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CORRESPONDENCE MEMORANDUM

DATE: May 17, 2012
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: 2011 Contract Compliance Audit Results

Staff requests the Deferred Compensation Board (Board) accept the results of the 2011 contract compliance audit.

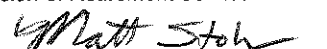
Contract compliance audits are used to evaluate and report on the third party administrator's management of the Wisconsin Deferred Compensation Program (WDC), including compliance with contract terms and conditions as well as applicable state and federal statutes, rules, and regulations. Contract compliance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

In 2010, the Board authorized ETF staff to issue an administrative services contract compliance audit Request for Proposal (RFP) for calendar years 2011, 2013, and 2015. The certified public accounting firm of Wipfli, LLC was selected by the Board to perform the audits.

Wipfli recently completed the attached 2011 contract compliance audit report. It summarizes Wipfli's findings regarding Great-West Retirement Services' (GWRS) compliance with the administrative services agreement. The executive summary indicates that overall, GWRS is in compliance with all significant elements of the administrative services agreement. Their review revealed no significant exceptions or errors. The records maintained by GWRS are complete and orderly, and procedures are well documented and monitored.

Wipfli had one comment in their report related to their audit findings, which is not related to a potential deficiency. The WDC's administrative services contract specifies that participant accounts will be established within five working days after receipt by GWRS. Wipfli noted that out of the over 2,300 new enrollments processed during 2011, there were two cases in which a participant's account was established six working days after receipt by GWRS.

Reviewed and approved by Matt Stohr, Administrator
Division of Retirement Services


Signature Date 5/21/12

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Wipfli recommended ETF and GWRS review the process to determine whether additional steps can be implemented to ensure the timeliest processing of new enrollments. ETF believes it is prudent to follow this recommendation and will be initiating a discussion with GWRS in the near future.

Wipfli also made two other observations in their report.

- 1) GWRS did not meet the goal agreed upon in the 2011 Plan Enhancement Program (PEP) for group seminars. During 2011, 752 seminars were reported, which is 71% or 298 less than the goal stated in the 2011 PEP.

Because of the law changes that occurred in early 2011, participant demand for WDC information increased tremendously. GWRS and ETF agreed that regular group seminars should be suspended for four months (February to May) in favor of "Fact or Fiction" workshops. This custom group workshop helped alleviate some of the benefit-related concerns being expressed by public employees throughout Wisconsin. The temporary change in focus ensured that the WDC was able to provide current participants with the information they needed to make informed decisions about retirement and their WDC accounts, as well as to address some misinformation that was circulating regarding ownership of WDC assets.

While the focus of the education and learning goal unexpectedly shifted from group to individual meetings in 2011, ETF staff believes the intent of this goal was met: WDC participants were provided with timely information and service from their local representatives.

- 2) The third quarter plan status and performance reports were provided to ETF two days late. Instead of being delivered within 45 days after the end of the quarter, ETF received the reports 47 days after the end of the quarter.

ETF staff believes this was an isolated incident and is unlikely to occur again.

Staff from Wipfli, GWRS, and ETF will be available at the meeting to discuss the results of the 2011 contract compliance audit with the Board and answer any questions you may have.