



STATE OF WISCONSIN
Department of Employee Trust Funds
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Correspondence Memorandum

Date: May 28, 2020
To: Deferred Compensation Board
From: Shelly Schueller, Director
 Wisconsin Deferred Compensation Program
Subject: 2019 Contract Compliance Review

The Department of Employee Trust Funds (ETF) requests the Deferred Compensation Board (Board) accept the results of the attached 2019 contract compliance review.

Contract compliance reviews 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, rules and regulations. The contract compliance review, completed as an agreed upon procedure engagement, is done to assure the Board, the Department, employers and participants that the WDC is properly administered.

The certified public accounting firm of Wipfli, LLC has been under contract with the Board to perform the agreed upon procedures review since 2010. In November 2015, the Board approved an extension of this contract for calendar years 2017 and 2019. Wipfli completed both an agreed upon procedures review and a summary of service organization controls (SOC) report for calendar year 2019.

Agreed Upon Procedures

The attached agreed upon procedures review outlines the procedures Wipfli used to test specific elements of the administrative services agreement and summarizes Wipfli’s findings regarding Empower Retirement’s compliance with the agreement during 2019. The executive summary, which is on page 3 of the report, notes that overall, Empower Retirement is in compliance with the significant elements of the agreement.

Wipfli’s testing revealed one equity wash transfer violation out of 25 samples tested. Wipfli recommends completion of a larger test sample to confirm the potential error rate and that Empower Retirement makes adjustments to prevent future potential violations. ETF concurs with this recommendation and will discuss how to improve compliance with the equity wash transfer requirement with Empower Retirement.

Reviewed and approved by Matt Stohr, Administrator, Division of Retirement Services
 Electronically Signed 6/3/20

Board	Mtg Date	Item #
DC	6.11.20	4

Wipfli discovered two exceptions while testing average paycheck contribution and withdrawals by month as reported in the 2019 Annual Plan Report.

- Average paycheck contribution was reported at \$291 in the 2019 Annual Plan Report. Wipfli could not independently confirm this amount using evidence obtained during the review. Empower Retirement was unable to provide documentation supporting the average paycheck contribution amount of \$291 and this item was removed from the 2019 Annual Plan Report.
- Withdrawals by month during 2019 as listed in the Annual Plan Report (\$310,232,690) did not match the amount found in the financial statements trust report (\$276,013,271). Wipfli could not independently confirm the Annual Plan Report amount using evidence obtained during the review. Empower Retirement has been made aware of the discrepancy and agreed that the data reported in the Annual Plan Report was overstated. Empower Retirement subsequently revised the Annual Plan Report to match the data found in the trust statements.

Wipfli recommends a review process to ensure documentation is retained to support data reported in the Annual Plan Report. ETF concurs with this recommendation and will discuss how best to implement it on future reports with Empower Retirement. Empower Retirement will provide a verbal response to Wipfli's findings at the Board meeting. The formal Empower Retirement response is in development and will be shared with the Board at a future meeting.

Service Organization Controls (SOC) Summary

Overall, Wipfli's summary of Empower Retirement's SOC report, for the period October 1, 2018 through September 30, 2019, indicates that Empower Retirement's internal controls and procedures were adequately reviewed and can be relied upon for due diligence activities. Empower Retirement's responses to the SOC summary can be found at the end of Wipfli's summary report. Wipfli's SOC summary yielded recommendations for three of the 27 control objectives reviewed:

- #6: Logical Access Security. The SOC report found that user termination was not done timely for one of 25 terminated users, and three reviews were not completed in a timely manner. Wipfli suggested that ETF monitor future Empower Retirement SOC reports to determine if these exceptions continue. If they do, Wipfli recommends that Empower Retirement provide an analysis of potential impacts on the WDC and a plan to prevent future exceptions.
- #12: Plan Implementation. For one of 40 plan changes reviewed, the SOC report found that the change was not reviewed for accuracy prior to implementation. Wipfli recommends that ETF confirm with Empower Retirement that any WDC plan changes requested during 2019 or 2020 were or will be reviewed for accuracy prior to implementation.

- #19: Fees. One out of 25 quality control reviews tested as part of the SOC was found to have not been performed correctly, resulting in a new fee being inaccurately implemented. Wipfli tested fees as part of the 2019 contract review and found no issues with the WDC's fees. Based on the SOC report findings, Wipfli recommends ETF work with Empower Retirement to determine if this issue could or did involve the WDC.

ETF concurs with these recommendations and will discuss implementing them with Empower Retirement. For example, ETF will request a review of past reported average paycheck contribution amounts and that past average paycheck contribution amounts reported in the Annual Plan Report are corrected as appropriate. ETF expects to share results of these discussions with the Board in the future.

Staff from Wipfli and ETF will be at the meeting to answer any questions.

Attachment A: 2019 Upon Procedures Report (Wipfli)

Attachment B: Summary of Empower Retirement's Service Organization Controls Report for the Period October 1, 2018 through September 30, 2019 (Wipfli)

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, 2019

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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 (Empower Retirement) and the State of Wisconsin Deferred Compensation Board for the year ended December 31, 2019. Empower Retirement 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 (ETF) personnel. The results of our procedures are summarized below and discussed in greater detail later in this report.

- We noted Empower Retirement to be in compliance with all significant elements of the Administrative Agreement tested, including:
 - Recordkeeping and participant account valuations
 - Administrative performance standards
 - Other reporting, including the 2019 Strategic Partnership Plan

- Our examination of selected transactions included the following and revealed no significant exceptions or errors:
 - Administration fees charged to participants
 - Enrollment
 - Participant deferrals
 - Participant withdrawals, including
 - Hardship withdrawals
 - Required Minimum Distributions
 - Qualified Domestic Relations Orders
 - Transfers
 - Rollovers
 - Account confirmations
 - Equity wash
 - Fund selection and termination

- Overall, we found the records maintained at Empower Retirement to be complete and adequately organized. 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 party), on the Third-Party Administrator's (Empower Retirement) compliance with the WDC Administrative Agreement for the year ended December 31, 2019. Empower Retirement's management is responsible for the Third-Party Administrator's compliance with the WDC Administrative Agreement. The sufficiency of these procedures is solely the responsibility of the State of Wisconsin Department of Employee Trust Funds. 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.

