

**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, 2013

# 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

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### 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, 2013. 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 2013 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, 2013. 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

April 21, 2014  
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 with an initial automatic renewal term of two successive one year periods, through November 30, 2017 unless either the Board or Great-West provides a written notice. 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
- Approval and processing of financial emergency hardship applications

# Objectives and Scope

## A. Background (Continued)

The DETF is primarily responsible for the following:

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

## B. Previous Examinations

The WDC was last tested for contract compliance for the period January 1, 2011, through December 31, 2011.

## 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, 2013, through December 31, 2013.

## 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 ("SSAE 16") 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 SSAE 16 Report for Great-West was dated November 15, 2013, and covered the period October 1, 2012, to September 30, 2013. That report specifies a number of controls that user organizations should have in place to achieve the control objectives contained in the SSAE 16 report. The following controls were found to have exceptions:

Control Objective 10: Controls provide reasonable assurance that plan implementations are authorized, and are processed in a timely manner. Key data points defined by management, including investment related services, contribution sources, recoveries, and requested service features are set up accurately and completely.

# Procedures and Results

## Review of Internal Controls (Continued)

### Service Auditor Information:

- Inspected the plan implementation review documentation for a sample of implementations set up during the testing period, and confirmed that the plan setup was reviewed for accuracy and completeness within the established timeframes, and that identified discrepancies were resolved.
  - For five out of 50 plan implementations, the quality assurance was not performed in a timely manner (defined as five business days for plans with assets less than \$5 million or ten business days for plans with assets greater than \$5 million).

Control Objective 13: Controls provide reasonable assurance that participant data received is recorded in ISIS and processed in an accurate, complete, and timely manner, and that participant enrollments are valid and authorized.

### Service Auditor Information:

- Inspected the Monthly Workflow QC reports for a sample of months during the testing period and confirmed that the QC reviews for enrollment forms processed in the prior month were completed by the end of the following month and exceptions were resolved in a timely manner.
  - For one out of five monthly reviews selected, the quality control review was not performed within the required timeframe (by the end of the next month).

Control Objective 29: Controls provide reasonable assurance that returned checks are investigated and processed in an accurate, complete, and timely manner.

### Service Auditor Information:

- For the period from 10/1/2012 to 6/30/2013, inspected supporting documentation for a sample of returned checks over \$500, and confirmed that an address lookup was performed and the check was either mailed to a new address or a mail hold was placed on the account within five business days and the check was voided.
  - Two out of 25 returned checks selected during 10/1/12 through 6/30/13 were not processed within five business days.

See Comment 1 in the Comments and Recommendations Section.

# 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 within 31 days of the first payday from the date the application was signed.

### Procedures

1. Obtained a data file containing a list of employees who began participating during 2013.
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 2013 that joined the plan in 2013 and randomly selected 25 of the 1,078 employees that began participating during 2013. The selected enrollment forms appeared complete including proper signatures and approvals. There were no exceptions noted with regard to compliance with processing time frames specified in the Administrative Agreement.

# 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 53,546 participants reported during 2013. 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, 2013. Of the 60 confirmations sent, 28 participants responded positively confirming their deferral election as of December 31, 2013. There were no negative confirmation responses and 32 non-replies.

# 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 either approve or deny and process, without DETF's signature, all Unforeseeable Emergency Requests received in good order and in a manner satisfactory to Great-West. If approved by Great-West, distributions are to be made within ten working days of receipt of notification or any additional required documentation. 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.
- Determine hardship applications were approved in accordance with the Administrative Agreement.

### 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 2013. From that distribution list, we extracted all transactions identified as a hardship withdrawal and randomly selected 25 of the 225 hardship withdrawals made during 2013.

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 2013. From that distribution list, we randomly selected 60 of the 24,783 distributions made during 2013. Of the 60 distributions selected, 32 of the distributions were periodic payments which had been initiated by the participant prior to January 1, 2013 and 4 of the distributions were automatic distributions for contributions in excess of the annual limit. For these distributions we were unable to examine the transactions for compliance with processing time frames. For the remaining 24 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 125 DROs requested during 2013. 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 3,249 automatic rebalancing provisions reported during 2013. 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, 2013. Of the 25 confirmations sent, 16 participants responded positively confirming their selected automatic rebalancing provision as of December 31, 2013. There were no negative confirmation responses and 9 non-replies.



