

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, 2015**

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 (Empower Retirement) and the State of Wisconsin Deferred Compensation Board for the year ended December 31, 2015. Empower Retirement 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 Empower Retirement 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 2015 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 Empower Retirement 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, 2015. 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 accounting records. 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

May 24, 2016
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 Request For Bid 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 Administrative 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. Empower Retirement 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 Empower Retirement 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, 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 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 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

B. Previous Examinations

The WDC was last tested for contract compliance for the period January 1, 2013, through December 31, 2013.

C. Objectives

Our engagement was designed to assist the DETF 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.

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 Empower Retirement and DETF. Our procedures were applied to the period January 1, 2015, through December 31, 2015.

Section II – Procedures and Results

Procedures and Results

Review of Internal Controls

Objectives

Obtain an understanding of the procedures and controls surrounding Empower Retirement's processes in the following specific areas:

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

Procedures

1. Discussed with appropriate Empower Retirement personnel the flow of information within Empower Retirement.
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 Empower Retirement 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 Empower Retirement was dated November 16, 2015, and covered the period October 1, 2014, to September 30, 2015. 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 ascertained that the plan setup was reviewed for accuracy and completeness within the established timeframes, and that identified discrepancies were resolved.
 - For one out of 45 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 20: Controls provide reasonable assurance that valid requests for new fee setups, changes, corrections, terminations, and reversals are processed in an accurate, complete, and timely manner.

Service Auditor Information:

- Inspected a sample of fees setup or changes during the examination period, and ascertained that requests to add new fees, changes, corrections, terminations, and reversals to fees were verified by an independent team member for accuracy and completeness of the fee setup before the fee ran in the recordkeeping system.
 - For one of 40 fees selected for testing, an independent team member did not verify the setup forms before the fee was run in the recordkeeping system.

A bridge letter was provided by Empower Retirement covering the period October 1, 2015 to December 31, 2015. The letter indicated no departures from the conclusions reached in the SSAE 16 report for the period ending September 30, 2015.

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 2015.
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 Empower Retirement to the date the account was established via the Empower Retirement Plan Service Center (PSC) website to verify account was established within five working days.

Results

We received from Empower Retirement a data file containing all employees that began participating in 2015 and randomly selected 25 of the 3,356 employees listed. 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

We received a listing of all participants with deferrals during 2015 and randomly selected 60 of the 56,509 participants reported. 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, 2015. Of the 60 confirmations sent, 26 participants responded positively confirming their deferral election as of December 31, 2015. There were no negative confirmation responses and 34 non-replies.

Procedures and Results

Hardship Withdrawals

Objectives

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 DETF's signature, all Unforeseeable Emergency Requests received in good order and in a manner satisfactory to Empower Retirement. If approved by Empower Retirement, 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 2015. From that distribution list, we extracted all transactions identified as a hardship withdrawal and randomly selected 25 of the 175 hardship withdrawals made during 2015.

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 2015. From that distribution list, we randomly selected 60 of the 56,332 distributions made during 2015. Of the 60 distributions selected, 7 were minimum required distributions initiated before Empower Retirement became the record keeper and we could not test these. For the remaining 53 distributions selected, documentation and approvals were appropriate and the distribution was paid to the participant in accordance with their requests. Of these, 45 were period distributions initiated prior to 2015, the other 8 were initiated in 2015 and we additionally tested them for compliance with the timeliness provisions noting no exceptions.

Procedures and Results

Domestic Relations Order Distributions

Objectives

All participants requesting Domestic Relations Order Distributions (DRO) will receive periodic notification from Empower Retirement 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 Empower Retirement.

Results

We obtained a data file containing all DROs and haphazardly selected 12 of the 110 DROs requested during 2015. 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 2,075 automatic rebalancing provisions reported during 2015. 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, 2015. Of the 25 confirmations sent, 10 participants responded positively confirming their selected automatic rebalancing provision as of December 31, 2015. There were no negative confirmation responses and 15 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 20,967 deferral redirections requested during 2015. 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, 18 participants responded positively confirming their deferral redirection as of the effective date. There were no negative confirmation responses, 11 non-replies, and one confirmation returned undeliverable.