Our procedures and findings are described in the following report.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Third-Party Administrator's compliance with the WDC Administrative Agreement. Accordingly, we do not express such an opinion or conclusion. 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 Deferred Compensation Board and the Department of Employee Trust Funds, and is not intended to be and should not be used by anyone other than these specified parties.

Wipfli LLP

REPORT DATE
Madison, Wisconsin

Section 1 – Objectives and Scope

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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 and reaffirmed by the response to Request for Bid submitted September 15, 2015. Certain other specific parameters, including sample sizes and acceptable error rates, were discussed with ETF 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 Administrative Code ETF Chapter 70.

The ETF 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. Empower Retirement’s initial contract to provide these services expired November 30, 2017, and a similar new contract commenced December 1, 2017 with a term extending through November 30, 2022. 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, Empower Retirement, 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 ETF and quarterly participant statements
- Annual plan review
- Approval and processing of financial emergency hardship applications
- Meeting goals specified in the annual Strategic Partnership Plan

Objectives and Scope

A. Background (Continued)

The ETF is primarily responsible for the following:

- Assisting Empower Retirement regarding communications to participating state and local government employers and employees
- Approval of marketing and promotional materials
- Operating decisions
- Securing and monitoring the contract with the third-party administrator

B. Previous Engagements

An agreed upon procedures engagement testing for contract compliance was last completed for the period January 1, 2017, through December 31, 2017.

C. Objectives

Our engagement was designed to assist the ETF in determining whether Empower Retirement is complying with terms of the Administrative Agreement including established performance standards, and is processing account activity transactions timely and accurately, in compliance with federal and state 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 Empower Retirement and ETF. Our procedures were applied to the period January 1, 2019, through December 31, 2019.

Section II – Procedures and Results

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Procedures and Results

Strategic Partnership Plan Scorecard Goals

Objectives

Determine the scorecard results reported by Empower to ETF and the Board were met by obtaining supporting documentation to corroborate the figures reported.

Based on the degree to which the Scorecard goals and participant growth targets are achieved, Empower is entitled to an additional administrative fee ranging from 0% to 5%. Based on the results reported to ETF, a 5% increase was awarded. The following procedures are intended to validate that outcome.

Procedures

1. Obtained the Scorecard goals and results for 2019 from the correspondence memorandum from Shelly Schueller, Director to the Deferred Compensation board dated February 4, 2020.
2. Obtained corroborating documentation to demonstrate each of the goals were met.
3. Based on the results, calculate the proper fee increase.

The goals and results were as follows:

2019 Scorecard Results



	Goal/Action item	Tools adopted	Results desired	Results as of 12/31/19
Enrollment	<ul style="list-style-type: none"> Increase in-force accounts by enrolling new participants Add new employers 	<ul style="list-style-type: none"> New enrollment campaign(s) Employee and Employer 	<ul style="list-style-type: none"> 2.5% in-force growth 8 new employers Attend 2-3 conventions Attend 45+ benefits fairs 	<ul style="list-style-type: none"> 3.3% in-force growth 12 new employers adopted 2 conventions attended 65 benefits fairs attended
Asset Allocation	<ul style="list-style-type: none"> Help participants properly diversify 	<ul style="list-style-type: none"> MTR upgrade & Free Look Fund changes DB Feed Pilot targeting participants (50+, 80%+ equity exposure) Communicate fund change(s) 	<ul style="list-style-type: none"> Enroll 600+ users in MTR during Free Look 	<ul style="list-style-type: none"> 1,334 MTR users during Free Look period Fund changes and communications – see attached Emailed 1,465 participants in target group <ul style="list-style-type: none"> 111, 7.58%, scheduled a meeting
Education	<ul style="list-style-type: none"> Complete retirement readiness reviews 	<ul style="list-style-type: none"> Participant Education <ul style="list-style-type: none"> Retirement Readiness Reviews Group meetings CIT webinar Employer Education <ul style="list-style-type: none"> Payroll transformation <ul style="list-style-type: none"> ACH Termination dates Employer webinar 	<ul style="list-style-type: none"> Conduct 2,000 Retirement Readiness Reviews 350 group meetings 	<ul style="list-style-type: none"> 2,900 Retirement Readiness Reviews 430 Group Meetings 108 attendees of CIT webinar 291 payroll centers to be automated <ul style="list-style-type: none"> 98 were automated, 16 declined, 20 didn't respond, 12 are pending 41 attendees of Employer webinar
	Goal/Action item	Tools adopted	Results desired	
Retention	<ul style="list-style-type: none"> Increase in-force accounts by retaining accounts 	<ul style="list-style-type: none"> Increased communication efforts Total Advice Solution (TAS) Retirement Solutions Group (RSG) 	<ul style="list-style-type: none"> 2.5% in-force growth 	<ul style="list-style-type: none"> 3.3% in-force growth Stay in the Plan campaign Targeted outreach (above)

Procedures and Results

Results

1. The in-force growth figure was verified by reviewing a census generated from the Empower Plan Service Center online portal ('Empower Portal').
2. Employer adoption forms from 2019 were obtained to support all 12 new employers added during the year.
3. Convention attendance was verified by obtaining supporting registration information provided by Empower.
4. Support for the 65 benefit fairs attended was provided by Empower.
5. A supporting list of MTR users enrolled in the Free Look period was provided by Empower.
6. A list of meetings and related details for 2019 were provided and corroborated the retirement readiness reviews results.

Conclusion

The 2019 Scorecard results were properly supported by Empower and matched corroborating evidence.

