

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, 2011

State of Wisconsin Deferred Compensation Program

Independent Accountant's Report on Applying Agreed-Upon Procedures

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State of Wisconsin Deferred Compensation Program

Independent Accountant's Report on Applying Agreed-Upon Procedures

Executive Summary

Wipfli LLP performed agreed-upon procedures in relation to the Agreement for Administrative Services Including Recordkeeping and Communications (Administrative Agreement) between Great-West Life & Annuity Insurance Company (Great-West) and the State of Wisconsin Deferred Compensation Board for the year ended December 31, 2011. Great-West performs the administration for the State of Wisconsin Deferred Compensation Program (WDC) pursuant to the Administrative Agreement. Our procedures were designed to test for specific elements of compliance with the Administrative Agreement as specified in the Request for Proposal and through discussions with Department of Employee Trust Funds (DETF) personnel. The results of our procedures are summarized below and discussed in greater detail later in this report.

- We noted Great-West to be in compliance with all significant elements of the Administrative Agreement tested, including:
 - Recordkeeping and participant account valuations
 - Administrative performance standards
 - Quarterly and annual plan reporting
 - Other reporting, including the 2011 Plan Enhancement Program

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

- Overall, we found the records maintained at Great-West 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 user), to assist the Department in satisfying its requirements under the Statutes for the year ended December 31, 2011. Department of Employee Trust Funds management is responsible for the accounting records of the Wisconsin Deferred Compensation Program. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the party specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the following report either for the purpose for which this report has been requested or for any other purpose.

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

This report is intended solely for the information and use of the Department of Employee Trust Funds, and is not intended to be and should not be used by anyone other than this specified party.

Wipfli LLP

Wipfli LLP

June 4, 2012
Madison, Wisconsin

Section 1 – Objectives and Scope

Objectives and Scope

This section of our report is based on the agreed-upon procedures as set forth in the contract dated August 15, 2007 and reaffirmed by the response to RFB submitted May 18, 2011. Certain other specific parameters, including sample sizes and acceptable error rates, were discussed with DETF personnel in advance of performance.

A. Background

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

The DETF and the Deferred Compensation Board ("Board") have statutory authority for program administration and oversight. The Board contracts for administrative services through a competitive bid process. Great-West is under contract to provide these services through November 30, 2015. The Board selects the investment options offered by the WDC and contracts directly with investment providers. The Board annually reviews the performance of the investment options offered to determine if they continue to meet established performance benchmarks. Options that are determined to be no longer acceptable may be removed from the WDC and new options may be added at any time.

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

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

Objectives and Scope

The DETF is primarily responsible for the following:

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

B. Previous Examinations

The WDC was last tested for contract compliance for the period January 1, 2009, through December 31, 2009.

C. Objectives

Our engagement was designed to assist the DETF in determining whether Great-West is complying with terms of the Administrative Agreement including established performance standards, and is processing account activity transactions timely and accurately, in compliance with 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 Great-West and DETF. Our procedures were applied to the period January 1, 2011, through December 31, 2011.

Section II – Procedures and Results

Procedures and Results

Review of Internal Controls

Objectives

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

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

Procedures

1. Discussed with appropriate Great-West personnel the flow of information within Great-West.
2. Obtained and examined forms, documents, and transmittals used in the processes.
3. Obtained and examined the most recent Independent Service Auditor's Report on Management's Description of a Service Organization's System and the Suitability of The Design and Operating Effectiveness of Controls ("SOC 1") report on internal controls and effectiveness for Great-West and relevant audit results.

Results

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

The SOC 1 Report for Great-West was dated November 15, 2011, and covered the period October 1, 2010, to September 30, 2011. The SOC 1 Report contained no relevant testing exceptions or control weaknesses. That report specifies a number of controls that user organizations should have in place to achieve the control objectives contained in the SOC 1 report.

Procedures and Results

Enrollment Processing

Objectives

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

Procedures

1. Obtained a data file containing a list of employees who began participating during 2011.
2. Selected a sample of 25 new participants.
3. Obtained enrollment forms and examined the form for proper signatures and approvals.
4. Compared the date the enrollment form was received by Great West to the date the account was established via the Great-West Plan Service Center (PSC) website to verify account was established within five working days.

