



STATE OF WISCONSIN
Legislative Audit Bureau
NONPARTISAN • INDEPENDENT • ACCURATE

Report 24-12
September 2024

Wisconsin Retirement System Reporting for Participating Employers

Calendar Year 2023



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Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau.

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Opinions Published Separately

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



STATE OF WISCONSIN
Legislative Audit Bureau

Joe Chrisman
State Auditor

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September 12, 2024

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 Wisconsin Retirement System (WRS), the Schedule of Collective Pension Amounts of the WRS, and the related notes to these schedules as of and for the year ended December 31, 2023. These schedules and our unmodified opinions on them may be found on ETF's website.

We also audited the financial statements and related notes of the WRS as of and for the year ended December 31, 2023, and provided our unmodified opinion on them, as detailed in report 24-11, which we also published today. The WRS fiduciary net position, which represents resources available to pay pension benefits, increased from \$118.4 billion as of December 31, 2022, to \$127.7 billion as of December 31, 2023, or by 7.9 percent. This increase is primarily attributable to an increase in the value of investments.

Accounting standards for pension plans, issued by the Governmental Accounting Standards Board (GASB), require the calculation of a net pension liability or asset, which is represented by the difference between the fiduciary net position reported in the financial statements and the total pension liability calculated by the actuary. ETF calculated a net pension liability for the WRS of \$1.5 billion as of December 31, 2023. This is a \$3.8 billion change from the \$5.3 billion net pension liability calculated as of December 31, 2022.

Under accounting standards, each of the more than 1,600 employers participating in the WRS will be required to report its proportionate share of the net pension liability on its financial statements if prepared in accordance with generally accepted accounting principles (GAAP). As of December 31, 2023, the proportionate share of the net pension liability for all State of Wisconsin agencies was \$431.4 million, or 29.0 percent of the total net pension liability. Of this amount, \$200.0 million related to the University of Wisconsin System. The net pension liability for the state agencies will be reported in the State's Annual Comprehensive Financial Report (ACFR) as of and for the year ended June 30, 2024. Additional information related to the accounting standards for pensions is included in report 24-11.

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,

A handwritten signature in cursive script that reads "Joe Chrisman".

Joe Chrisman
State Auditor

JC/ES/ss



Auditor's Report





Legislative Audit Bureau

Joe Chrisman
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Hotline: 1-877-FRAUD-17www.legis.wisconsin.gov/lab
AskLAB@legis.wisconsin.gov**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
Mr. A. John Voelker, Secretary
Department of Employee Trust Funds

We have audited the Wisconsin Retirement System Schedule of Employer Allocations and the related notes as of and for the year ended December 31, 2023. We have also audited the columns titled Net Pension Liability (Asset), Total Deferred Outflows of Resources Excluding Employer Specific Amounts, Total Deferred Inflows of Resources Excluding Employer Specific Amounts, and Plan Pension Expense (Revenue) included in the Wisconsin Retirement System Schedule of Collective Pension Amounts and the related notes as of and for the year ended December 31, 2023. The Wisconsin Retirement System is administered by the Department of Employee Trust Funds (ETF). We have issued our report thereon dated September 10, 2024. 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 schedules and related auditor's opinions have been included in the *GASB 68 Employer Schedules of the Wisconsin Retirement System* report for 2023.

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 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 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 Wisconsin Retirement System 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 Wisconsin Retirement System 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 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*.

We have also audited the financial statements and related notes of the Wisconsin Retirement System as of and for the year ended December 31, 2023, 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 10, 2024, 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 10, 2024, and included in report 24-11, related to the audit of the financial statements.

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 10, 2024