The 2020 fee increase for Empower was properly determined to be 5%.

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Procedures and Results

Reporting

Objective

Exhibit 1 of the Administrative Agreement effective December 1, 2017 requires a range of reporting to be provided by Empower Retirement to WDC on a quarterly or annual basis. The following reports are some of the reports required to be provided:

- Performance Standards Update (due within 45 days after the end of the quarter)
- Plan Investment Performance and Expense Ratio Review (due within 60 days of the end of the quarter and year-end final due within 90 days of the end of the year).
- Annual Plan Review (due within 120 days after year end).

Based on our discussion with ETF personnel, our testing procedures regarding reporting were to determine whether various items reported in these reports was accurate. In particular, the following criteria were reviewed:

1. Investment Performance Review:
 - a) Performance benchmarking for 4-5 investment options to ensure data accuracy to Morningstar or other published sources
 - b) Ensure accuracy of reported expense ratios for 4-5 investment options by comparison to Morningstar or other published sources
 - c) Recalculate overall plan expense ratio (asset weighted average expense ratio)
2. Annual Plan Report:
 - a) average participant paycheck contribution
 - b) plan contribution history (for last two years)
 - c) average participant paycheck contribution
 - d) contribution and withdrawal summary
 - e) distributions – full and partial payouts for death, de minimus and service credit
 - f) Call center response time, busy signal and abandoned call rates agreed to Empower provided supporting documentation

Procedures

1. Obtained copies of all reports listed above provided to ETF.
2. For five selected investments, 2019 returns and expense ratios stated in the benchmarking reports were compared to data in Wipfli Financials' Callan investment software.
3. Recalculated the overall plan expense ratio.
4. For items 2(a) through 2(e), compared the data reported in the Annual Plan Report to other reports obtained during the engagement to separately corroborate the figures reported.
5. For the call center response times, ran a call summary report from the Empower Portal noting it corroborates the information presented in the Performance Standards

Procedures and Results

Results

Two items reported in the Annual Plan Report did not agree to other evidence obtained by Wipfli during the testing:

- The average participant paycheck contribution dollar amount of \$291 was not able to be supported by Empower (item 2(c) above).
- The withdrawals by month during 2019 reported totaled \$310,232,690, which was higher than the withdrawals reported on the trust report which was \$276,013,271 (item 2(d) above).

No other exceptions were noted in the reporting tests above.

Participant Expenses

Objective

Test a sample of 25 participant expenses to ensure charges to participant accounts follow the stated expense schedule in the plan Fact Sheet. The plan expense schedule is as follows:

If participant balance is between:	Monthly fee deducted:	Equals total annual fee of:
\$0 to \$5,000	\$0.00	\$0.00
\$5,001 to \$25,000	\$1.00	\$12.00
\$25,001 to \$50,000	\$3.00	\$36.00
\$50,001 to \$100,000	\$6.00	\$72.00
\$100,001 to \$150,000	\$8.00	\$96.00
\$150,001 to \$250,000	\$11.00	\$132.00
Over \$250,000	\$16.50	\$198.00

Procedures

1. Obtained the 2019 Plan Census and performed limited procedures to ensure completeness.
2. Selected a random sample of 25 participants from the plan census.
3. Obtained account statements for each participant for 2019 from the Empower portal.
4. Recalculated, based on participant assets, the expenses expected for the year for each sampled participant and compared that to actual charges.

Results

No exceptions were noted in the tests above. All fees charged in the sample were correctly calculated.

Procedures and Results

Enrollment Processing

Objectives

Test a sample of 25 participants from the contribution detail to ensure eligibility for the plan as well as that they were actual employees. Eligibility requirements for the plan are limited, only requiring the participant be an employee of a participating Employer.

Procedures

1. Obtained the contribution detail for three randomly selected months: April, June, and October of 2019.
2. Selected a random sample of 25 new participants, allocated equally across the three months selected in step 1.
3. Eligibility requirements state that a contributing participant only must be an employee of a participating Employer.
4. Received data from ETF showing that each employee was part of the Wisconsin Retirement System ('WRS'). These records are independently (from Empower) held by ETF and all employees in the system are qualifying participants. Thus, if a participant is in the WRS system, they are eligible for the Plan.
5. Verified the Empower record of birth date for each sampled participant matches the WRS system record.

Results

The selected participants were all noted as eligible through their presence in the WRS system and dates of birth agreed to the WRS records. No exceptions were noted in the tests above.

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 contribution detail for three randomly selected months: April, June, and October of 2019.
2. Selected a random sample of 25 new participants, allocated equally across the three months selected in step 1.
3. Corroborated the participant deferral amount and the timeliness of the deferral deposit to the participants' accounts through the PSC website.

Results

There were no exceptions noted with regard to compliance with processing time frames specified in the Administrative Agreement.

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Procedures and Results

Participant Deferrals (50+ Catch-Up and Special Catch-Up)

Objectives

Determine whether participants electing to make Age 50+ Catch-Up and/or Special Catch-Up deferrals are eligible to make the deferrals and expressly elected to make the deferrals.

Procedures

1. Obtained a report from the PSC website that listed all participants and their contributions to the plan for 2019 and performed limited procedures to ensure completeness.
2. Randomly selected a sample of 40 participants (30 participants who had Age 50+ Catch-Up deferrals during 2019, and 10 participants who had Special Catch-Up deferrals during 2019).
3. Determined if the participant was eligible for the catch-up contribution based on their age and protective employee status, if applicable.

Results

For 39 of 40 participants tested, the employees were eligible for 50+ catch up and/or special catch up based on either their age or protective status. One participant of the 40 tested was found to have over contributed during the year by \$1,000. Empower has a mechanism to identify such participants and issue corrective distributions. This participant received the correct corrective distribution on January 24, 2020. This is not considered an exception. No other exceptions were noted in the tests above.

