



## Department of Employee Trust Funds Calendar Year 2014

### Background

The Department of Employee Trust Funds (ETF) is responsible for managing the operations of the 14 separate funds used to account for the financial position and activity of the various benefit programs available to state and local public employees. These programs include the Wisconsin Retirement System (WRS) and health and life insurance programs for active and retired employees of the State and participating local governments.

To fulfill our statutory requirement, we conducted a financial audit of ETF by auditing its financial statements in accordance with applicable government auditing standards, issuing our auditor's opinion, reviewing internal controls, and making recommendations for improvements.

### Audit Results and Key Findings

We provided unmodified opinions on the financial statements for the separate funds presented in ETF's [2014 Comprehensive Annual Financial Report](#), which can be found on its website. We provide an unmodified opinion when audit evidence supports the conclusion that the financial statements provide a fair view of an entity's financial activity in accordance with generally accepted accounting principles.

Our audit report includes the [Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters](#).

We found:

- ETF implemented the new pension accounting standards for its 2014 WRS financial statements and notes, and reported a net pension asset of \$2.5 billion.
- The WRS is 100.0 percent funded based on standard actuarial valuations used to determine contribution rates, and 102.7 percent funded based on the new pension accounting standards.
- Contributions for the Long-Term Disability Insurance fund were reinstated, resulting in \$42.3 million in revenue to this fund in 2014.
- Contributions for the Duty Disability Insurance fund were reduced in 2014, resulting in contribution revenue declining from \$53.9 million in 2013 to \$9.3 million in 2014.
- Declines in investment returns realized by the Core and Variable Retirement Investment Trust funds resulted in a decrease in investment income for the WRS and the other benefit programs invested in the Core and Variable funds.

### Audit Recommendation

As part of our audit, we identified errors in the financial statements and related notes, and we again report a significant deficiency in internal control over financial reporting. We recommend ETF take steps to assess its current process for financial reporting and implement additional or changed financial reporting processes that would prevent, or detect in a timely manner, errors in the financial statements and notes.