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CORRESPONDENCE MEMORANDUM

DATE: April 28, 2010
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: Contract Compliance Audit Report Results

This memo is for the Board's information only. No action is required.

Contract compliance audits are used to evaluate and report on the third party administrator's management of the Wisconsin Deferred Compensation Program (WDC), including compliance with contract terms and conditions as well as applicable state and federal statutes and rules and regulations. Contract compliance audits are done to assure the Board, the Department, employers and participants that the WDC is administered effectively and efficiently.

In 2006 the Board authorized Department staff to issue an administrative services contract compliance audit Request for Proposal (RFP) for calendar years 2007 and 2009. The Board selected the certified public accounting firm of Wipfli to perform the audits. This memo summarizes the findings of Wipfli's most recent audit, which is attached.

Wipfli recently completed the attached 2009 contract compliance audit report. It summarizes Wipfli's findings regarding Great-West Retirement Services' (GWRS) compliance with the administrative services agreement. The executive summary indicates that, overall, GWRS is in compliance with the terms of the administrative services agreement. The records maintained by GWRS are complete and orderly and procedures are well documented and monitored.

Wipfli provided in its report three comments related to the audit findings, including one potential deficiency. Wipfli's comments and the Department's responses to each are summarized below.

Reviewed and approved by Jean Gilding, Administrator, Division of Retirement Services.

Signature _____

Date _____

Board	Mtg Date	Item #
DC	05.18.10	7

1. Timeliness of participant account establishment and deferrals. The WDC's administrative services contract specifies that participant accounts will be established within five working days after receipt by GWRS and that participant deferrals (contributions) will begin within 31 days of the first payday following the date the application is signed. Wipfli noted that this did not always occur; four participants out of twenty-five sampled did not have deferrals deposited within 31 days of the first payday, and three of thirty did not have their deferral changes effective on their next pay period. These apparent deficiencies are likely the result of: a) GWRS' correct interpretation of federal regulations regarding s. 457 plan deferrals¹; and, b) delays on the employers' end. In the cases reviewed, GWRS transmitted the deferral information to the participants' employers on the appropriate dates, but the employers did not complete the transactions on time. Wipfli recommended the Department and GWRS revise the contract language to reflect adherence to s. 457 rules.

The Department believes it is prudent to follow this recommendation and will be reviewing the language in the current contract for possible future revisions.

2. Distribution testing. Wipfli noted that its testing samples included 27 distributions that began under the previous record keeping firm. Therefore, GWRS does not have access to the original distribution requests and Wipfli could not test all elements of these 27 transactions. Wipfli recommends the WDC consider revising any future contract compliance testing objectives for distributions.

The Department agrees with this recommendation and will seek to refine the scope of distribution testing in future contract compliance audits such that only distributions initiated during GWRS' tenure as WDC administrator are tested.

3. Local public employer outreach. The administrative services contract specifies that the WDC must annually contact all local public employers – both those that offer the WDC Program and those that do not. Non-participating local employers are invited to consider adopting the WDC as an employee benefit, while those currently offering the WDC are offered their choice of presentations. In 2009 GWRS did not track individual employer contacts, which made it difficult for Wipfli to evaluate GWRS' performance regarding this contract requirement. Based on the results of the testing sample, Wipfli could not fully assess GWRS' employer outreach efforts and noted that this is a potential deficiency. Wipfli recommends the WDC and GWRS jointly review GWRS' local employer contact efforts to determine whether more tracking of employer contact is necessary to show compliance.

¹ Under federal tax regulations, s. 457 plan elections to defer compensation must be made by a participant before the compensation is earned. Such an election cannot be effective any earlier than the calendar month following the month in which the election is made.

The Department concurs with this recommendation and has been discussing the 2009 audit results and future expectations with GWRS. The Department anticipates that specific local employer outreach efforts will be a component of the 2011 plan enhancement program (PEP) that will be presented to the Board at the meeting in November 2010.

Staff from Wipfli, GWRS and the Department will be available at the meeting to discuss the results of the 2009 contract compliance audit with the Board.

Attachment

State of Wisconsin

Deferred Compensation Program

Madison, Wisconsin

**Independent Accountants' Report on Applying Agreed-Upon Procedures
for Third-Party Administration of State of Wisconsin Deferred
Compensation Program**

Year Ended December 31, 2009

State of Wisconsin Deferred Compensation Program

Independent Accountant's Report on Applying Agreed-Upon Procedures

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State of Wisconsin Deferred Compensation Program

Independent Accountant's Report on Applying Agreed-Upon Procedures

Executive Summary

Wipfli LLP performed agreed-upon procedures in relation to the Agreement for Administrative Services Including Recordkeeping and Communications (Administrative Agreement) between Great-West Life & Annuity Insurance Company (Great-West) and the State of Wisconsin Deferred Compensation Board for the year ended December 31, 2009. Great-West performs the administration for the State of Wisconsin Deferred Compensation Program (WDC) pursuant to the Administrative Agreement. Our procedures were designed to test for specific elements of compliance with the Administrative Agreement as specified in the Request for Proposal and through discussions with Department of Employee Trust Funds (DETF) personnel. The results of our procedures are summarized below and discussed in greater detail later in this report.

- We noted Great-West to be in compliance with all significant elements of the Administrative Agreement tested, including:
 - Record keeping and participant account valuations
 - Administrative performance standards
 - Quarterly and annual plan reporting
 - Participant communication

- Our examination of selected transactions included the following and revealed no exceptions or errors:
 - Participant enrollment
 - Participant deferrals
 - Hardship withdrawals
 - Distributions
 - Domestic relations order distributions
 - Automatic rebalancing
 - Transfers and deferral redirections

- Overall, we found the records maintained at Great-West to be complete and orderly. We found procedures to be well documented and monitored.



**Independent Accountant's Report on Applying Agreed-Upon
Procedures for Third-Party Administration of State of Wisconsin Deferred
Compensation Program**

Wisconsin Deferred Compensation Board
Department of Employee Trust Funds
State of Wisconsin
Madison, Wisconsin

We have performed the procedures presented in the following report, which were agreed to by the State of Wisconsin Department of Employee Trust Funds (the specified user), to assist the Department in satisfying its requirements under the Statutes for the year ended December 31, 2009. Department of Employee Trust Funds management is responsible for the accounting records of the Wisconsin Deferred Compensation Program. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the party specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the following report either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, perform an audit on Great-West's or the Wisconsin Deferred Compensation Program's financial statements or any elements, accounts, or items thereof, the objective of which would be the expression of an opinion on the specified elements, accounts, or items thereof. Accordingly, we do not express such an opinion. Also, we express no opinion over financial reporting or any part thereof. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the user specified above, and is not intended to be and should not be used by anyone other than that specified user.

Wipfli LLP

Wipfli LLP

April 9, 2010
Madison, Wisconsin

Section 1 – Objectives and Scope

Objectives and Scope

This section of our report is based on the agreed-upon procedures as set forth in the contract dated August 15, 2007. Certain other specific parameters, including sample sizes, confidence levels, and acceptable error rates, were discussed with DETF personnel in advance of performance.

