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Correspondence Memorandum

Date: November 3, 2022
To: Deferred Compensation Board
From: Laura Patterson, Policy Advisor
 Office of Policy, Privacy and Compliance
Subject: WDC Participation in the NAGDCA Public Retirement Research Lab (PRRL)

The Department of Employee Trust Funds (ETF) requests that the Deferred Compensation Board (Board) approve the Wisconsin Deferred Compensation Program (WDC) participation in the PRRL, a partnership between the National Association of Government Defined Contribution Administrators (NAGDCA) and the Employee Benefits Research Institute (EBRI). Additionally, ETF requests the Board delegate authority to the ETF Secretary to execute an agreement to share data with the PRRL.

The WDC has previously shared plan-level data for “Perspectives in Practice,” the annual benchmarking survey produced by NAGDCA. NAGDCA represents public sector defined contribution plan administrators and is a valuable resource for public plan sponsors. The NAGDCA survey provides useful information and contains a suite of online tools and reports that help compare the WDC to peer participating organizations. It also provides NAGDCA with industry-level data to identify trends and issues related to public sector employee retirement.

In December 2019, NAGDCA and EBRI announced the creation of the PRRL. EBRI is a nonpartisan, tax-exempt organization that was created in 1978 for the purpose of contributing to sound employee benefit programs and policy through independent, objective, fact-based research, and education. NAGDCA has partnered with EBRI on the PRRL to create a database for public sector defined contribution retirement plan information, “which will be used as a primary source of information for cutting-edge retirement research.”

The PRRL replaces NAGDCA’s annual benchmarking survey. The PRRL database consists of plan-level and participant-level data populated directly by plans’ recordkeepers. NAGDCA anticipates using the PRRL data to conduct research to help plan sponsors with peer-level comparisons and better understand the big picture of the public sector defined contribution industry. Because the WDC does not currently participate in the PRRL, we have lost access to most peer benchmarking.

Reviewed and approved by Steve Hurley, Director, Office of Policy, Privacy and Compliance
 Electronically Signed 11/15/2022

Board	Mtg Date	Item #
DC	12.01.22	10

The Research Policy approved by ETF's Agency Management Council on January 14, 2020, lists criteria to be considered when data is requested for research. The criteria are reproduced below, along with responses for the PRRL request when applicable.

1. **Scope:**

- a. Type of data to be disclosed, and if identifiable data, the reason why it is needed for the research.

Response: NAGDCA and its partner on the PRRL, EBRI, are seeking information on s. 457 plans and its participants to build a public plans database. At ETF, this data would come from the WDC program. There are approximately 67,800 participants in the WDC program as of December 31, 2021. NAGDCA has stated that no personally identifiable information (SSN, birth date, etc.) will be transferred.

- b. Amount of data (number of data elements, number of individuals, etc.).

Response: The PRRL will house both plan-level and participant-level data that has been deidentified. The preliminary list of data for the PRRL includes the following:

Plan Level	Participant Level
<ul style="list-style-type: none">• Plan design information such as default investments• Effective dates• Enrollments• Plan limits• Plan inception date• Roth provisions	<ul style="list-style-type: none">• Age• Gender• Tenure (if available)• Salary (if available)• Fund-specific information on asset allocation for current year contributions, aggregate account balances, and account activity such as withdrawals

- c. Technical safeguards (method/medium of sharing and storing).

Response: On its web page explaining the PRRL, NAGDCA states that:

Your plan's data will be completely *encrypted by your record keeper before it is sent to the database* [emphasis added]. This will ensure total security for your plan. For the transfer itself, only encrypted data will be sent to the database, and no personally identifiable information will be sent. This includes *social security numbers, employee ID numbers, names, birthdates, job titles, address, location, or any other piece of information that can be used to identify any individual* [emphasis added].

The following is a detailed description of the data transfer process:

Phase 1: At Third Party Record Keeper. (Note: for the WDC, this would be Empower Retirement.)

- Generates encryption key.
- Distribute encryption key to data provider.
- Details:
 - Third Party generates encryption key on secure, dedicated system.
 - The key is sent from Third Party to the data provider via secure method using an encrypted file.
 - At no point, does Third Party receive any data.
 - The encryption key never goes to EBRI or NAGDCA.

Phase 2: At Data Provider.

- Implements hash algorithm – extracts data files.
- Transfers data file to database.
- Details:
 - Decrypts package from Third Party to extract encryption key.
 - Implements masking protocol – runs real SSN value through HMAC-SHA256 algorithm and encryption key, resulting in 64-character hash value.
 - Combines 64-character hash value with data files.
 - Real SSN value, along with any personally identifiable data is deleted from data files before it is sent to the PRRL.
 - The encryption key never goes to EBRI or NAGDCA – Third Party available for implementation support.
 - The data files are transferred from data provider to PRRL via secure method. FTP transfer of encrypted file is preferred method.

Phase 3: At PRRL.

- Manipulates final data files.
- Produces analytic deliverables.
- Details:
 - Decrypts package from data provider to extract data files containing standard 64-character hashed id.
 - Re-encrypts hashed value with an EBRI proprietary key.
 - Manipulates data and process analytical results on segregated & secure system.
 - At no point, does PRRL receive the encryption key used by providers.

d. Need for a Data Use Agreement.

Response: If the Board approves sharing WDC data with the PRRL, the ETF Secretary will negotiate and approve a Data Sharing Agreement with EBRI and ETF's WDC third-party record keeping firm, Empower Retirement, who will be instructed to securely share WDC data.

- e. Expected begin and end date of the research engagement.

Response: The PRRL database began in 2020, with data from calendar year 2019. It will require annual data updates to remain current and useful. NAGDCA expects to provide plan sponsors with an annual reminder/request to participate in the PRRL.

2. **Compliance:** There is a high level of confidence on the part of ETF's Legal and Compliance staff that the planned disclosure is lawful.
3. **Research Partner:** The EBRI, to whom the data is to be disclosed, is willing to sign a Data Use Agreement if necessary, and there is no reason to believe that the EBRI will not be successful in safeguarding the data and producing quality research.
4. **Purpose:** The research objective relates to ETF's mission or to the benefit programs administered by ETF under Chapter 40, Wisconsin Statutes.
5. **Value:** The research will benefit members and is expected to contribute to the agency's mission to administer the Trust or to otherwise improve ETF's ability to administer benefits.
6. **Capacity:** ETF can accommodate the request without unduly displacing resources for another project or unduly impacting another priority. This determination was made using several factors, including consideration of costs, timing, ease of compiling the needed data, number of staff required, etc.
7. **Recommendations from Subject Matter Experts (SME):** In deciding whether to approve the release of data, ETF Secretary, John Voelker, will consider recommendations from the requesting business unit, the Office of Legal Services, the ETF Chief Information Security Officer, the Office of Policy, Privacy, and Compliance, and other relevant SMEs regarding risk, information security, and compliance with applicable contractual requirements, statutes, and regulations.
8. **Risks:** There was an assessment of risks and a determination of whether the expected benefits of the research partnership outweigh the identified risks. ETF believes the benefits outweigh the identified risks.

ETF requests that the Board approve participation of the WDC in the PRRL and delegate authority to the ETF Secretary to execute a data-sharing agreement with EBRI and the WDC's recordkeeper, Empower Retirement.

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