Results

From the plan census file, we extracted a data file containing all new employees hired in 2011 that joined the plan in 2011 and randomly selected 25 of the 916 employees that began participating during 2011. The selected enrollment forms appeared complete including proper signatures and approvals. Of the 25 new participants tested, two participants did not have their account established within 5 days of receipt of the signed enrollment form. The following table provides results of the two exceptions:

Participant	(1) Date enrollment form signed	(2) Date enrollment form received by Great-West	(3) Date account is established	Days between (2) and (3)
A	8/15/2011	8/23/2011	8/31/2011	6
B	9/7/2011	9/7/2011	9/15/2011	6

See Comment 1 in the Comments and Recommendations Section.

Procedures and Results

Participant Deferrals

Objectives

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

Procedures

1. Obtained the plan census file.
2. Selected a sample of 60 participants.
3. Corroborated the participant deferral amount and the date deferral amount was credited to the participant's account through the PSC website.
4. Confirmed in writing with participant that the deferral amount and the funds selected are in accordance with their request.

Results

From the plan census file, we randomly selected 60 of the 53,284 participants reported during 2011. There were no exceptions noted with regard to compliance with processing time frames specified in the Administrative Agreement.

For the 60 participants selected for deferral testing, we sent written confirmations to participants asking whether the amount and fund allocation were correct as of December 31, 2011. Of the 60 confirmations sent, 21 participants responded positively confirming their deferral election as of December 31, 2011. There were no negative confirmation responses.

Procedures and Results

Hardship Withdrawals

Objectives

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

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

Procedures

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

Results

From the PSC website, we obtained a data file containing all distributions made during 2011. From that distribution list, we extracted all transactions identified as a hardship withdrawal and randomly selected 25 of the 192 hardship withdrawals made during 2011.

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

Procedures and Results

Distributions

Objectives

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

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

- Determine the appropriateness of the distribution and that participant was eligible based on the Administrative Agreement.
- Determine the distribution was paid to the participant.
- Determine the distribution was paid within the timelines established in the Administrative Agreement.
- Verify the distribution was made pursuant to the participant's request.

Procedures

1. Obtained a data file containing all distributions.
2. Selected a sample of 60 distributions.
3. Obtained documentation supporting the distribution request and the payment made.
4. Compared results of examined transactions with requirements in the Administrative Agreement.

Results

From the PSC website, we obtained a data file containing all distributions made during 2011. From that distribution list, we randomly selected 60 of the 22,088 distributions made during 2011. Of the 60 distributions selected, 24 of the distributions were periodic payments which had been initiated by the participant prior to Great-West becoming the third-party administrator and 2 of the distributions were automatic distributions for contributions in excess of the annual limit. For these distributions, request forms were not available from the current TPA, and therefore, we were unable to examine the transactions for compliance with processing time frames. For the remaining 34 distributions selected, documentation and approvals were appropriate and the distribution was paid to the participant in accordance with their requests and in compliance with the timeliness provisions. For all distributions selected, documentation of the payment made was appropriate.

Procedures and Results

Domestic Relations Order Distributions

Objectives

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

Procedures

1. Obtained data file containing all DROs.
2. Selected a sample of 12 DROs.
3. Obtained documentation supporting the DROs.
4. Obtained evidence of periodic notifications from Great-West.

Results

We obtained a data file containing all DROs and haphazardly selected 12 of the 72 DROs requested during 2011. For all DROs selected, documentation and approvals were appropriate. There were no exceptions noted with regard to compliance with providing periodic notifications as specified in the Administrative Agreement.

Procedures and Results

Automatic Rebalancing

Objectives

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

Procedures

1. Obtained a data file containing a list of automatic rebalancing transactions.
2. Selected a sample of 25 automatic rebalancing transactions.
3. Obtained documentation supporting the rebalancing frequency and investment data.
4. Confirmed in writing with participant that they have selected the automatic rebalancing provisions.
5. Compared results of examined transactions with requirements in the Administrative Agreement.

