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Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Board of Directors
Nationwide Retirement Solutions, Inc.

State of Wisconsin Deferred Compensation Board
State of Wisconsin Deferred Compensation Program:

We have performed the procedures enumerated below, which were agreed to by the Compensation Board and managements of the State of Wisconsin Deferred Compensation Program (Wisconsin) and Nationwide Retirement Solutions, Inc. (NRS), solely to assist Wisconsin in evaluating NRS's administration of the State of Wisconsin Public Employees Deferred Compensation Plan and Trust (the Plan) in accordance with The State of Wisconsin Employee Deferred Compensation Plan Administrative Service Contract (the Contract) for the two-year period ended December 31, 2001. NRS is responsible for administering the Plan in accordance with the Contract. Wisconsin has a fiduciary responsibility to oversee the administration of the Plan by NRS. 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 those parties specified in this report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Wisconsin Management's Objective Number 1:

Determine that participant fees are being assessed accurately and in a timely manner.

Procedures:

For a sample of 2 months for each year in the two-year period ended December 31, 2001, (March 2000, November 2000, April 2001, and August 2001), we performed the following:

- We recalculated the participant fees for five individual participants for each month selected based on the published fees for that month and compared that amount to the fees assessed to the participant per the AS/400 system.
- We determined that the participant fees recalculated in the above procedure were deducted from the selected participant accounts within three business days of being assessed by comparing the date of assessment to the date the fee was deducted from the participant's account per the AS/400 system.

Findings:

No exceptions noted.



Wisconsin Management's Objective Number 2:

Determine that NRS's compensation, including reimbursements from investment providers, is being paid accurately and in a timely manner.

Procedures:

For a sample of 2 months for each year in the two-year period ended December 31, 2001, (March 2000, November 2000, April 2001 and August 2001), we performed the following:

- We agreed the NRS compensation from the Exhibit C Compensation – Attachment 2C schedule to the Contract.
- We agreed the self-directed option fee from the Exhibit C Compensation – Attachment 2C schedule to the second amendment to the Contract.
- We agreed the provider reimbursement from the Exhibit C Compensation – Attachment 2C schedule to cash receipts documentation from the investment provider.
- We agreed the sum of the NRS compensation, self-directed option fee, and provider reimbursement from the Exhibit C Compensation – Attachment 2C schedule to the deduction from the Plan's administrative expense account.
- We determined that the sum of the NRS compensation, self-directed option fee, and provider reimbursement from the Exhibit C Compensation – Attachment 2C schedule was deducted from the administrative expense account within five business days of month end.

Findings:

For the month of March 2000, the NRS compensation per the Exhibit C Compensation for 2000 – Attachment 2C was less than the monthly amount per the Contract by \$8,333.33.

For the month of August 2001, the NRS compensation per the Exhibit C Compensation for 2001 – Attachment 2C was less than the monthly amount per the Contract by \$13,096.00.

NRS Response to Findings:

In March 2000, NRS was to implement the Schwab PCRA option to the Wisconsin Deferred Compensation Plan. The Schwab PCRA was implemented and correctly working but was not fully completed because participants could not initiate transactions over the Web. Participants were required to call to initiate Schwab transactions. Due to this delay, NRS agreed to reduce our administration fee by 5%, which equates to \$8,333.33

In May 2001, the recordkeeping system did not assess plan charges from participants who were invested in the Stable Value option. This situation arose because there was no valid price in the system on the day that NRS/NDC assessed the participant charges (a Saturday). After discovery and discussion with the client, Mary Willett, it was agreed that NRS/NDC would absorb the shortage of fees to the Board and would reduce its next monthly fee, on August 1, 2001, by \$13,096.00.

Wisconsin Management's Objective Number 3:

Determine that the report of new participant enrollments provided to Wisconsin by NRS is complete and accurate.