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 31,548 transfers during 2015. 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 13 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. The other 17 transfers were due to the transfer of Vanguard plan assets from investor shares to institutional shares on August 14, 2015. Wipfli tested these by obtaining documentation supporting the asset reallocation from the Empower Retirement website. Of the 13 confirmations sent, 6 participants responded positively confirming their transfer as of the effective date. There were no negative confirmation responses and 7 non-replies.

Procedures and Results

Performance Standards

Exhibit 4 of the Administrative Agreement provides for a range of performance standards to be met by Empower Retirement at least 95% of the time, or face a monetary penalty. In addition, the 2015 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 Empower Retirement:

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, 2015 in-force account population by 1.5%.
- Add 8 new employers by December 31, 2015.
- Default less than 95% participants should an investment option be removed.
- Consolidation of assets – rollovers into the plan – \$17M.
- Target employees with 70% or more in a fixed fund or funds.
- Maintain high visibility statewide in number of group and individual meetings.
- Conduct an employer webinar and a participant webinar.
- Provide content and presentations in support of the “Empower” campaign.
- Conduct retention/retiree outreach by conducting a pre-retirement webinar.
- Conduct retention/retiree outreach by communicating fee changes.

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 education and learning standards were met with regard to conducting group seminars and individual meetings.

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, Empower Retirement 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, as noted below.

We obtained the 2015 PEP Scorecard and reviewed all results in comparison to the 2015 goals. The reported results indicated Empower Retirement 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. Based on our analysis of the Annual Review report, accounts increased by 4.27%, from 55,740 as of December 31, 2014 to 58,122 as of December 31, 2015. The Plan also added 12 new employers in 2015.

Procedures and Results

Performance Standards (Continued)

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	600 seminars	668 group seminars were reported.
Individual counseling sessions	7,500 meetings	9,367 individual appointments were conducted

Reporting

Exhibits 4 and 5 of the Administrative Agreement require a range of reporting to be provided by Empower Retirement 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).
- Demographic Analysis (within 120 days after year end).
- Annual Plan Report (within 120 days after year end).

The quarterly plan status reports include the website and IVR statistics. The Annual Plan Report includes the demographic analysis. The Annual Expanded Fund Performance Report is to be provided bi-annually within 90 days of the end of the six-month period.

Objective

- Determine whether Empower Retirement was compliant with requirements and within timeliness provisions.

Procedures and Results

Procedures

1. Inquired of DETF personnel responsible for the plan as to Empower Retirement'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 Empower Retirement 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, Empower Retirement has provided quarterly reports within the timeliness provisions. The Annual Expanded Fund Performance Report was provided within 90 days of the end of semi-annual periods. The Annual Plan Report (including demographic review) was provided within 120 days.

