STATE OF WISCONSIN
Department of Employee Trust Funds
A. John Voelker
SECRETARY

Wisconsin Department
of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931
1-877-533-5020 (toll free)
Fax 608-267-4549
etf.wi.gov

Correspondence Memorandum

Date: May 26, 2022

To: Audit Committee

From: Michelle Hoehne, Auditor
Office of Internal Audit (OIA)

Subject: Third-Party Administrator (TPA) Audit – Wisconsin Deferred Compensation (WDC) Program

This memo is for Audit Committee review and discussion. No action is required.

The Deferred Compensation (DC) Board contracted with Wipfli, LLP to conduct a biennial contract compliance review of the WDC TPA, Empower Retirement and an annual financial statement audit of the WDC Program. Wipfli has completed both reviews for the year ended December 31, 2021. The results will be reported to the DC Board on June 9, 2022.

Wipfli's contract compliance review of Empower Retirement, completed as an Agreed-Upon Procedures (AUP) engagement, assists ETF in determining whether Empower Retirement continues to meet the terms of the WDC administrative services contract agreement. Wipfli identified exceptions in the following areas in their AUP testing: supporting documentation for the Annual Plan Report, required minimum distributions, account rollovers, domestic relations order distributions, and timeliness of transfers. Empower Retirement is researching the exceptions noted and determining whether any improvements to processing procedures are needed. They will provide a formal response to the DC Board once the exceptions have been further researched. Based on the results of the AUP, ETF management believes Empower Retirement is materially meeting the terms of the contract but will follow-up on the exception areas identified.

Wipfli completed its audit of the WDC's financial statements for the year ended December 31, 2021 and issued an unqualified or "clean" opinion, indicating the financial statements are free from material misstatement.

Reviewed and approved by Yikchau Sze, Director, Office of Internal Audit Electronically Signed 06/8/22

Yikchau Sze

Board	Mtg Date	Item #
AUD	6.23.22	4

The results of the reviews and the summary memos provided to the DC Board, including ETF management assessment, are attached. Staff will be available at the Audit Committee meeting to provide an overview of the AUP results and answer any questions on the AUP report or the results of the financial statement audit.

Attachment A: 2021 Agreed-Upon Procedures Review Results includes:

- Memo to DC Board
- 2021 Agreed-Upon Procedures Report (Wipfli)

Attachment B: Financial Statement Report and Audit Results of the WDC Program for the Year Ended December 31, 2021; includes:

- Memo to DC Board
- 2021 WDC Financial Statements Including Independent Auditor's Report

Attachment A

STATE OF WISCONSIN
Department of Employee Trust Funds
A. John Voelker
SECRETARY

Wisconsin Department
of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931
1-877-533-5020 (toll free)
Fax 608-267-4549
etf.wi.gov

Correspondence Memorandum

Date: May 17, 2022

To: Deferred Compensation Board

From: Shelly Schueller
Deferred Compensation Director

Subject: 2021 Agreed-Upon Procedures Review Results

The Department of Employee Trust Funds (ETF) requests the Deferred Compensation Board (Board) accept the results of the attached 2021 Agreed-Upon Procedures review.

Agreed-Upon Procedures (AUP) reviews are intended to assist in determining if a third-party administrator is meeting their contract obligations, including compliance with contract terms and conditions as well as applicable state and federal statutes, rules, and regulations. The attached AUP report, completed by Wipfli, was done to assure the Board, the Department, employers, and participants that the Wisconsin Deferred Compensation Program (WDC) is properly administered.

The certified public accounting firm of Wipfli, LLC has been under contract with the Board to perform AUP reviews for the WDC since 2010. As a result of RFP ETH0048, which was issued in 2018 and completed in 2019, Wipfli was retained under a new contract to complete the WDC AUP review for 2021.

The attached AUP review outlines the procedures Wipfli used to test specific elements of the administrative services agreement and summarizes Wipfli's results regarding Empower Retirement's compliance with the agreement during calendar year 2021.

2021 AUP Results

Of the 15 processes reviewed in the 2021 AUP, Wipfli reported no exceptions for ten processes. Wipfli's AUP examination yielded five results, which are outlined below, along with ETF's assessment of each. Empower Retirement will provide a verbal response to Wipfli's results at the Board meeting. The formal Empower Retirement response is in development and will be shared with the Board at a future meeting.

Reviewed and approved by Matt Stohr, Administrator, Division of Retirement Services
Electronically Signed 05/25/2022

Matt Stohr

Board	Mtg Date	Item #
DC	06.09.22	3

Reporting

Wipfli was unable to precisely duplicate the average contributions reported in the 2021 Annual Plan Report. The average contributions per the Annual Plan Report were $6,850 (State), $5,775 (Local), and $6,370 (combined); Wipfli recalculated average contributions of $6,825 (State), $5,817 (Local), and $6,378 (combined).

Total reported contributions for 2021 per the Annual Plan Report were $243,790,000; Wipfli observed contributions of $243,900,000 on deferral reports obtained, a variance of 0.05%.

Total reported contributions for 2020 per the Annual Plan Report were $217,320,000; Wipfli observed contributions of $217,460,000 on deferral reports obtained, a variance of 0.06%.

The reported withdrawals amount per the withdrawal report were $358,114,652.42, a variance of $223,096.61 (0.1%) from the withdrawals reported in the Annual plan report.

ETF assessment: These are very small variances. Empower generates static reports for certain points in time. When an account correction occurs (ex., trailing distributions applied), that will frequently cause totals to change, meaning that calculations and reports created later may have slightly different results.

Required Minimum Distributions (RMDs)

Wipfli's sample of 25 random eligible participants selected for the RMD test produced these results:

- Empower Retirement could not provide documentation that a notice was provided to six participants. Empower Retirement represented to Wipfli that these six participants had already taken qualifying withdrawals or elected RMDs and thus RMD notices did not need to be sent;
- 19 had no withdrawals but were still employed and thus were not required to take RMDs;
- Five had qualifying withdrawals and thus were not required to take RMDs; and
- One was no longer employed and had no RMD.

ETF assessment: ETF will work with Wipfli and Empower in future reviews to refine and improve the samples so, among other things, participants who aren't eligible for a RMD are not included in the results. ETF recognizes that RMDs are ultimately the responsibility of participants, and that the WDC does not force out RMDs. The notification process is intended to help remind WDC participants of their RMDs.

ETF has requested that Empower Retirement provide ETF with a description of the process and controls in place to ensure participants who are eligible for an RMD and have not yet taken action are notified.

Rollovers

Of the 30 participants selected for the rollover sample, 26 had their rollovers placed in an appropriate subaccount. The remaining four rolled funds from a different s. 457 plan had their transfer balances placed in their WDC employee contribution accounts. These four did not have their rollover funds placed into a separate subaccount.