Procedures and Results

Hardship Withdrawals

Objectives

Participants who experience financial emergencies may submit a hardship application to Empower Retirement. Under the Administrative Agreement, Empower Retirement is to either approve or deny and process, without ETF's signature, all unforeseeable emergency requests received in good order and in a manner satisfactory to Empower Retirement.

Objectives included:

- Determine hardship applications appear complete with proper signatures and required documentation.
- Determine hardship applications were approved in accordance with the Administrative Agreement.

Procedures

1. Obtained a data file containing all hardship withdrawals.
2. Randomly selected a sample of 25 hardship withdrawals.
3. Obtained documentation supporting the request and payment of hardship withdrawal. All documentation included the requisite documentation of the hardship precipitating the request.
4. Compared results of examined transactions with requirements in the Administrative Agreement.

Results

Documentation and approvals were appropriate for all hardship withdrawals selected and tested. No exceptions were noted in the tests above.

Procedures and Results

Distributions

Objectives

Distributions should be made by authorized individuals. Accordingly, ETF determined to send confirmations to 40 participants to ensure the withdrawals were authorized by them and allow them the opportunity to indicate if there were any issues with the distribution.

Procedures

1. Obtained a data file containing all distributions and performed limited procedures to ensure completeness of the data.
2. Selected a sample of 40 distributions.
3. Confirmed in writing with each participant that the withdrawal selected is in accordance with their request. Confirmation letters were mailed to participants and an attachment was enclosed showing the details of the withdrawal transaction.

Results

Of the 40 confirmations sent, 30 (75%) participants responded positively confirming their distribution. There were no negative confirmation responses and 10 (25%) non-replies. Participants did not indicate any other issues on their returned confirmations.

Required Minimum Distributions

Objectives

Under Internal Revenue Service (IRS) regulations, all participants must receive required minimum distributions ('RMD') if they were 70 ½ years of age or older during 2019. Note that this age limit has since been changed to 72 in 2020. Wipfli tested 25 participants who were 70 ½ years old to determine if they were properly taking RMDs.

Procedures

1. Obtained the 2019 Plan Census and performed limited procedures to ensure completeness.
2. Created a sample by selecting 25 participants from the plan census who were at least 70 ½ years of age, and randomly selected 15 who were between 70 ½ and 72 and 10 over the age of 72.
3. Obtained account statements for each selected participant for 2019 from the Empower portal and verified that RMDs were taking place as required.

Results

For all tested participants, RMDs were taking place as required. No issues noted.

Procedures and Results

Domestic Relations Order Distributions

Objectives

All participants requesting Qualified Domestic Relations Order Distributions (QDRO) will receive periodic notification from Empower Retirement until completed.

Procedures

1. Obtained a data file containing all distributions and performed limited procedures to ensure completeness of the data.
2. Randomly selected a sample of 25 QDROs from the data file.
3. Obtained documentation supporting the QDROs.

Results

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.

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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. Determine that transfers are made as authorized by participants and in accordance with their request by confirmation with 25 participants.

Procedures

1. Obtained a data file containing transfers.
2. Selected a sample of 25 transfers.
3. Obtained documentation supporting the date the participant transfer request was received by Empower.
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

For 23 of 25 transfers selected, documentation of the participant request was appropriate, and were in compliance with processing time frames specified in the Administrative Agreement. For 2 of the transfers selected, no documentation was available to indicate when the request was received by Empower and therefore could not be tested to ensure timely processing.

Of the 25 confirmations sent, 16 (64%) participants responded positively confirming their transfer as of the effective date. There were no negative confirmation responses and 9 (36%) non-replies.

Procedures and Results

Rollovers

Objectives

Participants are allowed unlimited opportunities to roll funds from outside qualifying sources, such as other 401(k), 403(b), and IRA accounts. These funds must come from a qualifying source. Determine that rollovers are held in a separate account for the participant.

Procedures

1. Using the certified trust report, randomly selected a sample of 25 rollovers
2. Determined funds were from a qualifying source.
3. Determined funds were placed and held in a separate account for each participant.

Results

All rollovers tested came from a qualifying source and were found to be held in a separate account preventing comingling with deferrals made under the Deferred Compensation plan. No issues noted.

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Procedures and Results

General Account Activity Confirmations

Objectives

Send confirmations to sample of 25 participants to verify account activity and give participants selected the opportunity to remark on any unusual, unauthorized, or suspicious activity.

Procedures

1. Obtained the 2019 Plan Census and performed limited procedures to ensure completeness.
2. Randomly selected 25 participants from the plan census (this is the sample that was used for participant administration expense testing).
3. Obtained account statements for each individual for 2019 from the Empower portal.
4. Mailed participants confirmations asking for them to confirm the following information:
 - a. The investment elections match elections made by the participant
 - b. The contributions (if any) match the participant's contribution elections
 - c. The rollovers (if any) match the participant's rollover elections
 - d. The withdrawals (if any) were requested/authorized by the participant
 - e. The transfers (if any) were requested/authorized by you

Results

Of the 25 confirmations sent, 17 (68%) participants responded positively confirming their account activity as of the effective date. There were no negative confirmation responses and 8 (32%) non-replies.

Procedures and Results

Equity Wash

Objectives

As noted in the administrative contract, Empower is to prohibit direct transfers between the Stable Value Fund and competing investment options. After a participant makes a transfer from the Stable Value Fund to a non-competing investment option, Empower is to prohibit all transfers from that non-competing investment option back into a competing investment option for 90 days. Test 25 such transfers out of the Stable Value Fund to ensure compliance with these rules. The competing funds are:

- a. FDIC Bank Option (held by Nationwide)
- b. FDIC Bank Option (held by Johnson Bank)
- c. Federated US Government Securities 2 – 5 Year Fund

Procedures

1. Obtained a data file containing transfers.
2. Sorted the list to find only transfers out of the Stable Value Fund
3. Reviewed the individual transfer on the Empower PSC website to ensure the transfer did not directly go into a competing fund.
4. Reviewed account activity for that participant in Empower PSC to ensure no transfers to a competing fund occurred for 90 days after the initial transfer-out from the Stable Value Fund.