# 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 16,862 deferral redirections requested during 2013. 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, 14 participants responded positively confirming their deferral redirection as of the effective date. There were no negative confirmation responses and 16 non-replies.

# 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 21,638 transfers during 2013. 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, 14 participants responded positively confirming their transfer as of the effective date. There were no negative confirmation responses and 16 non-replies.

# 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 2013 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:

- Increase December 31, 2012 in-force account population by 1.5%.
- Add 10 new employers by December 31, 2013.
- Decrease number of participants in more than one target date fund or a target date fund and other investment options by 3%.
- Should an investment option be removed, less than 95% participants will be migrated to the default option.
- Maintain high visibility statewide in number of group and individual meetings.
- Increase Online File Cabinet usage by 5%.
- Implement new WDC website.
- Reduce the number of participants without a beneficiary designation by 2%.
- Maintain educational outreach by offering four Steppingstones to Retirement workshops and a pilot evening WDC workshop.

# Procedures and Results

## Performance Standards (Continued)

### Objectives

Based on our discussion with DETF personnel, our testing procedures regarding PEP were to:

- Determine if participation goals for employees and employers were met.
- Determine if asset allocation goals were met.
- Determine if education and learning standards were met.

### Procedures

1. Obtained PEP Scorecard and reviewed goals versus results.
2. Obtained documentation supporting achievement of the Plan Enhancement Program performance standards.
3. Obtained support for selected performance standard results, focusing on areas specified by DETF, including participation asset allocation and education and learning.

### Results

Per inquiry of DETF personnel, Great-West has satisfied all Plan Enhancement Program performance standard requirements to their knowledge.

We obtained supporting detail for asset allocation goals and number of group seminars completed. Following are the results:

We obtained the 2013 PEP Scorecard and reviewed all results in comparison to the 2013 goals. The reported results indicated Great-West had met all performance goals under PEP.

### Participation Goals

For all participation related goals, we recalculated the number of participants in the plan and the number of new enrollees and employers without exception. The results are that Great-West increased accounts by 2.3%, from 52,314 as of December 31, 2012 to 53,543 as of December 31, 2013. Great-West also added 20 new employers in 2013.

# Procedures and Results

## Performance Standards (Continued)

### Asset Allocation

The following results were obtained through inquiry and inspection of supporting documentation. On 12/31/2012, the WDC had 8,141 participants investing in multiple target date funds or a target date fund and other investments. Great-West reduced the number of participants using multiple target date funds by 7,440 or 8.6%.

### Education and Learning

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	800 seminars	888 group seminars were reported.
Individual counseling sessions	6,500 meetings	8,773 individual appointments were conducted
Online File Cabinet Usage	Increase usage by 5%	52.5% increase
Implement new website	Implement during 2013	No exceptions noted.

# 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.

## Results

Per inquiry of DETF personnel and through observation of email receipt dates, Great-West has provided quarterly reports within the timeliness provisions. 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 the Ninth Amendment to the Administrative Service Contract, the Board granted approval to Great-West to assist the United States Conference of Mayors (USCM) in transitioning and maintaining Wisconsin cities with balances of \$1 million or greater in the USCM plan from the USCM's previous record keeper to its new record-keeper (Great-West). Great-West is not to establish any other public employee deferred compensation plan for anyone that could also be included in the WDC, unless there is prior approval by the Board and an impartial comparison of the WDC to any other plan has first been presented.

### Procedures

1. Inquired of DETF personnel as to Great-West's compliance with provisions of the Ninth Amendment of the Administrative Service Contract.
2. Obtained a list of the public employers in Wisconsin that were using the USCM plan as of December 31, 2012.
3. Chose a sample of municipalities from the USCM list and obtained Quarter 4 reports indicating the number of participants and the total balance for each as of December 31, 2012 and 2013.

