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Correspondence Memorandum

Date: October 26, 2020
To: Deferred Compensation Board
From: Shelly Schueller, Director
 Deferred Compensation Program
Subject: 2019 Contract Compliance Audit Recommendations Update

This memo is for Board review and discussion. No action is required.

The Deferred Compensation Board (Board) contracted with Wipfli, LLP to conduct a contract compliance audit for calendar year 2019. Wipfli reported their results at the Board meeting on June 11, 2020.

Wipfli’s contract compliance audit, completed as an agreed upon procedural engagement of the WDC’s third-party administrator, Empower Retirement (Empower), found overall compliance with all significant elements of the Administrative Agreement. However, Wipfli’s testing identified an exception in the area of equity wash transfers and exceptions with unsupported data reported in the Annual Plan Report. Wipfli made recommendations in these areas, and ETF management concurred. Additionally, Wipfli completed a summary review of Empower Retirement’s Service Organization Controls (SOC) Report and identified three additional recommendations for ETF management. ETF agreed with these recommendations and has discussed implementation of the recommendations with Empower Retirement.

The attached “Third-Party Administrator/Vendor Contract Compliance & Financial Audits Open Issues Tracking” document provides an update on implementation of Wipfli’s recommendations. Implementation thus far includes:

- Research on the cause of the equity wash restriction error, which has been corrected.
- An on-going thorough review of all source data used for the Annual Plan Report.
- Continued monitoring of the Empower SOC report by ETF.
- Additional monitoring controls and reviews imposed by Empower to ensure timeliness of all change requests made by plan sponsors.
- Research confirming that the fee issue identified in the SOC report did not impact the WDC. Empower has also implemented additional quality control procedures and management oversight for this area.

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

Electronically Signed 11/6/20

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2019 Contract Compliance Audit Update

October 26, 2020

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Staff will be available at the meeting to answer any questions.

Attachment A: Third-Party Administrator/Vendor Contract Compliance & Financial Audits Open Issues
Tracking

Attachment B: 2019 Contract Compliance Audit Report

**Third Party Administrator/Vendor
Contract Compliance & Financial Audits
Open Issues Tracking**

Audit	Report Link	Recommendation	Management Response	Responsible Staff	Estimated Completion Date	Status	Comments
Wisconsin Deferred Compensation Plan Audit Vendor: Empower Retirement Audit Report Date: June 2020 Audit Type: Contract Compliance Auditor: Wipfli, LLC Audit Period: CY 2019	WDC 2019 Contract Compliance Review	ETF should conduct a larger test to confirm the potential error rate pertaining to direct transfers between the Stable Value Fund and competing investment options (equity wash transactions). Depending on the results of such a test, Empower should work to implement procedures to effectively prevent violating transactions.	ETF concurs with the recommendation and will discuss how to improve compliance with the equity wash transfer requirement with Empower Retirement.	Shelly Schueller	8/1/20	Closed	Empower conducted a larger test to confirm the potential error rate. They discovered that the equity wash restriction was not set up for the new fund name for the FDIC option. This was corrected on 1/3/2020. No additional action is required.
		Empower should institute a review process on the Annual Plan Report to ensure documentation is retained to support the various figures reported, whether the annual trust report, a reconciliation thereto, or other supporting details. Because employers in the Plan have pay frequencies that differ (weekly, biweekly, monthly, etc.), an average contribution per participant per paycheck is not an accurate item to recalculate and that figure should be removed from the Annual Plan Report.	ETF concurs with the recommendation and will discuss how best to implement it on future reports with Empower Retirement.	Shelly Schueller	May 2021 (in 2021 Annual Plan Report)	Open	Average contribution per participant per paycheck was removed from the 2019 Annual Plan Report. Empower is currently conducting a review of each slide in the Annual Plan Report. Empower intends to limit the source data used to prepare the Annual Plan Report, resulting in consistent data. Material changes will be presented for consideration at the November DC Board meeting.
		(SOC Report): ETF should monitor future reports to see if future logical access security exceptions continue in the future. If such exceptions continue, ETF should obtain from Empower an analysis of the potential effects on the Plan and implement a program to prevent future exceptions.	ETF concurs with the recommendation and will discuss implementing it with Empower Retirement.	Shelly Schueller	In mid-2021, after newer Empower SOC reports are available and ETF has reviewed them.	In progress	ETF will be reviewing future SOC reports to determine if the security exceptions identified in 2019 continue or not. If the security concerns persist, ETF will request an analysis and plan to prevent future exceptions.
		(SOC Report): ETF should verify with Empower that any plan change requests are reviewed for accuracy prior to implementing into the recordkeeping system.	ETF concurs with the recommendation and will discuss implementing it with Empower Retirement.	Shelly Schueller	8/1/2020	Closed	ETF and the local Empower staff have regularly and consistently worked closely with Empower headquarters to ensure any WDC plan changes are correctly implemented. Empower's headquarters staff have determined this incident was oversight only and standard turnaround times have been reiterated to the Empower team working on this task. In addition, Empower has added additional monitoring controls to review outstanding items to ensure timeliness standards are met. Change requests for the WDC were reviewed and will continue to be reviewed prior to implementation.
		(SOC Report): ETF should work with Empower to determine if the new fee implementation control issue could or did affect the Plan.	ETF concurs with the recommendation and will discuss implementing it with Empower Retirement.	Shelly Schueller	8/1/2020	Closed	The fee issue identified pertained to one new custodial fee and did not impact the WDC. Empower has expanded their quality control review processes in this area and there is additional oversight by management.