A. Background

The WDC is a supplemental retirement savings program authorized under Section 457 of the Internal Revenue Code that receives and invests employee payroll deferrals and reinvests investment earnings. The WDC was created by Wisconsin Laws of 1981 Chapter 187 and established in 1982 for state employees; it has been available to local employers since 1985. The WDC is available to all active state and university employees. Active local government and school district employees may also be eligible if their employer has elected to offer this optional benefit program. The WDC is authorized under ss. 40.80, 40.81, and 40.82, Wis. Stats., and WI Admin. Code EFT Chapter 70.

The DETF and the Deferred Compensation Board ("Board") have statutory authority for program administration and oversight. The Board contracts for administrative services through a competitive bid process. Great-West is under contract to provide these services through November 30, 2010. The Board selects the investment options offered by the WDC and contracts directly with investment providers. The Board annually reviews the performance of the investment options offered to determine if they continue to meet established performance benchmarks. Options that are determined to be no longer acceptable may be removed from the WDC and new options may be added at any time.

The third-party administrator, Great-West, is responsible for the following:

- Technical assistance
- Plan administration
- Record keeping and participant account valuation
- Account activity
- Customer services
- Processing of domestic relations orders to divide accounts
- Provision of marketing and promotional materials
- Quarterly reports to DETF and quarterly participant statements
- Annual plan review
- Processing of financial emergency hardship applications

Objectives and Scope

The DETF is primarily responsible for the following:

- Assistance to Great-West regarding communications to participating state and local government employees
- Approval of marketing and promotional materials
- Approval of financial hardship applications
- Operating decisions
- Securing and monitoring the contract with the third-party administrator

B. Previous Examinations

The WDC was last tested for contract compliance for the period January 1, 2007, through December 31, 2007.

C. Objectives

Our engagement was designed to assist the DETF in determining whether Great-West is complying with terms of the Administrative Agreement including established performance standards, and is processing account activity transactions timely and accurately, in compliance with regulations and contractual requirements.

D. Scope

Our engagement extends to the application of the procedures enumerated in Section II of this report. We applied these procedures to the records and systems maintained by Great-West and DETF. Our procedures were applied to the 2009 calendar year.

Section II – Procedures and Results

Procedures and Results

Review of Internal Controls

Objectives

Obtain an understanding of the procedures and controls surrounding Great-West's processes in the following specific areas:

- Participant enrollment
- Distributions
- Change in beneficiaries
- Rollover contributions

Procedures

1. Discussed with appropriate Great-West personnel the flow of information within Great-West.
2. Obtained and examined forms, documents, and transmittals used in the processes.
3. Obtained and examined the most recent SAS 70 report on internal controls and effectiveness for Great-West and relevant audit results.

Results

Based on our inquiries and analysis of these processes and our evaluation of the controls thereon, we obtained an understanding of these systems. Based on this understanding and professional judgment, we made an assessment of the potential for process failures and control risks. Our tests of the participant enrollment, distributions, change in beneficiaries, and rollover contributions were designed accordingly.

The SAS 70 Report for Great-West was dated November 4, 2009, and covered the period October 1, 2008, to September 30, 2009. The SAS 70 Report contained no relevant testing exceptions or control weaknesses. That report specifies a number of controls that user organizations should have in place to achieve the control objectives contained in the SAS 70 report.

Procedures and Results

Enrollment Processing

Objectives

Determine whether enrollment applications are processed within five working days upon receipt of the signed application and deferrals began with the first pay date after 31 days from the date the application was signed.

Procedures

1. Obtained a data file containing a list of new employees which began participating during 2009.
2. Selected a sample of new participants.
3. Obtained enrollment forms and examined the form for proper signatures and approvals.
4. Compared the date of application received to the effective enrollment date via the Great-West Plan Service Center (PSC) website to verify account was established within five working days.
5. Examined the PSC participant sites to verify deferrals began within 31 days of the first payday following the date the application is signed.

Results

From the plan census file, we extracted a data file containing all new employees hired in 2009 that joined the plan in 2009 and randomly selected 25 of the 1,816 new employees that began participating during 2009. The selected enrollment forms appeared complete including proper signatures and approvals. Of the 25 new participants tested, four participants did not have deferrals begin within 31 days of the first payday following the date the application was signed. The following table provides results of the four exceptions:

Participant	Date enrollment form signed	Date enrollment form received by Great-West	Date account is established	Date of initial deposit	Number of days for first deposit
A	8/28/2009	9/1/2009	10/1/2009	None as of 4/9/2010	>31
B	4/13/2009	4/27/2009	4/29/2009	6/17/2009	51
C	1/26/2009	1/27/2009	1/27/2009	3/31/2009	63
D	10/13/2009	10/20/2009	10/22/2009	12/1/2009	41

See Comment 1 in the Comments and Recommendations section.

Procedures and Results

Participant Deferrals

Objectives

Participant deferral amounts are to be credited to the participant's account and transmitted to investment providers on the date the deferral amount and all necessary information is received.

Procedures

1. Obtained the plan census file.
2. Selected a sample of participants.
3. Corroborated the participant deferral amount and the date deferral amount was credited to the participant's account through the PSC website.
4. Confirmed in writing with participant that the deferral amount and the funds selected are in accordance with their request.

Results

From the plan census file, we randomly selected 60 of the 49,699 participants reported during the 2009 period. The statistical sample provides 95% confidence that the error rate is 5% or less, provided that there are no errors in the items tested. There were no exceptions noted with regard to compliance with processing time frames specified in the Administrative Agreement.

For the 60 participants selected for deferral testing, we sent written confirmations to participants asking whether the amount and fund allocation were correct as of December 31, 2009. Of the 60 confirmations sent, 25 participants responded positively confirming their deferral election as of December 31, 2009. There were no negative confirmation responses.

Procedures and Results

Hardship Withdrawals

Objectives

Participants who experience financial emergencies may submit a hardship application to Great-West. Under the Administrative Agreement, Great-West is to submit the hardship application, associated documentation and recommendation to DETF within five working days from receipt of a properly completed application and required documentation. If approved by DETF, distributions are to be made within ten working days of receipt of notification. Objectives included:

- Determine hardship applications were submitted and distributions paid were in accordance with timeliness provisions.
- Determine hardship applications appear complete with proper signatures and required documentation.

Procedures

1. Obtained a data file containing all emergency hardship withdrawals.
2. Selected a sample of hardship withdrawals.
3. Obtained documentation supporting the request and payment of hardship withdrawal.
4. Compared results of examined transactions with requirements in the Administrative Agreement.

Results

From the PSC website, we obtained a data file containing all distributions made during the 2009 period. From that distribution list, we extracted all transactions identified as a hardship withdrawal and randomly selected 25 of the 149 hardship withdrawals made during the 2009 period. The statistical sample provides 90% confidence that the error rate is 10% or less, provided there are no errors in the items tested.

