

**BRIEFING SHEET**

October 2018

**State Auditor**[Joe Chrisman](#)**Employer Reporting for  
Certain Benefit Programs**

(Reports 18-11, 18-12, 18-13, and 18-14)

**Background**

The Department of Employee Trust Funds (ETF) is responsible for administering 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. Our financial audit of these programs is report 18-10. In 2015, the Governmental Accounting Standards Board issued new accounting standards for other postemployment benefits (OPEB). 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.

Employers, including the State of Wisconsin, that participate in the WRS and OPEB programs administered by ETF must meet specific financial reporting requirements in preparing their own financial statements using generally accepted accounting principles (GAAP). To assist participating employers, employer schedules and related notes were prepared.

**Audit Results and Key Findings**

We audited the employer schedules and related notes, issued our unmodified auditor's opinions, and reviewed internal controls in accordance with applicable government auditing standards. An unmodified opinion indicates the auditor has concluded that the schedules provide a fair view of the allocations and total amounts related to the benefit program. Each audit report also includes 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: WRS Reporting for Participating Employers (report 18-11); Local Retiree Life Insurance Reporting for Participating Employers (report 18-12); State Retiree Life Insurance Reporting for the State of Wisconsin (report 18-13); and State Retiree Health Insurance Reporting for the State of Wisconsin (report 18-14).

For the Local Retiree Life Insurance program and the State Retiree Life Insurance program, which are both OPEB plans, ETF calculated a net OPEB liability of \$300.9 million and \$493.5 million, respectively, as of December 31, 2017. A net OPEB liability indicates the projected liability for benefit payments to employees exceeded the assets of these funds. The Group Insurance Board, which oversees these programs, plans to review program funding policies at its November 2018 meeting.

The State Retiree Health Insurance program offers retirees who are not yet eligible for Medicare the option to participate in the State's Group Health Insurance program. The Department of Administration (DOA), which prepared the schedules for the State Retiree Health Insurance program, calculated a total OPEB liability of \$719.3 million for the program as of June 30, 2017. Premiums are established and collected based on the current needs of the program, and assets are not accumulated to pay future benefits. The total liability will be reported in the State's Comprehensive Annual Financial Report for fiscal year 2017-18.

**Recommendation**

We recommend DOA work with the actuary for the State Retiree Health Insurance program to more thoroughly evaluate and support the assumed participation rate upon which the total OPEB liability will be calculated as of June 30, 2018, and used for financial reporting for the fiscal year ended June 30, 2019.

[Printer Friendly Version](#)**Legislative Audit Bureau**[www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab)

(608) 266-2818

22 East Mifflin Street  
Suite 500  
Madison, Wisconsin 53703