

Third Party Administrator/Vendor

Contract Compliance & Financial Audits

Open Issues Tracking - WDC

Last Updated: November 6, 2024

- Closed
- In Progress
- Open
- Overdue

Audit	Audit	Audit	Audit	Audit	Audit	Audit	Audit	Audit
Wisconsin Deferred Compensation Program Vendor: Empower Audit Report Date: May 2024 Audit Type: Contract Compliance Audit Auditor: OIA Audit Period: CY 2023	WDC Contract Compliance Audit	1. Quarterly Service Level Agreement Reporting - Empower: We recommend Empower: a) implement a process to ensure records can be provided to ETF to allow for timely monitoring and validation of performance standards; and b) implement a report review process to ensure the Quarterly Service Level Agreement Report is accurate.	Medium	Empower acknowledges this finding and will work with ETF staff to review options to determine what is feasible and appropriate to validate and support that the Quarterly Service Level Agreement Reports are accurate. Empower is open to amending the contract to remove the specific scale of the Employer Satisfaction Survey or specify a scale other than 10 points.	Emily Lockwood Kathy Castle	1/2/2025	Closed.	a) Empower completed an internal review of its perf. standards to determine what documentation is available for sharing. b) Empower revised the SLA report to include an appendix with backup data, beginning 3Q24.
		1. Quarterly Service Level Agreement Reporting - ETF: We recommend ETF: a) require supporting documentation to be submitted with the Quarterly Service Level Agreement Reports or as requested and consider a contract penalty for instances when requests for supporting documentation are not timely or accurately provided to ensure additional accountability over contract performance; b) perform regular reviews or sample verifications of performance standards; and c) amend the contract language to clarify the appropriate scale to be used for the Employer Survey performance measure.	Medium	ETF acknowledges the findings of this audit. ETF relies on Empower to report accurate data on the performance standards and to have backup documentation supporting the reports when requested. Regarding the specific recommendations in this report: 1) ETF will review existing contract performance standards and available documentation with Empower, with a goal of adjusting standards as appropriate and feasible. This may involve seeking a contract amendment that includes: o A provision requiring that Empower submit supporting documentation upon ETF's request, and/or o the potential addition of a contract penalty for instances when requests for supporting documentation are not timely or accurately fulfilled. 2) ETF will review options to enhance its oversight of performance standards, likely including periodic sampling to verify accuracy. The goal of this review will be to add processes that ensure contract performance standard accountability. 3) ETF will clarify the appropriate scale to be used for the Employer Survey performance measure and propose a contract amendment if appropriate.	Shelly Schueller	1/2/2025	Closed.	a) and b) ETF has reviewed Empower's SLA/performance standards summary. ETF expects to implement a review of backup data for certain SLAs. Beginning in 2025, ETF will periodically seek to verify accuracy of certain random SLAs. If requested backup data is not provided or this approach is determined to be insufficient, then a future contract amendment that requires timely supporting documentation for SLAs will be pursued. c) ETF will include language on the employer survey scale with the next contract amendment or extension, whichever comes first.
		2. SDB Option - Required Minimum Balances and Participant Fees - Empower: We recommend Empower implement procedures and controls to ensure required minimum balances in the core investment options	Medium	Empower acknowledges this finding. Empower will review internal procedures and work with ETF to determine whether a process can be developed for ensuring participants keep a balance of at least \$500 in their core account. Empower will also review communications to determine if additional language is needed in any materials. Empower will expect to discuss a possible contract	Emily Lockwood Kathy Castle	12/31/2024	Closed.	Empower will implement SDO changes approved by the Board beginning January 1, 2025.
		2. SDB Option - Required Minimum Balances and Participant Fees - ETF: We recommend ETF identify changes that may be warranted to the Plan and Trust, the administrative services contract, program materials, and operational procedures and provide guidance to Empower to ensure required minimum balances of the core investment options are maintained for participants utilizing the SDB option and participant fees are appropriately charged.	Medium	ETF acknowledges this audit finding. ETF relies on Empower to accurately calculate and collect participant administrative fees, including those from the roughly 1,000 participants using the SDB. Regarding the specific recommendations for this finding, ETF will: 1) draft proposed language for the Board's approval related to necessary changes to the Plan and Trust, 2) collaborate with Empower on a potential administrative services contract amendment to clarify operational requirements related to administration of the SDB option, 3) pursue necessary changes to WDC participant materials, 4) provide guidance to Empower to ensure participants using the SDB option understand the minimum balance that must be maintained within their core WDC investment options and consequences of falling below the minimum; and 5) verify that participants using the SDB option are charged correct participant fees.	Shelly Schueller	1/2/2025	Closed.	Board approved changes to P&T include a \$60 annual user fee and eliminating language from Plan & Trust that Empower cannot implement. Associated changes in ppt documents, etc. will follow.