### Results

Per review of the results obtained in the quarterly reports, there is no indication that the WDC has been actively soliciting employers or participants in Wisconsin for the USCM plan

Section III –

Comments and Recommendations



# Comments and Recommendations

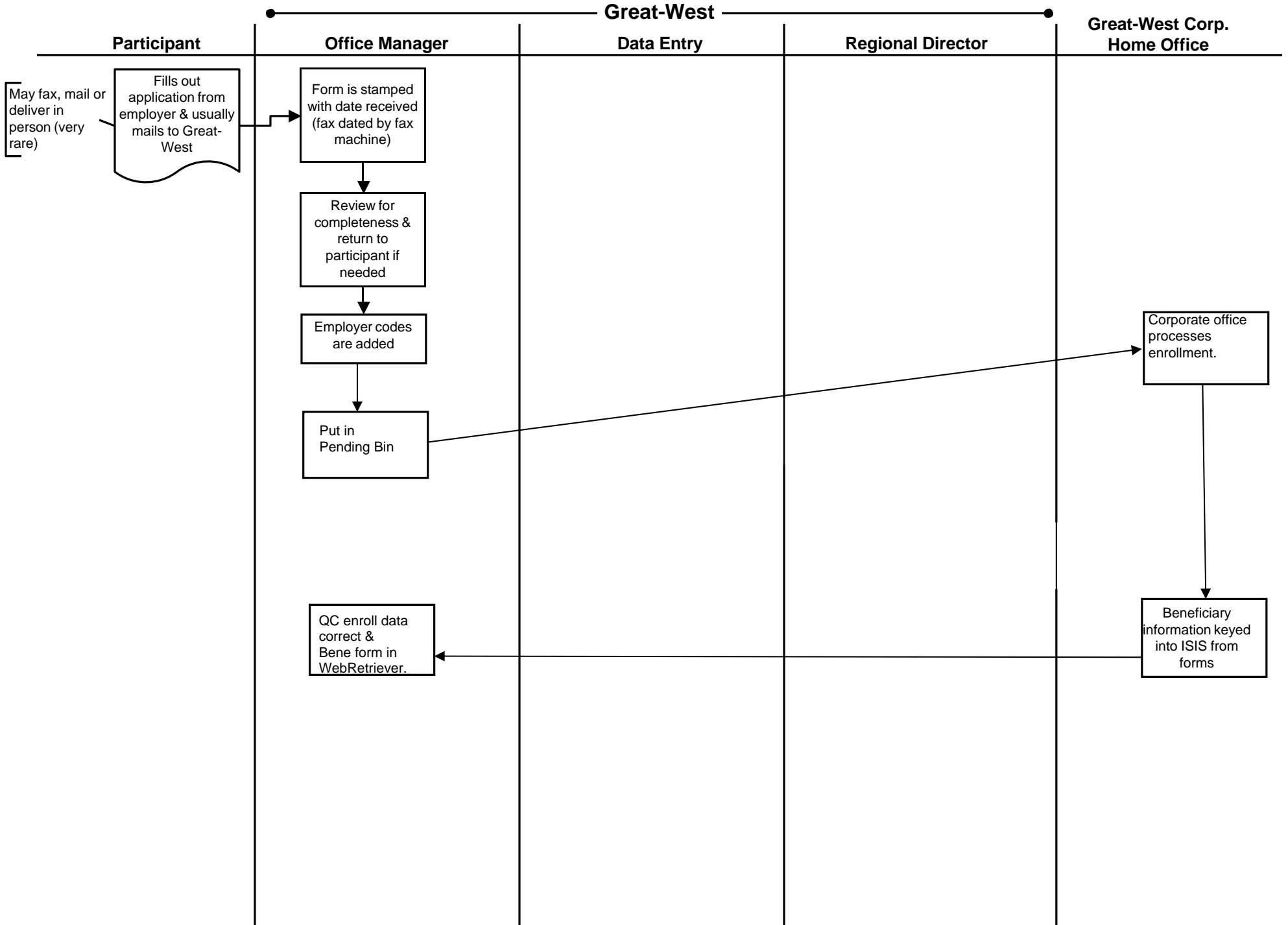
## Comment 1

The seventh amendment to the Administrative Agreement indicates that the WDC shall be furnished with an annual copy of the SSAE 16 report. We recommend that the WDC obtain and review this report and discuss any exceptions documented in the SSAE 16 report with Great-West in order to identify matters potentially impacting the WDC's plan. The SSAE 16 report also identifies user controls which the WDC should review. User controls should be compared to the monitoring activities performed by WDC to identify possible gaps.