For all hardship withdrawals selected, documentation and approvals were appropriate and the distribution was paid in accordance with timeliness provisions. There were no exceptions noted with regard to compliance with processing time frames specified in the Administrative Agreement.

Procedures and Results

Distributions

Objectives

Distribution requests are to be processed within three working days from receipt of a properly completed distribution request form.

Distribution payments are to be made on the next first or fifteenth of the month or the date selected by the participant, if later. Objectives included:

- Determine the appropriateness of the distribution, that participant was eligible based on sponsor documentation.
- Determine the distribution was paid to the participant.
- Verify the distribution was made pursuant to the participant's request.

Procedures

1. Obtained a data file containing all distributions.
2. Selected a sample of distributions.
3. Obtained documentation supporting the distribution request and the payment made.
4. Compared results of examined transactions with requirements in the Administrative Agreement.

Results

From the PSC website, we obtained a data file containing all distributions made during the 2009 period. From that distribution list, we randomly selected 60 of the 20,338 distributions made during the 2009 period. The statistical sample provides 95% confidence that the error rate is 5% or less provided that there are no errors in the items tested. Of the 60 distributions selected, 27 of the distributions were periodic payments which had been initiated by the participant prior to Great-West becoming the third-party administrator and four of the distributions were automatic distributions for contributions in excess of the annual limit. For these distributions we were not provided with distribution request forms, and therefore, we were unable to examine the transactions for compliance with processing time frames. For the remaining 29 distributions selected, documentation and approvals were appropriate and the distribution was paid in accordance with timeliness provisions. For all distributions selected, documentation of the payment made was appropriate. Since we were unable to test all attributes of the sampled distributions, we cannot conclude on the achievement of the 95% confidence level that the error rate is 5% of less.

See Comment 2 in the Comments and Recommendations Section.

Procedures and Results

Domestic Relations Order Distributions

Objectives

All participants requesting Domestic Relations Order Distributions (DRO) will receive periodic notification from Great-West until completed.

Procedures

1. Obtained data file containing all DROs.
2. Selected a sample of DROs.
3. Obtained documentation supporting the DROs.
4. Obtained evidence of periodic notifications from Great-West.

Results

We obtained a data file containing all DROs and haphazardly selected 12 of the 63 DROs requested during 2009. For all DROs selected, documentation and approvals were appropriate. There were no exceptions noted with regard to compliance with providing periodic notifications as specified in the Administrative Agreement.

Procedures and Results

Automatic Rebalancing

Objectives

The service to provide for automatic rebalancing of asset allocations occurs on the date selected by the participant.

Procedures

1. Obtained a data file containing a list of automatic rebalancers.
2. Selected a sample of automatic rebalancers.
3. Obtained documentation supporting the rebalancing frequency and investment data.
4. Confirmed in writing with participant that they have selected the automatic rebalancing provisions.
5. Compared results of examined transactions with requirements in the Administrative Agreement.

Results

We obtained a data file containing all automatic rebalancers and randomly selected 25 of the 3,227 automatic rebalancing provisions selected during the 2009 period. The statistical sample provides 90% confidence that the error rate is 10% or less, provided there are no errors in the items tested. For all participants selected, documentation of the rebalancing provisions was appropriate. There were no exceptions noted with regard to compliance with processing time frames specified in the Administrative Agreement.

For the 25 participants selected with automatic rebalancing provisions, we sent written confirmations to the participant asking whether they have selected the automatic rebalance provisions as of December 31, 2009. Of the 25 confirmations sent, 10 participants responded positively confirming their selected automatic rebalancing provision as of December 31, 2009. There were no negative confirmation responses.

Procedures and Results

Deferral Redirections

Objectives

Participants are allowed unlimited opportunities to redirect deferral amounts. Participant requests for deferral redirections are to be processed within five working days upon receipt of request and effective on the next pay period deferral.

Procedures

1. Obtained a data file containing deferral redirections.
2. Selected a sample of deferral redirections.
3. Obtained documentation supporting participant deferral request.
4. Confirmed in writing with participant that the amount and funds selected are in accordance with the participant's request.
5. Compared results of examined transactions with requirements in the Administrative Agreement.

Results

We obtained a data file containing all deferral redirections and randomly selected 30 of the 11,259 deferral redirections during the 2009 period. The statistical sample provides 95% confidence that the error rate is 10% or less, provided there are no errors on the items tested. For all deferral redirections selected, documentation of the participant request was appropriate. Of the 30 deferral redirections tested, three deferral redirections were not effective on the pay period following the participant's request. The following table provides results of the three exceptions.

Participant	Date deferral request received	Date deferral request processed	Deferral change effective date	Payroll date change was made	Effective on next pay period deferral
A	9/15/2009	9/15/2009	10/1/2009	10/19/2009	No – there was a pay period 10/1/2009
B	4/16/2009	4/16/2009	5/1/2009	5/15/2009	No - there was a pay period 5/1/2009
C	2/3/2009	2/3/2009	3/1/2009	3/16/2009	No – there was a pay period 3/2/2009

See Comment 1 in the Comments and Recommendations section.

Procedures and Results

Deferral Redirections (Continued)

For the 30 participants selected for deferral redirection testing, we sent written confirmations to the participant asking whether the amount and funds selected are correct as of the specified effective date. Of the 30 confirmations sent, 17 participants responded positively confirming their deferral redirection as of the effective date. There were no negative confirmation responses.

Procedures and Results

Transfers

Objectives

Participants are allowed unlimited opportunities to transfer existing account balances. Participant requests received before 3:00 p.m. Central Time are processed on the day received. If received after 3:00 p.m., the transfer is processed on the next business day.

Procedures

1. Obtained a data file containing transfers.
2. Selected a sample of transfers.
3. Obtained documentation supporting participant transfer request.
4. Confirmed in writing with participant that the funds selected are in accordance with the participant's request.
5. Compared results of examined transactions with requirements in the Administrative Agreement.

Results

We obtained a data file containing all transfers and randomly selected 30 of the 11,344 transfers during the 2009 period. The statistical sample provides 95% confidence that the error rate is 10% or less, provided that there are no errors on the items tested. For all transfers selected, documentation of the participant request was appropriate. There were no exceptions noted with regard to compliance with processing time frames specified in the Administrative Agreement.

For the 30 participants selected for transfer testing, we sent written confirmations to the participant asking whether the amount and funds transferred are correct as of the specified effective date. Of the 30 confirmations sent, 14 participants responded positively confirming their transfer as of the effective date. There were no negative confirmation responses.

Procedures and Results

Performance Standards

Objectives

Exhibit 4 of the Administrative Agreement provides for a range of performance standards to be met by Great-West at least 95% of the time, or face a monetary penalty. The following standards are to be met by Great-West:

- Conduct informational presentations targeted at various groups of employees (new, close to retirement, lower income or gender, etc.).
- Offer every participating employer an informational presentation at least annually.
- Notify every eligible state and local government employee of their eligibility to participate in the WDC annually with an agreed-upon payroll stuffer.
- The website will be available 24 hours a day, except for routine maintenance of the system.
- Consolidated quarterly participant statements including personal rate of return are to be provided within 20 business days from the end of each quarter or within ten business days after receipt of information in good order from the third-party services, whichever is later.
- Contact each eligible employer not participating in the WDC and offer an informational presentation at least annually.
- All telephone calls to the Wisconsin and Home Office Client Service Representatives and the automated voice response system combined will be answered within 90 seconds on average at least 90% of the time on an ongoing average annual calendar-year basis.