Results

We obtained a data file containing all automatic rebalancing transactions and randomly selected 25 of the 3,209 automatic rebalancing provisions reported during 2011. For all participants selected, documentation of the rebalancing provisions was appropriate. There were no exceptions noted with regard to compliance with processing time frames specified in the Administrative Agreement.

For the 25 participants with automatic rebalancing provisions selected, we sent written confirmations to the participant asking whether they had selected the automatic rebalance provisions as of December 31, 2011. Of the 25 confirmations sent, 11 participants responded positively confirming their selected automatic rebalancing provision as of December 31, 2011. There were no negative confirmation responses.

Procedures and Results

Deferral Redirections

Objectives

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

Procedures

1. Obtained a data file containing deferral redirections.
2. Selected a sample of 30 deferral redirections.
3. Obtained documentation supporting participant deferral request.
4. Confirmed in writing with participant that the amount and funds selected are in accordance with the participant's request.
5. Compared results of examined transactions with requirements in the Administrative Agreement.

Results

We obtained a data file containing all deferral redirections and randomly selected 30 of the 17,033 deferral redirections requested during 2011. For all deferral redirections selected, documentation of the participant request was appropriate. There were no exceptions noted with regard to compliance with processing time frames specified in the Administrative Agreement.

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

Procedures and Results

Transfers

Objectives

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

Procedures

1. Obtained a data file containing transfers.
2. Selected a sample of 30 transfers.
3. Obtained documentation supporting the participant transfer request.
4. Confirmed in writing with participant that the funds selected are in accordance with the participant's request.
5. Compared results of examined transactions with requirements in the Administrative Agreement.

Results

We obtained a data file containing all transfers and randomly selected 30 of the 15,130 transfers during 2011. For all transfers selected, documentation of the participant request was appropriate. There were no exceptions noted with regard to compliance with processing time frames specified in the Administrative Agreement.

For the 30 participants selected for transfer testing, we sent written confirmations to the participant asking whether the amount and funds transferred are correct as of the specified effective date. Of the 30 confirmations sent, 11 participants responded positively confirming their transfer as of the effective date. There were no negative confirmation responses.

Procedures and Results

Performance Standards

Exhibit 4 of the Administrative Agreement provides for a range of performance standards to be met by Great-West at least 95% of the time, or face a monetary penalty. In addition, the 2011 Plan Enhancement Program (“PEP”) provides specific goals related to initiatives in the areas of participation, asset allocation, education, and learning and retention. Under the Administrative Agreement and the PEP, the following standards are to be met by Great-West:

Administrative Agreement:

- Offer every participating employer an informational presentation at least annually.
- Notify every eligible state and local government employee of their eligibility to participate in the WDC annually with an agreed-upon payroll staffer.
- Provide website access 24 hours a day, except for routine maintenance of the system.
- Provide consolidated quarterly participant statements including personal rate of return within 20 business days from the end of each quarter or within ten business days after receipt of information in good order from the third-party services, whichever is later.
- Answer telephone calls to the Wisconsin and Home Office Client Service Representatives and the automated voice response system within 90 seconds on average at least 90% of the time on an ongoing average annual calendar-year basis. On average for the calendar year, there will be less than 1% of calls that receive a busy signal, and the abandoned call rate will average less than 5% for the calendar year.

Plan Enhancement Program:

- Maintain December 31, 2010 in-force account population.
- Enroll 2,214 new participants.
- Contact all WDC employers to help them prepare for Roth contributions.
- Decrease the number of participants with 70% or more of their assets in the Vanguard Admiral Money Market account by 3% since 2010.
- Maintain high visibility statewide in number of group and individual meetings.
- Maintain educational outreach by offering “nearing retirement” presentations and retirement seminars, including *Fact or Fiction* workshops.

