

August 26, 2019

Ms. Cindy Klimke-Armatoski, CPA
Chief Trust Financial Officer
Wisconsin Department of Employee Trust Funds
4822 Madison Yards Way
Madison, Wisconsin 53705

Re: Actuarial Audit of Accumulated Sick Leave Conversion Credit Program

Dear Cindy:

Milliman Inc. performed an independent review of our work in connection with the December 31, 2018 valuation of the Accumulated Sick Leave Conversion Credit Program (ASLCC). As stated in the Summary of Findings section, Milliman Inc. reported the following:

- “Based upon our review of the December 31, 2018 actuarial valuation, we found the valuation results were reasonable” (Page 1)
- Total contribution rate independently calculated by Milliman was 1.2% of payroll which matches the GRS calculation of 1.2% of payroll (Page 1)
- “GRS’s report meets the actuarial standards of practice that apply to pension plans” (Page 3)
- “We identified no aspects of the valuation that need to be changed” (Page 4)

The auditing actuary’s primary recommendations were related to adding or modifying disclosures in future valuation reports. In particular they recommended that our report:

- Disclose the inactive liability split between active annuitants and the annuitants who are currently escrowed or on hold.
- Disclose the inactive counts used to determine the active annuitant liability, which includes retirees and beneficiaries in pay status as well as inactive participants whose status is on hold or in escrow.
- Describe the data procedures to clearly disclose that the sick leave data extracts were matched to the pension valuation data in determining eligibility for the plan as well as for determining pay, sick leave hours and sick leave balances.
- Disclose that the decrements were assumed to occur mid-year and decrement relativity does not apply multiple decrement theory.
- Disclose how the pre-65 and post-65 adjusted monthly premiums are used in the report to determine the present value of future benefits for active members and for current retirees and beneficiaries under age 65, the post-65 adjusted monthly premium was used for their post-65 amounts.
- Disclose the methodology used to calculate the present value of benefits for the supplemental plan.

GRS Response: *While GRS made several additions to the disclosures on page 3 of the 2018 valuation report, we agree that the suggested additional disclosures would aid in understanding how these numbers were developed and will be included in the 2019 valuation.*

On page 20 of the audit report, Milliman Inc. recommended that “GRS consult with DETF and determine if future reports could be enhanced by the addition of information that would be required by ASOP 51 if the ASLCC were a pension plan.”

GRS Response: *It is our understanding that the ASOP 51 only applies to pension plans. However, we think this is an important topic and we will consider adding a more robust discussion of risk in future valuation reports.*

We are pleased that the auditing actuary has validated our report and appreciate the suggestions that the auditing firm has made for improving the clarity of the reports. We agree with their statement on page 3 that “the complexity of ASLCC operations require a significant amount of disclosure to allow another actuary to form such an opinion”. As this was the first time the ASLCC was audited, there was significant dialogue between Milliman and GRS to discuss the methodology. These discussions helped GRS identify the areas where additional documentation would help to understand the report. Thank you for the opportunity to comment on the audit report.

Mark Buis, James D. Anderson and Brian B. Murphy are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

This communication shall not be construed to provide tax advice, legal advice or investment advice.

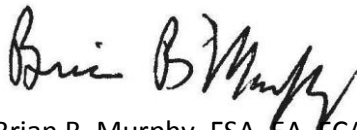
Sincerely,



Mark Buis, FSA, EA, FCA, MAAA



James D. Anderson, FSA, EA, FCA, MAAA



Brian B. Murphy, FSA, EA, FCA, MAAA, PhD

MB/JDA/BBM:ah