Objectives included

- Determine if performance standards were met by Great-West at least 95% of the time.
- Determine if eligible state and local employees were contacted regarding the WDC.

Procedures

1. Inquired of Great-West and DETF personnel regarding the satisfaction of their performance standards.
2. Obtained documentation supporting achievement of the performance standards.
3. Selected a sample of eligible state and local government employers.
4. Confirmed in writing with selected eligible local government employers whether Great-West contacted them regarding the WDC during 2009 and whether Great-West provided them with a payroll stuffer to notify employees of their eligibility to participate in the WDC.

Procedures and Results

Performance Standards (Continued)

5. Selected a sample of participants.
6. Obtained copies of the consolidated quarterly participant statement for each participant selected and examined transactions with requirements in the Administrative Agreement.
7. Selected a sample of participating employers.
8. Confirmed in writing with selected participating employers whether Great-West offered an informational presentation during 2009.

Results

Per inquiry of DETF personnel, Great-West has satisfied all performance standard requirements to their knowledge.

We obtained a listing of public employers using the Wisconsin Retirement System for pension benefits and selected 25 of 2,482 public employers and sent written confirmations asking if Great-West contacted them regarding the WDC at least annually and whether Great-West provided them with a payroll stuffer to notify employees of their eligibility to participate in the WDC. Of the 25 confirmations sent, the following employer responses were received:

Positive Responses	Undetermined Response	Negative Responses	
		No contact made by Great-West during 2009 and no payroll stuffer provided	No payroll stuffer provided
8	0	10	1

From the plan census file, we randomly selected 25 of the 49,699 participants reported during the 2009 period. For the 25 participants selected, quarterly participants' statements including personal rate of return were provided to the participants within the timeliness provisions. There were no exceptions noted with regard to compliance with processing time frames specified in the Administrative Agreement.

Procedures and Results

Performance Standards (Continued)

We obtained a listing of participating employers and randomly selected 25 of the 1,795 participating employers during 2009 and sent written confirmations asking whether Great-West offered an informational presentation at least annually. Of the 25 confirmations sent, 19 employers responded positively confirming Great-West offered an informational presentation at least annually, and four employers responded negatively that they had not been offered an informational presentation by Great-West during 2009. Furthermore, two employers were unable to determine if this offer was made by Great-West, and one did not respond.

Great-West has reported to meet performance standards 95% of the time; therefore, no monetary penalties were assessed during the 2009 period. Based on limited documentation provided by Great-West and our testing results, we were unable to definitively conclude if performance standards related to informational presentations and provision of informational payroll stuffers were met by Great-West at least 95% of the time.

Great-West Response

The Great-West Wisconsin team is focused on providing all local employers with the opportunity to learn about how the Wisconsin Deferred Compensation (WDC) Program may assist their employees as they plan for retirement. We have focused our outreach efforts on two communication initiatives - Targeted Outreach and Association Outreach. Through these efforts, 23 new employers with a total of 4,657 employees adopted the WDC during 2009.

Target Outreach Efforts - In 2009, 134 local employers were targeted to receive a focused and thorough outreach packet of information. Each of these employers received a kit (cover letter, Adopting the WDC brochure, copy of the Plan Document, and Resolution for Inclusion form), and then each were contacted approximately 2 weeks after receiving the information to schedule a meeting to learn more about the benefits of the WDC. These employers were contacted several times throughout the year to encourage them to consider adding the WDC to their fringe benefit package.

Association Outreach Partnership - Conventions of various groups of employers have been a great opportunity for WDC staff to present and answer questions to large groups of employers over the year. More recently, the WDC partnered with DOA to attend the larger employer conventions and to split the costs. The reason for this partnership was to provide employers with information on all fringe benefits offered by the State including WDC at one table and to reach a larger group of eligible employers. This allowed increased visibility at a very reduced cost. When this was implemented, the WDC gained increased visibility and began being viewed more as a fringe benefit and less as a vendor.

Procedures and Results

The conventions that we have attended with DOA included:

WCA - Wisconsin Counties Association - Represents the county governments throughout Wisconsin,

WMCA - Wisconsin Municipal Clerks Association - 1,400 members including city, town, or village clerks, deputy clerks, and any other officials having similar duties,

WTA - Wisconsin Towns Association - WTA's membership consists of 1,257 towns and 20 villages

In 2009, due to budget restrictions, DOA decided they would not be attending any conventions in 2009 and did not register for them. This decision was outside the control of the WDC and the GWRS Wisconsin Team. We were alerted of this in May 2009 upon contacting DOA to begin scheduling its staffing for the conventions in the fall. As a result, the WDC had not budgeted for the increase in cost that would have been necessary to attend the conventions.

Association Outreach - As in prior years, in 2009 the WDC attended the following small employer conventions:

WEAC - Wisconsin Education Association Council - Represents approximately 98,000 public educational employees from different school districts throughout the State

WCA - Wisconsin Correctional Association - Represents any correctional officers throughout Wisconsin

WRWA - Wisconsin Rural Wastewater - Represents employees of the water treatment facilities throughout Wisconsin

WAHA - Wisconsin Housing Association - Represents any housing authority or community development/redevelopment authority, board of commissioners, executive directors, and management personnel.

WPPA - Wisconsin Professional Police Association - Represents over 11,000 active officers and 380 locals throughout the State.

Through the targeted and association outreach efforts, the WDC team has been able to provide local employers throughout Wisconsin with information about the benefits of the WDC as well as how they may add the WDC to their list of fringe benefits.

See Comment 3 in the Comments and Recommendations Section.

Procedures and Results

Reporting

Objectives

Exhibits 4 and 5 of the Administrative Agreement require a range of reporting to be provided by Great-West to WDC on a quarterly or annual basis.

The following reports are to be provided quarterly:

- Plan status reports (within 45 days of the end of the quarter).
- Website statistics (within 45 days of the end of the quarter).
- IVR Statistics (within 45 days of the end of the quarter).
- Basic Fund Performance Reports for only three quarters of the year (within 60 days of the end of the quarter).

The Annual Expanded Fund Performance Report is to be provided annually within 90 days of the end of the year. The Demographic Review is to be provided annually within 120 days of the end of the year. The Annual Plan Report is to be provided annually, but the Administrative Agreement does not specify a deadline.

Objectives included:

1. Determine whether Great-West was compliant with requirements and within timeliness provisions.
2. Test the accuracy of significant elements of the annual report.

Procedures

1. Inquired of DETF personnel responsible for the plan as to Great-West's compliance with requirements and within timeliness provisions.
2. Obtained copies of reports provided to DETF.

