Report 15-17 December 2015

State Auditor Joe Chrisman

Wisconsin Retirement System Actuarial Audit

The Wisconsin Retirement System (WRS)

Background

is a cost-sharing, multiple-employer, defined-benefit 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, including collecting contributions and paying retirement benefits. ETF hires an actuary to perform calculations to project future benefit payments and liabilities, and to recommend contribution rates that help to provide future assets to fund future benefit payments.

the WRS. After a formal request-for-proposal process, a contract was awarded to the Segal Company (Segal) to conduct an independent audit of the actuarial valuation as of December 31, 2013, and the 2009-2011 experience study. The objective of the limited-scope actuarial

audit was to evaluate the work of ETF's

As required by statute, we contracted for the performance of an actuarial audit of

consulting actuary and to express an opinion regarding the reasonableness and accuracy of the actuarial assumptions, methods, valuation results, and contribution rates. The actuarial audit was conducted by Segal in accordance with the standards of practice prescribed by the Actuarial Standards Board. We managed the audit contract with Segal but were not involved in the fieldwork, analysis, or writing of the actuarial audit report.

Its actuarial audit validated the 2013 WRS actuarial valuation and the results of

Segal reported that:

Audit Results and Key Findings

statutorily required to complete an experience study every three years to assess whether the actuarial assumptions reflect the actual experience of the WRS. The actuarial cost method and asset valuation method used for the WRS conformed with Actuarial Standards of Practice, and the five-year smoothing mechanism was reasonable.

the experience study, which covered the period from December 31, 2009, through December 31, 2011. ETF is

the actuarially accrued liability for some WRS members, particularly for those with less than one year of service. The 7.2 percent investment return assumption was reasonable for the

WRS, based on its evaluation using

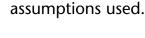
proprietary software.

Differences were identified in calculating

Audit Recommendations

To improve the consulting actuary's annual actuarial valuations, Segal made several recommendations, including clarifying how the different asset values are used, setting a specific price inflation assumption, and reviewing mortality experience separately for each job classification. To improve the overall evaluation of the WRS experience, Segal recommended that ETF consider whether using five years of data in each

experience study would provide for an improved assessment of the actuarial



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