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, 2019

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Executive Summary

Wipfli LLP was engaged to perform 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, 2019. This summary communication must be read in conjunction with our Independent Accountant's Report on Applying Agreed-Upon Procedures. Empower Retirement performs the administration for the State of Wisconsin Deferred Compensation Program (WDC) pursuant to the Administrative Agreement. The requested procedures were designed by State of Wisconsin Department of Employee Trust Funds (ETF) 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 personnel. The results of the procedures are contained in our report. A summary is provided below

- We noted no findings when performing procedures for the following significant elements of the Administrative Agreement:
 - Recordkeeping and participant account valuations
 - Administrative performance standards
 - Reporting of the 2019 Strategic Partnership Plan

- We noted no findings when performing procedures for the following transactions:
 - Administration fees charged to participants
 - Enrollment
 - Participant deferrals
 - Participant withdrawals, including
 - Hardship withdrawals
 - Required Minimum Distributions
 - Qualified Domestic Relations Orders
 - Rollovers
 - Account confirmations
 - Equity wash
 - Fund selection and termination

- We noted exceptions when performing procedures for the following areas:
 - Reporting
 - Transfers
 - Equity Wash

- 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 (ETF) (the specified party), on the Third-Party Administrator's (Empower Retirement) compliance with the WDC Administrative Agreement for the year ended December 31, 2019. Empower Retirement's management is responsible for the Third-Party Administrator's compliance with the WDC Administrative Agreement. The sufficiency of these procedures is solely the responsibility of the State of Wisconsin Department of Employee Trust Funds. 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.

Our procedures and findings are described in the following report.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Third-Party Administrator's compliance with the WDC Administrative Agreement. Accordingly, we do not express such an opinion or conclusion. 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 Deferred Compensation Board and the Department of Employee Trust Funds, and is not intended to be and should not be used by anyone other than these specified parties.

Wipfli LLP

Wipfli LLP

June 11, 2020
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 September 15, 2015. Certain other specific parameters, including sample sizes and acceptable error rates, were discussed with ETF 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 ETF 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’s initial contract to provide these services expired November 30, 2017, and a similar new contract commenced December 1, 2017 with a term extending through November 30, 2022. 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 ETF and quarterly participant statements
- Annual plan review
- Approval and processing of financial emergency hardship applications
- Meeting goals specified in the annual Strategic Partnership Plan

Objectives and Scope

A. Background (Continued)

The ETF 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 Engagements

An agreed upon procedures engagement testing for contract compliance was last completed for the period January 1, 2017, through December 31, 2017.

C. Objectives

Our engagement was designed to assist the ETF 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 ETF. Our procedures were applied to the period January 1, 2019, through December 31, 2019.

Section II – Procedures and Results

Procedures and Results

Strategic Partnership Plan Scorecard Goals

Objectives

Determine the scorecard results reported by Empower to ETF and the Board were met by obtaining supporting documentation to corroborate the figures reported.

Based on the degree to which the Scorecard goals and participant growth targets are achieved, Empower is entitled to an additional administrative fee ranging from 0% to 5%. Based on the results reported to ETF, a 5% increase was awarded. The following procedures are intended to validate that outcome.

