) to take the appropriate action to cause this practice to cease.

Background: Excessive trading is generally defined as purchase and sale transactions by a participant that occur with such frequency and/or in such an amount as to materially affect a mutual fund's ability to meet its investment objective as judged by the mutual fund provider. Excessive trading has a detrimental effect on a mutual fund because it disrupts the management of investment options and increases the fund's trading costs. These costs are passed along to all mutual fund shareholders. It can also have a negative impact on a fund by reducing its overall investment returns.

To deter excessive trading, many WDC investment providers have adopted underlying restrictions and limitations with respect to transfers into and withdrawals from their investment options. These restrictions include, but are not limited to the right to delay or reject trades and impose fees and trading restrictions.

Excessive Trading Procedures (*adopted in May 2006*): In the event that a mutual fund company suspects that excessive trading may have occurred, the following procedure will be followed:

- a) If the WDC's third party administrator (TPA) is contacted by an investment provider that suspects a WDC participant is engaging in excessive trading, the TPA will provide the investment provider with the recent trading activity of the participant. This information will be kept confidential.
- b) If the investment provider determines the participant is engaging in excessive trading, the TPA will send the participant a letter requesting that the participant cease the excessive trading.
- c) Any participant who is notified of an excessive trading problem and does not comply may be restricted from executing future trades through the WDC website or via the telephone for as long as the applicable investment provider determines is necessary.