ETF assessment: Deferred compensation under qualified plans (ss. 401(k), 403(b) and 457) can be consolidated in one qualified plan if that plan permits. The WDC permits this type of rollover and on behalf of the WDC, Empower Retirement creates subaccounts for funds that participants roll from qualified plans with different distribution rules, such as 401(k) and 403(b) plans. Empower Retirement does not create a subaccount when the roll-in is a plan-to-plan transfer from one s. 457 plan to another s. 457 plan with the same employer. These occur most often when a local WDC employer offers more than one s. 457 plan to its employees. In this environment, employees typically move assets from another s. 457 plan to the WDC.

ETF will request that Empower Retirement research the identified accounts and provide a written description of their roll-in process.

Domestic Relations Order (DRO) Distributions

Of the 25 DRO distributions sampled, Empower could not provide Wipfli with supporting court order documentation for three of them.

ETF assessment: Empower processes DROs for WDC participants after receipt of documentation from the participant. The process includes a correctly completed "Order to Divide WDC Program Account" ET-2367 and a signed court order. When the process is complete, ETF receives a copy of the letter to the participant notifying them of the division.

ETF and Empower will review the DRO process to determine if reporting and documentation improvements are necessary.

Transfers

Wipfli tested 26 account balance transfers in the 2021 AUP. 12 participants positively responded confirming their transfer as of the effective date and there were 14 non-replies. Wipfli noted that for 11 transfers sampled, there were two business days between the transfer request and effective date, and for two transfers sampled, three business days elapsed between transfer and effective date.

ETF assessment: Participants have nearly unlimited opportunities to transfer account balances between investment options. If received before 3 P.M. Central Time, these transfers are to be processed on the day received. If the transfer request arrives after 3 P.M. Central Time, the transfers are to be completed on the next business day.

ETF will request that Empower 1) provide ETF with a written description of their transfer process, and 2) determine why 13 of the transfers in Wipfli's sample did not meet standards. Similar to the responses above, ETF feels refinement and improvement of the samples used in future reports would be beneficial to the review.

Based on Wipfli's AUP results, ETF believes Empower Retirement continues to meet the terms of the WDC administrative services agreement contract. ETF recommends the Board accept the results of the 2021 AUP review**.**

Update on 2019 Agreed Upon Procedures Review Findings
The 2019 AUP completed by Wipfli included recommendations related to ensuring that Empower Retirement is properly enforcing the WDC's equity wash transfer rules and correcting data in the Annual Plan Report. The table below summarizes the issues and resolutions.

Item	2019 Wipfli Finding	2022 Update
Equity Wash Transfer	1 of 25 samples tested was in error	Empower Retirement's process was reviewed, and adjustments made to prevent future violating transactions.
Annual Plan Report	Unable to document reported average paycheck contribution and a mismatch discovered between withdrawal amounts listed in annual plan report and the financial statements report	The 2019 Annual Plan Report was corrected and a new final 2019 report issued.

<u>Equity Wash Transfer</u>
As reported to the Board in a follow-up memo in November 2020, after learning of Wipfli's 2019 findings, Empower Retirement conducted a larger test to confirm the potential error rate. Empower Retirement discovered that the WDC equity wash restriction was not set up correctly for the new FDIC option provider. This was corrected on January 3, 2020.

<u>Annual Plan Report</u>
After Wipfli's findings in the 2019 AUP, the data sources and layout for the Annual Plan Report were reviewed and Empower Retirement made material improvements to the 2020 report. Empower Retirement also took additional feedback from the Board and ETF on the 2020 report and made more changes, including documenting sources and additional formatting revisions. Based on the 2021 AUP results, the annual report still needs additional documentation to support certain data elements in the report.

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

Attachment: 2021 Agreed Upon Procedures Report (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, 2021

Table of Contents

Independent Accountants' Report on Applying
Agreed-Upon Procedures for Third-Party Administration
of State of Wisconsin Deferred Compensation Program 3

Section I Background........ 4

Section II Procedures and Results........ 7

WIPFLI

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 enumerated in the following report on the Third-Party Administrator's (Empower Retirement) compliance with the Administrative Agreement for the State of Wisconsin Public Employees Deferred Compensation Plan and Trust (WDC) for the year ended December 31, 2021. Empower Retirement's management is responsible for the Third-Party Administrator's compliance with the WDC Administrative Agreement.

Wisconsin Department of Employee Trust Funds (ETF) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in determining whether Empower Retirement complied with the Administrative Agreement for WDC. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Our procedures and findings are described in the following report.

We were engaged by ETF to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on Empower Retirement's compliance with the Administrative Agreement for the WDC for the year ended December 31, 2021. 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.

We are required to be independent of Empower Retirement and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Deferred Compensation Board and ETF and is not intended to be and should not be used by anyone other than those specified parties.

Wipfli LLP

June XX, 2022
Madison, Wisconsin

Section 1 – Background

Background

Wipfli and the Department of Employee Trust Funds (ETF) entered into contract ETH0048 dated September 21, 2021 to perform an agreed upon procedures engagement on Empower's third party administration of the Wisconsin Deferred Compensation Program (WDC).

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. As of December 31, 2021 two amendments have been added to the initial contract. 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

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

Background

Previous Engagements

An agreed upon procedures engagement for assisting ETF in determining contract compliance was last completed for the period January 1, 2019 through December 31, 2019.

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.

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, 2021, through December 31, 2021. Sample sizes and acceptable error rates were discussed, provided, and agreed upon by ETF.

Section II – Procedures and Results

Strategic Partnership Plan Scorecard Goals

To assist ETF in determining the scorecard results reported by Empower to ETF and the Board were achieved by obtaining supporting documentation to corroborate the selected figures reported:

- In-force growth
- 15 new employers adopted
- 69 virtual benefit fairs conducted
- 1,859 total RRRs
- 350 group meetings

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 3.50% increase was awarded. The following procedures are intended to assist ETF in validating that outcome.