Procedures and Results

Reporting (Continued)

Results

Per inquiry of DETF personnel, Great-West has provided quarterly reports within the timeliness provisions. The Annual Expanded Fund Performance Report was provided within 90 days of the end of the year. A combined Annual Plan and Demographic Review were provided within a timeline deemed acceptable by DETF personnel.

Procedures and Results

Participant Communication

Objectives

The Administrative Agreement provides for a range of communication, training, and marketing services to be provided by Great-West. Objectives included inquiring of DETF personnel responsible for the plan to Great-West's compliance with the provisions of Exhibit 3 of the Administrative Agreement and obtain relevant supporting documentation.

Procedures

1. Inquired of DETF personnel regarding Great-West's compliance with provisions of Exhibit 3 in the Administrative Agreement.
2. Obtained relevant supporting documentation.

Results

The following results were obtained through inquiry and inspection of supporting documentation.

Ongoing Participant Communication (Per Exhibit 3 of the Administrative Agreement)		
Communications	Quantity (per year)	Results
Pre-approved flyers	4	No new flyers requested by WDC during 2009.
Presentations/Seminars	Library of seminars available	No exceptions noted.
Statement Stuffer Communication	1 per year	No such communication requested by WDC during 2009.
Quarterly Statement Narrative Communication	Quarterly	No such communications requested by WDC during 2009.
Key Talk and Website Quick Reference	5,000	No exceptions noted.
Payroll Stuffer	1 per year	Payroll stuffer is available to local employers. During 2009, State central payroll went paperless eliminating the option of a payroll stuffer.
Employer Training		
PowerPoint Presentation or Newsletter	1 per year	No exceptions noted.

Procedures and Results

Participant Communication (Continued)

Results (Continued)

Surveys		
Web-based (annual)	1	None requested by WDC during 2009.
Direct Mail (annual)	1	No exceptions noted.
Targeted Marketing		
Motivational Brochures	4,000	No exceptions noted.
Direct Mail Targeted Marketing or Fund Elimination Notification	50,000	No exceptions noted.

Procedures and Results

Other Reporting

Objectives

Under Exhibit 12 of the Administrative Agreement, errors by employers and employees received by Great-West shall be communicated to DETF within five working days, or if unable to resolve, notification must be received and a date set for resolution. In addition, Great-West is to notify the DETF of material record keeping errors resulting from system failure or programming function within two business days, or as soon as practicable. Notification shall include the error detail, number of participants affected, and a Great-West contact person responsible for correction. Furthermore, Great-West is to provide follow-up information to DETF within 48 hours of DETF notification to participant or employer upon corrective action.

Procedures

1. Inquired of DETF personnel as to Great-West's compliance with provisions of Exhibit 12 of the Administrative Agreement.

Results

We inquired of DETF personnel and learned that one such error was reported by Great-West to DETF during the 2009 period. The following error was reported to DETF:

FDIC Option Extra Earnings

In December 2009, an internal audit of Great West Retirement Services of the WDC FDIC option records identified \$12,581.19 in extra earnings in the account. This finding stemmed from the correction Great-West completed in 2007 related to the incorrect posting of the quarterly annualized rate into the Great-West system. The DETF authorized Great-West to allocate these earnings to participants with account balances in the FDIC option. This was completed prior to the end of 2009. The extra earnings were prorated among 3,816 participants.

Great-West notified the DETF within the timeliness provisions. Notifications to DETF included error detail, the number of participants affected, and a Great-West person responsible for correction. Overall, DETF personnel were satisfied with Great-West's notification and resolution of the error. There were no exceptions noted with regard to noncompliance with processing time frames in the Administrative Agreement.

Section III –

Comments and Recommendations

Comments and Recommendations

Comment 1

According to Exhibit 12: WDC Standard Operating Procedures of the Administrative Agreement, participants' accounts will be established within five working days upon receipt, and deferrals from earnings will begin within 31 days of the first payday following the date the application is signed. Per our testing of enrollment processing, we noted four participants out of 25 did not have deferrals from earnings deposited within 31 days of the first payday following the date the application was signed. In addition, Exhibit 12: WDC Standard Operating Procedures of the Administrative Agreement require deferral changes to be processed within five working days upon receipt of request and effective on the next pay period deferral. Per our testing of deferral redirections, we noted three participants out of 30 selected did not have their deferral change effective on their next pay period.

We note that these apparent deficiencies under the Administrative Agreement are often due to Great-West's proper application of the IRS Section 457 rules or delays at the employer payroll offices beyond the control of Great-West, and that in fact, Great-West transmitted the applicable information to the employer payroll offices on the appropriate scheduled dates. We recommend these factors be contemplated in the Administrative Agreement to make the performance standards more meaningful and appropriate given the current processing environment. Language such as the following may be more appropriate to both WDC and Great-West: "Participant accounts will be established within five (5) working days upon receipt; deferral information will be transmitted to the employer on the next scheduled transmission date for the participant's employer." "Requests processed within five (5) working days upon receipt of request and transmitted to the employer on the next scheduled transmission date."

Comment 2

Our testing included 27 distributions that were initiated prior to the appointment of the current third-party administrator. Therefore, we were unable to test all elements of the transaction, such as examination of the distribution request. We recommend the WDC evaluate what risks it may be most concerned about in the population of disbursements initiated with the former TPA and consider how it may wish to change its testing objectives in future contract compliance examinations.

Comment 3

Great-West does not specifically track the employers that it makes contact with in any given year which does not allow for an evaluation of whether or not Great-West adheres to the performance standards required in the Administrative Agreement pertaining to the provision of informational sessions and informational payroll stuffers. While our testing does not necessarily provide evidence that certain employers were not provided with an opportunity to receive informational presentations or payroll stuffers, we believe it is indicative of a potential deficiency.