Results

Of the 25 transactions/participants tested, 24 did not have any violating transactions. One transfer tested did directly transfer into a competing option and is considered an exception.

Procedures and Results

Fund Selection and Termination

Objectives

At the Board's discretion, investment options may be replaced. When this occurs, Empower is required to transfer those balances into the approved investment option.

During the year, four such changes occurred:

1. Blackrock EAFE Equity Index Fund T to Blackrock EAFE Equity Index Fund F
2. Blackrock Russell 2000 Index Fund T to Blackrock Russell 2000 Index Fund M
3. Blackrock US Debt Index Fund W to Blackrock US Debt Index Fund M
4. FDIC Bank Option (held by Nationwide) to FDIC Bank Option (held by Johnson Bank)

These investment option closures were tested to ensure funds transferred properly to the new target investment option.

Procedures

1. Using the PSC website, obtained investment summary reports for the day prior to each transfer and the day of the transfer.
2. Analytically compared the ending balance of the old investment option to the beginning balance of the new investment option. Due to other routine activity (such as contributions occurring on the date of the transfer) the balance change is not expected to be exact, but it is expected the new investment option to have a balance within 0.1% of the old investment option balance.

Results

The selected transfer transactions were completed within the expected range of deviation. No issues noted.

Section III – Comments and Recommendations

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Recommendation #1:

Due to the exception found in the Equity Wash Testing, Wipfli recommends ETF conduct a larger test to confirm the potential error rate in the subject transactions. Depending on the results of such a test, Empower should work to implement procedures to effectively prevent violating transactions.

Recommendation #2:

Due to the exceptions found in the Annual Plan Report testing, Wipfli recommends Empower institute a review process on the Annual Plan Report to ensure documentation is retained to support the various figures reported, whether the annual trust report, a reconciliation thereto, or other supporting details.

Because employers in the Plan have pay frequencies that differ (weekly, biweekly, monthly, etc.), an average contribution per participant per paycheck is not an accurate item to recalculate and Wipfli would recommend removing that figure from the Annual Plan Report.

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State of Wisconsin
Deferred Compensation Program
Madison, Wisconsin

**Summary of Empower Retirement's Service
Organization Controls Report for the Defined
Contribution Plan Record Keeping Services for the
period October 1, 2018 through September 30, 2019**

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Executive Summary

June 11, 2020

State of Wisconsin – Department of Employee Trust Funds
Madison, Wisconsin

In accordance with our contract with the State of Wisconsin Department of Employee Trust Funds (ETF) dated August 15, 2007 and reaffirmed by the response to Request for Bid submitted September 15, 2015, and based on discussions with ETF management, we have completed procedures to summarize Empower Retirement's Service Organization Controls Report for the Defined Contribution Plan Record Keeping Services (SOC) for the period October 1, 2018 through September 30, 2019. The objectives of this engagement were to summarize the SOC and identify matters of concern pertaining to the Deferred Compensation Plan (the Plan). This engagement was not intended to be, and was not, considered an audit or fraud examination because of the restricted nature and limited scope of the procedures performed.

Overview

To achieve the objectives of this engagement, we completed discussions with key staff at ETF and utilized Wipfli associates with expertise in SOC reports.

Results of our observations and recommendations relied on, and are dependent on, the completeness and accuracy of information provided in the SOC report without independent verification.

Reporting Results of Procedures

A summary of the results of the control procedures is included in the Objectives, Procedures and Results section of this report.

Distribution of this report by the specified parties to other third parties does not constitute designation of those third parties as "users" or "specified parties" with respect to this report or the matters addressed herein, nor does it permit those third parties to use or rely on this report for any purpose.

This engagement was performed in accordance with the Statement on Standards for Consulting Services as issued by the American Institute of Certified Public Accountants. This information is intended solely for the information and use of Empower and ETF in relation to the results of procedures performed pursuant to the engagement letter. It is not intended to be, and should not be, reproduced, published, or distributed to anyone other than these specified parties or for any other purpose without the prior written consent of Wipfli LLP ("Wipfli").

We look forward to our continued association and appreciate the opportunity to be of service. Please do not hesitate to contact Wipfli if you have any questions or concerns regarding information contained in the accompanying report.

Wipfli LLP

WIPFLI LLP

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Documentation of reliance on SOC examination report

Name of Service Organization:	Empower Retirement
System or Function Covered:	Defined contribution plan recordkeeping services
Type of Report (SOC 1, 2, or 3 and Type 1 or 2):	SOC 1 Type 2 Report
Period Covered in Report:	October 1, 2018 through September 30, 2019
Service Auditor (Audit Firm):	Deloitte & Touche

Independent Service Auditor's Report

The first or second section of the SOC report should contain the Independent Service Auditor's Report. The Report contains the "system" covered by the report, the audit period, a statement how subservice organizations are addressed (carve-out or inclusive method), and opinion. The possible opinions include: unqualified or "clean" (no significant deficiencies), qualified (significant deficiencies noted on one or more areas), or disclaimed (unable to express an opinion in one or more areas). Based on the Independent Service Auditor's Report:

Question	Y/N	Comments
Is the audit period deemed appropriate? (period end within last six months)	Y	12 months
Did the auditor give a clean opinion?	Y	
Were there any qualifications or disclaimers? Are they significant to our operations?	Y	<p>Emphasis of matter added on page 3 of the Independent Service Auditors' Report:</p> <p><i>The Service Organization states in its Description that it has controls in place to provide reasonable assurance that Mass Conversions are authorized, and are recorded and processed accurately, completely, and in a timely manner. However, as noted in Section IV of the report, there were no Mass Conversions during the period October 1, 2018 to September 30, 2019; therefore, we did not perform any tests of operating effectiveness of controls related to the control objective "Controls provide reasonable assurance that Mass Conversions are recorded and processed accurately, completely, and in a timely manner."</i></p>
Do deficiencies require follow-up?	N	
Are there subservice organizations identified?	Y	<p>Blackline Systems - host and maintain reconciliation application</p> <p>Advantage Security – physical security provider</p> <p>Great-West Life & Annuity – fund administration for investment accounting and administrative services applicable to plans' separately managed accounts</p> <p>Broadridge Investor Communications Solutions – check printing and mailing services</p> <p>Amazon Web Services – information technology infrastructure, data backups, and application hosting</p>
Are subservice organizations included or carved out?	Y	Carved out, PDF page 9.

