

Choose the Right Portfolio Mix Help Protect Your Assets by Allocating Them

No one can predict with certainty how investments will perform. This year's best performer may be next year's worst performer. So, how do you invest your Wisconsin Deferred Compensation (WDC) Program contributions to keep up with changes in the investment markets?

Planning Session

Don't try to outguess the markets. Instead, help manage investment risk by determining—and maintaining—an appropriate asset allocation. That's the mix of stock, bond and cash investments best suited to your time horizon (how long until you'll need the money), your financial goals and your tolerance for risk. Not all of your investments will deliver gains every year. Stocks, bonds and domestic and global investments all respond differently to changes in the investment climate, so it is unlikely that all your investments would perform identically year after year. But with your money spread across a variety of asset classes, you can help protect yourself from the occasional downturn.

Progress Check

Over time, investment performance can affect the allocation of your account. Check annually to see if you need to rebalance¹ to restore your original allocation. Major shifts in your asset allocation should be rare—generally in response to changes in your personal situation, such as marriage, children or retirement. Rely on your allocation strategy and you won't be tempted to respond to every twist and turn the investment markets take.

The WDC's Rebalancer feature, found on the WDC Web site, allows you to "rebalance" the asset allocation mix of the assets in your account. It brings your investment allocation mix back to the original target mix that you determined and allows you to maintain the target mix to meet your long-term objectives—automatically and at a frequency that you select.

A Smoother Ride

While asset allocation won't eliminate investment risk, spreading your assets among several investment types may help cushion your nest egg from temporary jolts in any one market. And, over time, allocating your retirement funds among different asset classes should help you realize better performance than if you concentrated all your money in just one asset class.

¹ Rebalancing does not assure a profit and does not protect against loss in declining markets. Investors should consider their financial ability to continue a rebalancing plan during periods of fluctuating price levels.

Important WDC Information

Phone Number:
(877) 457-WDCP (9327)

Call Center Hours:
7:00 a.m. - 7:00 p.m.
Monday - Friday

WDC Web Site:
www.wdc457.org

WDC E-mail:
WDC.MadisonOffice@gwrs.com

WDC Office Address:
5325 Wall Street, Suite 2755
Madison, WI 53718

WDC Office Hours:
8:00 a.m. - 4:30 p.m.
Monday - Friday

Excessive Trading Reminder

Frequent Trading Is Detrimental to the WDC and Its Participants

Excessive trading has a detrimental effect on a fund because it disrupts investment management and increases the fund's trading costs, which are frequently passed along to all fund shareholders. It can also have a negative impact on the fund by reducing its investment returns. To protect shareholders, many fund companies have reserved the right to delay or reject trades and impose fees and/or trading restrictions for a variety of reasons, including excessive trading.

In January 2003, the Board approved an excessive trading policy, which states that all WDC participant and beneficiary accounts are subject to trading limitations and restrictions imposed by fund companies.

The WDC Board and the WDC's new recordkeeping firm, Great-West Retirement Services®, have revised the WDC's excessive trading procedures. These procedures are followed when a fund 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, it 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, both the participant and the Board will be notified. 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 electronically through the WDC Web site or via the telephone as future exchanges will be manually monitored.

Vanguard has a frequent trading policy in place that applies to the following WDC investment options:

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

As of March 31, 2006, any participant who exchanges any amount out of these Vanguard funds must wait 60 calendar days before exchanging back into the same fund. Note that the frequent trading policy *does not* apply to the Vanguard Admiral Treasury Money Market Fund, and *does not* apply to shares purchased with participant contributions or WDC related transactions, such as distributions or in-service financial emergency withdrawals.

It's important to note that reallocation and rebalancing

2 transactions are *not* excluded from this policy.

Great-West Retirement Services will carefully monitor the accounts of WDC participants who use the WDC's Rebalancer or asset allocation service.

Vanguard Target Retirement Funds Change

Vanguard Is Changing the Funds' Asset Allocation Models

If you are a WDC participant who is investing in one or more of the Vanguard Target Retirement Funds, you need to know that Vanguard will be changing the Target Retirement Funds' asset allocations.