Procedures

1. Obtained the Scorecard goals and results for 2019 from the correspondence memorandum from Shelly Schueller, Director to the Deferred Compensation board dated February 4, 2020.
2. Obtained corroborating documentation to demonstrate each of the goals were met.
3. Based on the results, calculate the proper fee increase.

The goals and results were as follows:

2019 Scorecard Results



	Goal/Action item	Tools adopted	Results desired	Results as of 12/31/19
Enrollment	<ul style="list-style-type: none"> Increase in-force accounts by enrolling new participants Add new employers 	<ul style="list-style-type: none"> New enrollment campaign(s) Employee and Employer 	<ul style="list-style-type: none"> 2.5% in-force growth 8 new employers Attend 2-3 conventions Attend 45+ benefits fairs 	<ul style="list-style-type: none"> 3.3% in-force growth 12 new employers adopted 2 conventions attended 65 benefits fairs attended
Asset Allocation	<ul style="list-style-type: none"> Help participants properly diversify 	<ul style="list-style-type: none"> MTR upgrade & Free Look Fund changes DB Feed Pilot targeting participants (50+, 80%+ equity exposure) Communicate fund change(s) 	<ul style="list-style-type: none"> Enroll 600+ users in MTR during Free Look 	<ul style="list-style-type: none"> 1,334 MTR users during Free Look period Fund changes and communications – see attached Emailed 1,465 participants in target group <ul style="list-style-type: none"> 111, 7.58%, scheduled a meeting
Education	<ul style="list-style-type: none"> Complete retirement readiness reviews 	<ul style="list-style-type: none"> Participant Education <ul style="list-style-type: none"> Retirement Readiness Reviews Group meetings CIT webinar Employer Education <ul style="list-style-type: none"> Payroll transformation <ul style="list-style-type: none"> ACH Termination dates Employer webinar 	<ul style="list-style-type: none"> Conduct 2,000 Retirement Readiness Reviews 350 group meetings 	<ul style="list-style-type: none"> 2,900 Retirement Readiness Reviews 430 Group Meetings 108 attendees of CIT webinar 291 payroll centers to be automated <ul style="list-style-type: none"> 98 were automated, 16 declined, 20 didn't respond, 12 are pending 41 attendees of Employer webinar
	Goal/Action item	Tools adopted	Results desired	
Retention	<ul style="list-style-type: none"> Increase in-force accounts by retaining accounts 	<ul style="list-style-type: none"> Increased communication efforts Total Advice Solution (TAS) Retirement Solutions Group (RSG) 	<ul style="list-style-type: none"> 2.5% in-force growth 	<ul style="list-style-type: none"> 3.3% in-force growth Stay in the Plan campaign Targeted outreach (above)

Procedures and Results

Results

1. The in-force growth figure was verified by reviewing a census generated from the Empower Plan Service Center online portal ('Empower Portal').
2. Employer adoption forms from 2019 were obtained to support all 12 new employers added during the year.
3. Convention attendance was verified by obtaining supporting registration information provided by Empower.
4. Support for the 65 benefit fairs attended was provided by Empower.
5. A supporting list of MTR users enrolled in the Free Look period was provided by Empower.
6. A list of meetings and related details for 2019 were provided and corroborated the retirement readiness reviews results.

Conclusion

The 2019 Scorecard results were properly supported by Empower and matched corroborating evidence.

The 2020 fee increase for Empower was properly determined to be 5%.

Procedures and Results

Reporting

Objective

Exhibit 1 of the Administrative Agreement effective December 1, 2017 requires a range of reporting to be provided by Empower Retirement to WDC on a quarterly or annual basis. The following reports are some of the reports required to be provided:

- Performance Standards Update (due within 45 days after the end of the quarter)
- Plan Investment Performance and Expense Ratio Review (due within 60 days of the end of the quarter and year-end final due within 90 days of the end of the year).
- Annual Plan Review (due within 120 days after year end).