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Information Provided by the Service Organization

The first or second section of the SOC report should contain Management's Assertion to confirm that the description of the system (typically included in section 3 of the report) presents how the system was designed and implemented during the reporting period, and that the control objectives listed in the description were suitably designed and operated effectively. While the term "system" has many different definitions, a common and useful definition is the controls, procedures, people, software, data, and infrastructure organized to achieve a specific objective. The description of the system should also include a list of complementary user controls (also referred to as user control considerations). If there is a subservice organization included or carved out of the report, there should also be a list of subservice organization control considerations.

Question	Y/N	Comments
Does the report include management's assertion?	Y	PDF page 5
Does the description of the system include functions and operations relevant to us?	Y	Processing of retirement transactions; transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports and other information for user entities of the system
Is the description of the system complete?	Y	
Are subservice organizations and their responsibilities described and subservice control considerations identified?	Y	PDF page 9 and 55
Do the subservice organization controls affect the entity's operations? If so, should we request a SOC report from them?	N	
Does the report include user control considerations? See below.	Y	

User Control Considerations:

User control considerations are a key part of a SOC report. This section outlines the responsibility of the user of the report (the client). ETF should review the considerations carefully and determine if the considerations are applicable to their operations.

#	Control Description	Relevant to the User Environment? (Y/N)
1	The plan sponsor is responsible for access to the Plan Sponsor website accounts and for providing passwords only to authorized personnel.	Yes
2	The plan sponsor is responsible for regular review of their access to the Plan Service Center (PSC) and providing timely notification to Empower of any access changes.	Yes
3	The plan sponsor is responsible for maintaining plan documents, if applicable.	Yes
4	The plan sponsor is responsible for notifying Empower of any amendments to plan documents for plan changes.	Yes
5	The plan sponsor is responsible for providing accurate employee eligibility data.	Yes
6	The plan sponsor is responsible for authorizing changes in the fund line up prior to investment processing in the recordkeeping system.	Yes
7	The plan sponsor is responsible for reviewing management reports and/or confirmation notices (e.g. enrollments, account changes, disbursements, statements, plan summaries, other plan/participant data etc.) and communicating any discrepancies in writing within a timely manner.	Yes

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8	The plan sponsor is responsible for providing information (e.g. employee/payroll files, including adjustments) timely that is accurate, complete, properly authorized, if applicable, and in accordance with plan guidelines.	Yes
9	The plan sponsor is responsible for monitoring applicable contribution limits.	Yes
10	If applicable, disbursement requests are authorized by the appropriate party and in compliance with the plan provisions.	Yes
11	The plan sponsor is responsible for providing written instruction regarding the application of forfeitures.	Yes

Information Provided by the Service Auditor

Section 4 identifies the control objectives included in the examination, the tests performed by the service auditor, and the results of tests. Control objectives represent the scope of the examination and any significant deficiencies noted could affect the opinion in the Service Auditor's Report (Section 1 or 2).

Identify control objectives in the report:

#	Control Objective	Exceptions	Page	Effects of Exceptions on Controls	Wipfli Recommendations
1	<p>Systems Development and Maintenance:</p> <p><i>Controls provide reasonable assurance that changes to application programs and related data management systems are documented, tested, approved, and implemented to result in the complete, accurate, and timely processing and reporting of transactions and balances.</i></p>	None noted.	n/a	n/a	n/a
2	<p>Participant and Plan Sponsor Websites:</p> <p><i>Controls provide reasonable assurance that plan sponsors' and participants' access to data through Empower's Participant and Plan Sponsor websites are secure and authorized.</i></p>	None noted.	n/a	n/a	n/a

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3	<p>EIVR:</p> <p>Controls provide reasonable assurance that data transmissions between Empower and participants via the EIVR are authorized and secure.</p>	None noted.	n/a	n/a	n/a
4	<p>Job processing:</p> <p>Controls provide reasonable assurance that batch jobs are processed accurately, completely, and in a timely manner and deviations, problems, or errors are identified, and resolved in an accurate, complete and timely manner.</p>	<p>Control 4.1: A job scheduling system is used to schedule and control reoccurring batch production processes, and appropriate personnel resolve processing errors as needed.</p> <p>Result: For one out of 25 job failures for the Autosys job scheduler (as it relates to SAP), a job failure was not resolved in a timely manner.</p>	PDF page 68	4.1: Minimal. Deloitte & Touche inspected the job schedulers (Autosys) and ascertained during the examination period there were no processing errors as it relates to PAM Yugo and PAM Mack, thus no testing was performed.	This is not likely to have any significant impact on the Plan. No recommendations are given for this exception.
5	<p>Computer Operations – Backups:</p> <p>Controls provide reasonable assurance that data is backed up completely, tested on a periodic basis, and retained to enable retrieval.</p>	None noted.	n/a	n/a	n/a