Section III –

Comments and Recommendations

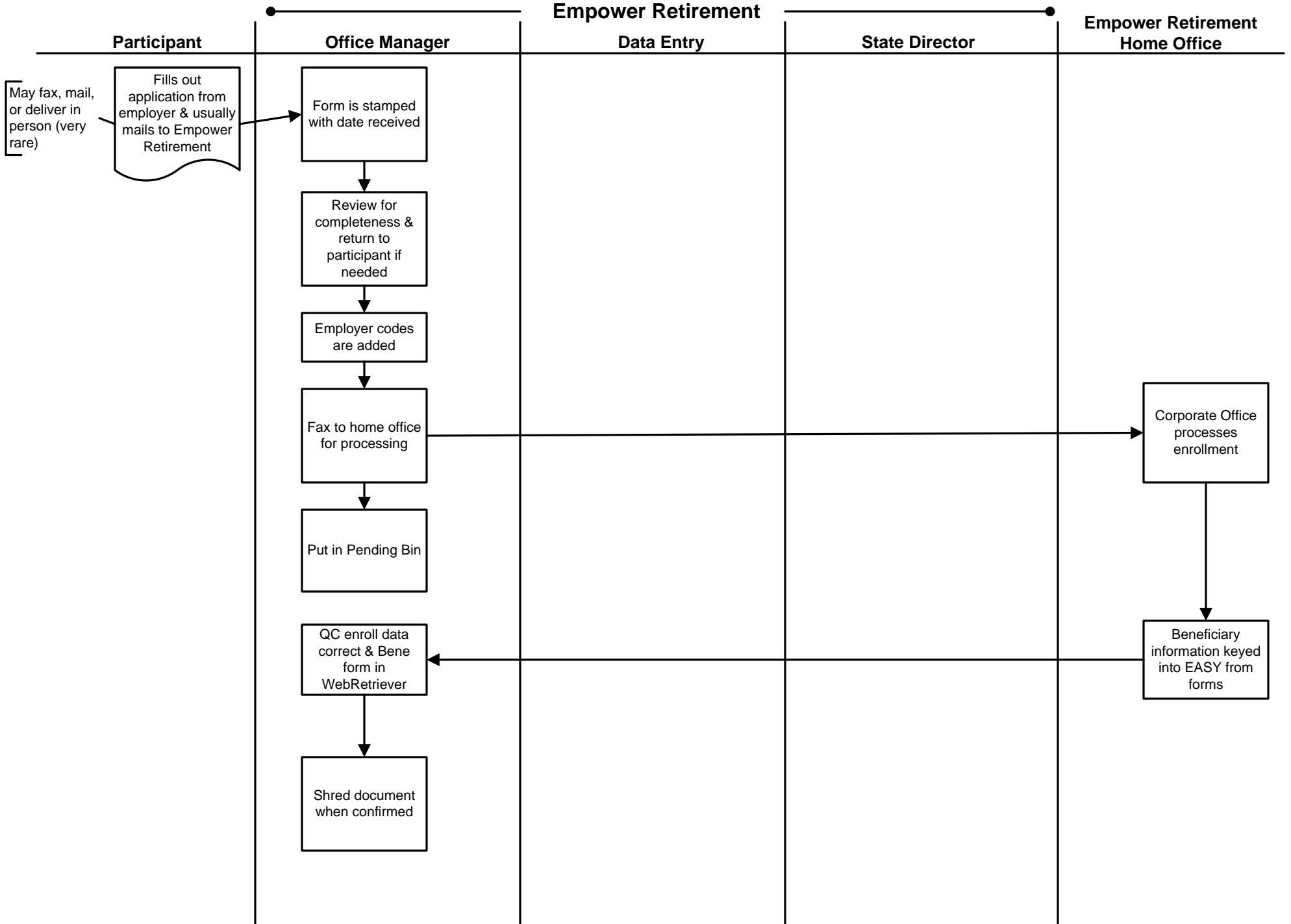
Comments and Recommendations

Comment 1

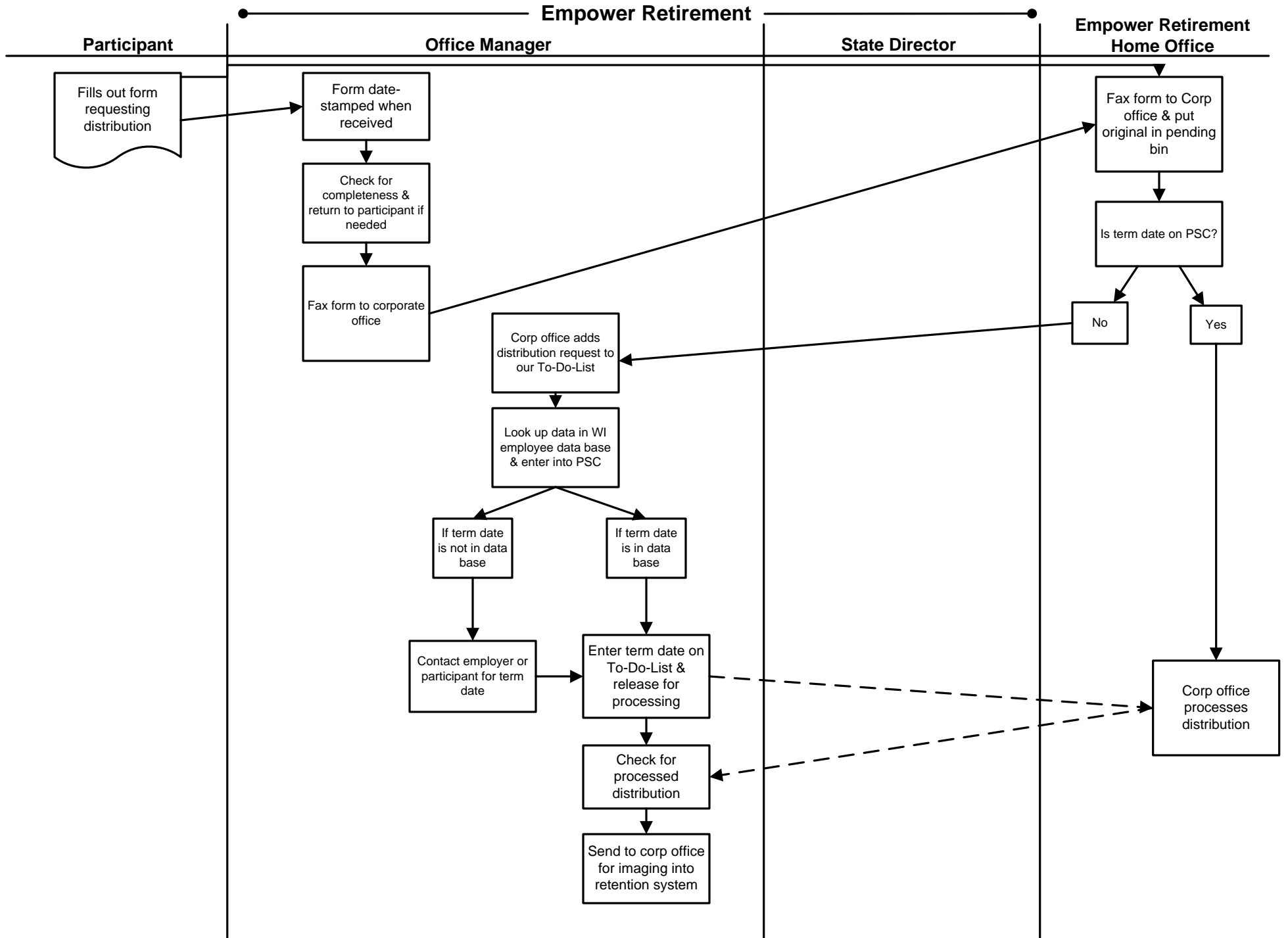
The seventh amendment to the Administrative Agreement indicates that the WDC shall be furnished with an annual copy of the SSAE 16 report. We recommend that the WDC obtain and review this report and discuss any exceptions documented in the SSAE 16 report with Empower Retirement in order to identify matters 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

Empower Retirement Wisconsin Deferred Compensation Program Participant Enrollment