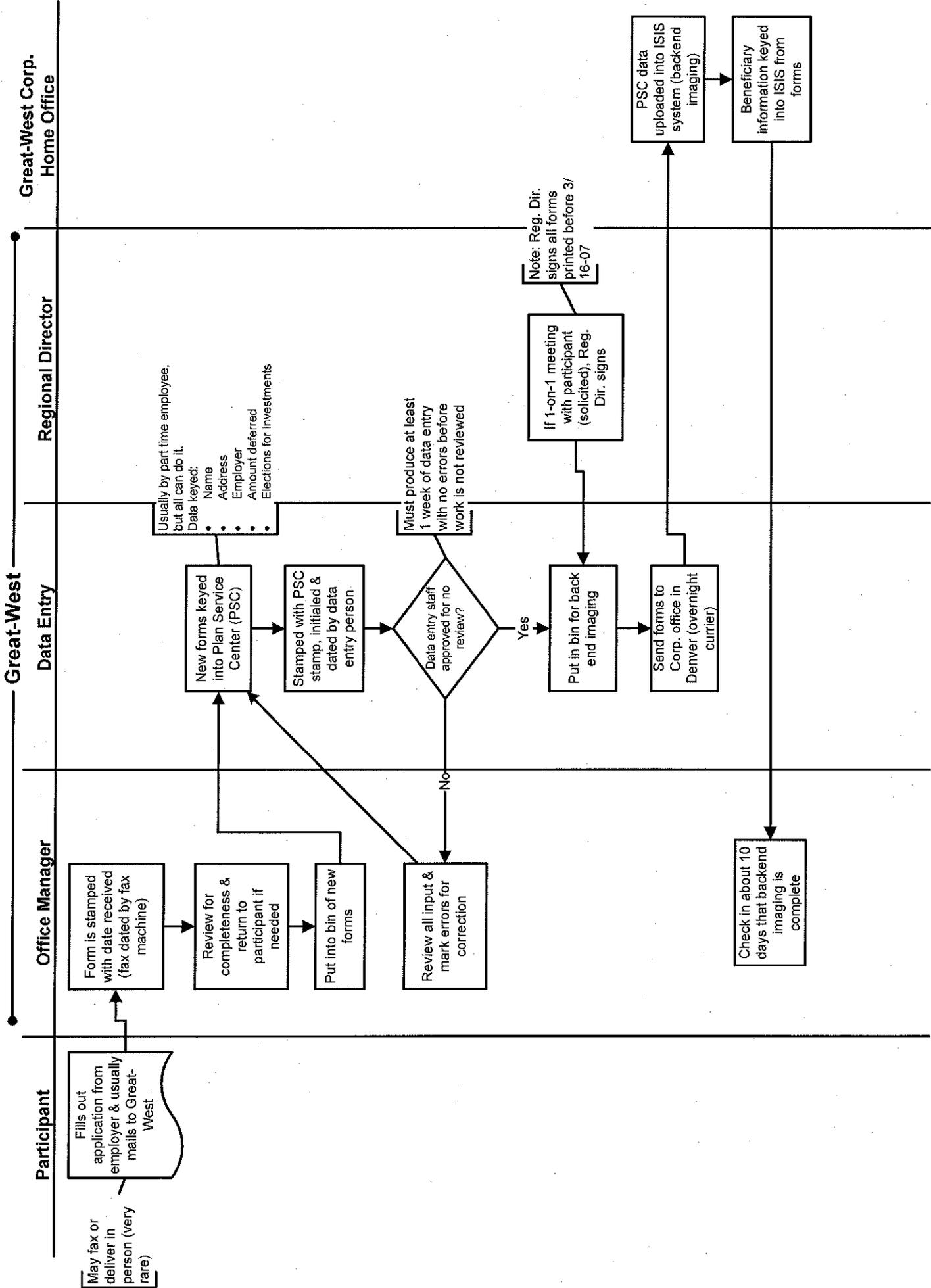
Comments and Recommendations

Comment 3 (Continued)

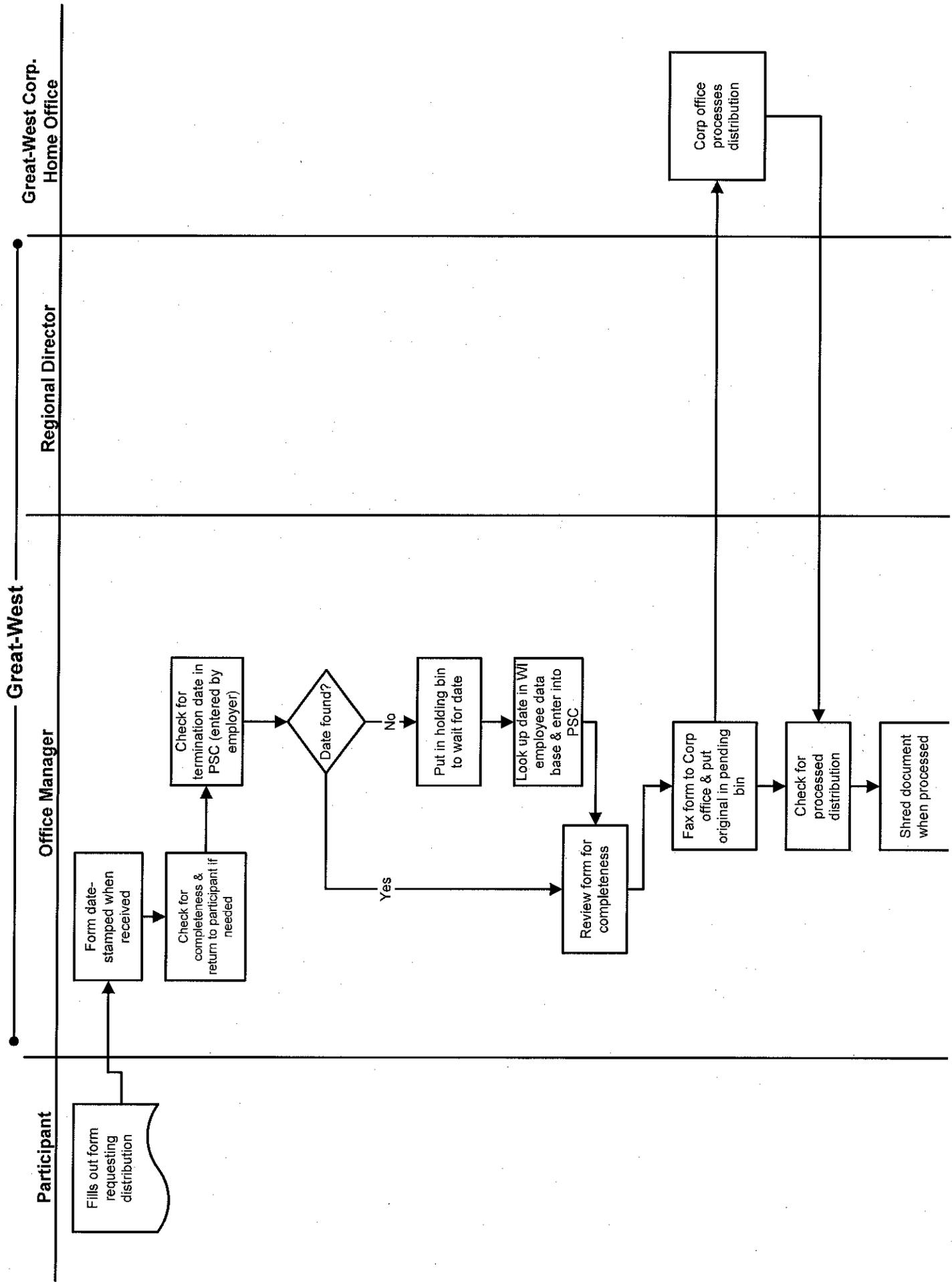
Accordingly, we recommend the WDC and Great-West review the outreach and informational activities that Great-West is performing and determine whether additional documentation or tracking of that activity is in the best interests of the WDC and participants insofar as it provides evidence that the desired level of outreach as specified in the Administrative Agreement is in fact occurring.

