

**BRIEFING SHEET**[Report 15-11](#)

August 2015

State Auditor[Joe Chrisman](#)**Wisconsin Retirement System
Calendar Year 2014****Background**

The Wisconsin Retirement System (WRS) is a cost-sharing, multiple-employer, defined-benefit plan that provides post-retirement financial benefits to participating employees, as well as disability and death benefits to participants and their beneficiaries. The Department of Employee Trust Funds (ETF) is responsible for managing the operations of the WRS that interact with nearly 1,500 employers and 604,000 participants as of December 31, 2014, including collecting contributions and paying retirement benefits.

As required by statutes, we conducted a financial audit of the WRS by auditing the 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 an unmodified opinion on the WRS financial statements and notes for calendar year 2014. 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 (GAAP). Our audit report also includes the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. We also found:

- The WRS is funded through investment earnings and annual employer and employee contributions. From 2005 through 2014, investment income represented 76.1 percent of total funding for the WRS and contributions represented 23.9 percent of total funding for the WRS.
- The fiduciary net position of the WRS, which represents the value of the plan's assets that are currently available to make benefit payments, increased from \$89.9 billion as of December 31, 2013, to \$92.2 billion as of December 31, 2014, or by 2.5 percent.
- The WRS benefit payments provided to retirees or their beneficiaries increased from \$4.2 billion in 2013 to \$4.5 billion in 2014, or by 6.5 percent. The average annual annuity paid increased from \$22,911 in 2013 to \$24,185 in 2014, or by 5.6 percent.
- The WRS is nearly 100.0 percent funded based on actuarial valuations used to determine contribution rates, and 102.7 percent funded based on actuarial valuations required under the new pension accounting standards that were implemented by ETF for its 2014 WRS financial statements and notes.
- Under the new pension accounting standards, ETF calculated a net pension asset of \$2.5 billion for the WRS as of December 31, 2014.
- Each participating WRS employer will be responsible for reporting its proportionate share of the net pension asset, and certain other amounts, in its own GAAP-based financial statements. The net pension asset is not available to meet an employer's other obligations because the WRS is an irrevocable trust and these funds can only be used to fund pension benefits. For more information about the allocation of the net pension asset to each participating employer, see report 15-12.

Audit Recommendation

As part of our audit, we identified several errors in the WRS financial statements and notes. ETF corrected the errors after we brought them to its attention. We recommend ETF take steps to assess its current process for financial reporting and implement additional or changed financial reporting processes.

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(608) 266-2818

22 East Mifflin Street
Suite 500
Madison, Wisconsin 53703