Procedures:

For a sample of 2 quarterly reports for each year in the two-year period ended December 31, 2001, (quarters ending March 31, 2000, June 30, 2000, March 31, 2001 and September 30, 2001), we performed the following:

- We verified for five participants from each quarterly report selected that the participant was a new enrollment during that quarter by reviewing the participant's enrollment form and noting the date of receipt on the form was within the calendar quarter selected.

Findings:

We noted one participant whose enrollment form was received by NRS in December 2000 but was reported as a new enrollment for the quarter ended March 31, 2001.

We noted one participant whose enrollment form was received by NRS in June 2001 but was reported as a new enrollment for the quarter ended September 30, 2001.

NRS Response to Findings:

The participant enrollment form was received in December of 2000 and was reported as a new enrollment in January of 2001, but this did not impact the participant. We received and applied the participant's deferrals within the next payroll cycle.

The participant enrollment form was received in June of 2001 and was reported as a new enrollment in July of 2001, but this did not impact the participant. We received and applied the participant's deferrals within the next payroll cycle.

Wisconsin Management's Objective Number 4:

- a. Determine that requests for assistance are being handled in a timely manner.
- b. Determine that eligible employers are being informed of the Plan.
- c. Determine that participating employers are being informed of the Plan.
- d. Determine that eligible employees are being notified of the Plan.
- e. Determine that eligible employees are provided enrollment opportunities.

Procedure:

For a sample of 20 employers from an employer listing provided by NRS personnel, which lists all employers eligible to participate in the Plan as of December 31, 2001, we performed the following procedure:

- We mailed employer surveys inquiring about Wisconsin Management Objective 4 a-e, outlined above.

Findings:

Of the 20 surveys mailed, we received eight responses. Refer to Appendix I for a summary of the eight responses received.

Wisconsin Management's Objective Number 5:

- a. Determine that participants have contact lists for questions related to the Plan.
- b. Determine that participants may transfer account balances as allowed.
- c. Determine that participants are receiving quarterly statements.
- d. Determine that participants are receiving quarterly newsletters.

Procedure:

For a sample of 100 participants from a participant listing provided by NRS personnel, which lists all participants with an account balance in the Plan as of December 31, 2001, we performed the following procedure:

- We mailed employee surveys inquiring about Wisconsin Management Objective 5 a-d, outlined above.

Findings:

Of the 100 surveys mailed, we received 17 responses. Refer to Appendix II for a summary of the 17 responses received.

Wisconsin Management's Objective Number 6:

Determine whether enrollment applications are processed in a timely manner.

Procedures:

For a sample of 20 participants with business type 1 (new business) activity from an AS/400 query of daily activity completed by NRS personnel for four selected dates within the two-year period ended December 31, 2001, (May 1, 2000, September 7, 2000, April 26, 2001, and November 13, 2001), we performed the following procedures:

- We obtained the participant enrollment form and verified it was input into the AS/400 system within five business days of receipt by comparing the date received per the participant enrollment form to the date input per the AS/400 system.
- We verified that the participant's deferral commenced within 31 calendar days of the first pay period following the date the change was received by NRS by comparing the effective date of the deferral per the AS/400 system to the pay period following the date of receipt of the application for the selected participant's billing code per the AS/400 billing cycle schedule.

Findings:

No exceptions noted.

Wisconsin Management's Objective Number 7:

Determine whether participant changes to deferral amounts are processed in a timely manner.

Procedures:

For a sample of 20 participants with business type 3 (increase) activity or business type 5 (decrease) activity from an AS/400 query of daily activity completed by NRS personnel of seven selected dates within the two-year period ended December 31, 2001, (February 16, 2000, May 1, 2000, September 7, 2000, December 13, 2000, April 26, 2001, July 19, 2001, and November 13, 2001), we performed the following procedures:

- We obtained the date of the participant change request per the telephone marketing log from the AS/400 system and verified that the change was processed within five business days of receipt by comparing the date of the request to the date processed per the AS/400 system.
- We verified that the participant's revised deferral amount commenced on the pay period following the date the change request form was received by NRS by comparing the effective date of the change per the AS/400 system to the pay period following the date of the change for the selected participant's billing code per the AS/400 billing cycle schedule.