Section IV - Appendices

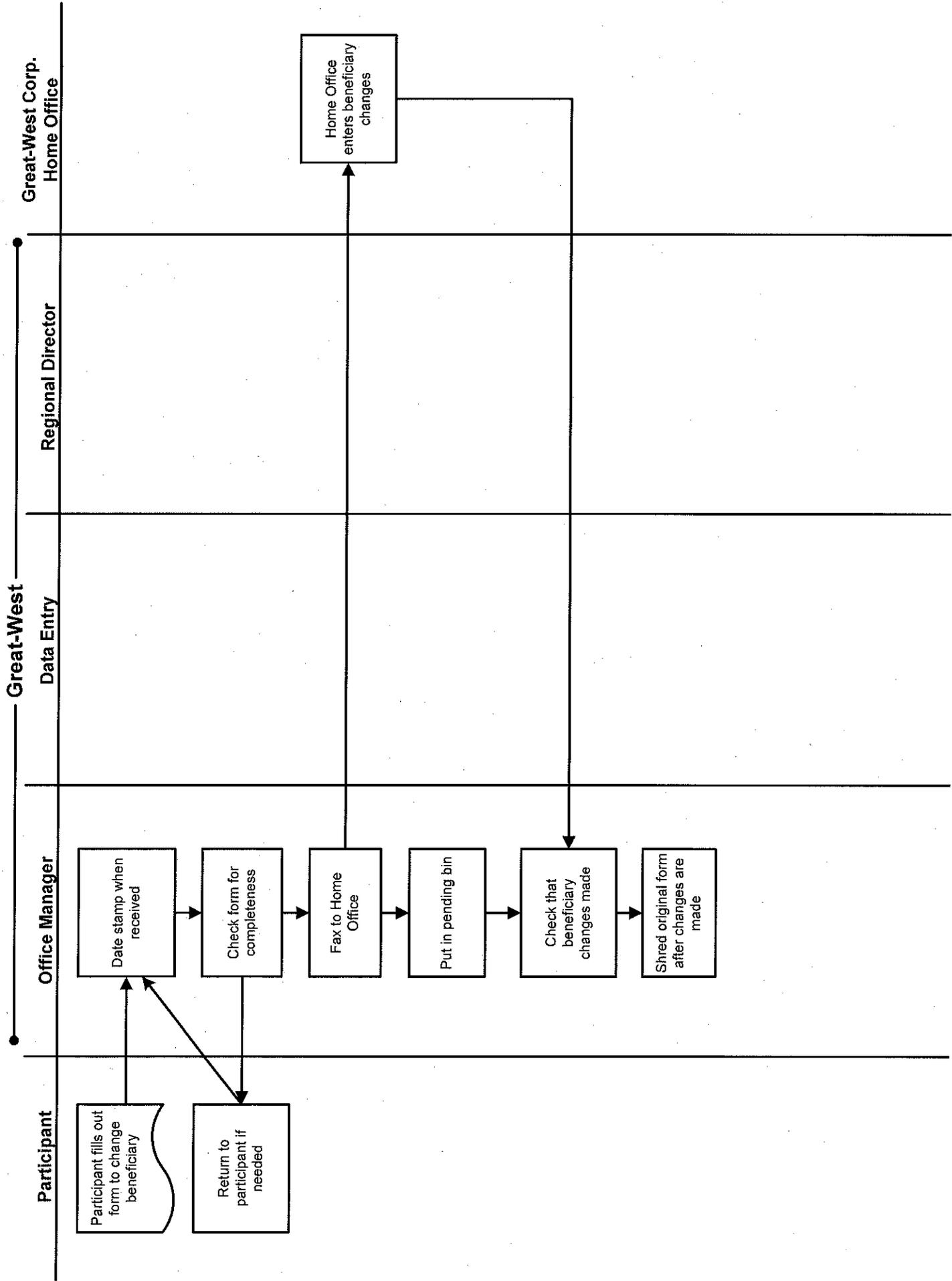
Great-West Retirement Services Wisconsin Deferred Compensation Program Participant Enrollment



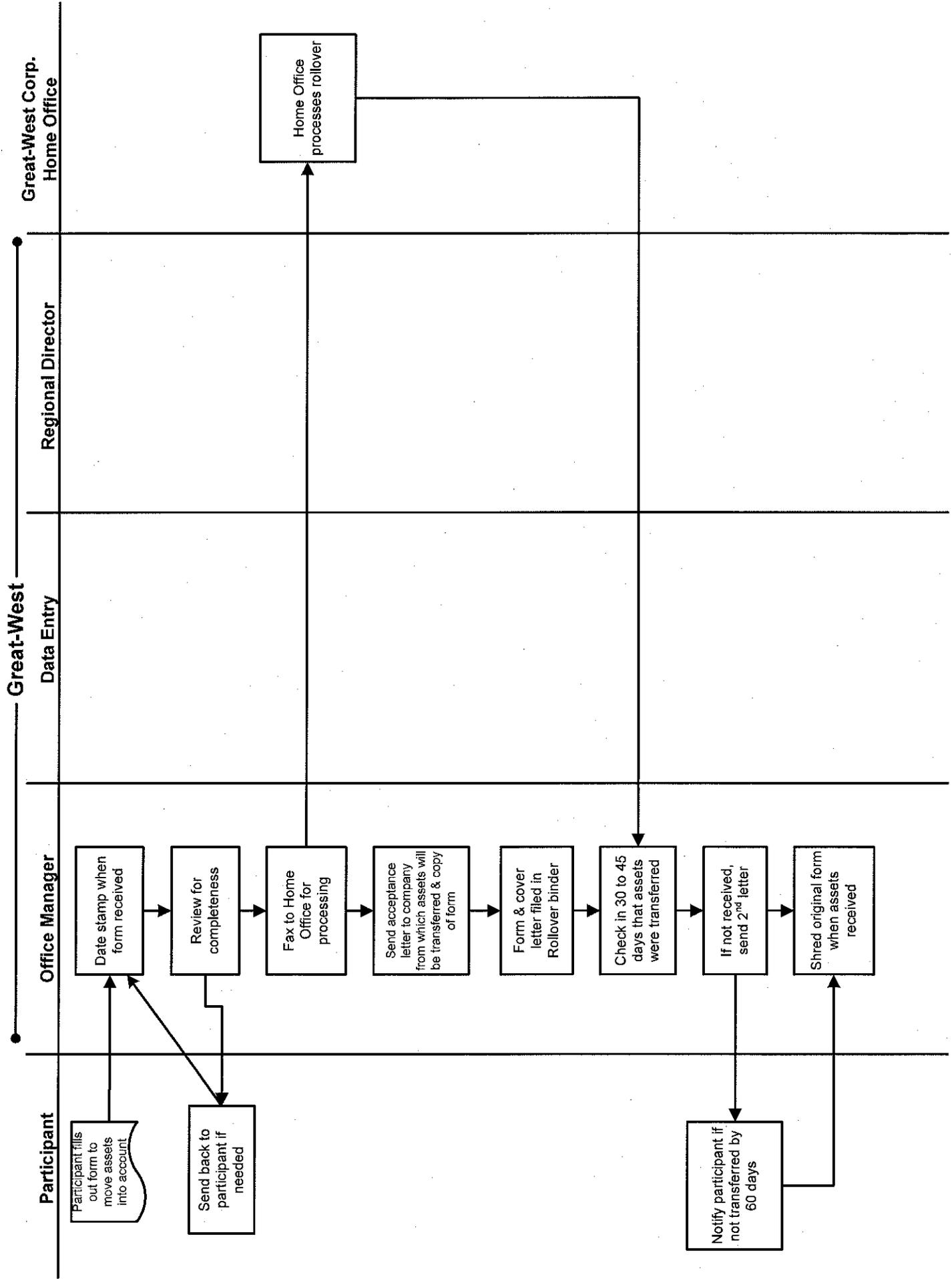
Great-West Retirement Services Wisconsin Deferred Compensation Program Distributions



