

# MoneyTalks

Wisconsin Deferred Compensation (WDC) Program

## Attend a Free Investment Workshop

You are invited to an investment workshop hosted by the Wisconsin Deferred Compensation (WDC) Program. Attend one of four investment workshops listed below to hear from three of your investment providers. Each presenter will provide you with valuable investment education on saving, asset allocation and diversification.<sup>1,2</sup>

Guest presenters will represent the following companies:

- ★ Fidelity Investments
- ★ Vanguard Group
- ★ Galliard Capital Management

This FREE educational seminar will last approximately two hours, and WDC representatives will be on-site to answer your questions. *Space is limited, and the meeting will close when we reach capacity.* ■

Date	Time	Location	Address
Mon., Nov. 7	6-8:00 p.m.	Middleton-Cross Plains School District Performing Arts Center (behind high school)	2100 Bristol St. Middleton, WI 53562
Tues., Nov. 8	6-8:00 p.m.	UW-Green Bay University Union – Phoenix, Rooms A&B	2420 Nicolet Dr. Green Bay, WI 54311
Wed., Nov. 9	6-8:00 p.m.	Hamilton High School Auditorium	6215 W. Warnimont Ave. Milwaukee, WI 53220
Thurs., Nov. 10	6-8:00 p.m.	Chippewa Valley Technical College, Business Education Center Auditorium, Room 103	620 W. Clairemont Ave. Eau Claire, WI 54701

## T. Rowe Price Excessive Trading Policy

Effective August 1, 2011, T. Rowe Price implemented a new excessive trading policy. The change restricts participants who have made an exchange out of the T. Rowe Price Mid-Cap Growth Fund from exchanging back into the same fund for a period of 30 calendar days.

The WDC will continue to support policies and procedures designed to help protect the interests of long-term investors. Policies such as that of T. Rowe Price are put in place to help provide protection from the adverse impact of short-term trading and excessive transactions.

To view a current prospectus of the T. Rowe Price fund and any other investment option in the WDC, go to **www.wdc457.org** and click on “Investments.”<sup>3</sup> ■

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*FDIC Insured Bank Option:  
M&I Bank has declared  
an annualized interest rate  
of 0.26% for the third  
quarter 2011.*



- 1 Asset allocation does not ensure a profit and does not protect against loss in declining markets.
- 2 Diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.
- 3 Access to the voice response system and website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

# Stable Value Fund Trading Restrictions

## Trading restrictions have recently changed.

Before you transfer funds out of the Stable Value Fund, remember that money transferred from this fund to any competing investment option requires a “90-day equity wash.” An equity wash is mandatory for Stable Value Fund transfers. It prohibits direct transfers between certain competing funds. Instead, the money must first be directed to an equity fund or other non-competing fund option in the WDC for 90 days before it can be moved to any other competing fixed-income fund. While this requirement may seem restrictive, it is used by stable value fund providers to prevent excessive risk within the funds.



## What else should I know?

1. Assets cannot be transferred directly from the Stable Value Fund to any of the following competing investment options in the WDC:
  - Vanguard Admiral Treasury Money Market Fund
  - FDIC Bank Option<sup>4</sup>
  - Federated U.S. Government Securities Fund<sup>5</sup>
  - Schwab Money Market Fund
2. If you move assets out of the Stable Value Fund into a non-competing fund, you cannot transfer those assets into the competing funds for 90 days.

## What's different about the equity wash?

Effective October 3, 2011, the 90-day trading restriction applies only to the money transferred out of the Stable Value Fund. If you transfer money out of the Stable Value Fund into a non-competing fund in which you have existing dollars, you may still transfer the non-competing fund's existing money to any of the competing funds.

## EXAMPLES

Sally has the following balances as of September 4, 2011\*:

- Vanguard Institutional Index Fund Plus  
(a non-competing fund) ..... \$1,000
- Stable Value Fund ..... \$2,000
- American Funds EuroPacific<sup>6</sup>  
(a non-competing fund) ..... \$3,000

Sally transfers \$500 from the Stable Value Fund to the Vanguard Institutional Index Fund Plus on September 4, 2011. This \$500 will remain locked in the Vanguard Institutional Index Fund Plus for 90-calendar days before Sally can transfer it to any funds that compete with the Stable Value Fund.

Sally's new balances as of September 5, 2011, are as follows:

- Vanguard Institutional Index Fund Plus..... \$1,500
- Stable Value Fund ..... \$1,500
- American Funds EuroPacific<sup>6</sup>..... \$3,000

On October 3, 2011, Sally requests a transfer of \$700 from the Vanguard Institutional Index Fund Plus to the Vanguard Admiral Treasury Money Market Fund, a competing fund to the Stable Value Fund. This transfer is allowed because Sally had an existing balance in the Index Fund prior to her Stable Value Fund transfer. This leaves \$800 in the Index Fund, \$500 of which is the restricted money that was transferred from the Stable Value Fund.

On October 20, 2011, Sally requests a transfer of \$500 from the Index Fund to the Vanguard Money Market Fund. This transfer is not allowed because only \$300 is available for transfer—the difference between the fund balance and the \$500 that is restricted because she moved it from the Stable Value Fund on September 4.