Procedures and Results

Performance Standards (Continued)

Objectives

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

Procedures

1. Inquired of Great-West and DETF personnel regarding the satisfaction of their performance standards under the Administrative Agreement.
2. Obtained documentation supporting achievement of the Administrative Agreement and Plan Enhancement Program performance standards.
3. Obtained support for selected performance standard results, focusing on areas specified by DETF, including telephone calls, errors, and educational materials.
4. Inquired of DETF personnel regarding Great-West's compliance with provisions in the Administrative Agreement.
5. Obtained PEP Scorecard and reviewed goals versus results.
6. Obtained relevant supporting documentation.

Results

Per inquiry of DETF personnel, Great-West has satisfied all Administrative Agreement and Plan Enhancement Program performance standard requirements to their knowledge, with the exception of the group information meetings. The goal was to hold 1,050 group seminars during the course of the year. Based on the PEP Scorecard, only 752 group seminars were reported. See Great-West response on page 15.

We obtained supporting detail for the call center statistics as reported in the quarterly performance standards reports and recalculated the statistics report, without exception. Based on the support obtained, all performance standards were met in regard to the answering of phone calls.

We obtained the 2011 PEP Scorecard and reviewed all results in comparison to the 2011 goals. The reported results indicated Great-West had met all performance goals under PEP with the exception of group seminars. For all participation related goals, we recalculated the number of participants in the plan and the number of new enrollees without exception.

Procedures and Results

Performance Standards (Continued)

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

Ongoing Participant Communication (Per PEP Scorecard)		
Education and Learning	Goal (per year)	Results
Group seminars	1,050 seminars	752 group seminars were reported.
Individual counseling sessions	5,250 meetings	No exceptions noted.
Investment symposiums	Quantity not specified	4 workshops were held in November 2011. A total of 188 participants attended.
Online File Cabinet Usage	Increase usage by 2,125 users	No exceptions noted.
Unique website logins	Increase to 432,971	No exceptions noted.

Great-West Response

With respect to the number of group seminars held, Great-West indicated that they felt the intent of the goal was met, as participants were provided with services from their local WDC representation. Additionally, the Fact or Fiction workshop replaced regular presentations from February through May 2011.

Procedures and Results

Reporting

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

The following reports are to be provided quarterly:

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

The Annual Expanded Fund Performance Report is to be provided annually within 90 days of the end of the year. The Demographic Review and Annual Plan Report are to be provided annually within 120 days of the end of the year.

Objective

- Determine whether Great-West was compliant with requirements and within timeliness provisions.

Procedures

1. Inquired of DETF personnel responsible for the plan as to Great-West's compliance with requirements and within timeliness provisions.
2. Obtained copies of all annual reports and selected a sample of all quarterly reports provided to DETF. For each of the quarterly reports listed above, two of the four quarters were selected for testing. The quarters selected were different for each report.
3. Observed email copies of reports being sent from Great-West to WDC, noting the time stamp of the email.

If errors are disclosed, determine supporting documentation to verify compliance with timeliness provisions.

Procedures and Results

Reporting (Continued)

Results

Per inquiry of DETF personnel and through observation of email receipt dates, Great-West has provided quarterly reports within the timeliness provisions, with the exception of the third quarter. For quarter three, the Plan Status Report, the Performance Standard Report, and the related exhibits were delivered 47 business days after the end of the quarter. The Annual Expanded Fund Performance Report was provided within 90 days of the end of the year. A combined Annual Plan and Demographic Review were provided within 120 days.

Procedures and Results

Other Reporting

Objectives

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

Procedures

1. Inquired of DETF personnel as to Great-West's compliance with provisions of Exhibit 12 of the Administrative Agreement.
2. Obtained the State of Wisconsin Deferred Compensation Program Performance Standards Report for each quarter.

Results

We inquired of DETF personnel and learned that three errors were reported by Great-West to DETF during 2011. Per review of the results reported in the quarterly standards reports, Great-West notified participants and DETF within the time frame specified in the Administrative Agreement.

