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Jonathan G. Katz, Secretary  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549-0609  
[rule-comment@sec.gov](mailto:rule-comment@sec.gov), File No. S7-27-03

RE: Amendment to Rules Governing Mutual Fund Pricing: Release No. IC-26288; File No. S7-27-03

Dear Mr. Katz:

The members of the National Association of Government Defined Contribution Administrators (NAGDCA) administer the retirement plans for state and local government workers. Founded in 1980, NAGDCA is a professional organization made up of the deferred compensation/defined contribution plan administrators from the 50 states and over 100 local governments and entities, as well as private industry plan providers. NAGDCA is an organization in which members work together to improve governmental retirement plans through a sharing of information on investments, marketing, administration, and laws relating to public sector deferred compensation/defined contribution plans.

NAGDCA's members' main focus is to encourage individuals to save for a secure retirement. We work to help our participants understand the importance of saving for their future. For these efforts to be successful our participants must have trust in the financial markets and knowledge that they have equal access to those markets. The rules under consideration by the SEC raise several issues that we believe may increase administrative expense for these plans, and discourage voluntary participation in the plans by public employees.

The "hard four o'clock" transaction rule would restrict the ability of employees to place investment exchange orders with their administrators by 4:00 p.m., and have those orders processed at the closing price that day. This rule would have a number of effects on administrative efficiency, and it is not clear that these effects were taken into consideration when the "hard four o'clock" rule was proposed.

Under current practice, administrators can conduct their trades and update their records overnight, using known prices, e.g., the 4:00 p.m. closing price that day. This means that a broad range of transactions, including exchanges among two or more investment options for an individual participant, can be conducted simultaneously and recorded on the same date in plan records. The basic principle of this system is that, at the time the order is placed, the price has

not been set, and so is unknown to the participant; however, the administrator or recordkeeper does know the applicable price as it updates its systems. The final trade order is not placed with the mutual fund until sometime after 4 p.m. but before a mutually agreed upon deadline.

The new system as proposed will inherently require transaction and record keeping updates to be staggered over a number of days. This is because certain transactions and data input cannot be accomplished concurrently under the new system. The increased number of transactions taking place over multiple days will cause additional administrative expense for all, and confusion for some. These difficulties and burdens also may apply for investment of regular contributions, because detailed reconciliation processes will need to be developed to ensure that dollar denominated transactions for the purchase of shares in fact match the number of shares recorded on the plan's recordkeeping system after the share price is known. Transactions to liquidate shares may require similar reconciliation efforts. NAGDCA questions whether these burdens, expenses and inefficiencies are desirable as a matter of policy when, in all cases, the participant will not know the effective price at the time the order is placed.

An additional issue relates to investment earnings over extended periods. The SEC has an admirable record of publishing for investors the effect that small differences in expense ratios can make over a long period of time. One characteristic of the proposed system is that it inherently will result in a percentage of investor funds being "out of the market" while orders are processed. Our participants do not like to be "out of the market," and understand the advantages of being fully invested. While participants are long-term investors, they do care when trade orders are filled. A regular pattern of "going to cash" so that more complex transactions can be completed over a number of days will lead to a measurable number of complaints about being "out of the market." When participants elect to change investments in their retirement plan account they want it completed with same day processing. Waiting until the following day, or possibly two or three days, could significantly affect returns over a lifetime of saving, and make automatic investment in our retirement programs less attractive.

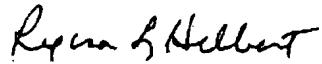
NAGDCA is concerned that the hard close rule—as proposed—will cause record-keepers and third party administrators to increase fees to accommodate the new requirements. Higher fees will affect our participants, their overall returns and their willingness to save. As noted above, SEC reports and studies have shown that increased investment cost over extended periods of time can have a significant impact on assets accumulated for retirement. We think the same equation is relevant here.

NAGDCA also believes that the complexities of the proposed rule may, over time, encourage the creation of new instruments, practices, or administrative techniques that may not be uniformly available to NAGDCA plan participants. The rule could therefore create second-class status for some plans or participants, even if this result is not intended.

NAGDCA understands and applauds the goal: stop trading on after-hours information after the market closes. This activity harms all the participants in our plans, and we support efforts to eliminate late trading. To best serve our participants we are available to work with the SEC to develop processes and practices that register the time a participant's order is received, that audit

how trades are executed, and that requires such practices as a precondition for a continuation of current practice. Please contact the undersigned, NAGDCA President, for details on this matter.

Very truly yours,

A handwritten signature in black ink that reads "Regina L. Hilbert". The signature is written in a cursive style with a small mark above the 'i' in Hilbert.

Regina L. Hilbert  
NAGDCA President