<u>Procedures</u>

1. Obtained the Scorecard goals and results for 2021 from the correspondence memorandum from Shelly Schueller, Director to the Deferred Compensation board dated February 3, 2022.
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:

2021 Scorecard Results

Goal/Action Item	Tools adopted	Results desired	12/31/21 Results
Enrollment	• Employee and Employer • Group meetings	• 3% in-force* growth (66,790 in-force accounts as of 12/31/20) • 10 new employers • 1-2 Conventions • 45+ benefits fairs	• 1.7% in-force* growth (67,927) • 15 new employers adopted • WMCA Conference (virtual) • 69 virtual benefits fairs conducted
Asset Allocation	• Retirement Readiness Reviews (RRR) with at-risk groups • Emails, mailers and tweets • Fiduciary advice/CFP service • Partnership on financial wellness grant	• RRRs with 10% of at-risk population** (661 At Risk RRRs) • Increase average number of investment options to 5.46	• 1,384 RRRs with at-risk population • Average number of investments 5.33

Education	• Participant Education
	  ◦ RRRs for at risk groups
	  ◦ DB Addition Campaign
	• Employer Education
	• Partnership on financial wellness grant
	• Restart campaign
		• 3,000 total RRRs
		• 300 group meetings
		• Bring positive actions*** to 33%+ of the RRRs conducted
		• Restart campaign: Restart 2% of participants who stopped contributing
			• 1,859 total RRRs
			• 350 group meetings
			• 66% positive action rate
			• 4% of targeted participants restarted their contributions

Retention	• Retirement Readiness Reviews • Retiree webinar • RSG support and CFP service	• Increase asset retention by 5%+ (roll out 5% fewer assets than $137.8M rolled out in 2020) • Conduct 150 financial plans	• $102.9M assets rolled out • Retiree webinar 12/15/21 with 66 attendees • 19 financial plans have been delivered (out of 74 who initiated the process); 12 subscriptions and 7 individual

Results

1. Inspected a census generated from the Empower Plan Service Center online portal (‘Empower Portal’) and agreed to the in-force growth figure
2. Employer adoption forms from 2021 were inspected and agreed to support all 15 new employers added during the year.
3. Obtained from Empower listings of the 69 benefit fairs attended.
4. Obtained from Empower listings of the 350 group meetings conducted.
5. A list of meetings and related details for 2021 were provided and agreed to the retirement readiness reviews results (1,859 conducted during the year).
6. Based on participant growth being greater than 1%, but less than 3%, Wipfli recalculated the 2021 fee increase for Empower and compared it to the fee increase awarded of 3.50%.

Findings

No exceptions were found as a result of applying the procedures.

Reporting

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 45 days of the end of the quarter).
- Annual Plan Review (due within 120 days after year end).

Our procedures regarding reporting were to assist ETF in determining whether various items reported in these reports were accurate. Procedures were performed on the following:

1. Investment Performance Review:
   a) Performance benchmarking for 4-5 investment options to be compared to Morningstar or other published sources
   b) Reported expense ratios for 4-5 investment options to be compared 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 for state, local, and total employees
   b) plan contribution history (for last two years)
   c) contribution and withdrawal summary
   d) distributions – full and partial payouts for death, de minimus and service credit
   e) Call center response time, busy signal and abandoned call rates agreed to Empower provided supporting documentation

<u>Procedures</u>

1. Obtained copies of all reports listed above provided to ETF.
2. For five selected investments, 2021 returns and expense ratios stated in the benchmarking reports were compared to data in Wipfli Financial's Morningstar Direct system access.
3. Recalculated the overall plan expense ratio.
4. For items 2(a) through 2(d), compared the data reported in the Annual Plan Report to other reports obtained during the engagement to agree to the figures reported:
   a. average participant paycheck contribution for state, local, and total employees: Agreed to contribution reports obtained from PSC, census listings of employees, and recalculated average contribution rates.
   b. plan contribution history (for last two years): agreed to contribution reports from PSC and trust report
   c. contribution and withdrawal summary: agreed to contribution reports from PSC, withdrawal reports from PSC, and trust report
   d. distributions – full and partial payouts for death, de minimis and service credit: agreed to listing of withdrawals obtained from PSC

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.

Results

The average contributions per the Annual Plan Report were $6,850 (State), $5,775 (Local), and $6,370 (combined); we recalculated average contributions of $6,825 (State), $5,817 (Local), and $6,378 (combined).

Total reported contributions for 2021 per the Annual Plan Report were $243,790,000; we observed contributions of $243,900,000 on deferral reports obtained, a variance of 0.05%.

Total reported contributions for 2020 per the Annual Plan Report were $217,320,000; we observed contributions of $217,460,000 on deferral reports obtained, a variance of 0.06%.

The reported withdrawals amount per the withdrawal report were $358,114,652.42, a variance of $223,096.61 (0.1%) from the withdrawals reported in the Annual plan report.

No other exceptions were noted as a result of applying the procedures.

Participant Expenses

For a sample of 25 participant expenses perform procedures to agree the charges to participant accounts agree to the stated expense schedule in the plan Fact Sheet. The plan expense schedule is as follows:

Plan Services Fees

Service Code	Fee Type	Paid By	Annual Fee	Basis for Estimate	Gross Payments
2.1	Plan Maintenance	Deducted from Plan	$3,743,130	Flat Fee	$3,743,130
	Participant Account Maintenance	Deducted from Participant	Under $5K = $0.00 $5K to $25K = $12.00 $25K to $50K = $39.00 $50K to $100K = $78.00 $100K to $150K = $102.00 $150K to $250K = $141.00 Over $250K = $210.00	Actual Expenses	$4,254,315

Participant Services Fees

Service Code	Fee Type	Paid By	Fee	Gross Payments
2.2	Empower Retirement Advisory Services My Total Retirement	Deducted from Participant	Up to $100K = 0.450000% Next $150K = 0.350000% Next $150K = 0.250000% Over $400K = 0.150000%	$3,892,672

<u>Procedures</u>

1. Obtained the 2021 Plan Census.
2. Selected a random sample of 25 participants from the plan census.
3. Obtained account statements for each participant for 2021 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.

<u>Results</u>

No exceptions were noted as a result of applying the procedures.

General Account Activity Confirmations

For a sample of 25 participants confirm account activity with the participant and give participants selected the opportunity to remark on any unusual, unauthorized, or suspicious activity.

Procedures

1. Obtained the 2021 Plan Census.
2. Randomly selected 25 participants from the plan census (this is the sample that was used for participant expense procedures).
3. Obtained account statements for each individual for 2021 from the Empower portal.
4. Mailed participants confirmations requesting they 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 the participant

Results

Of the 25 confirmations sent, 10 (40%) participants responded positively confirming their account activity as of the effective date. There were no negative confirmation responses and 15 (60%) non-replies.

No exceptions were noted as a result of applying the procedures.

Enrollment Processing

For a sample of 25 participants from the contribution detail, agree participant is included in the Wisconsin Retirement System (WRS) records as an employee. Eligibility requirements for the plan are limited, only requiring the participant be an employee of a participating Employer.

