



STATE OF WISCONSIN
Department of Employee Trust Funds

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CORRESPONDENCE MEMORANDUM

DATE: February 13, 2008
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: Great-West Retirement Services Recordkeeping Errors

The Wisconsin Deferred Compensation Program's contract administrator, Great-West Retirement Services (GWRS), made two investment-related recordkeeping errors during the second half of 2007.

FDIC Daily Interest Rate

A GWRS audit of Wisconsin Deferred Compensation (WDC) Program records identified an error in the daily interest rate that was applied to the participants having an account balance in the FDIC Option from July 1, 2007 through August 31, 2007. During this period, the annualized interest rate that was credited was 4.897%. The annualized interest rate that should have been credited was 5.009%, a difference of 0.112%.

To remedy this error, GWRS corrected all of the accounts by calculating the interest that should have been credited to the accounts, along with the interest that the balance in the accounts should have produced from July 1, 2007, forward. The corrected amounts were deposited into the FDIC Option accounts on December 10, 2007. This error affected 2,868 participants.

BGI EAFE Fund "W" Merger with "T"

Another error occurred on October 1, 2007, when the merger of the BGI EAFE Equity Index "W" into the BGI EAFE Equity Index "T" was completed. GWRS staff did not realize that a reduction in shares (a ratio of 1 to 0.977136 from the "W" share to the "T" share) was necessary, as the price of the "T" share class was higher than the "W" share class. By mistake, they left the number of shares in the "T" fund as they were in the "W" fund. This, along with the higher price, resulted in an overstatement of the balance in the BGI EAFE Equity Index "T" fund by approximately \$1.4 million. Approximately 7,750 WDC participants were affected by this error.

To correct this, GWRS adjusted participants' BGI EAFE accounts by calculating the number of shares that should have been converted on October 1, 2007, and changed each account balance appropriately. For many participants, this resulted in a reduction in their total balance.

Letters notifying participants of the errors were sent to all participants with FDIC or EAFE account balances. A copy of each letter is included with this memo. GWRS has also written explanations to the Board regarding the investment recordkeeping errors and identified what steps it has taken to correct them and prevent future errors. GWRS will be available at the meeting to discuss these errors with the Board and answer any questions you may have.

Attachments

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

Signature

Date

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