Section III –

Comments and Recommendations

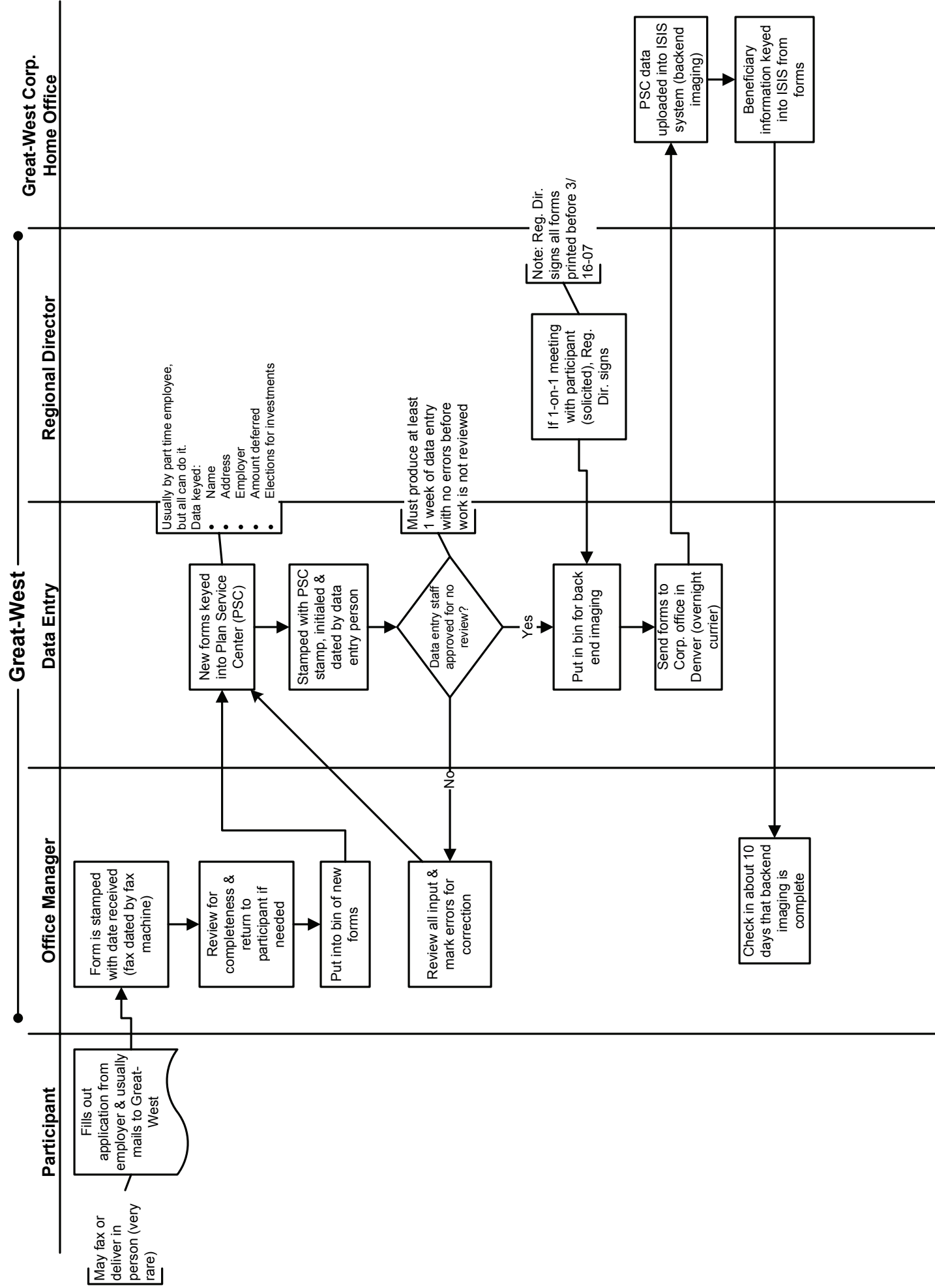
Comments and Recommendations

Comment 1

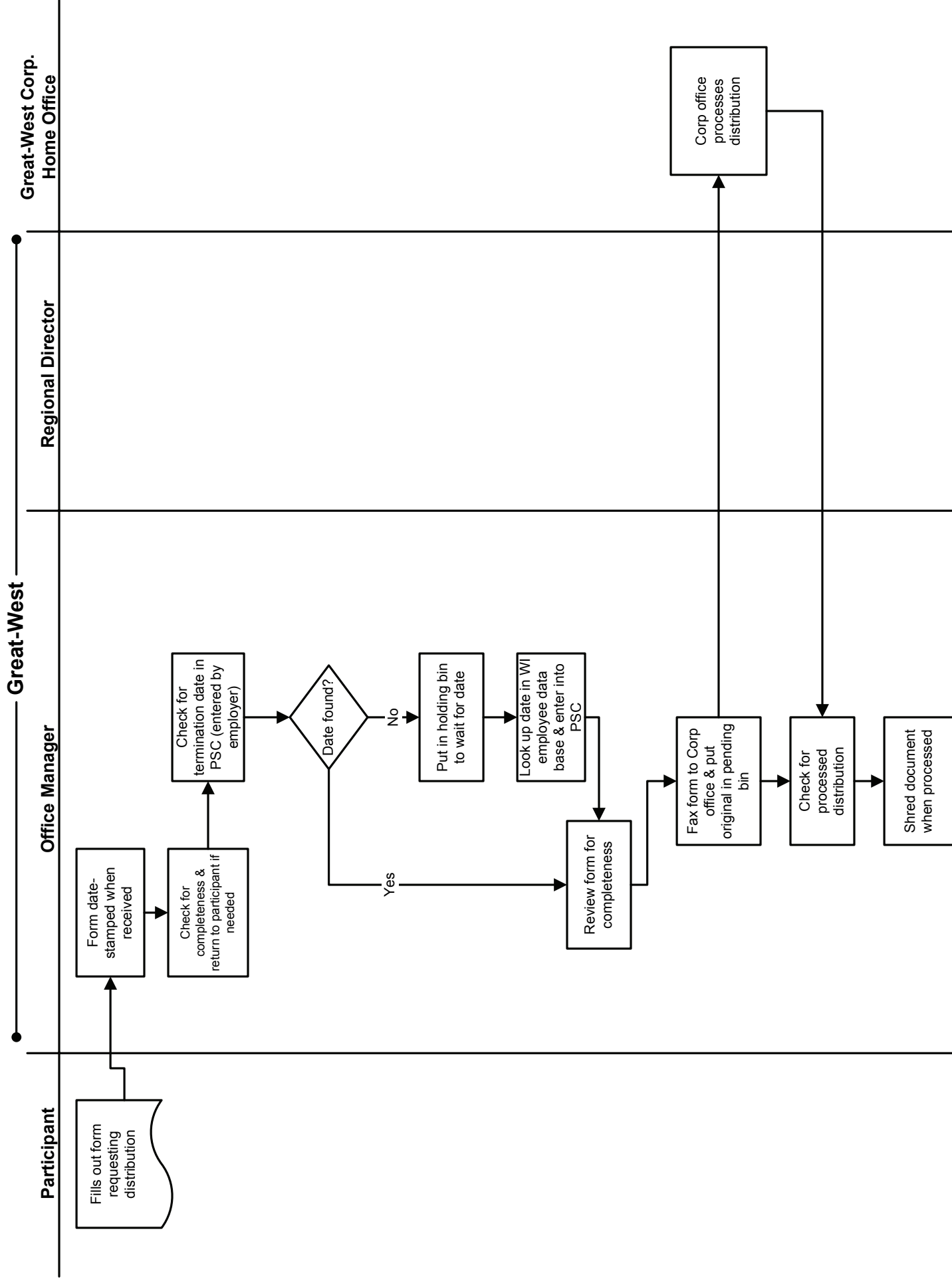
The Administrative Agreement specifies that participants' accounts will be established within five working days upon receipt and effective on the next pay period deferral. Per our testing of enrollment processing, we noted two participants out of 25 selected did not have the request processed within five working days. The degree of noncompliance was not significant (one day), however, we recommend the DETF to work with Great West to determine whether additional steps can be implemented to ensure the most timely processing of new enrollments.

