



Wisconsin Retirement System Calendar Year 2019

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 the over [1,500 employers](#) and [640,000 participants](#) as of December 31, 2019. Employers, including the State of Wisconsin, that participate in the WRS must meet specific financial reporting requirements in preparing their own financial statements using generally accepted accounting principles. To assist participating employers, ETF prepared employer schedules and related notes for the WRS.

As required by statutes, we conducted an audit of the WRS financial statements and related notes. In addition, as requested by ETF, we conducted an audit of the WRS employer schedules and the related notes. We conducted our audits in accordance with applicable government auditing standards, issued our auditor's opinions, and reviewed internal controls.

Audit Results and Key Findings

We provided [unmodified opinions](#) on the financial statements, employer schedules and related notes of the WRS, which can be found on ETF's 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, and the schedules provide a fair view of the allocations and total amounts related to the benefit program. Our audit reports also include the [Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters](#). We published our findings in the following reports: Wisconsin Retirement System ([report 20-14](#)) and Wisconsin Retirement System Reporting for Participating Employers ([report 20-15](#)).

We found:

- The [fiduciary net position of the WRS](#), which represents the resources available to pay pension benefits, increased from \$96.7 billion as of December 31, 2018, to \$112.1 billion as of December 31, 2019, or by 15.9 percent. The increase is primarily attributed to an increase in net investment income.
- As of December 31, 2019, 56.8 percent of the \$112.1 billion WRS fiduciary net position was held in a reserve to fund retired participant benefits. This reserve balance increased \$22.6 billion in the past ten years due to a [38.1 percent increase in retired participants](#).
- For the WRS, ETF calculated a [net pension asset of \\$3.2 billion](#), as of December 31, 2019. As of December 31, 2018, it had calculated a net pension liability of \$3.6 billion. This change is primarily attributed to the increase in the fair value of investments.

Recommendation

We reviewed a [statutory limitation for Core Fund annuities](#) and recommend ETF continue to analyze the risk of depleting the reserve for dividend adjustments and develop a written plan to address it.