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CITY OF DANBURY
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DIRECTOR OF FINANCE

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MEMORANDUM

TO: Mark D. Boughton via the Common Council

FROM: Dena R. Diorio, Director of Finance & Personnel *Dena*

DATE: May 27, 2005

SUBJECT: Amendment to Administrative Services Agreement – Hartford Life 457 Plan

Hartford Life, as one of the City's Deferred Compensation providers routinely makes recommendations for changes to our plan designed to protect the assets of the plan. The Hartford is recommending that the City adopt the attached amendment to our administrative services agreement in response to the growing concern surrounding frequent trading in the mutual fund industry.

Deferred Compensation plans are designed for long-term investment. Frequent trading in and out of mutual funds in order to attain short-term gains can adversely affect fund performance and negatively impact all of the investors in the plan. In order to prevent this practice, the Hartford is putting policies and procedures in place designed to limit frequent trading.

The new procedures would allow the plan sponsor or the Hartford to restrict or suspend electronic trading privileges including internet, phone or facsimile trading for those participants engaged in frequent trading. Those participants would be required to execute their trades by U.S. mail which has shown to reduce this type of activity. All participants will be notified by mail of their frequent trading activity and asked to cease such activity before any restrictions would be imposed.

I am requesting that the Common Council consider this amendment at its June meeting. Please feel free to contact me if you require any additional information. Thank you.

April 27, 2005

City of Danbury
Andrea Gray
155 Deer Hill Ave
Danbury, CT 06810

RECEIVED
FINANCE DEPT.

APR 28 2005



Hartford Life

Re: 109219
City of Danbury Deferred Compensation Plan

Dear Plan Sponsor:

The growing concern regarding frequent trading activity within the mutual fund industry has left many plan sponsors and participants considering the impacts to their retirement program. The Hartford understands and appreciates these concerns.

Frequent trading, a potentially abusive practice, involves frequent movements in and out of funds in an attempt to attain short-term gains. Such activity can adversely affect the performance of the underlying funds available as investment options within your retirement program, reducing investment returns to all fund shareholders, including participants in your plan who are not engaged in frequent trading activity. In addition, it can be disruptive to the management of a fund, as it may increase expenses and require a larger cash position than is ideal for its performance.

Should participants within your retirement program engage in frequent trading activity, we understand that it is the plan's responsibility to determine the prudent response. Although, as an intermediary between the underlying fund and the plan, it is our goal to provide you with the information and administrative tools to recognize and deal effectively with such activity.

As a result, we are pleased to announce to all of our existing plan sponsors a new feature of our service platform. The enclosed Amendment to the Administrative Services Agreement ("ASA") effective August 15, 2005 provides for a Frequent Trading Policy and Procedure enabling a plan sponsor or The Hartford to restrict or suspend any or all participants engaged in frequent trading activity from internet, phone, facsimile or other electronic investment option transfer privileges (collectively "electronic transfer privileges"). Participants whose electronic transfer privileges are suspended are still permitted to trade, but must do so by regular U.S. mail, which in our experience has resulted in a decrease in frequent trading activity by those participants.

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Amendment to Administrative Services Agreement

Individual Participant Account Services

WITNESSETH

WHEREAS, Hartford Life entered into an Administrative Services Agreement (hereinafter "Agreement") with the Plan Sponsor to provide administrative services for the Plan;

WHEREAS, the Agreement may be amended by Hartford Life by providing 90 days advanced written notice of the Amendment to the Plan Sponsor;

WHEREAS, defined terms in the Agreement shall have the same meaning in this Amendment;

NOW THEREFORE, the following is made a part of the Agreement effective 90 days from the date of this Amendment:

Notwithstanding the foregoing, nothing in this Agreement shall prohibit Hartford Life or the Plan Sponsor from restricting or suspending any or all Participants from internet, phone, facsimile or other electronic investment option transfer privileges. Any such action taken by Hartford Life or the Plan Sponsor shall be in accordance with the procedures provided in **Frequent Trading Policy and Procedure** attached hereto.

Plan Sponsor acknowledges the following: The underlying funds, available as investment options under the Plan, are not intended as vehicles for short-term trading. Excessive exchange activity may interfere with portfolio management and may have an adverse effect on all shareholders. The underlying funds expressly reserve the right to curtail such short-term trading activity. These policies can be found in the underlying fund prospectuses. Plan Sponsor acknowledges that in the event that excessive or abusive exchange activity in an underlying fund is detected, Hartford Life may take action, including restricting or suspending any or all Participants from internet, phone, facsimile or other electronic investment option transfer privileges.

IN WITNESS WHEREOF, this Amendment has been executed by Hartford Life Insurance Company as of the date written below.

For Hartford Life Insurance Company:

Date: April 27, 2005



Susan Hess, Vice-President Investment Products Service
Hartford Life Insurance Company

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Frequent Trading Policy and Procedure

1.0 Notice by Underlying Fund

If Hartford Life receives written notice from an underlying fund that an investment option under the Plan is experiencing excessive or abusive trading activity, the following procedures will be followed:

1.1 If the underlying fund in its notice identifies specific trade dates that are of concern, Hartford Life will, in turn, review the transaction history of each Participant Account invested in the investment option to identify Participants who purchased and redeemed shares on such dates;

1.2 Hartford Life will send written notice to those Participants asking that they cease from engaging in such trading activity;

1.3 If an underlying fund provides subsequent written notice that it is continuing to experience excessive or abusive trading, Hartford Life will review the transaction history of each Participant Account invested in the investment option. If any Participant who has already received written notice of abusive trading is again identified, Hartford Life will inform the Plan Sponsor;

1.4 Hartford Life or the Plan Sponsor may restrict any Participant who has been identified twice as engaging in abusive or excessive trading from the use of the internet, phone, facsimile or other electronic investment option transfer privileges and will only accept written investment instructions submitted by the Participant via regular U.S. Mail; and

1.5 Hartford Life will provide written notice to the Participant detailing the action to be taken.

2.0 Detection of Frequent Trading

If frequent trading activity by Plan Participants is detected, the following procedures will be followed:

2.1 Hartford Life will send written notice to the Plan Sponsor detailing Participant trading activity;

2.2 Subsequent to such notice, Hartford Life or the Plan Sponsor may restrict any Participant who has been identified as engaging in abusive or excessive trading from the use of the internet, phone, facsimile or other electronic investment option transfer privileges and will only accept written investment instructions submitted by the Participant via regular U.S. Mail; and

2.3 Hartford Life will provide written notice to the Participant detailing the action to be taken.

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