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👉 Details: 2004 Comprehensive Annual Financial Report from State of Wisconsin Department of Employee Trust Funds

(FORM UPDATED: 08/11/2010)

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2003-04

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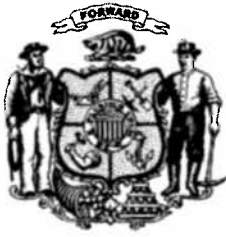
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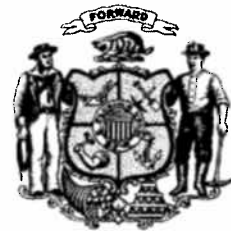


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2004

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

ERIC O. STANCHFIELD
SECRETARY

State of Wisconsin
Department of
Employee Trust Funds



2004

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REPORT

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September 1, 2006

GOVERNOR JIM DOYLE
MEMBERS OF THE STATE LEGISLATURE
PUBLIC EMPLOYEES, EMPLOYERS AND OTHER INTERESTED PARTIES:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the Wisconsin Department of Employee Trust Funds (ETF) for the year ended December 31, 2004. Management is responsible for both the accuracy of the data and the completeness and fairness of the presentation. I hope you will find this report useful and informative.

This CAFR contains information on the following benefit plans administered by ETF:

Wisconsin Retirement System	Employee Reimbursement Accounts
Group Health Insurance	Deferred Compensation
Group Life Insurance	Accumulated Sick Leave Conversion Credit (post-retirement health insurance)
Income Continuation Insurance	Commuter Benefits
Duty Disability	
Long-Term Disability Insurance	

The report consists of six sections:

1. **Introduction** – Contains information on the Department and its governing boards, highlights for each benefit plan, summaries of recent legislation, and accomplishments and future objectives.
2. **Finances** – Contains independent auditor's opinion, financial statements and related notes, and all required supplementary information.
3. **Statistics** – Contains significant statistical information relating to the benefit plans.
4. **Actuarial** – Contains actuary's certification letter, the results of the actuarial valuation, and information on the actuarial assumptions and methods employed.
5. **Investments** – Contains information from the State of Wisconsin Investment Board on trust fund investments.
6. **Employers** – Contains a complete listing of all employers participating in the Wisconsin Retirement System (WRS), unfunded actuarial accrued liability, covered payroll, and required contributions for 2004.

Historical Overview:

The WRS was created effective January 1, 1982. The system covers state and local public employees, including the University of Wisconsin System, local police and firefighters, and all publicly employed teachers in the state. Those not included are employees of the City of Milwaukee and Milwaukee County, who are covered under separate retirement systems. While the WRS has existed since 1982, pension coverage for local government employees has been in place since 1891, when the legislature required Milwaukee to create a pension fund for retired and disabled police and firefighters. Since that date, the legislature has extended pension coverage to other public employees, along with creating group life and health insurance programs. The Group Insurance Board was created in 1959 to monitor the administration of the life and health insurance programs. In 1967, the Department of Employee Trust Funds was created to administer the various retirement and related benefit programs.

ETF Mission and Responsibilities:

ETF's mission is "to develop and deliver quality benefits and services to our customers while safeguarding the integrity of the Trust." The Department administers retirement, health, life, income continuation, long term disability, and long term care insurance programs, along with an employee reimbursement accounts program, commuter benefits program, and a deferred compensation plan. ETF also administers retirement disability coverage and serves as the state's designated coverage agent for Social Security for Wisconsin public employers. There are six different statutory boards with responsibilities for programs operated by the Department. The ETF Board is both the overall governing body for the Department and the general policy-setting and trustee board for the entire WRS.

All insurance programs are administered through contractual arrangements with private sector insurance firms and service corporations. Participation by eligible employees is mandatory for retirement and Social Security but optional for the other programs. ETF collects but does not invest the trust fund monies created for these programs. That responsibility rests with the State of Wisconsin Investment Board (SWIB).

ETF is responsible for:

- Collecting all monies due the trust funds.
- Calculating and ensuring appropriate disbursement of all benefit payments from the trust funds.
- Providing information to, and answering inquiries from, participating employees and employers.
- Establishing the controls, systems, and procedures necessary to ensure the appropriate administration and security of the trust.

Membership:

The WRS is composed of 27% state employees and 73% local employees. As of December 31, 2004, the WRS had 264,600 active employees, 126,211 annuitants (retirees, disabilitants, and beneficiaries), and 129,955 inactive employees with deferred benefits payable. From calendar year 2003 to 2004, the ratio of active members to annuitants decreased from 2.1:1 to 1.7:1. This change in the ratio reflects a maturing of the WRS.

Funding:

The WRS continues to be one of the best-funded public retirement systems in the country. As of the end of 2004, the system had accumulated assets, on an actuarial basis, equal to 99.4% of the benefits earned by its members. A well-funded system ensures that a lifetime of benefits can be paid to today's workers without burdening the next generation of taxpayers with higher contributions. It is a tribute to the funding discipline exhibited by the legislature and the ETF Board, and the effective investment strategies of SWIB, that the WRS remains so well funded.

Plan Changes and Initiatives:

The Department is committed to ensuring that the benefit plans it administers evolve to cost-efficiently meet the changing needs of both employers and participants. The group health insurance program is an example of that commitment. The Department has emerged as a national leader in pioneering innovative cost-management and quality-improvement strategies for managed care and pharmacy benefits, without simply shifting costs to participants. Specific strategies, implemented early in 2004, included contracting with a single Pharmacy Benefit Manager, adopting "value-based purchasing" principles, and integrating quality and safety standards into program requirements. Bottom-line results showed a significant reduction in the cost of prescription drugs and member monthly premium increases well below the national average.

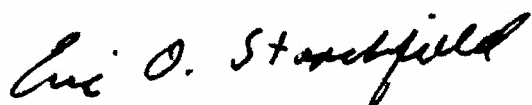
Internal Controls:

The Department has a formal internal control plan that is reviewed annually and updated as necessary. This plan provides reasonable assurance that the Department's assets are being safeguarded, that applicable statutes and rules are being followed, and that the Department's goals and objectives are being achieved. The Legislative Audit Bureau considers the Department's controls in order to determine its auditing procedures for the purpose of expressing an opinion on the Department's annual financial statements, but it does not provide an opinion on the controls. These financial statements are presented in accordance with Generally Accepted Accounting Principles, and all supporting schedules and statistical tables have been fairly presented.

Acknowledgements:

This report is intended to provide comprehensive and reliable information about ETF, the WRS, and other benefit plans and trust funds administered by the Department. I would like to express my appreciation to the Governor, members of the legislature, members of the boards, staff, employers, participants, and all those whose efforts and interest combine to assure the successful operation of our system, while protecting the integrity of the trust funds.

Sincerely,



Eric O. Stanchfield
ETF Secretary



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