Vanguard Target Retirement Funds are designed to be low-cost, simple fund solutions that incorporate Vanguard's best and latest thinking about investing for retirement. Since the funds' introduction, Vanguard has determined that a slightly less conservative stance over the lifetime of the funds represents a better fit with most investors' preferences and tolerance for market risk.

So after careful consideration, Vanguard is changing the funds' asset allocation models—the mix of stocks, bonds and cash—to help provide broader equity diversification and higher return potential. Here are the highlights:

- Increased equity allocation. The funds' mix of stocks, bonds and cash will be modified to provide greater exposure to stocks—roughly 10% to 20% more per fund—over a longer period of time.
- Broader international exposure for all funds. Vanguard Emerging Markets Stock Index Fund^{2,3} will be added to each of the funds (representing roughly 1% to 2.5% of assets). This will further diversify their exposure to international markets.
- New international exposure for two funds. Vanguard European Stock Index Fund and Pacific Stock Index Fund^{2,3} will be added to the fund mix for the Target Retirement 2005 Fund and Target Retirement Income Fund. Overall, international stocks will represent roughly 10% of the 2005 Fund and 6% of the Income Fund.

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information you may obtain mutual fund prospectuses and disclosure documents from your registered representative. Read them carefully before investing.

An investment in a Money Market Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.

- 2 Foreign investments involve special risks, including currency fluctuations and political developments.
- 3 An index is not professionally managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of an index fund will generally be less than its benchmark index. You cannot invest directly in an index.

New Quarterly Statement Features

Beginning and Ending Share Prices and Year-to-Date Contributions Added

Have you ever been looking at your statement and wondered what the beginning share prices were at the start of the quarter and what they were at the end of the quarter? Maybe you're curious as to what your year-to-date contributions are. These questions are answered with two new features you'll see on this quarter's WDC statement.

As part of our continuing effort to bring you features and benefits that will provide you with a better experience with the WDC, these new statement features provide you with additional insight into your WDC account. The more you know about your account, the better the choices you are able to make as you plan for retirement.

Review Your Asset Allocation

What If You've Defaulted into a Fund You Don't Want to Be In?

When the T. Rowe Price International and Janus funds were eliminated from the WDC fund lineup, the account balances that were still invested in those funds defaulted into the Vanguard Money Market Fund. Additionally, any deferral contributions that were directed to the T. Rowe Price International or Janus funds now go into the Vanguard Money Market Fund, as well.

If you think this may have affected you, please take a moment to check your WDC deferral contribution elections. Depending on your retirement savings strategy, you may not be in the right mix of funds to achieve your goals if all or a portion of your account balance has defaulted into a fund that you didn't actively choose.

Choosing the right investment mix doesn't have to be difficult. In fact, just knowing the year in which you expect to retire is enough to help you choose a Vanguard Target Retirement Fund that may fit your needs. Target maturity funds distribute your contributions across a wide variety of stocks, bonds and cash, and they rebalance over time so that the investment mix gets more conservative as your retirement approaches. The fund managers take care of making sure that the fund's investment mix and risk profiles match your retirement horizon.

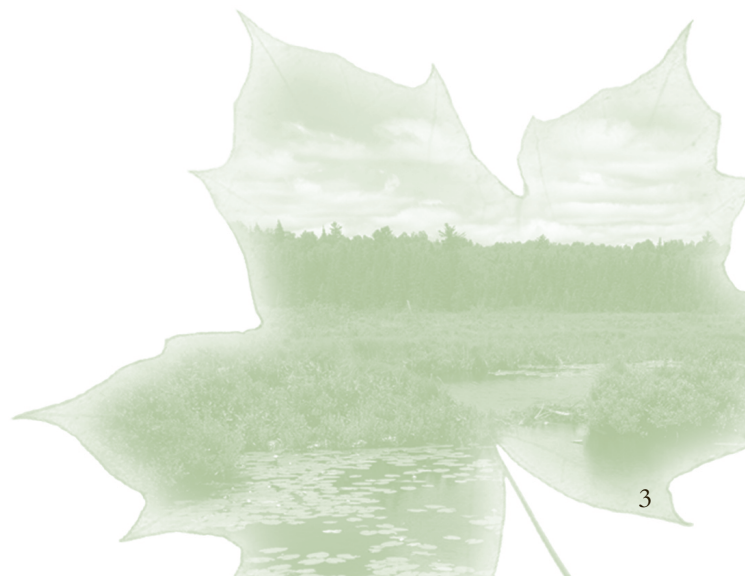
If you feel like you have enough information to make a change to your fund lineup on your own, you can log on to the WDC Web site at www.wdc457.org and make the change online.⁴ If you would like to learn more before making any changes, you can call (877) 457-9327 and select option 2 to speak with your local WDC representative.