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6	<p>Logical Access Security:</p> <p>Controls provide reasonable assurance that access to applications, underlying databases and supporting operating systems is limited to authorized and appropriate personnel.</p>	<p>Control 6.2: Access rights of terminated users are disabled upon notification from the Human Resources Department.</p> <p>Results: For one out of 25 terminated users selected for testing, the user was not disabled timely at the time of termination.</p> <p>Control 6.5: Appropriate individuals review users with general and special privilege or sensitive account access periodically. Account access is modified, as necessary.</p> <p>Results: For SAP/UIDB, one semiannual review of privileged account reviews was not completed in a timely manner. In addition, one quarterly UNIX privileged account review was not completed in a timely manner.</p> <p>Control 6.6: Special privilege account use is logged and reviewed by appropriate personnel on a periodic basis. Abnormal activity is investigated and documented accordingly.</p> <p>Results: Two out of five weekly activity Oracle ITS reviews selected for testing were not completed in a timely manner.</p>	<p>PDF page 71</p> <p>PDF page 73</p> <p>PDF page 73</p>	<p>6.2: Minimal. Deloitte & Touche further confirmed that user did not log in after their termination date and as of September 30, 2019 that the user account was disabled.</p> <p>6.5: Exception. See Management response.</p> <p>6.6: Exception. See Management response.</p>	<p>The exceptions for Objective #6 are not likely to have any significant impact on the Plan. Wipfli recommends ETF monitor future reports to see if exceptions continue in the future. If such exceptions continue, Wipfli recommends ETF obtain from Empower an analysis of the potential effects on the Plan and implement a program to prevent future exceptions.</p>
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7	<p>Physical Security and Environmental Controls:</p> <p><i>Controls provide reasonable assurance that physical security and environmental controls are in place and access to the data center is limited to authorized and appropriate personnel.</i></p>	None noted.	n/a	n/a	n/a
8	<p>Mail/records Control:</p> <p><i>Controls provide reasonable assurance that mail/records are distributed for processing in an accurate, complete, and timely manner.</i></p>	None noted.	n/a	n/a	n/a
9	<p>Plan Document Production:</p> <p><i>Controls provide reasonable assurance that the Plan Documents and SPD are authorized and set up accurately, completely, and in a timely manner.</i></p>	None noted.	n/a	n/a	n/a

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10	<p>Plan Implementation:</p> <p>Controls provide reasonable assurance that plan implementations are authorized and are processed in a timely manner and that key data points defined by management, including investments and investment-related services, contribution sources, fees, and requested service features are set up accurately and completely.</p>	<p>Control 10.5: Provisions for plan conversion is reviewed for accuracy and completeness after setup in the recordkeeping system and within an established timeframe from the plan's backout release. Identified discrepancies are researched and resolved by Implementation Services.</p> <p>Result: For 10 out of 35 plan implementations selected for testing, the review for accuracy and completeness after setup in the recordkeeping system was not performed in a timely manner within the established timeframe from the plan's blackout release.</p> <p>Control 10.13: Implementation Services reviews the setup of Active and Frozen Money Types in the recordkeeping system against authorized implementation documents. Discrepancies are researched and resolved.</p> <p>Result: For one out of 25 plan implementations selected for testing, the Active and Frozen Money types were setup inaccurately in the recordkeeping system based on authorized implementation documents.</p>	<p>PDF page 84</p> <p>PDF page 86</p>	<p>10.5: Exception. Exception. See Management response.</p> <p>10.13: Exception. Exception. See Management response.</p>	<p>The exceptions for Objective #10 are not applicable to the Plan because the Plan is not newly implemented or under conversion. No recommendations are given for this exception.</p>
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11	<p>Mass Conversions:</p> <p><i>Controls provide reasonable assurance that mass conversions are recorded and processed accurately, completely, and in a timely manner.</i></p>	None noted.	n/a	n/a	n/a
12	<p>Plan Changes (Post Implementation):</p> <p><i>Controls provide reasonable assurance that plan changes, including Discretionary Plan Amendments and Modifications, are valid and processed in an accurate, complete, and timely manner.</i></p>	<p>Control 12.4: Non-amendment change requests are reviewed by Client Services/Plan Change to ensure requested changes are from a valid source and implemented accurately and timely within the recordkeeping system by the Plan Change team or assigned area.</p> <p>Result: For one out of 40 non-amendment changes selected for testing, the change request was not reviewed for accuracy prior to implementing into the recordkeeping system.</p>	PDF page 93	12.4: Exception. Exception. See Management response.	For any non-amendment changes that occurred during 2019 or 2020, Wipfli recommends ETF verify with Empower that the change request was reviewed for accuracy prior to implementing into the recordkeeping system.
13	<p>Enrollments:</p> <p><i>Controls provide reasonable assurance that participant data received is recorded in the recordkeeping system and processed in an accurate, complete, and timely manner, and that the participant enrollments are valid and authorized.</i></p>	None noted.	n/a	n/a	n/a

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14	<p>Account Changes:</p> <p><i>Controls provide reasonable assurance that participant initiated transfers, changes in investment allocations, and other account changes are authorized and processed accurately, completely, and in a timely manner.</i></p>	None noted.	n/a	n/a	n/a
15	<p>Contributions, Common Remitter Contributions, and Loan Repayments:</p> <p><i>Controls provide reasonable assurance that contributions, common remitter contributions, and loan repayments are authorized and processed accurately, completely, and in a timely manner.</i></p>	None noted.	n/a	n/a	n/a
16	<p>Banking Returns:</p> <p><i>Controls provide reasonable assurance that plan sponsor ACH banking returns are investigated in a timely manner for accurate and complete resolution.</i></p>	None noted.	n/a	n/a	n/a

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17	<p>Withdrawals and Distributions:</p> <p>Controls provide reasonable assurance that written withdrawal and distribution request are valid and processed in an accurate, complete, and timely manner.</p>	None noted.	n/a	n/a	n/a
18	<p>Loans:</p> <p>Controls provide reasonable assurance that delinquent loans are identified completely and timely and defaulted in accordance with regulatory provisions.</p>	None noted.	n/a	n/a	n/a
19	<p>Fees:</p> <p>Controls provide reasonable assurance that valid requests for fee setups, changes, corrections, terminations and reversals are processed in the recordkeeping system in an accurate, complete, and timely manner.</p>	<p>Control 19.1: New fees, fee structure changes, and fee termination requests are peer quality control reviewed before the new fee, change, or termination is scheduled to occur to ensure fees are accurately reflected in the record keeping system.</p> <p>Result: For one out of 25 peer quality control reviews selected for testing, the new fee request was not performed effectively which resulted in the new fee being implemented inaccurately in the record keeping system.</p>	PDF page 117	19.1: Exception. Exception. See Management response.	During the Agreed Upon Procedures engagement by Wipfli, fees were tested without issue. However, Wipfli would recommend ETF work with Empower to determine if this control issue could or did affect the Plan.

