



State of Wisconsin
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

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December 6, 2017

JOE CHRISMAN, STATE AUDITOR
LEGISLATIVE AUDIT BUREAU
22 E MIFFLIN ST SUITE 500
MADISON WI 53703

Dear Mr. Chrisman,

Thank you for the opportunity to review and comment on the 2016 audit of the Department of Employee Trust Funds (ETF). As your report confirms, the Wisconsin Retirement System (WRS) continues to be in a strong financial position. The funding ratio of nearly 100% under the funding methodology demonstrates this. The funding ratio calculated under the Governmental Accounting Standards Board (GASB) financial reporting methodology of 99.1% is the highest funded ratio among the WRS peer group and increased from 98.2% the prior year.

ETF has made improvements to its financial reporting process this year and I am pleased LAB staff have recognized this. The issue related to the investment earnings allocation was a staff error and was communicated to one staff during the prior audit. After ETF management became aware of the issue during the 2016 audit, a complete review of the process was undertaken, the cause was identified and the correction was made. We also initiated a communication protocol with LAB staff to bring issues to management's attention.

I am also pleased the report recognized improvements in ETF's monitoring of third party administrators that ETF staff initiated back in June of 2015. ETF staff will continue to require service organization audit reports from third party administrators and will review them.

Regarding the Income Continuation Insurance program, as the report documents, ETF initiated various actions to address the funding status of the state program. ETF staff and its consulting actuary continue to monitor the financial status of the program. Complete information and a review of the liabilities, including the effect on fund balance, is included in the annual actuarial valuation which is provided to the Group Insurance Board in May of each year.

Page 2
December 6, 2017

In closing, we appreciate the time and effort provided by the audit team as well as the professional working relationship.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Conlin". The signature is written in a cursive style with a large initial "R" and a stylized "C".

Robert J. Conlin
Secretary