Section IV - Appendices

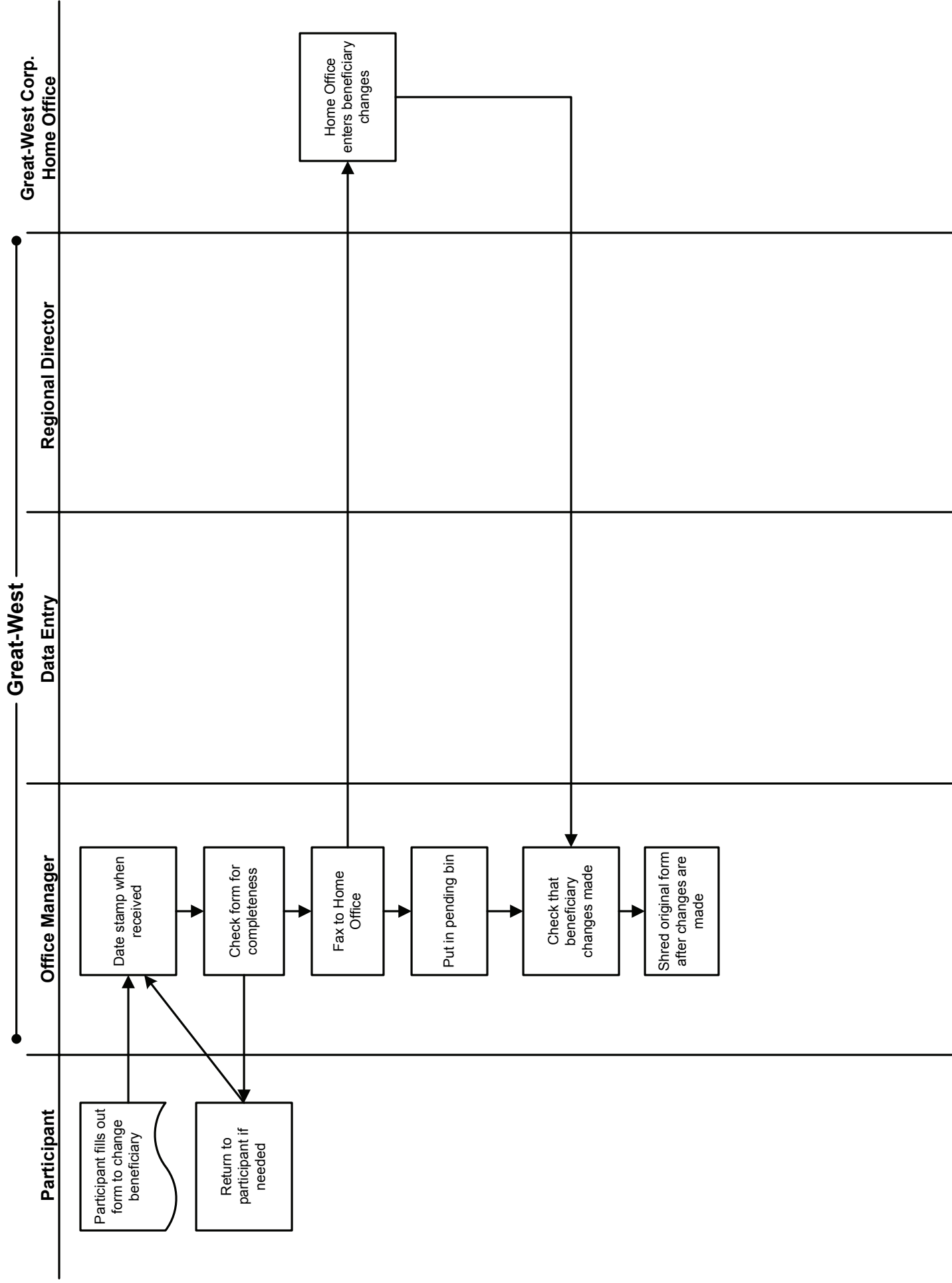
Great-West Retirement Services Wisconsin Deferred Compensation Program Participant Enrollment



Great-West Retirement Services Wisconsin Deferred Compensation Program Distributions



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



Great-West Retirement Services Wisconsin Deferred Compensation Program Rollover Contributions