Based on our discussion with ETF personnel, our testing procedures regarding reporting were to determine whether various items reported in these reports were accurate. In particular, the following criteria were reviewed:

1. Investment Performance Review:
 - a) Performance benchmarking for 4-5 investment options to ensure data accuracy to Morningstar or other published sources
 - b) Ensure accuracy of reported expense ratios for 4-5 investment options by comparison to Morningstar or other published sources
 - c) Recalculate overall plan expense ratio (asset weighted average expense ratio)
2. Annual Plan Report:
 - a) average participant paycheck contribution
 - b) plan contribution history (for last two years)
 - c) average participant paycheck contribution
 - d) contribution and withdrawal summary
 - e) distributions – full and partial payouts for death, de minimus and service credit
 - f) Call center response time, busy signal and abandoned call rates agreed to Empower provided supporting documentation

Procedures

1. Obtained copies of all reports listed above provided to ETF.
2. For five selected investments, 2019 returns and expense ratios stated in the benchmarking reports were compared to data in Wipfli Financials' Callan investment software.
3. Recalculated the overall plan expense ratio.
4. For items 2(a) through 2(e), compared the data reported in the Annual Plan Report to other reports obtained during the engagement to separately corroborate the figures reported.
5. For the call center response times, ran a call summary report from the Empower Portal noting it corroborates the information presented in the Performance Standards.

Procedures and Results

Results

Two items reported in the Annual Plan Report did not agree to other evidence obtained by Wipfli during the testing:

- The average participant paycheck contribution dollar amount of \$291 was not able to be supported by Empower (item 2(c) above).
- The withdrawals amount by month during 2019 reported totaled \$310,232,690, which were higher than the withdrawals amount reported on the trust report which was \$276,013,271 (item 2(d) above).

No other exceptions were noted in the reporting tests above.

Participant Expenses

Objective

Test a sample of 25 participant expenses to ensure charges to participant accounts follow the stated expense schedule in the plan Fact Sheet. The plan expense schedule is as follows:

If participant balance is between:	Monthly fee deducted:	Equals total annual fee of:
\$0 to \$5,000	\$0.00	\$0.00
\$5,001 to \$25,000	\$1.00	\$12.00
\$25,001 to \$50,000	\$3.00	\$36.00
\$50,001 to \$100,000	\$6.00	\$72.00
\$100,001 to \$150,000	\$8.00	\$96.00
\$150,001 to \$250,000	\$11.00	\$132.00
Over \$250,000	\$16.50	\$198.00

Procedures

1. Obtained the 2019 Plan Census and performed limited procedures to ensure completeness.
2. Selected a random sample of 25 participants from the plan census.
3. Obtained account statements for each participant for 2019 from the Empower portal.
4. Recalculated, based on participant assets, the expenses expected for the year for each sampled participant and compared that to actual charges.

Results

No exceptions were noted in the tests above. All fees charged in the sample were correctly calculated.

Procedures and Results

Enrollment Processing

Objectives

Test a sample of 25 participants from the contribution detail to ensure eligibility for the plan as well as that they were actual employees. Eligibility requirements for the plan are limited, only requiring the participant be an employee of a participating Employer.

Procedures

1. Obtained the contribution detail for three randomly selected months: April, June, and October of 2019.
2. Selected a random sample of 25 new participants, allocated equally across the three months selected in step 1.
3. Eligibility requirements state that a contributing participant only must be an employee of a participating Employer.
4. Received data from ETF showing that each employee was part of the Wisconsin Retirement System ('WRS'). These records are independently (from Empower) held by ETF and all employees in the system are qualifying participants. Thus, if a participant is in the WRS system, they are eligible for the Plan.
5. Verified the Empower record of birth date for each sampled participant matches the WRS system record.

Results

The selected participants were all noted as eligible through their presence in the WRS system and dates of birth agreed to the WRS records. No exceptions were noted in the tests above.

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 contribution detail for three randomly selected months: April, June, and October of 2019.
2. Selected a random sample of 25 new participants, allocated equally across the three months selected in step 1.
3. Corroborated the participant deferral amount and the timeliness of the deferral deposit to the participants' accounts through the Empower Plan Service Center (PSC) website.

Results

There were no exceptions noted with regard to compliance with processing time frames specified in the Administrative Agreement.

Procedures and Results

Participant Deferrals (50+ Catch-Up and Special Catch-Up)

Objectives

Determine whether participants electing to make Age 50+ Catch-Up and/or Special Catch-Up deferrals are eligible to make the deferrals and expressly elected to make the deferrals.

