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 SECRETARY

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## *Correspondence Memorandum*

**Date:** November 17, 2023

**To:** Employee Trust Funds Board

**From:** Joanne Klaas, Contract Specialist  
 Budget, Contract Administration & Procurement

**Subject:** Delegation of Authority to Solicit Proposals from Qualified Firms for Actuarial Audits

**The Department of Employee Trust Funds (ETF) recommends that the Employee Trust Funds Board (Board) delegate its authority under Wis. Stat. § [40.03 \(1\)\(c\)](#) to the ETF secretary to solicit proposals for, and contract with, qualified firms to perform actuarial audits.**

The Board is authorized by law to employ or select contractors as required for the effective administration of the Trust. The Board may delegate its powers and duties as deemed necessary and desirable.

Due diligence requires benefit plan fiduciaries exercise prudence in selecting service providers such as actuaries and monitor the quality of their work. An actuarial audit is a valuable method of monitoring the quality of actuarial services performed on behalf of benefit programs. The Government Finance Officers Association recommends actuarial audits at least once every five years.

An actuarial audit involves engaging the services of an outside actuary to review the work of the plan’s consulting actuary. Actuarial audits enhance the credibility of the actuarial valuation process by providing independent assurance that it was performed in accordance with actuarial standards of practice. The audit may also provide recommendations for improving the actuarial valuation process, including how information is presented in reports or other communications.

The Legislative Audit Bureau is required by s. 13.94 (1) (dc), Wis. Stats., to contract for the performance of an actuarial audit of the Wisconsin Retirement System (WRS) at least once every five years. For other benefit programs (Income Continuation Insurance, Duty Disability Insurance, Sick Leave, Health Insurance, and Life Insurance), ETF should contract for actuarial audits.

*Pamela L Henning*

Reviewed and approved by Pam Henning, Assistant Deputy Secretary  
 Electronically Signed 11/22/2023

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ETF	12.14.23	4C

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If approved by the Board, ETF staff would release a Request for Proposal in early 2024. Interested vendors will have the flexibility to submit a proposal to audit the actuarial work of one or more benefit programs. Proposals will be evaluated by a committee of subject matter experts. Contracts will be awarded to the vendors that provide the best value to conduct each type of audit being requested.

ETF anticipates that contracts will be structured with a five-year initial term with a one-year optional extension to obtain two audits for each of the benefit programs. The results of these audits will be presented to the individual Board with oversight over the specific benefit program.

Staff will be at the Board meeting to answer any questions.