



## Department of Employee Trust Funds Calendar Year 2020

The Department of Employee Trust Funds (ETF) is responsible for administering various benefit programs available to state and local government employees. These programs include the Wisconsin Retirement System (WRS), health and life insurance programs for active and retired employees, and employee reimbursement account programs.

We provided unmodified opinions on the financial statements for the separate funds presented in the 2020 ETF Annual Comprehensive Financial Report (ACFR), which can be found on its website. These financial statements account for the financial position and activity of the eight benefit programs available to state and local public employees. Our financial audit of these programs is report 21-14.

Employers, including the State of Wisconsin, that participate in the WRS and other postemployment benefits (OPEB) plans administered by ETF must meet specific financial reporting requirements in preparing their own financial statements using generally accepted accounting principles. To assist participating employers, ETF prepared employer schedules and related notes for the programs. We provided unmodified opinions on the employer schedules and related notes for the following programs:

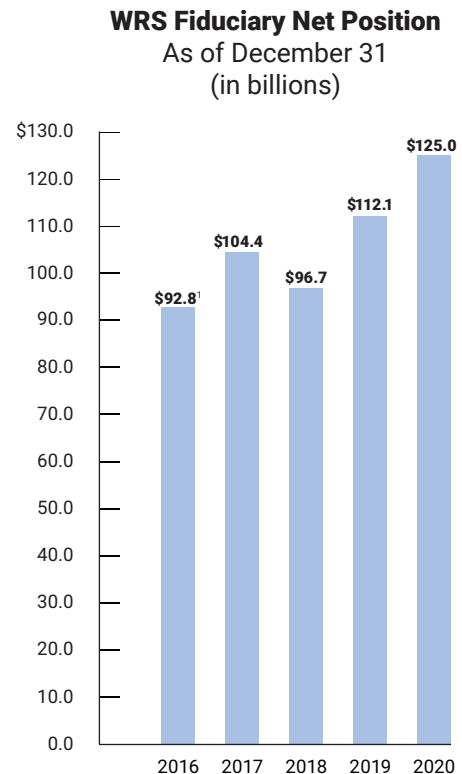
- WRS (report 21-15);
- State Retiree Life Insurance program (report 21-16);
- Local Retiree Life Insurance program (report 21-17); and
- Supplemental Health Insurance Conversion Credit (SHICC) program (report 21-18).

We conducted this financial audit by auditing ETF's financial statements and employer schedules in accordance with applicable government auditing standards, issuing our auditor's opinions, reviewing internal controls, and issuing our auditor's reports on internal control and compliance.

## The fiduciary net position of the WRS increased by 11.5 percent and was \$125.0 billion as of December 31, 2020

The WRS is one of the 10 largest public pension plans in the United States. The WRS fiduciary net position, which represents the resources available to pay pension benefits, increased from \$112.1 billion as of December 31, 2019, to \$125.0 billion as of December 31, 2020. The increase in the WRS fiduciary net position is primarily attributed to an increase in the fair value of investments as of December 31, 2020.

ETF reported a net pension asset for the WRS of \$6.2 billion as of December 31, 2020. The WRS has reported a net pension asset in three of the last five years. We collected information from other pension plans that were part of the WRS peer group and found that the WRS had a funded ratio of 105.3 percent, which was the highest among these plans.



<sup>1</sup> Restated.

## ETF should improve certain aspects of its monitoring of the Employee Reimbursement Accounts/Commuter Benefits program

Of 60 claims we tested that were paid through the Employee Reimbursement Accounts/Commuter Benefits (ERA/CB) program, we found that three were not appropriately substantiated, which we considered to be a significant deficiency in internal control over financial reporting.

The ERA/CB program offers state employees pretax payroll deductions that are credited to an account for the reimbursement of qualifying medical costs, dependent care costs, and transportation expenses, such as bus passes, parking, and other transit costs. For calendar year 2020, ETF contracted with a new third-party administrator for the

program. The third-party administrator then contracted with another entity, referred to as a subservice organization, to perform certain functions, including the review and approval of claims and the reimbursement of participants for qualified expenses.

We recommend that ETF work with the third-party administrator to ensure appropriate steps are taken related to the claims we identified and improve controls to ensure ERA/CB claims are substantiated; and improve its monitoring of the ERA/CB third-party administrator and subservice organization.

## ETF administers five OPEB plans for retired individuals

OPEB refers to the benefits, other than pensions, that a state or local government employee may receive after they have left employment, generally upon retirement. An OPEB plan may include medical, prescription drug, dental,

vision, and other health-related benefits. As of December 31, 2020, the net OPEB liability or asset for each OPEB plan administered by ETF is as follows:

OPEB Plan	Net OPEB (Liability)/Asset
State Retiree Life Insurance program	(\$867.0 million)
Local Retiree Life Insurance program	(\$550.1 million)
Supplemental Health Insurance Conversion Credit program	\$284.8 million
State Retiree Health Insurance program	Not calculated by ETF
Local Retiree Health Insurance program	Not calculated by ETF