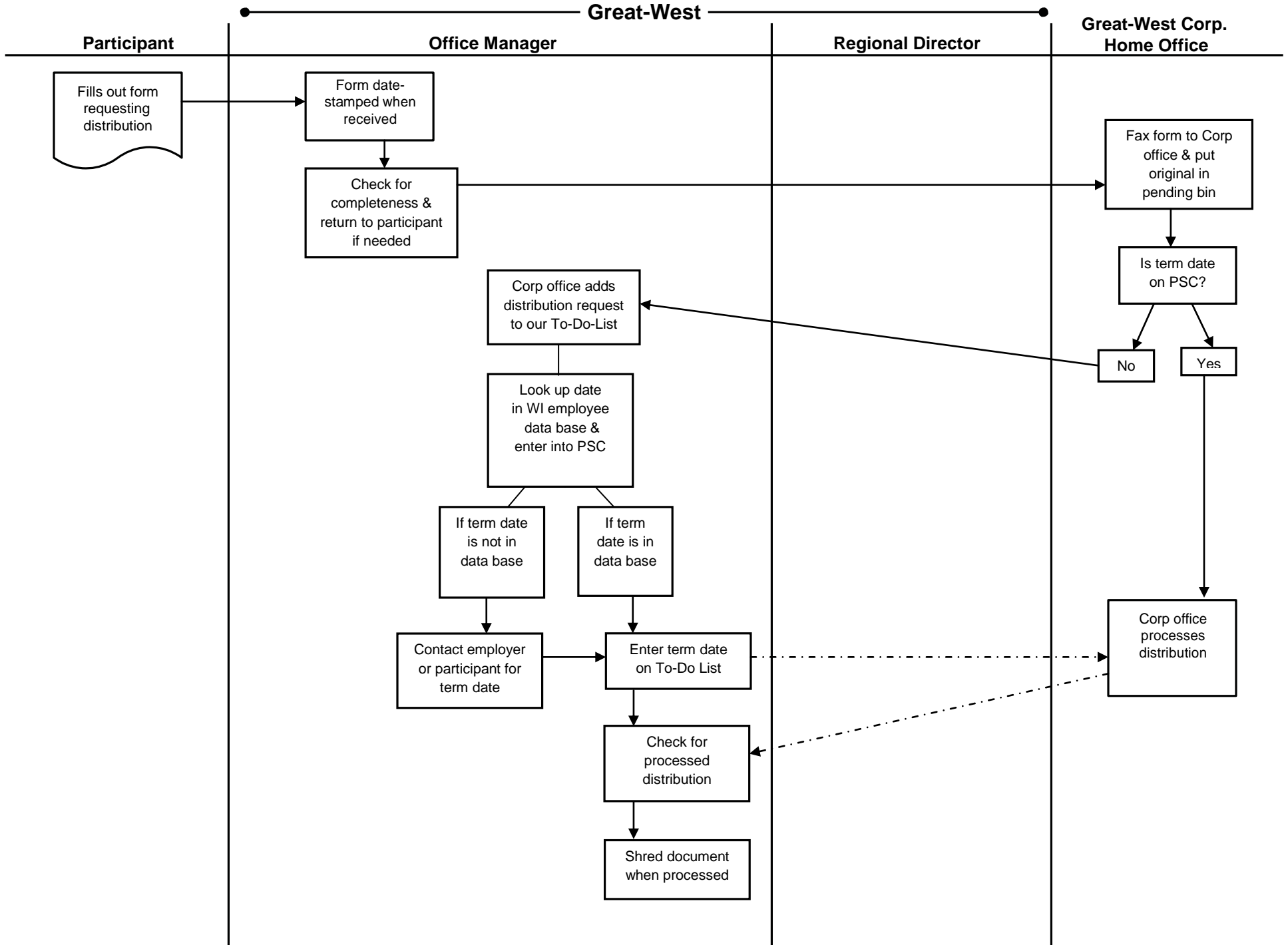
## Section IV - Appendices

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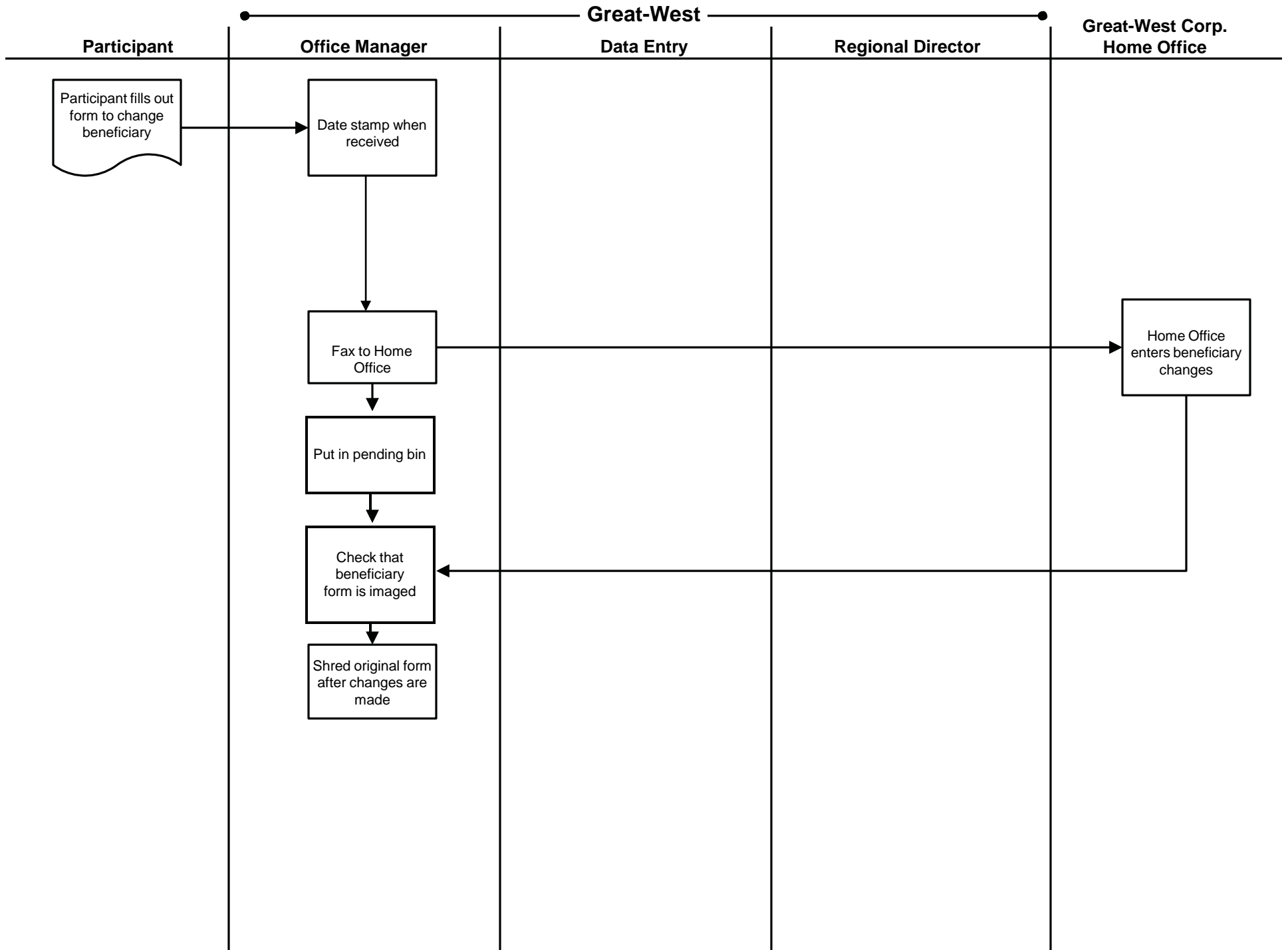
# Great-West Retirement Services Wisconsin Deferred Compensation Program Participant Enrollment



# 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

