



July 14, 2022

Ms. Shelly Schueller  
Department of Employee Trust Funds  
4822 Madison Yards Way  
P.O. Box 7931  
Madison WI 53707-7931

RE: WDC 2021 Audit - Required Minimum Distributions (RMDs), QDROs and Plan-to-plan Transfers

Dear Shelly:

Empower is committed to providing a high level of service to Wisconsin Deferred Compensation Program (WDC) participants and employers. Our service includes notification to those participants who are required to take minimum distributions and have not done so, QDRO segregations and distributions, as well as recordkeeping rollovers and plan-to-plan transfers for WDC participants.

Wipfli LLP performed an audit of the WDC's Agreement for Administrative Services Including Recordkeeping and Communications (Administrative Agreement) between Empower Retirement, LLC (Empower) and the State of Wisconsin Deferred Compensation Board (the Board) for the year ending December 31, 2021. It is our understanding that the audit was designed to test for specific elements of compliance with the Administrative Services Agreement. Wipfli issued their report dated June 9, 2022, wherein they identified exceptions in the application of procedures to the records and systems maintained by Empower relating to Required Minimum Distributions (RMDs), Domestic Relations Order Distributions, and Rollovers<sup>1</sup>.

In response to the audit findings, Empower provides the following:

RMDs – Wipfli randomly selected a group of 25 participants they believed to be eligible for RMD payments in 2021. Of the 25, 19 were actively employed therefore not required to take an RMD at that time.

Six participants were identified by Wipfli as not receiving an RMD letter in 2021. Empower researched this list and of the six participants, all had already taken their RMD withdrawals or provided RMD direction to Empower for 2021 prior to the letter generation date. Therefore, notification was unnecessary.

Out of the sample population of 25 participants, one was identified as needing to take an RMD in 2021 and did not. Per WDC plan provisions, RMD payments are not forced out to eligible participants like the one identified in the sample population.

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<sup>1</sup> It is unclear whether Wipfli has taken exception to investment transfers. While not addressed specifically in this letter, we would be happy to discuss any outstanding questions.

DROs – The selections made for the distribution portion of the audit included withdrawals made from QDRO accounts. The supporting documentation for these transactions would be an authorized withdrawal request from an existing account received via an administrative form, the participant website or on an authenticated call.

A distribution request from an established QDRO account does not require the account segregation paperwork.

Furthermore, segregation paperwork is required to be maintained in accordance with our retention policy and three of the distributions sampled from QDRO accounts represented accounts divided outside of our retention policy.

Rollovers – Wipfli randomly sampled 30 rollover transactions and identified that four were placed in a different subaccount than the others.

Empower researched the 30 transactions and identified that four were not rollovers but plan-to-plan transfers. Section 4.03 of the plan document allows the plan to accept transfers from other deferred compensation plans as defined in IRC section 457. For governmental plans like the WDC, an active employee may transfer his/her current 457(b) plan assets to another 457(b) plan maintained by his/her current employer. Plan to plan transfers are coded separately from rollovers.

Thank you for the opportunity to provide additional information in response to the exceptions noted in the report. I will be available at the September WDC Board meeting to address any questions or concerns.

Sincerely,



Emily S. Lockwood  
Managing State Director

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