



BRIEFING SHEET

[Report 19-17](#)
September 2019

State Auditor
[Joe Chrisman](#)

Department of Employee Trust Funds

Calendar Year 2018

Background

The Department of Employee Trust Funds (ETF) is responsible for managing the operations of 11 separate funds that account for the financial position and activity of various benefit programs available to state and local government employees. These programs include the Wisconsin Retirement System (WRS) as well as life and health insurance programs for active and retired employees of the State and participating local governments. As required by statutes, we conducted a financial audit of ETF by auditing its financial statements in accordance with applicable government auditing standards, issuing our auditor's opinions, and reviewing internal controls.

Audit Results and Key Findings

We provided unmodified opinions on the financial statements of the separate funds presented in ETF's *2018 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 also includes the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

We found:

- The WRS fiduciary net position, which represents the value of the assets that are currently available to make benefit payments, decreased from \$104.4 billion as of December 31, 2017, to \$96.7 billion as of December 31, 2018, or by 7.3 percent. This decrease is primarily attributable to a decrease in net investment income from a gain of \$14.9 billion in 2017 to a loss of \$4.1 billion in 2018, or by 127.2 percent.
- The WRS fiduciary net position consists of three statutorily required reserves: the employee accumulation reserve, the employer accumulation reserve, and the annuity reserve. These reserves work together to ensure the WRS is accumulating sufficient assets to meet future benefit obligations. Since 2009, the annuity reserve, which accumulates amounts for future benefit obligations for participants receiving benefits, has increased by \$20.5 billion, or 51.6 percent.
- ETF calculated a net pension liability for the WRS of \$3.6 billion as of December 31, 2018. As of December 31, 2017, it had calculated a net pension asset of \$3.0 billion. A decrease in the value of investments is the primary cause of this change.
- The net assets of several benefit programs administered by ETF are invested by the State of Wisconsin Investment Board. Each of these programs was allocated a share of the net investment loss for 2018.
- Other postemployment benefits (OPEB) refer to the benefits, other than pensions, that a state or local government employee may receive after they have left employment, generally upon retirement. ETF calculated a net OPEB liability of \$431.5 million for the State Retiree Life Insurance program and \$258.0 million for the Local Retiree Life Insurance program as of December 31, 2018.



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