Procedures

1. Obtained the 2021 Plan.
2. Randomly selected 25 participants from the plan census.
3. Received data from ETF showing that each employee was part of the Wisconsin Retirement System ('WRS'). These records are held by ETF, independently from Empower. All employees in WRS are qualifying participants. Thus, if a participant is in the WRS system, they are eligible for the Plan.
4. Agreed the Empower record of birth date for each sampled participant to the WRS system record.

Results

No exceptions were noted as a result of applying the procedures.

Participant Deferrals

For a sample of 28 contributing participants from the contribution detail, perform procedures to assist ETF in ensuring contributions match payroll center documentation, are within deferral limits, and are posted timely.

Procedures

1. Sampled 7 employers from the 2021 Trust report.
2. Used confirmation detail obtained from the PSC website for employees of the sampled employers and randomly selected a total of 28 employees from the 7 employers.
3. Confirmed with the Employers that the deferral amounts match their records
4. Compare the contributions to IRS deferral limits based on published limits and, as applicable, ages of participants with catch up contributions.
5. Inspected deferral detail to assist ETF in ensuring deferrals were posted timely

Results

Wipfli performed procedures on 707 specific payroll events for the 28 selected participants. The timing from payroll dates to effective dates are summarized as follows:

Business days between payroll date and effective date	Number of records in the sample
-3	3
-2	83
1	498
2	53
3	19
4	22
5	20
6	8
9	1
Total	707

No exceptions were noted as a result of applying the procedures.

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

Assist ETF in determining whether participants electing to make Age 50+ Catch-Up and/or Special Catch-Up deferrals are eligible to make the deferrals.

Procedures

1. Obtained a report from the PSC website that listed all participants and their contributions to the plan for 2021.
2. Randomly selected a sample of 40 participants (30 participants who had Age 50+ Catch-Up deferrals during 2021, and 10 participants who had Special Catch-Up deferrals during 2021).
3. Compared age and protective employee status, if applicable, to the rules on eligibility for catch-up and special catch-up contributions.

Results

For one of the 40 sampled, the amount contributed exceeded the amount allowed under rules on eligibility for catch up contributions by $1,000. Empower has a mechanism to identify such participants and issue corrective distributions. This participant received the correct corrective distribution on November 3, 2021 (an in-year correction). This is not considered an exception.

No exceptions were noted as a result of applying the procedures.

Hardship Withdrawals

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.

Wipfli assisted ETF in:

- Determining hardship applications contained proper signatures and documentation required by the Plan.
- Determining hardship applications were approved in accordance with the Administrative Agreement.

<u>Procedures</u>

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 sampled transactions with requirements in the Administrative Agreement.

<u>Results</u>

No exceptions were noted as a result of applying the procedures.

Distributions

Distributions should be requested and approved by the participant. Accordingly, ETF directed Wipfli to send confirmations to 42 participants to confirm the withdrawals were authorized and allow participants the opportunity to indicate if there were any issues with the distribution.

Procedures

1. Obtained a data file containing all distributions.
2. Selected a sample of 42 distributions.
3. Confirmed in writing with each participant that the withdrawal selected was 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 42 confirmations sent, 26 (62%) participants responded positively confirming their distribution. There were no negative confirmation responses and 16 (38%) non-replies. Participants did not indicate any other issues on their returned confirmations.

No exceptions were noted as a result of applying the procedures.

Required Minimum Distributions

Under Internal Revenue Service (IRS) regulations, all participants must take required minimum distributions (‘RMD’) if they were 72 years of age or older during 2021, unless they are still employed by an employer that participates in the Plan. Empower notes that is does not force RMDs, but sends notices to participants informing them of the RMD requirement each year. For a sample of 25 participants who were at least 72 years old, inspect participant correspondence for an RMD notice.

Procedures

1. Obtained the 2021 Plan Census.
2. Selected a sample of 25 participants from the plan census who were at least 72 years of age.
3. Obtained copies of the RMD notices sent from Empower.
4. Further, obtained account statements for each selected participant for 2021 from the Empower portal and inspected that RMDs were taking place as required.

Results

For 19 of the 25 sampled participants, a notice was obtained by Wipfli informing the employee of their RMD requirement. For 6 of 25 sampled, no notice was provided, however all 6 of these participants had taken qualifying distributions and Empower represented that they do not send notices to individuals who have already made/elected to make qualifying withdrawals.

Of the 25 sampled participants, 5 participants had qualifying withdrawals (either as recurring RMDs or as lump sum amounts), 19 had no withdrawals, but were still employed and thus were not required to have an RMD, and 1 was no longer employed and had no RMD.

No other exceptions were noted as a result of applying the procedures.

59 ½ In-Service Distributions

Under the Plan's terms, participants may not take in-service distributions unless they are age 59 ½. Wipfli assisted ETF in determining if in-service distributions were being properly made by sampling a group of individuals requesting age 59 ½ in-service distributions.

<u>Procedures</u>

1. Obtained a list of withdrawals by withdrawal type.
2. Selected a sample of 104 in-service withdrawals/participants from the list of withdrawals.
3. Compared the participants' dates of birth to census information to verify participants were at least 59 ½ years of age.

<u>Results</u>

No exceptions were noted as a result of applying the procedures.

Domestic Relations Order Distributions

Perform procedures on a sample of Qualified Domestic Relations Order Distributions (QDROs) taken during the 2021.

Procedures

1. Obtained a data file containing all distributions and filtered to obtain a list QDROs during 2021.
2. Randomly selected a sample of 20 QDROs from the data file.
3. Compared the QDROs distribution to the complete request form, as required by the Plan, as well as the applicable court order.

Results

For 3 of the 20 QDROs sampled, no supporting court order was provided. No other exceptions were noted as a result of applying the procedures.

Transfers

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. For a sample of 26 participants confirm the actual transfer with the participant.

Procedures

1. Obtained a data file containing transfers.
2. Selected a sample of 26 transfers.
3. Obtained documentation supporting the date and time the participant transfer request was received by Empower.
4. Confirmed in writing with each participant that the funds selected are in accordance with the participant's request.

Results

Of the 26 confirmations sent, 12 (46%) participants responded positively confirming their transfer as of the effective date. There were no negative confirmation responses and 14 (54%) non-replies.

Transfer information received included the date received, but not time of day. Business days between the request received date and effective dates were as follows for the transfers sampled:

Business days between request date and effective date	Number of records in the sample
0	6
1	7
2	11
3	2
Total	26

No other exceptions were noted as a result of applying the procedures.

Rollovers

Participants are allowed unlimited opportunities to roll funds from outside qualifying sources, such as other 401(k), 403(b), and IRA accounts. Rollovers must be held in a separate subaccount for each participant.

Procedures

1. Using the certified trust report, randomly selected a sample of 30 rollovers/transfers-in.
2. Inspected participant account activity on PSC and observed that funds received for each of the sampled rollovers were placed in a separate subaccount to differentiate them from ordinary salary deferrals under the Plan.