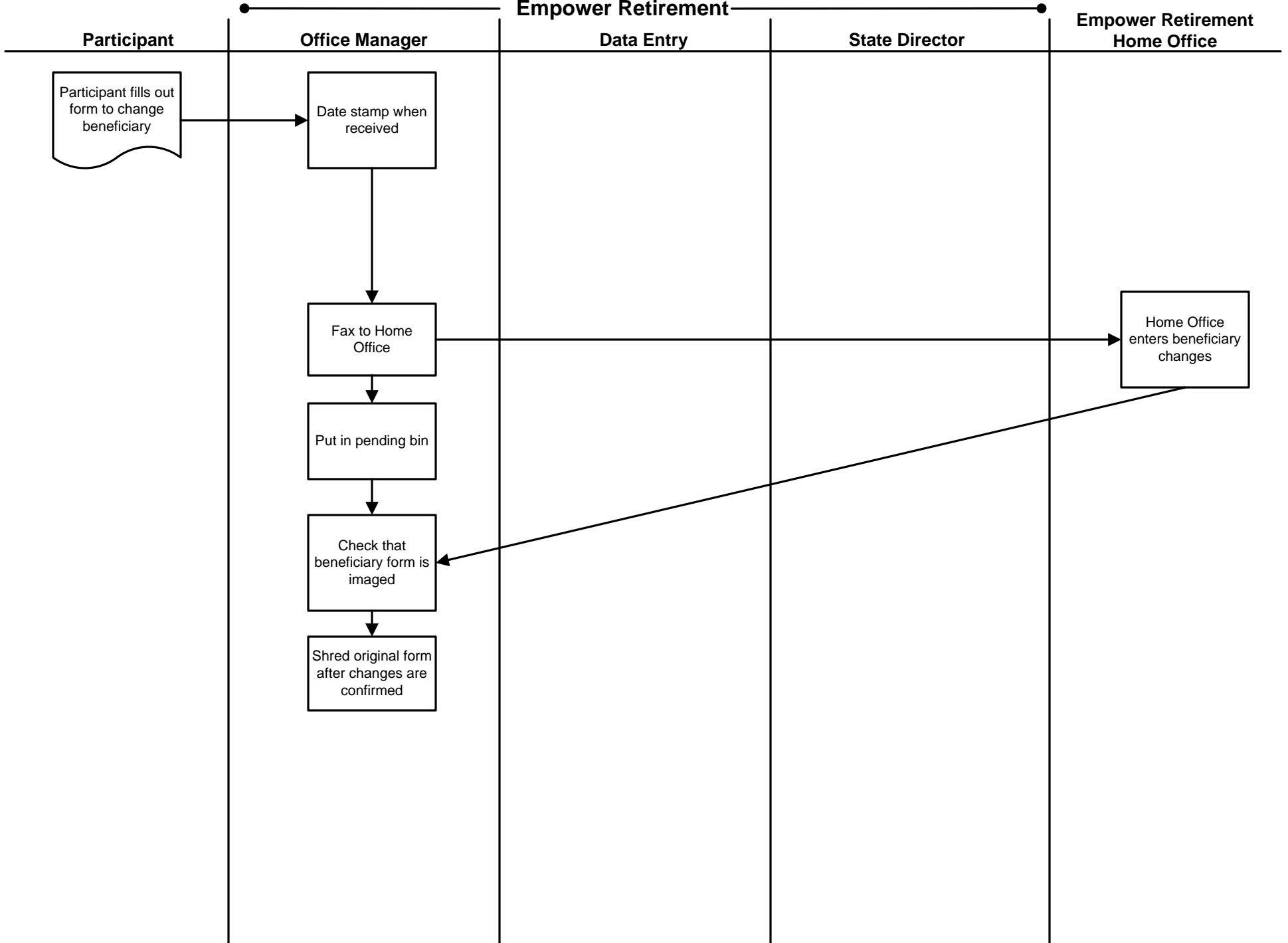


Empower Retirement Wisconsin Deferred Compensation Program Distributions



Empower Retirement Wisconsin Deferred Compensation Program Change in Beneficiaries

Empower Retirement



Participant

Office Manager

Data Entry

State Director

Empower Retirement
Home Office

Participant fills out
form to change
beneficiary

Date stamp when
received

Fax to Home
Office

Put in pending bin

Check that
beneficiary form is
imaged

Shred original form
after changes are
confirmed

Home Office
enters beneficiary
changes

Empower Retirement Wisconsin Deferred Compensation Program Rollover Contributions

