



## WISCONSIN LEGISLATIVE AUDIT BUREAU CONTRACT EVALUATION

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August 2001

### **Wisconsin Retirement System - Actuarial Review**

The Legislative Audit Bureau is required by statute to contract for the performance of an actuarial audit of the Wisconsin Retirement System (WRS) at least once every five years. An actuarial audit requires a high level of expertise in a technical area in which Audit Bureau staff do not have specialized technical skills.

After a formal request-for-proposal process, the Audit Bureau awarded a contract to an actuarial firm, Milliman USA, to perform the audit. Milliman USA has had experience performing audits and other actuarial services for other public retirement systems, including the first actuarial audit of the WRS in 1991. The scope of audit services provided in the contract primarily focused on an independent verification and analysis of actuarial assumptions and valuations of the WRS. In addition, the actuarial audit analyzed trends in contribution rates. An analysis of changes to the WRS based on 1999 Wisconsin Act 11 was not included within the scope of this audit.

Milliman USA found the statutorily required actuarial method used to determine WRS liabilities and funding requirements to be reasonable and appropriate for the WRS. Further, Milliman USA concluded that actuarial functions for the WRS are being adequately performed by WRS's consulting actuary and that the WRS actuarial assumptions are reasonable. However, Milliman USA does offer the consulting actuary suggested improvements to consider, ranging from more fully reflecting experience data in assumptions to providing additional information in actuarial reports.

Milliman USA also offered observations on trends in contribution rates, noting that contribution rates in the protective categories have declined more steeply than in other employment categories. An effect of declines in contribution rates has been to provide reduced values for separation, death, and money purchase retirement benefits for participants. Suggested alternatives for addressing these trends would require legislative action.

LEGISLATIVE AUDIT BUREAU

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[full report, PDF file \(2029KB\)](#)