



STATE OF WISCONSIN
Legislative Audit Bureau

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Joe Chrisman
State Auditor

July 16, 2013

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

As required by s. 13.94(1)(dd), Wis. Stats., and as requested by the Department of Employee Trust Funds, we have completed our 2011 financial audit of the Department. The Department's financial statements report on the financial position and activity of various benefit programs available to state and local public employees, including the Wisconsin Retirement System (WRS) and health and life insurance programs for active and retired employees of the state and participating local governments. The statements, and our unqualified opinion on them, are included in the Department's 2011 Comprehensive Annual Financial Report, which can be found on its website.

The Department was delayed in its financial reporting process for 2011 as it implemented various program and system changes in response to provisions of 2011 Wisconsin Act 10 and 2011 Wisconsin Act 32. It anticipates that its 2012 Comprehensive Annual Financial Report will be issued later in 2013.

The largest program administered by the Department is the WRS, which reported net assets of \$73.9 billion at the end of 2011 and provided benefits totaling \$4.2 billion during 2011. Contributions and investment income were less than benefits, and retirement assets decreased by \$2.0 billion during 2011. At the end of 2011, the WRS was 93.4 percent funded based on the fair value of its assets and 99.9 percent funded based on standard actuarial measures, which smooth investment returns over a five-year period.

Accompanying this letter is a management letter we provided to the Department, which includes an auditor's report on internal control and compliance, as required by *Government Auditing Standards*. We are pleased to note that we did not identify any control or compliance concerns required to be reported under these standards.

Sincerely,

Joe Chrisman
State Auditor

JC/DA/bm

Enclosure

cc: Senator Mary Lazich
Senator Alberta Darling
Senator Kathleen Vinehout
Senator John Lehman
Representative Howard Marklein
Representative John Nygren
Representative Jon Richards
Representative Melissa Sargent

Mr. Robert Conlin, Secretary
Department of Employee Trust Funds