⁴ Transfer requests made via the Web site or voice response system received on business days prior to close of the New York Stock Exchange (3:00 p.m. Central Time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.

Rev Up Your WDC Account

To achieve financial security in retirement, you'll have to use your head—and take advantage of the retirement savings options offered through the WDC. Here's how:

1. **Save enough!** Check out the calculators on the WDC's Web site or at smartmoney.com to get a good idea of how much cash you'll need to feather your nest.
2. **Max out.** Contribute as much as you can to your retirement account. The IRS contribution limit for 2006 is \$15,000. If you are over age 50, you may be eligible to contribute an additional \$5,000 using catch-up contributions.
3. **Strategize wisely.** Keep your asset allocation in line with your age, years until retirement and tolerance for risk.
4. **Don't count on Social Security.** Even if it's there when you retire, it may not be enough.
5. **Diversify.** When you spread your money across a variety of investment options, such as stock and bond funds, you help to minimize your risk of loss.
6. **Stick to your long-term strategy.** Try not to be influenced by short-term market volatility.
7. **Rebalance once a year.** Rebalancing your WDC account helps bring your investments back in line with your original asset allocation.



Representatives and Retiree Resource

Local Staff Locator and Retiree Resource Now Available on the WDC Web Site

If you've been wondering who to call when you have questions about the WDC, you'll be glad to know that there is a new feature on the WDC Web site that can help. The new "Local Staff" button provides a listing of all the local WDC representatives and identifies the territories they each cover based on the different counties they serve.

Your local WDC representatives are all licensed investment professionals and can be a valuable resource for you. Call them with any questions you may have about the WDC. Visit www.wdc457.org today and click on the "Local Staff" button to find out who is out there waiting to answer your WDC-related questions.

Another helpful tip—especially for those of you who are nearing retirement or are already retired—is to take advantage of the new Retiree Resource page on the WDC Web site. It's one-stop shopping for information that is specifically geared toward retirees or those approaching that phase of their life. It includes articles, education, forms and links to helpful Web sites. Check it out today!

Group Education Meeting Schedule

Posted on the Web

Attend an Educational Seminar that Is Convenient for You

Have you ever wanted to attend an educational seminar designed to help you get the most from the WDC? Now you can quickly and easily find out when and where these seminars are being held. When you visit www.wdc457.org, you will see a small calendar icon right above the login box. Simply click on that calendar to view the upcoming schedule of seminars.

If you don't see a seminar that interests you or there is not a convenient time or location listed, please check back regularly because the schedule will be updated as new seminars are added. If you have a specific topic that you are interested in learning more about, contact your local representative. If there isn't anything coming up for the topic in which you're interested, he or she would be happy to meet with you one-on-one to answer your questions.

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FDIC Insured Bank Options: M&I Bank has declared an annualized interest rate for the second quarter 2006 of 5.09%.

Contact Us

The Wisconsin Deferred Compensation Program is a supplemental retirement benefit plan regulated by Section 457 of the Internal Revenue Code and managed by the Wisconsin Department of Employee Trust Funds (ETF). *MoneyTalks* is distributed quarterly with the Participant Statement of Account.

Questions regarding the WDC should be directed to the WDC office.

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