Results

Of the 30 sampled participants, 26 had their rollovers placed into a separate subaccount for rollovers. The remaining 4 had their transfer placed directly into the employee before tax or Roth contribution sub accounts, which are the same subaccounts that house payroll deferrals. Each of these transfers-in were from a different 457 plan.

No other exceptions were noted as a result of applying the procedures.

Equity Wash

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 into a competing investment option for 90 days. Wipfli assisted ETF in determining transfers did not violate the equity wash requirements by sampling 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 Johnson Bank)
b. Vanguard Treasury Money Market
c. Schwab Self Directed Brokerage Accounts (removed form competing funds list effective March 1, 2022)

Procedures

1. Obtained a data file containing transfers.
2. Sorted the list to find only transfers out of the Stable Value Fund
3. Agreed the individual transfer on the Empower PSC website did not go directly into a competing fund.
4. Inspected account activity for that participant in Empower PSC for transfers to a competing fund for 90 days after the initial transfer-out of the Stable Value Fund.

Results

No exceptions were noted as a result of applying the procedures.

Attachment B

STATE OF WISCONSIN
Department of Employee Trust Funds
A. John Voelker
SECRETARY

Wisconsin Department
of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931
1-877-533-5020 (toll free)
Fax 608-267-4549
etf.wi.gov

Correspondence Memorandum

Date: May 13, 2022

To: Deferred Compensation Board

From: Cindy Klimke-Armatoski, Chief Trust Financial Officer
Division of Trust Finance

Subject: 2021 Financial Statements Report and Audit Results

ETF requests the Deferred Compensation Board (Board) approve the State of Wisconsin Public Employees Deferred Compensation Plan and Trust Financial Statements as of and for the year ended December 31, 2021.

As part of its overall responsibilities, the Board requires an annual audited financial statement report presenting the financial position of the Wisconsin Deferred Compensation Program (WDC). The purpose of the audit is to provide reasonable assurance about whether the financial statements are free from material misstatement.

Financial highlights for the two years ending December 31, include the following:

Table 1: WDC Financial Statements Report Highlights and Comparisons

Item	2021	2020
WDC Net Position Available for Plan Benefits	$7.3 billion	$6.5 billion
Average Rate of Return on Mutual Fund and Collective Investment Trust Fund Investments	17.6%	17.9%
Employee Contributions	$204.8 million	$186.7 million
Plan Participants	67,933	66,825
Distributions	$358.1 million	$259.5 million
Participants Taking Distributions	9,670	8,823

Pursuant to its contract with the Board, Wipfli has completed an audit of the WDC Plan and Trust Financial Statements as of and for the year ended December 31, 2021. As the attached report indicates, the auditors have issued an unqualified or "clean" opinion, indicating the financial statements are free from material misstatement.

Reviewed and approved by Shirley Eckes, Deputy Secretary

Shirley J. Eckes

Electronically Signed 05/26/2022

Board	Mtg Date	Item #
DC	06.09.22	4

Staff from ETF and Wipfli will be available at the meeting to discuss the financial statements and audit results with the Board.

Attachment: Draft State of Wisconsin Public Employees Deferred Compensation Plan and Trust Financial Statements as of and for the year ended December 31, 2021

STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN
AND TRUST
Madison, Wisconsin

Financial Statements as of and for the Year
Ended December 31, 2021
Including Independent Auditor's Report

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	3
FINANCIAL STATEMENTS	
Statement of Fiduciary Net Position Available for Plan Benefits	7
Statement of Changes in Fiduciary Net Position Available for Plan Benefits	8
Notes to Financial Statements	9

WIPFLI

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of State of Wisconsin Public Employees Deferred Compensation Plan and Trust, which comprise the statement of fiduciary net position available for plan benefits as of December 31, 2021, and the related statement of changes in fiduciary net position available for plan benefits for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position Wisconsin Public Employees Deferred Compensation Plan and Trust as of December 31, 2021, and the changes in financial net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Wisconsin Public Employees Deferred Compensation Plan and Trust, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Wisconsin Public Employees Deferred Compensation Plan and Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.
In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Wisconsin Public Employees Deferred Compensation Plan and Trust's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Wisconsin Public Employees Deferred Compensation Plan and Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Wipfli LLP

June XX, 2022
Madison, Wisconsin

This section presents Management's Discussion and Analysis of the Wisconsin Public Employees Deferred Compensation Plan and Trust's (the Plan) financial performance, which includes an overview of the Plan's financial position and activities as of December 31, 2021, and 2020, and for the years then ended. It is presented as required supplemental information to the financial statements.

The Plan is a supplemental retirement savings plan 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 plan. The Plan is governed by Section 457 of the Internal Revenue Code (IRC), Wisconsin Statute § 40.80, 40.81, & 40.82 and Wisconsin Administrative Code ETF Chapter 70.

FINANCIAL HIGHLIGHTS

- Net Position Available for Plan Benefits at December 31, 2021 was $7.3 billion, an increase of $815.6 million or 12.6%, compared to $6.5 billion at December 31, 2020. This increase was primarily due to Net Investment Income (NII). Although investment performance was stable in 2021 compared to 2020, NII increased 11.9% due to an increase in Interest and Dividends resulting from higher capital gains paid out to participants. The average rate of return on Mutual Funds and Collective Investment Trust (CIT) Funds earnings was 17.6% during 2021 compared to 17.9% during 2020.
- Employee Contributions increased 9.7% primarily due to higher average plan contributions per participant. The Plan participants increased 1.7% from 66,825 as of December 31, 2020, to 67,933 as of December 31, 2021.
- Transfers-in From Other Plans increased 26.3% primarily due to an increase in average amount of assets transferred by participants from other eligible plans.
- Distributions to Participants increased 38.0% primarily due to an increase in the number of individuals who received distributions and the average amount of distributions. In 2021, 9,670 individuals received a distribution compared to 8,823 in 2020. The average distribution was $37,032 in 2021 compared to $29,408 in 2020.
- Administrative Expenses include advisory service fees paid by participants using the managed accounts service provided by Advised Assets Group, LLC, fees paid to Empower Retirement for the Plan and participant record keeping services, costs for audits, and other Plan expenses. Furthermore, certain investment options provide reimbursements of fees to participants, which are netted against the Administrative Expenses, as shown on the next page.

