



BRIEFING SHEET

Report 18-10
October 2018State Auditor
[Joe Chrisman](#)

Department of Employee Trust Funds

Calendar Year 2017

Background

The Department of Employee Trust Funds (ETF) is responsible for managing the operations of 12 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 opinion, 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 *2017 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 in which we report a significant deficiency in internal control related to user access to a critical ETF information technology system.

We found:

- The WRS fiduciary net position, which represents the value of the assets that are currently available to make benefit payments, increased from \$92.6 billion as of December 31, 2016, to \$104.4 billion as of December 31, 2017, or by 12.8 percent. This increase is primarily attributable to an increase of net investment income from \$7.3 billion in 2016 to \$14.9 billion in 2017, or by 104.5 percent.
- ETF calculated a net pension asset for the WRS of \$3.0 billion as of December 31, 2017. As of December 31, 2016, it had calculated a net pension liability for the WRS of \$0.8 billion.
- The Governmental Accounting Standards Board (GASB) has issued new accounting standards applicable to other postemployment benefit (OPEB) plans, which ETF adopted for its 2017 financial statements. OPEB refers to the benefits, other than pensions, that a state or local government employee may receive after they have left employment, generally upon retirement.
- ETF administers four separate OPEB plans for retired individuals: the State Retiree Life Insurance program, the Local Retiree Life Insurance program, the State Retiree Health Insurance program, and the Local Retiree Health Insurance program.

Recommendation

We recommend ETF review its procedures for tracking requested access changes to a critical information technology system to ensure that access changes are made as requested.



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