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		<p>3. Equity Wash Requirements - Empower: We recommend Empower determine the cause for the override of the transfer from the Stable Value Fund to a competing investment option and implement a process to ensure equity wash requirements are adhered to.</p>	Low to Medium	<p>Empower acknowledges this audit finding. The override of the transfer was due to a manual oversight. The manager who approved the override is no longer with Empower. The call center representative who entered the override has been provided coaching and training. The participant account is being corrected and the participant will be notified in writing once the correction is complete.</p> <p>ETF acknowledges this audit finding. ETF relies on Empower to correctly implement the Stable Value Fund equity wash provision for the WDC. Failure to do so could jeopardize the plan's ability to offer this investment option. ETF requested and Empower has shared information regarding the root cause of this situation. The actions described in the Empower response indicate the firm has taken steps that should prevent potential future override events.</p>	Kathy Castle	6/30/2024	Closed.	Closed.
		<p>4. Contribution Limit Review - Empower: We recommend Empower improve its calculation of over deferral projections to accurately identify participants that are at or near exceeding the maximum contribution limit and provide notification to those participants.</p>	Low to Medium	<p>Empower acknowledges this finding and will revisit our internal procedures to determine where improvements and efficiencies can be made to this process.</p> <p>ETF accepts this audit finding. There is a contract provision requiring Empower to ensure that contributions do not exceed the annual limit because many participants do not keep track of their deferrals and the federal contribution limits. When an over deferral occurs, it can cause a great deal of frustration and has potential tax implications for the participant. These can lead to a poor customer experience. Over deferrals also create additional work related to calculating and issuing refunds for Empower. ETF has requested that Empower review their over deferral procedures to determine if any adjustments can be made to ensure that all participants who might be at risk of over deferring receive notification.</p>	Emily Lockwood	9/30/2024	Closed.	ETF and Empower discussed the WDC local office's over deferral project parameters in May 2024 and agreed on revisions to certain internal Empower procedures that should result in improvements to this process
		<p>Process Improvement Consideration: ETF consider imposing penalties associated with failed performance standards each quarter, rather than only if the performance standard is missed for two consecutive quarters, to promote timely corrective action to meet future performance standards.</p>	n/a	n/a	n/a	n/a	Closed.	ETF and Empower agree this topic should be included with any future contract amendments or contract extension negotiations.
		<p>Process Improvement Consideration: ETF consider reviewing performance standards with Empower to determine whether certain performance standards add value to the program to be reported at plan-level versus globally and whether Empower can accommodate this.</p>	n/a	n/a	n/a	n/a	Closed.	Empower has reworked internal processes such that SLAs will include available numerical data. Piloting in late 2024 and full implementation in 2025.
		<p>Process Improvement Consideration: ETF work with Empower to correct a participant's Social Security Number that we identified as incorrect for the WDC based on ETF data.</p>	n/a	n/a	n/a	n/a	Closed.	Closed (corrected 4/18/2024)
		<p>Process Improvement Consideration: Empower determine the cause for managed account fees that are not charged a prorated fee at the time of full withdrawal and implement process to ensure managed account fees are appropriately collected. We found 4 of 25 managed account fees, for a total of \$496.79, were not collected by Empower at the time of a full withdrawal. Empower indicated that this was a known intermittent administrative issue that is currently under review. These fees are collected by Empower and do not impact the funds used to administer the WDC.</p>	n/a	n/a	n/a	n/a	Closed.	Empower issue as the Managed Account fees go to Empower.