Findings:

No exceptions noted.

Wisconsin Management's Objective Number 8:

Determine whether participant changes to investment allocations are processed in a timely manner.

Procedures:

For a sample of 20 participants with business type 4 (allocation change) activity from an AS/400 query of daily activity completed by NRS personnel of seven dates within the two-year period ended December 31, 2001, (February 16, 2000, May 1, 2000, September 7, 2000, December 13, 2000, April 26, 2001, July 19, 2001, and November 13, 2001), we performed the following procedures:

- We obtained the date of the allocation change per the telephone marketing log from the AS/400 system and verified that the allocation change was processed within five business days of receipt by comparing the date of the allocation change request to the date processed per the AS/400 system.
- We verified that the participant's revised investment allocations commenced on the pay period following the date the change request was received by NRS by comparing the effective date of the change per the AS/400 system to the pay period following the date of the change for the selected participant's billing code per the AS/400 billing cycle schedule.

Findings:

No exceptions noted.

Wisconsin Management's Objective Number 9:

Determine whether hardship withdrawals are properly approved and disbursed in a timely manner.

Procedures:

For a sample of 10 participants from an AS/400 query of hardship withdrawals completed by NRS personnel, for the two-year period ended December 31, 2001, we performed the following procedures:

- We verified that the hardship withdrawal application and recommendation was submitted to the approving authority within five business days from receipt by comparing the submission date on the recommendation to the date of receipt of the hardship withdrawal application per the WI Emergency Withdrawal Applications log maintained by NRS.
- We verified that the hardship distribution was made within ten business days of receipt of notification of approval by comparing the date of approval per the Financial Hardship Application Determinations memo to the date of disbursement per the Benefit Payouts Header and Detail Display per the AS/400 system.

Findings:

One hardship distribution dated March 8, 2000 did not have the required application and recommendation, and approval.

NRS Response to Findings:

The participant applied for and completed the payout paperwork to receive a hardship distribution. When the account was reviewed it was determined that the participant was eligible to receive a de minimus distribution. The distribution paperwork was processed correctly but the reason code for the distribution within the AS/400 system was not changed to reflect a de minimus distribution. There was no impact to the participant.

Wisconsin Management's Objective Number 10:

Determine whether lump sum distributions are disbursed in a timely manner.

Procedures:

For a sample of 20 participants from an AS/400 query of lump-sum distributions completed by NRS personnel, for the two-year period ended December 31, 2001, we performed the following procedure:

- We verified that the lump-sum distribution was made within three business days of the date requested by the participant by comparing the date requested by the participant per the Benefit Commencement Date and Payment Option Election form to the date of distribution per the Benefit Payouts Header and Detail Display per the AS/400 system.

Findings:

One lump-sum distribution request dated March 1, 2000 and received by NRS on March 2, 2000, did not occur until March 8, 2000.

NRS Response to Findings:

The established procedure is to issue distribution checks on the 1st, 8th, 15th, and 22nd of each month. The distribution paperwork was received on March 2, 2000 and the funds were distributed on the next payout cycle of March 8, 2000.

Wisconsin Management's Objective Number 11:

Determine whether installment payouts are disbursed in a timely manner.

Procedures:

For a sample of 20 participants from an AS/400 query of new installment payout distribution elections completed by NRS personnel, for the two-year period ended December 31, 2001, we performed the following procedure:

- We verified that new installment payout distributions began on the date requested by the participant by comparing the date specified by the participant on the Benefit Commencement Date and Payment Option Election form to the date of distribution per the AS/400 system.

Findings:

One installment payout distribution request elected a distribution date of March 1, 2002, but the distribution did not occur until March 8, 2002.

NRS Response to Findings:

The participant had originally elected a distribution date of March 1, 2003 in error. When the distribution did not arrive on March 1, 2002 the participant contacted the local office and it was explained that his election date was for 2003, not 2002. NRS staff determined that this was an error on the participant's part and a check was processed on March 8, 2002, which was the next payout check schedule.