Administrative Expenses

	2021	2020	$ Change	% Change
Advisory Service Fees	$ 3,892,810	$ 2,987,844	$ 904,966	30.3 %
Administrative Fees	4,153,481	3,795,880	357,601	9.4
Investment Option Reimbursements	(118,779)	(75,731)	(43,048)	(56.8)
Administrative Expenses	$ 7,927,512	$ 6,707,993	$ 1,219,519	18.2 %

Administrative Expenses increased 18.2% primarily due to more participants using the managed account service and larger participant balances which the advisory service fees are based. There was also an increase in overall plan participation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the Statement of Fiduciary Net Position Available for Plan Benefits and the Statement of Changes in Fiduciary Net Position Available for Plan Benefits. These statements provide information about the financial position and activities of the Plan.

The following Summary of Fiduciary Net Position Available for Plan Benefits and the Summary of Changes in Fiduciary Net Position Available for Plan Benefits provides summary information about the financial position and activities of the Plan.

Summary of Fiduciary Net Position Available for Plan Benefits

	Other Employee Benefit Trust Fund			
	December 31, 2021	December 31, 2020	$ Change	% Change
Cash and Cash Equivalents	$ 129,704,028	$ 148,419,310	$ (18,715,282)	(12.6)%
Investments	7,165,915,200	6,331,201,537	834,713,663	13.2
Contributions Receivable	238,872	446,685	(207,813)	(46.5)
Total Assets	7,295,858,100	6,480,067,532	815,790,568	12.6
Administrative Expenses Payable	211,870	0	211,870	0.0
Total Liabilities	211,870	0	211,870	0.0
Net Position Available for Plan Benefits	$ 7,295,646,230	$ 6,480,067,532	$ 815,578,698	12.6 %

Summary of Changes in Fiduciary Net Position Available for Plan Benefits

	Other Employee Benefit Trust Fund			
	2021	**2020**	**$ Change**	**% Change**
Additions				
Employee Contributions	$ 204,783,029	$ 186,701,813	$ 18,081,216	9.7 %
Transfers-in From Other Plans	38,908,508	30,795,833	8,112,675	26.3
Net Investment Income	937,912,740	838,059,455	99,853,285	11.9
Total Additions	1,181,604,277	1,055,557,101	126,047,176	11.9
Deductions				
Distributions to Participants	358,098,067	259,470,171	98,627,896	38.0
Administrative Expenses	7,927,512	6,707,993	1,219,519	18.2
Total Deductions	366,025,579	266,178,164	99,847,415	37.5
Net Increase	$ 815,578,698	$ 789,378,937	$ 26,199,761	3.3 %

FINANCIAL CONTACT

The Plan's financial statements are designed to present users with a general overview of the Plan's finances and to demonstrate the trustees' accountability. If you have questions about the report or need additional financial information, contact the Deferred Compensation Director for the Department of Employee Trust Funds at P.O. Box 7931, Madison, Wisconsin, 53707-7931.

FINANCIAL STATEMENTS

STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
STATEMENT OF FIDUCIARY NET POSITION AVAILABLE FOR PLAN BENEFITS
As of December 31, 2021

	Other Employee Benefit Trust Fund
ASSETS	
Cash and Cash Equivalents	$ 129,704,028
Investments:	
Stable Value Fund	782,329,796
Mutual Funds	2,398,094,515
Collective Investment Trust Funds	3,985,490,889
Total Investments	7,165,915,200
Contributions Receivable	238,872
Total Assets	7,295,858,100
LIABILITIES	
Administrative Expenses Payable	211,870
Total Liabilities	211,870
NET POSITION AVAILABLE FOR PLAN BENEFITS	$ 7,295,646,230

The accompanying notes are an integral part of the financial statements.

STATE OF WISCONSIN PUBLIC EMPLOYEES
DEFERRED COMPENSATION PLAN AND TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION AVAILABLE FOR PLAN BENEFITS
For the Year Ended December 31, 2021

	Other Employee Benefit Trust Fund
ADDITIONS	
Employee Contributions	$ 204,783,029
Transfers-in From Other Plans	38,908,508
Investment Income:	
Net Appreciation in Fair Value of Investments	759,139,863
Interest and Dividends	194,751,634
Less:	
Investment Expense	(15,978,757)
Net Investment Income	937,912,740
Total Additions	1,181,604,277
DEDUCTIONS	
Distributions To Participants	358,098,067
Administrative Expenses	7,927,512
Total Deductions	366,025,579
Net Increase	815,578,698
NET POSITION AVAILABLE FOR PLAN BENEFITS, BEGINNING OF YEAR	6,480,067,532
NET POSITION AVAILABLE FOR PLAN BENEFITS, END OF YEAR	$ 7,295,646,230

The accompanying notes are an integral part of the financial statements.

NOTE 1- DESCRIPTION OF PLAN

The State of Wisconsin Public Employees Deferred Compensation Plan and Trust (the Plan) was established in 1981 pursuant to Wisconsin State Statute Section 40.80.

In accordance with Section 457 of the IRC, the Plan limits the amount of an employee's annual contributions to an amount not to exceed the lesser of $19,500 or 100% of the employee's includable compensation for 2021. Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees.

In 2010, the federal government passed the Small Business Jobs Act of 2010, which allows 457 plans to offer a Roth contribution option effective January 1, 2011. The Plan opened the Roth contribution option to participants on July 1, 2011. Roth contributions are made with after-tax dollars. Participants may withdraw Roth contributions and earnings income tax and penalty free once they have held the account for at least five years and severed employment. The Plan also provides certain catch-up contribution provisions for participants age 50 or older and for participants within three years of their normal retirement age. The Plan allows the employer to make contributions on behalf of employees. No such contributions were made in 2021.

Under the Plan provisions, employees of the State of Wisconsin and public employers in Wisconsin that elect to participate are eligible to contribute to the Plan through payroll deductions. As of December 31, 2021, approximately 66% of the Plan assets were applicable to State employees and the remaining 34% represent the assets of local Wisconsin public employees participating in the Plan.

Under provisions of the Small Business Job Protection Act of 1996, which became effective for plan years beginning after December 31, 1996, assets of IRC Section 457 plans must be held in a trust, custodial account, or annuity contract for the exclusive benefit of employees and beneficiaries. In March 2006, Wisconsin Act 150 was signed into law, creating Code Section 40.80 (2)(g) of the Wisconsin Statutes. Section 40.80 (2)(g) incorporates requirements of the federal tax code by establishing the Plan as a trust. Furthermore, it established the Deferred Compensation Board members as trustees with fiduciary responsibilities.

The Plan is governed by the Wisconsin Deferred Compensation Board (the Board) and is administered by a third party.

Employees electing to participate in the Plan may contribute to or exchange within any of the following investment options:

- FDIC Bank option managed by Johnson Bank,
- Stable Value option managed by Galliard Capital Management, Inc.,
- Mutual Funds,
- Self-Directed Option (SDO) limited to Charles Schwab & Co., Inc. mutual funds, which provides over 3,000 investment offerings in addition to the Plan's core options, and
- Collective Investment Trust (CIT) Funds.