Procedures

1. Obtained a report from the PSC website that listed all participants and their contributions to the plan for 2019 and performed limited procedures to ensure completeness.
2. Randomly selected a sample of 40 participants (30 participants who had Age 50+ Catch-Up deferrals during 2019, and 10 participants who had Special Catch-Up deferrals during 2019).
3. Determined if the participant was eligible for the catch-up contribution based on their age and protective employee status, if applicable.

Results

For 39 of 40 participants tested, the employees were eligible for 50+ catch up and/or special catch up based on either their age or protective status. One participant of the 40 tested was found to have over contributed during the year by \$1,000. Empower has a mechanism to identify such participants and issue corrective distributions. This participant received the correct corrective distribution on January 24, 2020. This is not considered an exception. No other exceptions were noted in the tests above.

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 ETF's signature, all unforeseeable emergency requests received in good order and in a manner satisfactory to Empower Retirement.

Objectives included:

- 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 hardship withdrawals.
2. Randomly selected a sample of 25 hardship withdrawals.
3. Obtained documentation supporting the request and payment of hardship withdrawal. All documentation included the requisite documentation of the hardship precipitating the request.
4. Compared results of examined transactions with requirements in the Administrative Agreement.

Results

Documentation and approvals were appropriate for all hardship withdrawals selected and tested. No exceptions were noted in the tests above.

Procedures and Results

Distributions

Objectives

Distributions should be made by authorized individuals. Accordingly, ETF directed Wipfli to send confirmations to 40 participants to ensure the withdrawals were authorized by them and allow them the opportunity to indicate if there were any issues with the distribution.

Procedures

1. Obtained a data file containing all distributions and performed limited procedures to ensure completeness of the data.
2. Selected a sample of 40 distributions.
3. Confirmed in writing with each participant that the withdrawal selected is in accordance with their request. Confirmation letters were mailed to participants and an attachment was enclosed showing the details of the withdrawal transaction.

Results

Of the 40 confirmations sent, 30 (75%) participants responded positively confirming their distribution. There were no negative confirmation responses and 10 (25%) non-replies. Participants did not indicate any other issues on their returned confirmations.

Required Minimum Distributions

Objectives

Under Internal Revenue Service (IRS) regulations, all participants must receive required minimum distributions ('RMD') if they were 70 ½ years of age or older during 2019. Note that this age limit has since been changed to 72 in 2020. Wipfli tested 25 participants who were 70 ½ years old to determine if they were properly taking RMDs.

Procedures

1. Obtained the 2019 Plan Census and performed limited procedures to ensure completeness.
2. Created a sample by selecting 25 participants from the plan census who were at least 70 ½ years of age, and randomly selected 15 who were between 70 ½ and 72 and 10 over the age of 72.
3. Obtained account statements for each selected participant for 2019 from the Empower portal and verified that RMDs were taking place as required.

Results

For all tested participants, RMDs were taking place as required. No issues noted.

Procedures and Results

Domestic Relations Order Distributions

Objectives

All participants requesting Qualified Domestic Relations Order Distributions (QDRO) will receive periodic notification from Empower Retirement until completed.

Procedures

1. Obtained a data file containing all distributions and performed limited procedures to ensure completeness of the data.
2. Randomly selected a sample of 25 QDROs from the data file.
3. Obtained documentation supporting the QDROs.

Results

For all QDROs 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

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. Determine that transfers are made as authorized by participants and in accordance with their request by confirmation with 25 participants.

Procedures

1. Obtained a data file containing transfers.
2. Selected a sample of 25 transfers.
3. Obtained documentation supporting the date the participant transfer request was received by Empower.
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

For 23 of 25 transfers selected, documentation of the participant request was appropriate, and followed processing time frames specified in the Administrative Agreement. For 2 of the transfers selected, no documentation was available to indicate when the request was received by Empower and therefore could not be tested to ensure timely processing.

Of the 25 confirmations sent, 16 (64%) participants responded positively confirming their transfer as of the effective date. There were no negative confirmation responses and 9 (36%) non-replies.

Procedures and Results

Rollovers

Objectives

Participants are allowed unlimited opportunities to roll funds from outside qualifying sources, such as other 401(k), 403(b), and IRA accounts. These funds must come from a qualifying source. Determine that rollovers are held in a separate account for the participant.

