



# UPMC HEALTH SYSTEM

*Human Resources*

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December 22, 2003

**Gregory K. Peaslee**  
Senior Vice President

Forbes Tower, Suite 11082  
200 Lothrop Street  
Pittsburgh, PA 15213-2582  
412-647-7808  
Fax: 412-647-8750  
peasleeg@mnsx.upmc.edu

Mr. Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20549-0609

RE: File No. S7-27-03

Dear Secretary Katz:



The University of Pittsburgh Medical Center (UPMC) respectfully submits this comment in response to proposed regulation "Amendments to Rules Governing Pricing of Mutual Fund Shares," File No. S7-27-03, published on December 11, 2003.

UPMC has nearly 31,000 eligible participants in its 403(b) and 401(a) plans, collectively, the UPMC Savings Plan. As a plan sponsor, UPMC is very concerned that proposed late-day trading regulations would place our staff and retirees at an unfair disadvantage relative to other investors, effectively subjecting them to different trading rules and, ultimately, different trading prices than other investors. We strongly endorse measures to strengthen the mutual funds and repair the damaged image of the industry, as this will benefit our participants' confidence in investing. However, we are concerned about potential unintended consequences of the proposed regulations.

The proposed regulations would require that all entities submit mutual fund trades to the mutual fund, or their authorized agent, by 4:00 p.m. Eastern time. Because of the extensive processing and calculations required, the proposed rules would require an earlier cutoff time for savings plan investors, requiring them to make their investment decisions hours earlier than 4:00 p.m. This is an unfair restriction to place on our plan participants, and it has the potential to severely impact the retirement distributions for investors.

We know from experience that our savings plan participants will care deeply about this proposed change and will react negatively to having lesser trading rights than other investors. Our organization, like most others, has moved over time to offering our employees daily valuation. Employees expect this service and believe that restricted trading for the same day's price could unnecessarily place them at greater financial risk. They will ultimately realize that the additional costs of shifting over to the proposed system will be borne by plan participants. Thus, we feel that the proposed rules will result in a step backward, and will be potentially detrimental to savings plan participants.

Accordingly UPMC supports the alternative approach discussed in the proposed regulations, which would permit us to continue to offer our employees services as they receive them today but with specified enhancements to prevent late trading.

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Specifically, we support a combination of the alternatives outlined in the proposed rule:

1. Electronic time-stamping of orders in a manner that cannot be altered or discarded once the order is placed.
2. Annual certification that the savings plan recordkeeper has policies and procedures in place to prevent late trades, and that no late trades were processed.
3. Annual audit of the savings plan recordkeeper's controls conducted by an independent public accountant who would submit his report to the fund's chief compliance officer.

We believe a rule embodying those or similar alternatives will be effective at stopping illegal late-day trading and would not disrupt our employee participants. This would represent a more measured response to the recent scandals. Our employees are essentially small investors and are not engaging in late day trading. It would be overkill to restrict their trading rights and impose indeterminable new costs that will be borne by them when these other alternatives exist.

In closing, we submit this comment in the best interest of our savings plan participants. We urge the SEC to give serious consideration to allowing adequate alternatives to the hard 4:00 p.m. cutoff. We support the alternatives outlined in the proposed regulations, and we are confident that they will fulfill the SEC's objective of drastically limiting the opportunity for illegal late-day trading while still preserving the right of savings plan participants to place trades up until the market close and get that same day's price.

Sincerely,



Gregory K. Peaslee  
Chief human Resource Officer  
Chairman, UPMC Retirement Committee

GKP/pjh