The Plan also offers a suite of investment advisory services, which is provided by Advised Assets Group, LLC (AAG), a registered investment adviser. If a participant chooses to have AAG manage their account, an annual fee is charged based on a percentage of the managed account balance and assessed to the participant's account quarterly.

Employees may withdraw the value of the funds contributed to the Plan upon termination of employment with the employer, retirement, death, or financial hardship. Employees, or their beneficiaries, may select various payout options which include lump sum or periodic payments.

Legislative Changes

The Setting Every Community Up for Retirement Enhancement Act (SECURE Act) and American Miners Act (Miners Act) of 2019 became law in December of 2019. Section 104 of the Miners Act permits in-service distributions from § 457(b) plans at age 59½ instead of the current age of 70½. The Board approved a revision of the Plan to permit in-service distributions for participants aged 59½ or older.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and present the net position available for plan benefits and the net change in position.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and Cash Equivalents represent the balance of the FDIC Bank Option at December 31, 2021. The FDIC Bank option provides safety of principal and a stable credited rate of interest and is insured up to $250,000 per participant. At December 31, 2021, 83 individual participant accounts held more than $250,000 totaling $32.9 million. The FDIC Bank option paid interest ranging from 0.15% to 0.30% during the year. As of December 31, 2021, the crediting rate was 0.15%. During the period ended December 31, 2021, the Board approved adjusting the interest rate floor from 0.30% to 0.15%.

Contributions and Contributions Receivable

Employee Contributions are recognized when such amounts are withheld. Contributions Receivable represent amounts withheld from employees but not yet received or remitted to the investment carriers at year-end.

Investment Valuation

Mutual Funds are valued at the daily closing price as reported by the fund on an active market, which is based on the underlying net asset value (NAV) of the shares held by the Plan at year-end. Mutual Funds held by the Plan are open-end Mutual Funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish daily NAV and to transact at that price. The Mutual Funds held by the Plan are deemed to be actively traded.

CIT Funds are similar in structure to mutual funds but are not regulated by the SEC and are not publicly traded. CIT Funds are valued at NAV, which approximates fair value as a practical expedient. The NAV, as provided by fund administrator, is based on the fair value of the underlying investments held by the fund less liabilities. Participant transactions may occur daily. There are no unfunded commitments and no restrictions on the redemption of these investments.

CIT Funds consist of:

- Target date funds that seek to provide growth of capital and income using an asset allocation strategy designed for specific retirement dates. These funds invest in a mix of Vanguard mutual funds and trusts.
- Index funds that seek investment results that correspond to a particular equity or debt index.
- A fund that seeks to provide long-term total return on capital, primarily through capital appreciation and, to a lesser extent, income.
- A fund that seeks to provide capital appreciation over a market cycle relative to the S&P 500 Index, through the active management of equities with a focus on companies having strong long-term growth prospects.

During the period ended December 31, 2021, the Board approved discontinuing the American Beacon Bridgeway Large Cap Value Fund. It will be replaced by the JPMorgan U.S. Value Fund in 2022.

The Stable Value Fund invests in fully benefit-responsive investment contracts, often referred to as "wrap contracts". The wrap contracts are issued by insurance companies and banks to stabilize the fund's investment return on various fixed income securities, providing participants with low-risk investment that seeks to provide stable returns that exceed other low-risk investments over the long term.

The wrap contracts allow participants to withdraw or transfer their balances in the Stable Value Fund in accordance with the Plan at contract value, which is principal plus credited interest. The wrap contracts guarantee of participants' return of principal does not extend to certain events, such as a board decision to terminate the contract or very large unexpected withdrawals that might arise from other specified events. NAV is contract value less fees and expenses, and approximates fair value as a practical expedient. Participants can transact daily at the NAV. There are no unfunded commitments and no restrictions on redemptions.

Distributions

Distributions are recorded at the time withdrawals are made from participant accounts.

Investment Income

Investment income consists of interest and dividend income and realized and unrealized gains and losses attributed to the Mutual Funds, including SDO, and CIT Funds. Dividend income is recorded on the ex-dividend date.

Interest Income

The Stable Value option paid interest ranging from 1.59% to 1.95% during the year ended December 31, 2021. At December 31, 2021, the crediting rate was 1.59%. Interest income is recorded as earned on the accrual basis.

Participants' Accounts

Earnings are credited to individual participants' accounts based upon the investment performance of each specific option selected.

Transfers-in From Other Plans

Transfers-in From Other Plans represents the balance of assets transferred by employees from other eligible plans.

Related Party Transactions

Certain members of the Deferred Compensation Board, Wisconsin Retirement Board, Teachers Retirement Board, Group Insurance Board and Employee Trust Funds Board are participants of the Plan.

The Plan is required by Wisconsin Statute §40.80(2)(f) to reimburse the department for any costs incurred directly or indirectly by the department in soliciting, evaluating, monitoring, and servicing deferred compensation plans. In 2021, the Plan incurred $211,870 for such costs.

Accounting Changes

No accounting changes occurred during the year ended December 31, 2021.

NOTE 3 - INVESTMENTS

Investments held in the Plan at December 31, 2021, are listed in the table below.

Investments by Fair Value for the Year Ended December 31, 2021

Investment Option	Fair Value	
Stable Value Investments:		
Stable Value Fund	$ 782,329,796	*
Mutual Funds and CIT Funds:		
International Equity Funds		
American Funds EuroPacific Growth R6	243,666,338	**
BlackRock EAFE Equity Index Fund[1]	268,853,865	**
Total International Equity Funds	512,520,203	
Large-Cap Funds		
American Beacon Bridgeway Large Cap[1]	26,059,355	
Calvert U.S. Large Cap Core Responsible Index R6	107,077,073	
Fidelity Contrafund Commingled Pool[1]	1,005,386,586	*