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20	<p>Income/Valuation:</p> <p><i>Controls provide reasonable assurance that investment income, corporate actions, and participant account values are calculated, processed, and recorded in an accurate, complete, and timely manner.</i></p>	None noted.	n/a	n/a	n/a
21	<p>New Fund Setup and Fund Changes:</p> <p><i>Controls provide reasonable assurance that new funds and changes to funds are authorized and established in an accurate, complete, and timely manner.</i></p>	None noted.	n/a	n/a	n/a
22	<p>Asset and Stock Purchases and Redemptions:</p> <p><i>Controls provide reasonable assurance that asset and employer stock purchase and redemption transactions are traded and recorded in an accurate, complete, and timely manner.</i></p>	None noted.	n/a	n/a	n/a

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23	<p>Compliance:</p> <p><i>Controls provide reasonable assurance that needed discrimination tests are completed accurately, completely, and in a timely manner.</i></p>	None noted.	n/a	n/a	n/a
24	<p>Compliance:</p> <p><i>Controls provide reasonable assurance that IRS Form 5500 is completed accurately, completely, and in a timely manner.</i></p>	None noted.	n/a	n/a	n/a
25	<p>Plan and Participant Statement Reporting:</p> <p><i>Controls provide reasonable assurance that the quarterly participant statements and plan summaries are complete, accurate, and sent timely following each calendar quarter-end.</i></p>	None noted.	n/a	n/a	n/a

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26	<p>Returned Checks:</p> <p><i>Controls provide reasonable assurance that returned checks are investigated and processed in an accurate, complete, and timely manner.</i></p>	None noted.	n/a	n/a	n/a
27	<p>Reconciliations:</p> <p><i>Controls provide reasonable assurance that cash and security positions are reconciled between Empower and the depositories in an accurate, complete, and timely manner.</i></p>	None noted.	n/a	n/a	n/a

If control objectives are qualified, how will we expand our due diligence activities do ensure the service organization's controls do not adversely impact our operations? Describe: N/A

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Other Information Provided by the Service Organization (optional)

Are any subsequent events noted in this section? Subsequent events are any operational changes identified by the Service Organization that would impact the Control Objectives identified in section 3 of the report. If any subsequent events are noted, how do these affect our operations?

There were no subsequent events noted in section 5; rather section 5 includes managements response to the exceptions noted below:

- Control 4.1: This is an isolated issue whereby the transmitted batch file contained an invalid character that was not resolved timely. Additional monitoring steps have been implemented, including an automated solution for a programmatic file scan to prevent future occurrences.
- Control 6.2: This issue is a result of untimely notification of a termination by the respective business unit manager. Once notification did occur, system processes worked as designed. Communication occurred for business unit manger to ensure they fully understand their roles and to reinforce their responsibilities around timely notification of employee terminations. In addition to increased managerial communications, a process has been implemented by Human Resources to periodically analyze an discover patterns to proactively address the issue around untimely notification of employee terminations.
- Control 6.5: SAP/UDB – due to competing priorities and lack of actions required, the SAP review was not closed out timely. The review did not identify and significant discrepancies and there was no increased exposure. Management will make it a priority to formally close the review timely. UNIX – changes in methodology were implemented for the UNIX SUDO review to perform a more thorough and effective review process, causing the completeness of the review to fall outside the standard timeline. This did not create additional exposure and management is reviewing the frequency of the review to improve control effectiveness.
- Control 6.6: Supporting documentation to evidence the final weekly review was not completed timely. In addition, the database logging tool, due to technical issues, failed to generate database activity logs. Management was aware of the issue and immediately engaged the vendor for a solution. Once the tool was back online, past and present logs were reviewed and activity for the period deemed appropriate. Training has occurred to emphasize the importance of documenting evidence of review.
- Control 10.5: For 10 plan implementations, the blackout QA reviews fell outside the standard turn-around time. However, the plan setup was reviewed and was found to be complete and accurate. Further, all pre-blackout controls were completed timely and accurately. Management has reiterated the importance of standard turn-around times.
- Control 10.13: One money type was setup incorrectly and inadvertently missed during the quality control review process. There was no financial impact as the money type setup was not valid per the Plan Document and no money was deposited to this money type. Management has reiterated the importance of final review procedures to ensure accurate setup.
- Control 12.4: One plan change fell outside of the standard review process. However, the plan change was received from a valid source and was processed completely and accurately in the recordkeeping system. There was no financial impact and procedures have been enhanced to ensure all requests received are reviewed within established standards.
- Control 19.1: One new custodial fee was setup incorrectly and inadvertently missed during the quality control review process. Management has reiterated the importance of increasing analysis and review to processing. Written procedures and quality control review checklist have been enhanced and additional training was required and completed for team members. In addition, the quality control review process has been expanded and includes more team members.

Conclusion

Based on the above description of the internal controls and procedures surrounding the activities at the Service Organization, controls, except for the exceptions listed above, appear to be in place, have been adequately reviewed, and ETF may rely on the report for its due diligence activities. Please review the identified exceptions and determine whether further evaluation of management's responses is required: