



STATE OF WISCONSIN

Legislative Audit Bureau

Joe Chrisman
State Auditor

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September 30, 2021

Members of the Employee Trust Funds Board and
Mr. A. John Voelker, Secretary
Department of Employee Trust Funds
4822 Madison Yards Way
Madison, Wisconsin 53705

Dear Members of the Employee Trust Funds Board and Secretary Voelker:

We have completed our audit of the financial statements, which include the related notes, of the employee benefit programs administered by the Department of Employee Trust Funds (ETF) as of and for the year ended December 31, 2020. These financial statements and notes are included in the 2020 ETF Annual Comprehensive Financial Report (ACFR).

We have also completed our audit of the following employer schedules prepared by ETF:

- Schedule of Employer Allocations of the Wisconsin Retirement System (WRS) and the total amounts reported in the Schedule of Collective Pension Amounts of the WRS, which include the related notes, as of and for the year ended December 31, 2020;
- Schedule of Employer Allocations of the State Retiree Life Insurance program and the total amounts reported in the Schedule of Collective OPEB Amounts of the State Retiree Life Insurance program, which include the related notes, as of and for the year ended December 31, 2020;
- Schedule of Employer Allocations of the Local Retiree Life Insurance program and the total amounts reported in the Schedule of Collective OPEB Amounts of the Local Retiree Life Insurance program, which include the related notes, as of and for the year ended December 31, 2020; and
- Schedule of Employer Allocations of the Supplemental Health Insurance Conversion Credit (SHICC) program and the total amounts reported in the Schedule of Collective OPEB Amounts of the SHICC program, which include the related notes, as of and for the year ended December 31, 2020.

We are required by professional auditing standards to ensure that certain matters related to the conduct of the audit are communicated to those charged with governance, such as the Secretary of ETF and the ETF Board, which have responsibility for oversight of the financial reporting process. As part of the required communication, the rest of this document discusses our audit authority and responsibility, the audit results, and other required auditor communications. Although this document is a matter of public record, it is intended solely for the information and use of members of the ETF Board and ETF's management and is not intended to be and should not be used by anyone other than these specified parties.

Audit Authority, Responsibility, and Scope

As required under s. 13.94, Wis. Stats., and as requested by ETF, the Legislative Audit Bureau audited the financial statements and employer schedules, as described above, as of and for the year ended December 31, 2020. We conducted the financial audit in accordance with generally accepted auditing standards issued by the American Institute of Certified Public Accountants and *Government Auditing Standards*, which is issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and employer schedules are free from material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements and employer schedules. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and employer schedules.

As required by auditing standards, the Bureau obtained an understanding of ETF and its environment, including its internal control, for the purpose of assessing the risks of material misstatement of the financial statements and employer schedules and establishing a basis for determining the nature, timing, and extent of further auditing procedures necessary for expressing an opinion on the financial statements of each of the employee benefit programs and on each of the employer schedules. The Bureau also tested ETF's compliance with provisions of applicable laws, regulations, and contracts that have a material effect on the financial statements or employer schedules as part of obtaining reasonable assurance about whether the financial statements and employer schedules are free from material misstatement. However, consideration of ETF's internal control and its compliance is solely for the purpose of determining our audit procedures and not to provide any assurances.

Audit procedures are designed to provide reasonable assurance about whether the financial statements and employer schedules are free from material misstatement. However, the inherent limitations of an audit, together with the inherent limitations of internal control, result in an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with generally accepted auditing standards and *Government Auditing Standards*.

In performing this audit, we assessed the possibility that fraud may have occurred; noncompliance with the provisions of laws, regulations, and contracts may have occurred, and designed audit tests accordingly. However, it should be recognized that the audit provides no assurance that fraud or instances of noncompliance other than those having a material effect on the financial statements or employer schedules will be detected.

ETF retains responsibility for the preparation and fair presentation of the financial statements and employer schedules, related notes, and required supplementary information in accordance with accounting principles generally accepted in the United States of America; the design, implementation, and maintenance of adequate internal control; and compliance with provisions of applicable laws, regulations, and contracts. At the conclusion of an audit, management provides certain representations about the aforementioned responsibilities. Included with this letter are copies of the written representations obtained from management during the audits. The Bureau may advise ETF about appropriate accounting principles and their application. However, the selection and method of application are responsibilities solely of ETF.

The financial statements and related notes included in the 2020 ETF ACFR have been audited. As noted in the independent auditor's report on the financial statements, we express no opinion on the required

supplementary information included on pages 18 through 33 and pages 104 through 116. In addition, we express no opinion on the supplementary information included in the sections titled Introductory Section; Statistical Section; Actuarial Section; Investment Section; and Contributions Paid and Employer Unfunded Liability Balances.

The employer schedules for the WRS, the State Retiree Life Insurance program, the Local Retiree Life Insurance program, and the SHICC program, which are included in separately issued reports prepared by ETF, have also been audited.

Audit Results

We issued unmodified opinions on the financial statements for the programs presented in the 2020 ETF ACFR, as of and for the year ended December 31, 2020. In that report, we issued the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, which is included in report 21-14. In this report, we identified a significant deficiency in internal control related to Employer Reimbursement Accounts/Commuter Benefits program claims and we recommended ETF work with the third-party administrator to ensure appropriate steps are taken related to the inappropriate claims we identified and to evaluate and improve controls to ensure program claims are substantiated; and to improve its monitoring over the third-party administrator and subservice organizations. ETF's response is included in report 21-14. We will follow up on this finding in a future audit. We did not identify any other internal control, compliance, or other matters required to be reported under *Government Auditing Standards*.

We have also issued unmodified opinions on the employer schedules for the WRS, the State Retiree Life Insurance program, the Local Retiree Life Insurance program, and the SHICC program, as described in the following paragraphs.

We issued unmodified opinions on the Schedule of Employer Allocations of the WRS and the totals for 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 the Plan Pension Expense (Revenue) in the Schedule of Collective Pension Amounts of the WRS, as of and for the year ended December 31, 2020, which are included in ETF's separately issued report. In addition, we have issued the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, which is included in report 21-15. We did not identify any internal control, compliance, or other matters required to be reported under *Government Auditing Standards*.

We issued unmodified opinions on the Schedule of Employer Allocations of the State Retiree Life Insurance program and the totals for 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 in the Schedule of Collective OPEB Amounts of the State Retiree Life Insurance program as of and for the year ended December 31, 2020, which are included in ETF's separately issued report. In addition, we have issued the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, which is included in report 21-16. We did not identify any internal control, compliance, or other matters required to be reported under *Government Auditing Standards*.

We issued unmodified opinions on the Schedule of Employer Allocations of the Local Retiree Life Insurance program and the totals for 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 in the Schedule of Collective OPEB Amounts of the Local Retiree Life Insurance program as of and for the year ended December 31, 2020, which are included in ETF's separately issued report. In addition, we have issued the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, which is included in report 21-17. We did not identify any internal control, compliance, or other matters required to be reported under *Government Auditing Standards*.

We issued unmodified opinions on the Schedule of Employer Allocations of the SHICC program and the totals for 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) in the Schedule of Collective OPEB Amounts of the SHICC program as of and for the year ended December 31, 2020, which are included in ETF's separately issued report. In addition, we have issued the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, which is included in report 21-18. We did not identify any internal control, compliance, or other matters required to be reported under *Government Auditing Standards*.

Other Auditor Communications

The following areas of required communication are intended to assist you in further understanding ETF's financial statements, the employer schedules, and the audit process.

Significant Accounting Policies and Financial Statement and Employer Schedules Disclosures

The financial statements and employer schedules were prepared by ETF's management with the oversight of the ETF Board following accounting principles generally accepted in the United States of America. The significant accounting policies used in the preparation of the financial statements and employer schedules are discussed in the related notes to the financial statements and employer schedules. Auditing standards require the auditor to communicate our views about the qualitative aspects of the entity's significant accounting policies and financial statement disclosures, including instances in which we consider a significant accounting practice used by management not to be the most appropriate to the particular circumstances of the entity. We noted no such significant matters that require disclosure.

Accounting Estimates

Accounting estimates are an integral part of the financial statements and employer schedules and are based on management's current judgments. Estimated values reported in the financial statements and employer schedules may differ from the values that would have been used had actual amounts been known. Auditing standards require the auditor to communicate the process used by management to formulate particularly sensitive accounting estimates, including fair value estimates, and the basis for our conclusion on the reasonableness of those estimates. In the following paragraphs we describe the more significant accounting estimates presented in the financial statements, employer schedules, and related note disclosures.

The financial statements, employer schedules, and related note disclosures include actuarially determined liabilities and other amounts that are estimated, including:

- the liabilities reported in the financial statements of the Duty Disability Insurance fund, Health Insurance fund, and Income Continuation Insurance fund;

- the amounts disclosed in the notes to the financial statements as the net pension asset for the WRS, the net OPEB liability for the State Retiree Life Insurance program, the net OPEB liability for the Local Retiree Life Insurance program, and the net OPEB asset for the SHICC program;
- the total amounts reported in the Schedule of Collective Pension Amounts of the WRS; and
- the total amounts reported in the Schedule of Collective OPEB Amounts of the State Retiree Life Insurance program, the Local Retiree Life Insurance program, and the SHICC program.

Management's process to estimate these amounts includes the hiring of qualified actuaries who estimate liabilities and other amounts based on assumptions that included, but were not limited to, investment returns, salary projections, service periods, and mortality rates. We based our conclusion regarding the reasonableness of these estimates on, among other things, the qualifications and reputation of the actuaries, the accuracy of information provided to the actuary, and the consistency of information in the actuarial valuation with other available information. Additionally, we hired an independent actuarial firm to review the actuarial assumptions and methods used by management's actuary for the State Retiree Life Insurance program, Local Retiree Life Insurance program, and the SHICC program.

The amount reported as the liability for the basic Accumulated Sick Leave Conversion Credit program is calculated based upon the method prescribed by Governmental Accounting Standards Board (GASB) Statement Number 16, *Accounting for Compensated Absences*. Management's process to calculate this liability is based upon employee's sick leave balance at the end of the year, the employee's current rate of pay, and an estimate of the probability that current active employees will receive an amount, upon termination, to pay for health insurance premiums. In estimating the probability, management used information that was developed by the actuary. We based our conclusion regarding the reasonableness of this estimate on, among other things, the qualifications and reputation of the actuary, the accuracy of the data used in the calculation, and the consistency of information with other available information.

The investments held by the Retirement Funds are generally reported at fair value based on various sources of pricing information, as more fully disclosed in Note 3 to the financial statements. Depending on the type of investment, management has to make assumptions regarding the accuracy of the pricing information. The types of pricing information included, but were not limited to, quoted market prices on a publicly traded exchange; third-party pricing methods, such as independent appraisals; reports from asset managers and custodial banks; independent auditors' reports; a pricing matrix system that estimates discounted cash flows; and historical cost, if no other reliable information is available. We based our conclusion regarding the reasonableness of these estimates on, among other things, the quality and independence of the source of information, the qualifications and reputation of any specialists who provided pricing information, the effectiveness of controls in place at the State of Wisconsin Investment Board to obtain and review pricing information, the ability of management to override such controls, the effectiveness of controls in place at the external managers or custodial banks to generate and provide pricing information, general market conditions during and subsequent to our audit period, and the results of previous estimates.

The amounts reported as each employer's proportionate share in the Schedule of Employer Allocations of the WRS are based upon an estimate using the contributions made by the employer for the three most-recent calendar years compared to the average required contribution for all employers for the same period. Further,

if an employer did not participate in the WRS for all three years, its average employer contributions are based on the years in which it participated. In instances in which employers merged, prior-year contributions are restated based on the status in the final year. We based our conclusion regarding the reasonableness of this estimate on, among other things, verification of the source of the contribution amounts and recalculation of the proportionate share by employer.

The amounts reported as each employer's proportionate share in the Schedule of Employer Allocations of the State Retiree Life Insurance program and of the Local Retiree Life Insurance program are based upon the proportion each employer was billed for the calendar year compared to the total of all employers using information provided by the third-party administrator. We based our conclusion regarding the reasonableness of this estimate on, among other things, verification of the source of the contribution amounts and recalculation of the proportionate share by employer.

The amounts reported as each employer's proportionate share in the Schedule of Employer Allocations of the SHICC program are based upon an estimate using the contributions made by the employer for the calendar year. We based our conclusion regarding the reasonableness of this estimate on, among other things, verification of the source of the contribution amounts and recalculation of the proportionate share by employer.

Significant Difficulties

For purposes of this communication, auditing standards define a significant difficulty as a significant delay in management providing required information, an unnecessarily brief time within which to complete the audit, extensive unexpected effort required to obtain sufficient appropriate audit evidence, the unavailability of expected information, restrictions imposed on the auditors by management, or management's unwillingness to provide information about management's plans for dealing with the adverse effects of the conditions or events that lead the auditor to believe there is substantial doubt about the entity's ability to continue as a going concern. We are pleased to report that no such significant difficulties arose during our audit.

Audit Adjustments and Uncorrected Misstatements

For purposes of this communication, auditing standards define an audit adjustment as a proposed correction of the financial statements and employer schedules that, in our judgment, may not have been detected except through our auditing procedures. Our thresholds for reporting were developed in accordance with generally accepted auditing standards.

During the course of our work, we recommended several adjustments to ETF's financial statements, employer schedules, related notes, and required supplementary information. However, none of the individual adjustments or the aggregate of the adjustments met our threshold for reporting. Further, we did not identify any unadjusted errors in excess of our thresholds for reporting.

Disagreements with Management

For purposes of this communication, auditing standards define a disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements, employer schedules, or the auditor's reports. We are pleased to report that no such disagreements arose during our audit.

Members of the Employee Trust Funds Board and
Mr. A. John Voelker, Secretary
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Significant Issues Discussed or Subject to Correspondence with Management

Auditing standards require the auditor to communicate with those charged with governance any significant issues that were discussed or were the subject of correspondence with management. The most significant issue discussed with management during the audit was the significant deficiency in internal control over financial reporting related to the processing of claims for the Employee Reimbursement Accounts/Commuter Benefits program.

We appreciate the courtesy and cooperation extended to us by ETF staff during the audit.

Sincerely,


Erin Scharlau
Financial Audit Director

ES/BW/ms

Enclosure

cc: Ms. Shirley Eckes, Deputy Secretary
Department of Employee Trust Funds

Ms. Cindy Klimke-Armatoski, Chief Trust Financial Officer
Division of Trust Finance
Department of Employee Trust Funds

Ms. Yikchau Sze, Director
Office of Internal Audit
Department of Employee Trust Funds



STATE OF WISCONSIN
Department of Employee Trust Funds
A. John Voelker
SECRETARY

Wisconsin Department
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September 28, 2021

Erin Scharlau, Financial Audit Director
Legislative Audit Bureau
22 East Mifflin Street, Suite 500
Madison, Wisconsin 53703

Dear Ms. Scharlau:

This representation letter is provided in connection with your audit of the financial statements for each of the programs administered by the Department of Employee Trust Funds (ETF) and presented in its 2020 *Annual Comprehensive Financial Report* for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. These financial statements are comprised of:

- Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, and the related notes for the following fiduciary funds as of and for the year ended December 31, 2020—Wisconsin Retirement System, Supplemental Health Insurance Conversion Credit, Employee Reimbursement Accounts/Commuter Benefits, State Retiree Life Insurance, Local Retiree Life Insurance, Milwaukee Retirement Systems, and Local Retiree Health Insurance;
- Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, Statement of Cash Flows, and the related notes for the following proprietary funds as of and for the year ended December 31, 2020—Duty Disability Insurance, Health Insurance, Income Continuation Insurance, State Retiree Health Insurance, and Accumulated Sick Leave Conversion Credit.

Certain representations in this letter are described as being limited to matters that are material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of September 28, 2021:

Financial Statements and Internal Controls

1. We have fulfilled our responsibilities, as set out in the terms of the contract dated June 8, 2021, for the preparation and fair presentation of the financial statements, including related notes, and required supplementary information, in accordance with accounting principles generally accepted in the United States of America.
2. We have accurately incorporated investment related information received from the State of Wisconsin Investment Board into the financial statements and note disclosures.
3. We have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. We are responsible for compliance with laws, regulations, and provisions of contract and grant agreements applicable to the entity.
6. The financial statements properly classify all funds and activities.
7. The revenues and expenses/expenditures are appropriately classified and, as applicable for expenses/expenditures, are appropriately allocated to functions and programs.
8. Interfund, internal, and intra-entity activity and balances, if any, are appropriately classified and reported in the financial statements.
9. Significant assumptions used by us in making accounting estimates, including those used to measure fair value, are reasonable.
10. We represent, based on information provided by the State of Wisconsin Investment Board, when using third-party pricing services for fair value information, we are responsible for:
 - a. Complying with the applicable financial reporting framework, including disclosure requirements;
 - b. Maintaining appropriate internal controls to prevent or detect material misstatements related to fair value measurements and disclosures;
 - c. Assessing the effectiveness of internal control over financial reporting;
 - d. Maintaining accurate books and records even if when using a vendor.
11. With regard to investments and other instruments reported at fair value, we represent the following based on information provided by the State of Wisconsin Investment Board:

- a. The underlying assumptions are reasonable and they appropriately reflect our intent and ability to carry out our stated courses of action;
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied;
 - c. The disclosures related to fair values are complete, adequate, and in accordance with the requirements of accounting principles generally accepted in the United States of America;
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
12. Based on information provided by the State of Wisconsin Investment Board, the methods and significant inputs and assumptions used to determine fair values of financial instruments result in a measure of fair value appropriate for financial statement measurement and disclosure purposes and are in accordance with the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*.
13. There were no material omissions from the participants' data or other information provided to ETF's actuaries for the purposes of determining the actuarial present value of accumulated plan benefits, the liability for claims incurred but not reported, and other actuarially determined amounts in the financial statements.
14. Provisions for uncollectible receivables, if any, have been properly identified and recorded.
15. We agree with the findings of the actuaries in evaluating the Wisconsin Retirement System, other postemployment benefits (OPEB), and insurance programs and have adequately considered the qualifications of the actuaries in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the actuaries with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the actuaries.
16. We agree with the actuarial assumptions and methods used to measure pension, OPEB, and insurance programs' liabilities and costs for financial accounting and funding purposes and believe they are appropriate in the circumstances.
17. There have been no:
 - a. Changes in the actuarial methods or assumptions used in calculation amounts presented in the financial statements, other than those disclosed in the notes to financial statements, for the pension, OPEB, and insurance programs;
 - b. Changes in plan or program provisions between the actuarial valuation date and the date of this letter, other than those disclosed in the notes to the financial statements.

18. Risk disclosures associated with deposit and investment securities and derivative transactions are presented in accordance with Governmental Accounting Standards Board requirements, as provided by the State of Wisconsin Investment Board.
19. The capital assets, including any intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
20. Special and extraordinary items, if any, are appropriately classified and reported in the financial statements.
21. Components of net position are properly classified and, if applicable, approved.
22. Based on information provided by the State of Wisconsin Investment Board, investments, derivative transactions are properly valued.
23. Related party relationships and transactions, if any, have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
24. We have reviewed and approved any adjustments that were proposed by the auditors in preparation of the financial statements.
25. The effects of uncorrected misstatements, if any, are immaterial, both individually and in the aggregate, to the financial statement.
26. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed.
27. Required supplementary information is measured and presented within prescribed guidelines.
28. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

Information and Disclosures Provided

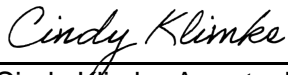
29. We have provided the auditors with:
 - a. access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
 - b. additional information that the auditors have requested from us for the purpose of the audit;
 - c. unrestricted access to persons within the entity from whom the auditors determined it necessary to obtain audit evidence.

30. All transactions have been recorded in the accounting records and are reflected in the financial statements.
31. We have disclosed to the auditors any restatements made to correct a material misstatement in a prior period.
32. We have disclosed to the auditors any significant assumptions, interpretations, or changes in the methods of measurement or presentation of required supplementary information and the reasons for such changes.
33. We have disclosed to the auditors the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
34. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
35. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.
36. We have followed applicable laws and regulations in adopting, approving, and amending budgets.
37. We have identified and disclosed to the auditors all laws, regulations, and provisions of contracts that could have a material effect on the financial statements, including legal and contractual provisions for reporting specific activities in separate funds.
38. We have identified and disclosed to the auditors all known or suspected instances of noncompliance with laws, regulations, and provisions of contracts whose effects should be considered when preparing the financial statements.
39. We have disclosed to the auditors all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
40. We are responsible for providing a response to findings reported by the auditors and for ensuring that timely and appropriate corrective actions are taken to address these findings.
41. We have a process to track the status of audit findings and recommendations.
42. We have identified for the auditor previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
43. We have disclosed to the auditors the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

44. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.



A. John Voelker, Secretary
Department of Employee Trust Funds



Cindy Klimke-Armatoski, Chief Trust Financial Officer
Division of Trust Finance
Department of Employee Trust Funds



STATE OF WISCONSIN
Department of Employee Trust Funds
A. John Voelker
SECRETARY

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September 28, 2021

Mr. Brian Geib, Assistant Financial Audit Director
Legislative Audit Bureau
22 East Mifflin Street, Suite 500
Madison, Wisconsin 53703

Dear Mr. Geib:

This representation letter is provided in connection with your audit of the following employer schedules and the related notes prepared by the Department of Employee Trust Funds as of and for the year ended December 31, 2020: the Schedules of Employer Allocations of the Wisconsin Retirement System, the State Retiree Life Insurance program, the Local Retiree Life Insurance program, and the Supplemental Health Insurance Conversion Credit program; the Schedule of Collective Pension Amounts of the Wisconsin Retirement System; and the Schedules of Collective OPEB Amounts of the State Retiree Life Insurance program, the Local Retiree Life Insurance program, and the Supplemental Health Insurance Conversion Credit program.

The audit was for the purpose of expressing an opinion on whether the Schedules of Employer Allocations of the Wisconsin Retirement System, the State Retiree Life Insurance program, the Local Retiree Life Insurance program, and the Supplemental Health Insurance Conversion Credit program; the amounts reported as 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) in the Schedule of Collective Pension Amounts of the Wisconsin Retirement System; and the amounts reported as 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) in the Schedules of Collective OPEB Amounts of the State Retiree Life Insurance program, the Local Retiree Life Insurance program, and the Supplemental Health Insurance Conversion Credit program, and the related notes are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this letter:

Employer Schedules and Internal Controls

1. We have fulfilled our responsibilities, as set out in the terms of the contract dated June 8, 2021, for the preparation and fair presentation of the employer schedules, which include the related notes, in accordance with accounting principles generally accepted in the United States of America.
2. We have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the employer schedules that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We are responsible for compliance with laws, regulations, and provisions of contracts applicable to the entity.
5. The Schedule of Employer Allocations for the Wisconsin Retirement System properly reports and classifies contributions received from each employer and properly calculates each employer's proportionate share based upon the last three years of contributions.
6. The Schedules of Employer Allocations for the State Retiree Life Insurance program and the Local Retiree Life Insurance program properly reports and classifies contributions received from each employer and properly calculates the employer's proportionate share based upon each employer's share of calendar year 2020 total program contributions provided by the third-party administrator.
7. The Schedule of Employer Allocations for the Supplemental Health Insurance Conversion Credit program properly reports and classifies contributions received from each employer and properly calculates each employer's proportionate share based upon the employer contributions received during the calendar year 2020.
8. The employer schedules properly report amounts calculated by the actuaries.
9. There were no material omissions from the participants' data or other information provided to the actuaries for the purposes of determining the Total Pension Liability, Total OPEB Liability (Asset), Total Plan Pension Expense (Revenue), Total Plan OPEB Expense (Revenue), Total Deferred Outflows of Resources Excluding Employer Specific Amounts, and Total Deferred Inflows of Resources Excluding Employer Specific Amounts.
10. We agree with the findings of the actuaries related to the amounts reported in the employer schedules and have adequately considered the qualifications of the actuaries in determining the amounts and disclosures. We did not give or cause any instructions to be given to the actuaries with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the actuaries.

11. We believe that the actuarial assumptions and methods used to measure the Total Pension Liability, Total Plan Pension Expense (Revenue), Total OPEB Liability (Asset), Total Plan OPEB Expense (Revenue), Total Deferred Outflows of Resources Excluding Employer Specific Amounts, and Total Deferred Inflows of Resources Excluding Employer Specific Amounts, are appropriate in the circumstances.
12. There have been no:
 - a. Changes in the actuarial methods or assumptions used in calculating amounts presented in the employer schedules, other than those disclosed in the notes.
 - b. Changes in plan or program provisions between the actuarial valuation date and the date of this letter, other than those disclosed in the notes to the employer schedules.
13. The effects of uncorrected misstatements, if any, are immaterial, both individually and in the aggregate, to the Schedules of Employer Allocations, total amounts reported in the Schedule of Collective Pension Amounts, and the total amounts reported in the Schedules of Collective OPEB amounts.
14. All events subsequent to the date of the employer schedules and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed.

Information and Disclosures Provided

15. We have provided the auditors with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the employer schedules such as records, documentation and other matters;
 - b. Additional information that the auditors have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom the auditors determined it necessary to obtain audit evidence.
16. All transactions have been recorded in the accounting records and are reflected in the employer schedules.
17. We have disclosed to the auditors the results of our assessment of the risk that the employer schedules may be materially misstated as a result of fraud.
18. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or

- c. Others where the fraud could have a material effect on the employer schedules.
19. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the employer schedules communicated by employees, former employees, analysts, regulators, or others.
20. We have identified and disclosed to the auditors all laws, regulations, and provisions of contracts that could have a material effect on the determination of amounts and disclosures in the employer schedules.
21. We have disclosed to the auditors all known or suspected instances of noncompliance with laws, regulations, and provisions of contracts; or known or suspected abuse whose effects should be considered when preparing the employer schedules.
22. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the employer schedules.
23. We are responsible for providing a response to findings reported by the auditors and for ensuring that timely and appropriate corrective actions are taken to address these findings.



A. John Voelker, Secretary
Department of Employee Trust Funds



Cindy Klimke-Armatoski, Chief Trust Financial Officer
Division of Trust Finance
Department of Employee Trust Funds