Great-West Retirement Services Wisconsin Deferred Compensation Program Change in Beneficiaries



Great-West Retirement Services Wisconsin Deferred Compensation Program Rollover Contributions





Wisconsin Deferred Compensation Program

5325 Wall Street, Suite 2755
Madison, WI 53718
(877) 457-WDCP (9327)
www.wdc457.org

May 3, 2010

Shelly Schueller, Director
Wisconsin Deferred Compensation
801 W Badger Rd
P.O. Box 7931
Madison WI 53707-7931

RE: WDC Audit and Annual Service Outreach to "Participating" and
"Non-Participating" Employers

Dear Shelly:

Great-West is committed to providing a high level of service to Wisconsin Deferred Compensation Program (WDC) participants and employers. Our service includes outreach efforts for local employers who are participating in the WDC and employers who have not yet chosen to adopt the WDC. These two groups (participating and non-participating) of employers are very different and require separate marketing initiatives.

Wipfli LLP performed an audit of the WDC's Agreement for Administrative Services Including Recordkeeping and Communications (Administrative Agreement) between Great-West Life & Annuity Insurance Company (Great-West) and the State of Wisconsin Deferred Compensation Board for the year ending December 31, 2009. The audit was designed to test for specific elements of compliance with the Administrative Services Agreement. Based on Comment #3 in Wipfli's final report, it appears that the two employer groups (participating and non-participating) were combined into one audit testing initiative. In response to the audit findings, Great-West would like to provide the Department and Board with additional clarification on WDC employer outreach activities in 2009.

Great-West has researched the list of employers who responded negatively to Wipfli's audit request and confirmed that over 99% of the non-participating employers were contacted directly by WDC field staff or belonged to one of the associations who host an annual convention for their members at which the WDC was present. Additionally, all of the participating employers were contacted, either by telephone, personal visit, or mail.

Participating Employers - As outlined in the Wisconsin Administrative Services contract, Section C - Part 3.0, on behalf of the WDC, Great-West is to contact each participating employer and offer an annual informational presentation. Great-West contacted each participating WDC local employer at least once during 2009 to offer an on-site service visit. A large number of these employers also released a payroll stuffer to their employees. Some employers declined the service visit offer in 2009. A spreadsheet outlining contacts with each current WDC employer was provided to Wipfli on February 2, 2010.

The WDC does not offer service visits or payroll stuffers to non-participating local employers because their employees are not eligible to participate. A separate approach is taken to contact potential WDC employers.

Non-Participating Employers – As outlined in the Wisconsin Administrative Agreement, Section C - Part 4.2, on behalf of the WDC, Great-West is to contact every eligible local government employer regarding their eligibility to participate in the WDC.

Great-West is focused on providing all public local employers with the opportunity to learn about the WDC and how their adoption of the WDC may assist their employees as they plan for retirement. In the 2009 marketing plan, we focused our outreach efforts on two communication initiatives: Targeted Outreach and Association Outreach. Through these efforts, 23 new employers with a total of 4,657 employees adopted the WDC during 2009. Each of these initiatives is outlined below.

1. Targeted Outreach Efforts - In 2009, 134 local government employers were targeted to receive a focused and thorough outreach packet of information on the WDC. The packet included a cover letter, the *Adopting the WDC* brochure, a copy of the Plan Document, and a Resolution for Inclusion. Each of these employers were contacted approximately two weeks after receiving the information to schedule a meeting to learn more about the benefits of the WDC. Several more attempts were made throughout the year to encourage them to consider adding the WDC to their fringe benefit package.

2. Association Outreach Efforts

A. Association Partnership – Conventions of various groups of employers have been a great opportunity for WDC staff to present and answer questions to large groups of public employers every year. Through a joint partnership with the Department of Administration, the WDC has attended and shared the expenses of larger employer conventions. This partnership has been viewed as an opportunity to provide employers with information on all fringe benefits offered by the State, including the WDC, at one table and to reach a larger group of eligible employers. This has meant increased visibility at a very reduced cost. When this was implemented, the WDC gained increased visibility and began being viewed more as a fringe benefit and less as a vendor with a sales pitch. The joint conventions the WDC attended in 2008 included:

- WCA - Wisconsin Counties Association – Represents county governments throughout Wisconsin;
- WMCA - Wisconsin Municipal Clerks Association - 1,400 members including city, town, or village clerks, deputy clerks, and any other officials having similar duties;
- WTA - Wisconsin Towns Association - WTA's membership consists of 1,257 towns and 20 villages.

In 2009, due to budget restrictions, DOA made a decision that they would not be attending any conventions in 2009 and did not register for them. This decision was outside the control of the WDC and the Great-West Wisconsin team. We were alerted to this upon contacting DOA in May 2009 to begin scheduling staffing for the fall conventions. As Great-West had not budgeted for the increase in cost to register for

these conventions separately from DOA, the WDC was not able to attend the conventions.

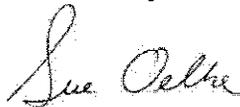
B. Convention Presence – In 2009, as in prior years, the WDC attended the following smaller public employer conventions:

- WEAC - Wisconsin Education Association Council - Represents approximately 98,000 public education employees from different school districts;
- WCA - Wisconsin Correctional Association - Represents correctional officers;
- WRWA - Wisconsin Rural Wastewater - Represents employees of wastewater treatment facilities;
- WAHA - Wisconsin Association of Housing Authorities – Represents any housing authority or community development/redevelopment authority, Board of Commissioners, Executive Directors, and management personnel;
- WPPA - Wisconsin Professional Police Association - Represents over 11,000 active officers.

To better meet the contract requirements regarding employer communications, GWRS would like clarification from the Board on which employer outreach initiatives are preferred. Great-West can continue with the targeted outreach initiatives as outlined above, or if you would like us to explore releasing an e-mail to all non-participating local public employers to provide them with information about the WDC, we are able to develop this type of communication as well.

Thank you for the opportunity to provide additional information regarding this issue. I will be available at the May WDC Board meeting to address any questions or concerns.

Sincerely,



Sue Oelke
Regional Director