Procedures

1. Using the certified trust report, randomly selected a sample of 25 rollovers.
2. Determined funds were from a qualifying source.
3. Determined funds were placed and held in a separate account for each participant.

Results

All rollovers tested came from a qualifying source and were found to be held in a separate account preventing comingling with deferrals made under the Deferred Compensation plan. No issues noted.

Procedures and Results

General Account Activity Confirmations

Objectives

Send confirmations to sample of 25 participants to verify account activity and give participants selected the opportunity to remark on any unusual, unauthorized, or suspicious activity.

Procedures

1. Obtained the 2019 Plan Census and performed limited procedures to ensure completeness.
2. Randomly selected 25 participants from the plan census (this is the sample that was used for participant administration expense testing).
3. Obtained account statements for each individual for 2019 from the Empower portal.
4. Mailed participants confirmations asking for them to confirm the following information:
 - a. The investment elections match elections made by the participant
 - b. The contributions (if any) match the participant's contribution elections
 - c. The rollovers (if any) match the participant's rollover elections
 - d. The withdrawals (if any) were requested/authorized by the participant
 - e. The transfers (if any) were requested/authorized by you

Results

Of the 25 confirmations sent, 17 (68%) participants responded positively confirming their account activity as of the effective date. There were no negative confirmation responses and 8 (32%) non-replies.

Procedures and Results

Equity Wash

Objectives

As noted in the administrative contract, Empower is to prohibit direct transfers between the Stable Value Fund and competing investment options. After a participant makes a transfer from the Stable Value Fund to a non-competing investment option, Empower is to prohibit all transfers from that non-competing investment option into a competing investment option for 90 days. Test 25 such transfers out of the Stable Value Fund to ensure compliance with these rules. The competing funds are:

- a. FDIC Bank Option (held by Nationwide)
- b. FDIC Bank Option (held by Johnson Bank)
- c. Federated US Government Securities 2 – 5 Year Fund

Procedures

1. Obtained a data file containing transfers.
2. Sorted the list to find only transfers out of the Stable Value Fund
3. Reviewed the individual transfer on the Empower PSC website to ensure the transfer did not directly go into a competing fund.
4. Reviewed account activity for that participant in Empower PSC to ensure no transfers to a competing fund occurred for 90 days after the initial transfer-out from the Stable Value Fund.

Results

Of the 25 transactions/participants tested, 24 did not have any violating transactions. One transfer tested did directly transfer into a competing option and is considered an exception.

Procedures and Results

Fund Selection and Termination

Objectives

At the Board's discretion, investment options may be replaced. When this occurs, Empower is required to transfer those balances into the approved investment option.

During the year, four such changes occurred:

1. Blackrock EAFE Equity Index Fund T to Blackrock EAFE Equity Index Fund F
2. Blackrock Russell 2000 Index Fund T to Blackrock Russell 2000 Index Fund M
3. Blackrock US Debt Index Fund W to Blackrock US Debt Index Fund M
4. FDIC Bank Option (held by Nationwide) to FDIC Bank Option (held by Johnson Bank)

These investment option closures were tested to ensure funds transferred properly to the new target investment option.

Procedures

1. Using the PSC website, obtained investment summary reports for the day prior to each transfer and the day of the transfer.
2. Analytically compared the ending balance of the old investment option to the beginning balance of the new investment option. Due to other routine activity (such as contributions occurring on the date of the transfer) the balance change is not expected to be exact, but it is expected the new investment option to have a balance within 0.1% of the old investment option balance.

Results

The selected transfer transactions were completed within the expected range of deviation. No issues noted.

Section III – Comments and Recommendations

Recommendation #1:

Due to the exception found in the Equity Wash Testing, Wipfli recommends ETF conduct a larger test to confirm the potential error rate in the subject transactions. Depending on the results of such a test, Empower should work to implement procedures to effectively prevent violating transactions.

Recommendation #2:

Due to the exceptions found in the Annual Plan Report testing, Wipfli recommends Empower institute a review process on the Annual Plan Report to ensure documentation is retained to support the various figures reported, whether the annual trust report, a reconciliation thereto, or other supporting details.

Because employers in the Plan have pay frequencies that differ (weekly, biweekly, monthly, etc.), an average contribution per participant per paycheck is not an accurate item to recalculate and Wipfli would recommend removing that figure from the Annual Plan Report.