Wisconsin Management's Objective Number 12:

Determine whether participant deferrals are properly authorized and recorded in a timely manner.

Procedures:

For a sample of 20 participants from an AS/400 query of new enrollments completed by NRS personnel, of four selected quarters within the two-year period ended December 31, 2001, (quarters ended March 31, 2000, June 30, 2000, June 30, 2001 and September 30, 2001), we performed the following procedures:

- We verified that the participant deferral was authorized by reviewing the participant's signed enrollment form.
- For two payroll periods for each selected participant, we verified that the date the payroll withholding was credited to the participant's account was the same date as receipt of the payroll withholding from the employer.

Findings:

No exceptions noted.

Wisconsin Management's Objective Number 13:

Determine whether participant deferrals are remitted to investment providers in a timely manner.

Procedures:

For a sample of 5 payroll submission dates from the two-year period ended December 31, 2001, (October 2, 2000, November 24, 2000, April 26, 2001, August 10, 2001, and August 28, 2001), we performed the following procedures:

- Agreed the total employer receipts received for the selected payroll submission date per the AS/400 system to the Firststar Bank statement.
- Agreed the total employer receipts received for the selected payroll submission date per the AS/400 system to the "Investment" column trade grand total per the Wisconsin Deferred Compensation Program Daily Activity and Trades (in Dollars) investment matrix.
- Selected one investment option for the selected payroll submission date per the Wisconsin Deferred Compensation Program Daily Activity and Trades (in Dollars) investment matrix and agreed the "Total" column amount for the selected investment option to the account statement from the investment provider.
- Verified that the date the payroll withholding was remitted to the investment provider was within one business day of receipt of the payroll withholding from the employer by NRS.

Findings:

No exceptions noted.

Wisconsin Management's Objective Number 14:

Determine whether reports provided to Wisconsin are complete.

Procedures:

For a sample of two months from the two-year period ended December 31, 2001, (March 2000 and April 2001), we obtained the monthly Wisconsin reporting package and verified the following were included:

- Report #1 Account Summary
- Attachment 1A Firststar Administrative Expense Account Accrual Basis
- Attachment 1B Administrative Expense Assets Accrual Basis
- Attachment 1C Cash Receiving/Expense Accounts
- Attachment 1D Firststar Bank Reconciliation
- Attachment 1E Firststar Bank Statements
- Attachment 1F Investment Provider Statements
- Report #2 2000/2001 Administrative Expense Account Report
- Attachment 2A Detail of Participant Charges
- Attachment 2B Mutual Fund Accounts Receivable
- Attachment 2C Compensation for 2000/2001
- Report #3 Employer's Summary Statement – Dollars
- Report #4 Employer's Summary Statement – Participants
- Report #5 Payout Report
- Report #6 Exchange-Out Report
- Report #7 Exchange-In Report
- Report #8 Firststar Account Analysis Statements
- Untitled GIC Summary
- Untitled Schwab PCRA Self-Directed Option Transfers
- Untitled Statement of Account for the Stable Value Fund

- We obtained the Annual 2000 and 2001 Plan Status Reports and performed the following procedures:
 - Agreed the "Balance as of 12/31" for each investment option and in total to the Employer's Summary Statement – Dollars per the AS/400 system.
 - Agreed the total participants for each investment option and in total to the Employer's Summary Statement – Participants per the AS/400 system.

