



BRIEFING SHEET

Report 16-10
December 2016

State Auditor

[Joe Chrisman](#)

Wisconsin Retirement System Calendar Year 2015

Background

The Wisconsin Retirement System (WRS) is a cost-sharing, multiple-employer, defined-benefit pension 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 613,900 participants as of December 31, 2015, 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.

This report was completed later than anticipated due to delays in ETF's financial statement preparation, which was affected by the State's implementation of a new enterprise resource planning system. A significant deficiency in the Department of Administration's centralized cash reconciliations caused additional delays.

Audit Results and Key Findings

We provided an unmodified opinion on the WRS financial statements for calendar year 2015. 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 standards. 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 2006 through 2015, investment income represented 72.6 percent of total funding for the WRS and contributions represented 27.4 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, decreased from \$92.2 billion as of December 31, 2014, to \$88.5 billion as of December 31, 2015, or by 4.0 percent.
- Net investment income declined from \$4.9 billion in 2014 to a loss of \$675.0 million in 2015, or by 113.8 percent.
- Contributions to the WRS remained relatively stable at \$1.9 billion in 2014 and 2015, while benefit payments increased from \$4.5 billion in 2014 to \$4.8 billion in 2015.
- The \$1.6 billion net pension liability of the WRS reported as of December 31, 2015, is a decrease of \$4.1 billion from the net pension asset of \$2.5 billion reported as of December 31, 2014.

Audit Recommendation

We identified several errors in the WRS financial statements and related notes. ETF corrected the errors after we brought them to its attention. We report this as a significant deficiency, and we recommend ETF further improve its financial reporting processes. We also report a significant deficiency in DOA's centralized cash reconciliations, which are relied upon by ETF.

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