



STATE OF WISCONSIN
Department of Employee Trust Funds
A. John Voelker
SECRETARY

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The Honorable Senator Robert Cowles,
Co-Chairperson Joint Legislative Audit Committee
PO Box 7882
Room 118 South
Madison, WI 53707

The Honorable Representative Samantha Kerkman,
Co-Chairperson Joint Legislative Audit Committee
PO Box 8952
Room 315 North
Madison, WI 53709

Dear Chairperson Cowles and Chairperson Kerkman:

The Legislative Audit Bureau's (LAB) Report 21-3: *Department of Employee Trust Funds Calendar Year 2019* recommended the Department of Employee Trust Funds (ETF) provide a status to the Legislative Audit Committee on ETF's efforts to implement LAB's recommendations contained in the report. Overall, the report documents that ETF has improved the administration of its programs and ETF is pleased that no significant concerns were identified. Please find a description of ETF's efforts to implement LAB's two recommendations below.

Group Life Insurance Program Reserves

The LAB recommended that ETF work with the Group Insurance Board (GIB) to establish a written policy requiring periodic reviews of the target ranges for reserves for the Group Life Insurance program and provide the results of these reviews to the GIB.

ETF has taken strides to develop policies detailing target ranges for program reserves and the process for having the GIB regularly monitor the reserves. At its May 12, 2021 meeting, the GIB adopted a policy on managing reserves for the Group Life Insurance program. Since management of the reserves is contracted to the Group Life Insurance program administrator, Securian, the Board codified its existing monitoring tool and program funding status. Annually the Board evaluates the funding status of the program for any possible adjustments that may be necessary. The Board's target is 100% funding; the state pool is funded at 96.5% and the Local pool is funded at 108%. The policy has been incorporated into the GIB Governance manual.

Performance of Program Auditors

The LAB recommended that ETF compile additional information about the performance of program auditors and provide this information to the GIB and the Employee Trust Fund Board.

ETF understands the importance of providing relevant and timely information to the boards and takes the responsibility seriously. As noted in past audit reports, ETF's efforts to ensure that the boards have needed information continues to improve. ETF has implemented a process to ensure the boards are provided additional information about the performance of program auditors.

After any independent audit is completed, ETF's Division of Trust Finance (DTF), Office of Strategic Health Policy (OSHP) and the Office of Internal Audit (OIA) review the results of the audit, including performance of the auditors. ETF prepares a report of these findings and provides the information to the GIB as part of the audit summary. See, for example, page 8 of minutes of the February 17, 2021 GIB meeting, noting that OIA, DTF and OSHP had jointly reviewed the audit for consistency with industry standards.

Currently, there are not any insurance programs under the purview of the ETF Board. ETF proposed in its 2021-2023 state budget request that Income Continuation Insurance (ICI) program oversight be switched from the GIB to the ETF Board. ICI oversight will continue to be provided by the GIB because the proposal was not included in the final version of the budget.

The programs currently overseen by the ETF Board are administered internally by ETF staff, not third-party administrators (TPAs). Therefore, the ETF Board does not hire vendors to conduct compliance or program audits of TPAs. Audits of ETF's program areas are conducted by ETF's independent Office of Internal Audit and the Legislative Audit Bureau.

ETF will continue to look for new opportunities to improve and modernize the administration of ETF's programs. As always, if you have any questions, please do not hesitate to contact me.

Sincerely,



A. John Voelker
Secretary

cc: Joe Chrisman, State Auditor, Legislative Audit Bureau