Findings:

No exceptions noted.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on NRS's administration of the Plan in accordance with the Contract. Accordingly, we do not express such an opinion. 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 Compensation Board, managements of Wisconsin and NRS, and the board of directors of NRS, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 8, 2002

Appendix I

Section I - Overall Satisfaction	Extremely satisfied	Very satisfied	Satisfied	Somewhat satisfied	Not at all satisfied
How satisfied are you with the quality of services provided by the plan administrator?	-	5	2	1	-
How satisfied are you with the accessibility of information regarding the Plan?	1	4	2	-	1
How satisfied are you with the accuracy, timeliness and responsiveness of the plan administrator's staff in addressing the needs of your employees?	-	3	5	-	-
Section II - Service Quality Expectations and Perceptions	Strongly agree	Agree	Somewhat agree	Disagree	N/A - Haven't used
NRS provides timely, responsive service to my entity's requests for assistance.	2	5	1	-	-
NRS account representatives are accessible to me in the event that I have questions about services available to my employees.	3	5	-	-	-
My entity was informed of the Plan and eligibility for participation in a timely manner.	2	5	-	-	1
NRS's personnel are competent, friendly and understand my entity's unique needs.	2	6	-	-	-
My eligible employees are being notified of the Plan in a timely manner.	1	6	-	-	1
My eligible employees are provided appropriate enrollment opportunities.	2	4	1	-	1
Section III - NRS Services					
Please comment on your overall satisfaction with the administration of the Plan for your entity and its employees. Also, please comment on any specific items that NRS performs well or needs improvement in.	1 Overall - Very Good!!				
Please list any other service or plan features you would like to see NRS provide to employers and their employees.	No responses received.				

Appendix II

Section I - Overall Satisfaction	Extremely satisfied	Very satisfied	Satisfied	Somewhat satisfied	Not at all satisfied	Haven't Used
How satisfied are you with the quality of services provided by the plan administrator?	1	10	6	-	-	-
How satisfied are you with the accessibility of information regarding your account?	1	10	5	1	-	-
How satisfied are you with the <u>format/presentation</u> of information regarding your account in your quarterly statement?	3	7	5	2	-	-
...format/presentation of information via the Interactive Voice Response System (IRV)?	-	-	2	-	-	15
...format/presentation of information via the WDC's Internet Website at http://www.WDC457.org ?	1	2	1	-	-	13
How satisfied are you with the <u>accuracy</u> of information regarding your account in your quarterly statement?	2	11	2	2	-	-
...accuracy of information in the IRV?	-	-	3	-	-	14
...accuracy of information on the WDC Web site?	1	3	-	-	-	13
How satisfied are you with the accuracy, timeliness and responsiveness of the plan administrator's staff in applying changes or amendments to your account? *	-	9	7	-	-	-
...changes or amendments through the IRV?	-	-	-	-	-	17
...changes or amendments through the WDC Web site?	-	1	1	-	-	15
Section II (a) - Service Quality Expectations and Perceptions	Strongly agree	Agree	Somewhat agree	Disagree	N/A - Haven't used	
NRS provides timely, responsive service to my requests (consider account representative, IRV, and Web site interaction).	-	10	-	-	7	
NRS account representatives are accessible to me in the event that I have questions about my account when the IRV or Web site cannot serve my needs.	2	5	-	-	10	
The IRV efficiently and effectively handles my requests for information and changes to my account.	1	2	2	-	12	
The WDC Web site is easy to use and it effectively handles my requests for information and changes to my account.	-	3	-	-	14	
NRS's personnel are competent, friendly and understand my unique needs.	1	9	-	-	7	

(Continued)

Section II (b) - Service Quality Expectations and Perceptions	Strongly agree	Agree	Somewhat agree	Disagree	N/A - Haven't used.
I know how to contact a plan representative for questions related to the Plan.	2	14	1	-	-
I may transfer account balances as desired.	4	9	1	-	3
I receive quarterly newsletters.	9	8	-	-	-

Section III - NRS Services

Please comment on your overall satisfaction with the administration of your WDC account. Also, please comment on any specific items that NRS performs well or needs improvement in.

- O.K.
- 1 I personally have never had any problems that I can speak of.
- 2 I have a family emergency and I could use the extra money - but can't - That is the drawback I don't like.
- 3 Years ago I used the internet to access my account. When the site was re-formatted my password no longer worked and I am still not able to access my account on internet.

Please list any other service or plan features you would like to see NRS provide through the IRV, the WDC Web site or its participant service representatives.

No responses received.

* One of the surveyed participants did not respond to this question.