On the same day, Sally requests a transfer of \$300 (the available amount) out of the Index Fund into the Vanguard Money Market Fund. This transfer is allowed; the remaining \$500 in the Index Fund must be held for the remainder of the 90-day equity wash period.

Note: Sally is allowed to transfer any amount out of the American Funds EuroPacific Fund at any time because that fund is not a Stable Value Fund competing fund and was not part of the Stable Value Fund transaction that triggered the equity wash trading restriction.

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\* FOR ILLUSTRATIVE PURPOSES ONLY

## Roth Rollover Options

The WDC now offers an in-plan Roth rollover option to all participants. Additionally, if you are eligible for a distribution from the WDC (you've separated from service with your employer), you can roll over your non-Roth assets to a Roth account within the WDC. Here is some important information related to in-plan Roth rollovers.

### Tax Implications

If you wish to convert ("roll over") assets into a Roth account, you will be responsible for paying ordinary income tax on the amount that is rolled over from your account in the year the rollover occurs. The WDC will not withhold any income tax money, and our recordkeeper (Great-West Retirement Services®) will issue you an IRS 1099-R tax reporting form as a taxable rollover.

### Distributions

With a Roth rollover, any distributions will be automatically taken from your core investment options as your balance is allocated. Your account assets subject to this request will be out of the market for one business day. The shares of the amount requested will be sold on one business day, and the same fund(s) will be purchased in the same percentage(s) on the following business day. Keep in mind that the number of the shares purchased may be more or less than the number of the shares sold, based on the share prices that day.

### Roth Rollover Process

To complete an in-plan Roth rollover, fill out an In-Plan Roth Rollover Request Form and a Distribution/Direct Rollover Request Form, both of which you can obtain from the WDC Madison office by calling (877) 457-9327. Submit both forms at the same time. Your Roth rollover election will be processed the same day it arrives in the system and the actual rollover converting your requested balance into the Roth account will be processed the following business day.

### Next Steps

The decision to convert from a regular to a Roth option is irreversible. Therefore, we strongly encourage you to work with a tax adviser on the potential benefits and drawbacks of this option before requesting an in-plan Roth rollover. Once your request has been processed, by law it cannot be reversed. Please call us at (877) 457-9327 or e-mail us at [wdcprogram@gwrs.com](mailto:wdcprogram@gwrs.com) if you have any questions. ■

### Reminder: WDC Roth Now Available

The WDC now accepts 457 Roth contributions, giving you the flexibility to designate all or a portion of your WDC elective deferrals as after-tax Roth contributions. With the Roth, you have access to the same investment options and plan features as your before-tax account. ■

## Stable Value Fund Trading Restrictions *(continued)*

For questions regarding the equity wash trading restriction, call (877) 457-9327 to speak with a WDC representative.<sup>7</sup>

An investment in a money market fund, such as the Vanguard Admiral Treasury 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 per share, it is possible to lose money by investing in the 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 WDC representative. You can also obtain prospectuses at [www.wdc457.org](http://www.wdc457.org). Just click on the "Online Prospectuses" link on the left-hand menu bar under the "Investments" tab. For a prospectus related to the investments in your Self-Directed Brokerage (SDB) Account, contact your SDB provider at (888) 393-7272. Read all prospectuses carefully before investing. ■*

<sup>4</sup> The WDC FDIC Bank Option is the only investment product in the WDC that offers FDIC insurance on account balances. All other WDC investment products offered are not FDIC-insured and may lose their value.

<sup>5</sup> U.S. Treasury securities are guaranteed as to the timely payment of principal and interest if held to maturity. Fund shares are neither issued nor guaranteed by the U.S. government.

<sup>6</sup> Foreign investments involve special risks, including currency fluctuations and political developments.

<sup>7</sup> Representatives of GWFS Equities, Inc. are not registered investment advisers, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed.



## How to Use Target Retirement Date Funds

The Vanguard Target Retirement Date Funds available through the WDC can provide you with a diversified portfolio in one simple step.<sup>1</sup> These funds are specifically designed to be the only investment option to which you contribute.

The date in the Target Retirement Date Funds represents an approximate date when an investor expects to retire. Assets within each fund are allocated across asset classes with varying levels of investment risk, and automatically shift into more conservative holdings—by gradually reducing the allocation to equity funds and increasing the allocation to fixed-income and short-term funds—as the anticipated retirement date approaches. The

principal value of the funds is not guaranteed at any time, including the target date.

Each fund is designed to be a stand-alone retirement savings solution. If you choose other investment options in addition to a Target Retirement Date Fund, you could change your overall asset allocation, which could limit the effectiveness of the fund. For example, if you choose a Target Retirement Date Fund that has a 90% stock and 10% bond allocation and then also choose another bond fund offered by the WDC, you are reducing the stock allocation of your overall portfolio.

More information on the Target Retirement Date Funds can be found on the website at [www.wdc457.org](http://www.wdc457.org).<sup>3</sup> ■

### WDC Program Contact Information

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

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

**WDC Program Website:**  
[www.wdc457.org](http://www.wdc457.org)

**WDC Program E-mail:**  
[wdcprogram@gwrs.com](mailto:wdcprogram@gwrs.com)

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

**WDC Program Office Hours:**  
8:00 a.m. – 4:30 p.m.  
Monday – Friday



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