STATE OF WISCONSIN
Legislative Audit Bureau
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Report 26-16
September 2026

Supplemental Health Insurance Conversion Credit Program Reporting for Participating Employers

Calendar Year 2025

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Opinions Published Separately

The employer schedules and our opinions on them are available on the Department of Employee Trust Funds' website.

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Legislative Audit Bureau

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State Auditor

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September 10, 2026

Senator Eric Wimberger and
Representative Robert Wittke, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Wimberger and Representative Wittke:

As requested by the Department of Employee Trust Funds (ETF), we have completed an audit of the Schedule of Employer Allocations of the Supplemental Health Insurance Conversion Credit (SHICC) program, the Schedule of Collective OPEB Amounts of the SHICC program, and the related notes to these employer schedules as of and for the year ended December 31, 2025. These employer schedules and our unmodified opinions on them may be found on ETF's website.

ETF administers two sick leave programs, which include the basic Accumulated Sick Leave Conversion Credit (basic ASLCC) program and the SHICC program. Employees may be eligible for these programs if employed by the State of Wisconsin, including the University of Wisconsin (UW) System, and certain state authorities such as UW Hospitals and Clinics Authority. The basic ASLCC program allows eligible employees to convert unused sick leave balances earned during their employment to a balance for use in paying postemployment premiums for state group health insurance coverage after they terminate state service, including through retirement, layoff, or death.

Under ss. 40.95 and 230.12 (9) Wis. Stats., the SHICC program provides certain eligible employees additional sick leave hours at termination that increase the balance available to pay for health insurance premiums. The SHICC program is considered an other postemployment benefits (OPEB) plan because it provides benefits to employees only upon termination and based on meeting certain requirements at termination. 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. An OPEB plan may include medical, prescription drug, dental, vision, and other health-related benefits, whether provided separately or through a pension plan. An OPEB plan may also include death benefits, life insurance, and long-term care coverage, when provided separately from a pension plan.

We also audited the financial statements and related notes of the SHICC program as of and for the year ended December 31, 2025, and provided our unmodified opinion on them, as detailed in report 26-15, which we also published today. The fiduciary net position of the SHICC program, which represents resources available to pay benefits, increased from $1.3 billion as of December 31, 2024, to $1.4 billion as of December 31, 2025, or by 10.1 percent.

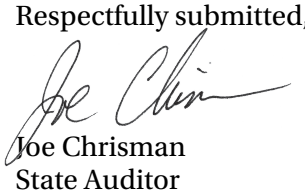
Accounting standards issued by the Governmental Accounting Standards Board (GASB) require the calculation of a net OPEB liability or asset, which represents the difference between the fiduciary net position reported in the financial statements and the total OPEB liability calculated by the actuary. As of December 31, 2025, ETF calculated a net OPEB asset for the SHICC program of $25.2 million, which is an increase of $40.2 million, or 268.0 percent, from the net OPEB liability of $15.0 million calculated as of

December 31, 2024. This increase is primarily attributed to the increase in the total OPEB liability being less than the increase in fiduciary net position.

The State of Wisconsin's commitment to provide postemployment benefits under the SHICC program results in an obligation to make contributions into the future to ensure that sufficient resources are available to make the benefit payments. Therefore, the State of Wisconsin has responsibility for the resulting OPEB obligations and will report the net OPEB asset for the SHICC program in the financial statements in the State's ACFR for the year ended June 30, 2026. In addition, the employer schedules will be used by state agencies and authorities that are part of the State's financial reporting entity but that prepare separately issued financial statements. Additional information related to the OPEB accounting standards is included in report 26-15.

The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, which is required by *Government Auditing Standards*, begins on page 5.

Respectfully submitted,



Joe Chrisman
State Auditor

JC/BG/ss

Auditor's Report

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Senator Eric Wimberger and
Representative Robert Wittke, Co-chairpersons
Joint Legislative Audit Committee

Members of the Employee Trust Funds Board and
Ms. Diana Felsmann, Secretary
Department of Employee Trust Funds

We have audited the Supplemental Health Insurance Conversion Credit program Schedule of Employer Allocations and the related notes as of and for the year ended December 31, 2025. We have also audited the columns titled Net OPEB Liability (Asset), Total Deferred Outflows of Resources Excluding Employer Specific Amounts, Total Deferred Inflows of Resources Excluding Employer Specific Amounts, and Plan OPEB Expense (Revenue) included in the Supplemental Health Insurance Conversion Credit program Schedule of Collective OPEB Amounts and the related notes as of and for the year ended December 31, 2025. The Supplemental Health Insurance Conversion Credit program is administered by the State of Wisconsin Department of Employee Trust Funds (ETF). We have issued our report thereon dated September 9, 2026. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* which is issued by the Comptroller General of the United States. The employer schedules and related auditor's opinions have been included in the *GASB 75 Employer Schedules Supplemental Health Insurance Conversion Credit Program* report for 2025.

We have also audited the financial statements and related notes of the Supplemental Health Insurance Conversion Credit program as of and for the year ended December 31, 2025, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. We expressed an unmodified opinion, dated September 9, 2026, on those financial statements. In addition, we issued the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, dated September 9, 2026, and included in report 26-15, related to the audit of the financial statements.

Report on Internal Control over Financial Reporting

Management of ETF is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the employer schedules, we considered ETF's internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the employer schedules, but not for the purpose of expressing an opinion on the effectiveness of ETF's internal control. Accordingly, we do not express an opinion on the effectiveness of ETF's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent misstatements or to detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Supplemental Health Insurance Conversion Credit program employer schedules will not be prevented or that a material misstatement will not be detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Supplemental Health Insurance Conversion Credit program employer schedules are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the employer schedules. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be used when considering ETF's internal control and compliance. The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of ETF's internal control or on compliance. Accordingly, this report is not suitable for any other purpose.

LEGISLATIVE AUDIT BUREAU

September 9, 2026