Vanguard Institutional 500 Index Trust[1]	894,180,404	*
Total Large-Cap Funds	2,032,703,418	
Mid-Cap Funds		
BlackRock Mid Cap Equity Index Fund[1]	317,252,439	
T. Rowe Price Institutional Mid-Cap Equity Growth	689,653,612	*
Total Mid-Cap Funds	1,006,906,051	
Small-Cap		
BlackRock Russell 2000 Index Fund M[1]	123,273,531	
DFA U.S. Micro Cap Fund	262,697,474	
Total Small-Cap Funds	385,971,005	
Target Date Funds		
Vanguard Target Retirement 2015[1]	131,622,907	
Vanguard Target Retirement 2025[1]	363,420,750	
Vanguard Target Retirement 2035[1]	291,246,490	
Vanguard Target Retirement 2045[1]	190,215,473	
Vanguard Target Retirement 2055[1]	71,728,156	
Vanguard Target Retirement Income Trust[1]	73,756,266	
Total Target Date Funds	1,121,990,042	
Balanced Funds		
Vanguard Wellington Admiral	621,995,246	*
Total Balanced Funds	621,995,246	
Bonds		
BlackRock U.S. Debt Index M[1]	228,494,667	
Dodge & Cox Income Fund	163,190,675	
Vanguard Long-Term Investment Grade Fund	172,028,180	
Total Bonds	563,713,522	
Money Market		
Vanguard Treasury Money Market Fund	45,088,727	
Total Money Market	45,088,727	
Self-Directed Option Accounts		
Personal Choice Retirement Account - Charles Schwab	92,697,190	
Total Self-Directed Option Accounts	92,697,190	
Total Mutual Funds and CIT Funds	6,383,585,404	
Total Investments	$ 7,165,915,200	

* Exceeds 5% of the Net Position Available for Plan Benefits.
** Funds with International exposure.
[1] Collective Investment Trust Fund

Custodial credit risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name. The Stable Value Fund, Mutual Funds, and CIT Funds do not have securities that are used as evidence of the investments and therefore are not exposed to custodial credit risk.

Interest rate risk

Interest rate risk, applicable to securities with exposure to debt instruments, is the risk that changes in interest rates will adversely affect the value of an investment. Duration is the measure of a debt investment's exposure to fair value changes arising from changing interest rates based upon the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The weighted average duration for investments held as of December 31, 2021, is shown in the table below.

Credit risk

Credit risk is the risk that the Plan will lose money because of the default of the security of the issuer or investment counterparty. The average credit ratings for the fixed income securities included in the Stable Value Fund, Mutual Funds, and CIT Funds held as of December 31, 2021, are shown in the table below.

Weighted Average Duration and Average Credit Rating for the Year ended December 31, 2021

Investment Option	Fair Value	Weighted Average Duration (in years)	Average Credit Rating
Stable Value Investments:			
Stable Value Fund	$ 782,329,796	3.09	AA
Mutual and Collective Investment Funds:			
Target Date Funds			
Vanguard Target Retirement 2015	131,622,907	6.21	AA
Vanguard Target Retirement 2025	363,420,750	7.06	AA
Vanguard Target Retirement 2035	291,246,490	7.33	AA-
Vanguard Target Retirement 2045	190,215,473	7.31	AA-
Vanguard Target Retirement 2055	71,728,156	7.31	AA-
Vanguard Target Retirement Income Trust	73,756,266	6.19	AA
Balanced Funds			
Vanguard Wellington Admiral	621,995,246	8.15	A+
Bonds			
BlackRock U.S. Debt Index M	228,494,667	6.63	AA
Dodge & Cox Income Fund	163,190,675	4.70	A+
Vanguard Long-Term Investment Grade Fund	172,028,180	15.25	A+
Money Market Fund			
Vanguard Treasury Money Market Fund*	45,088,727	n/a	AA+
	$ 3,135,117,333		

*Weighted average maturity for Vanguard Money Market is 46 days.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Board. Investments that exceed 5% of net position are identified on page 12 and 13.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The Plan allows the option of investments in Mutual Funds and CIT Funds that make investments in foreign securities and are not required to disclose the individual assets within the fund. The fair value of these investments was $512.5 million as of December 31, 2021. The individual funds are identified on page 12.

Fair Value of Investments

Fair value measurements of the Plan are categorizes by the hierarchy established by generally accepted accounting principles. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Significant other observable inputs, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active and other market corroborated inputs.
- Level 3: Significant unobservable inputs.

Assets measured at fair value on a recurring basis are summarized as follows:

	Level 1	Level 2	Level 3	Fair Value
December 31, 2021				
Mutual Funds:				
International Equity Funds	$ 243,666,338	$ 0	$ 0	$ 243,666,338
Large-cap Equity Funds	107,077,073	0	0	107,077,073
Mid-cap Equity Funds	689,653,612	0	0	689,653,612
Small-cap Equity Funds	262,697,474	0	0	262,697,474
Balanced Funds	621,995,246	0	0	621,995,246
Bond Funds	335,218,855	0	0	335,218,855
Money Market Funds	45,088,727	0	0	45,088,727
Self-Directed Option Accounts	92,697,190	0	0	92,697,190
Total Mutual Funds	$ 2,398,094,515	$ 0	$ 0	$ 2,398,094,515
Investments measured at net asset value (NAV)				
Stable Value Fund				$ 782,329,796
Collective Investment Trust Funds				3,985,490,889
Total Investments measured at Net Asset Value (NAV)[1]				4,767,820,685
Total Investments				$ 7,165,915,200

[1] In accordance with GASB 72, *Fair Value Measurement and Application*, certain investments measured at net asset value per share have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statement of Fiduciary Net Position Available for Plan Benefits.

NOTE 4 - PLAN ADMINISTRATION

The cost of the Plan is paid for primarily with participant administrative fees. Each participant in the Plan is charged a fee based upon their Plan balance and a tiered dollar charge. The following fees were in effect for 2021:

Participant Account Balance	Monthly/Annual Participant Fee
$1 - $5,000	$0/$0
$5,001 - $25,000	$1/$12
$25,001 - $50,000	$3.25/$39
$50,001 - $100,000	$6.50/$78
$100,001 - $150,000	$8.50/$102
$150,001 - $250,000	$11.75/$141
More than $250,000	$17.50/$210

The Board maintains an account from which Plan expenses are paid. The balance of this account as of December 31, 2021, was $2.4 million and is invested in the Stable Value Fund. At the Board's discretion, these funds are available to defray future administrative expenses and participant fee increases.

NOTE 5 - TAX STATUS

The Plan is reviewed by legal counsel to ensure conformity with Section 457 of the IRC. Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or otherwise made available to the participant or beneficiary.

NOTE 6 - CONTINGENCIES

Periodically, the Plan may become subject to various pending or threatened claims or legal matters. As of the date of these financial statements, no such items are known or expected. It is the opinion of management that the ultimate liability arising from any such threatened and pending claims will not have a material effect on the financial position of the Plan. The Plan is exposed to various other liabilities and risks related to the fiduciary responsibility of directors and officers.

NOTE 7 - RISK AND UNCERTAINTIES

The Plan, as directed by participants, may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks.

Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities may occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position Available for Plan Benefits.

NOTE 8 - PLAN TERMINATION

The State may terminate the Plan at any time, although no intent to terminate the Plan has been expressed. In the event of termination, all participants will remain fully vested.