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

(FORM UPDATED: 08/11/2010)

## WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

### 2005-06

(session year)

### Joint

(Assembly, Senate or Joint)

### Committee on Audit...

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- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)  
(**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)                      (**ajr** = Assembly Joint Resolution)  
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- Miscellaneous ... **Misc**



**STATE OF WISCONSIN**  
**Legislative Audit Bureau**

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Janice Mueller  
State Auditor

October 20, 2006

Senator Carol Roessler and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

We completed an annual financial audit of the Department of Employee Trust Funds in November 2005, as requested by the Department and to fulfill our audit requirements under s. 13.94(1)(dd), Wis. Stats. The audit covered the period of January 1, 2004 through December 31, 2004. The 2004 financial statements and our unqualified opinion on them are included in the Department's recently issued financial report, which provides information on the financial position and activity of various benefit programs available to public employees.

Most of the Department's programs reported positive financial results in 2004. The largest program administered by the Department is the Wisconsin Retirement System, which reported net assets of \$67.9 billion at the end 2004 and provided benefits totaling \$2.9 billion during 2004. Positive investment returns contributed to the net increase in retirement assets of \$5.8 billion. At the end of 2004, the Wisconsin Retirement System was 99.4 percent funded based on actuarial measures that compare the actuary's valuation of assets to the estimated value of the benefit obligations for services already rendered by present and future retirees.

Another major program administered by the Department is the group health insurance program for participating state and local government employees and retirees. In an effort to control increasing costs and premiums in the program, the State implemented several new program features in 2004, including a three-tier premium contribution structure for active State employees and a single pharmacy benefit manager to provide pharmacy benefits services to all plan participants. The program reported a net increase in assets during the year of \$48.9 million and a net asset balance of \$78.0 million at December 31, 2004.

The final program we highlight is the Duty Disability program, which offers special disability insurance for state and local participants in the Wisconsin Retirement System who are in protective occupations. Benefits are payable for duty-related injuries and diseases that are likely to be permanent and that cause the employees to retire, accept reduced pay or a light-duty assignment, or that impair the employee's promotional opportunities. The program is funded through contributions from employers and investment earnings. Since its initial years, the program has had an accounting deficit, which the Department has been attempting to reduce over a period of several years. Net income of \$30.1 million

Senator Carol Roessler and  
Representative Suzanne Jeskewitz, Co-chairpersons  
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October 20, 2006

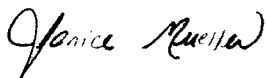
in 2004 decreased the deficit balance by 15.8 percent to \$159.6 million at December 31, 2004. The Department currently plans to eliminate the deficit by 2018.

In 2005, we reported that the Department experienced difficulties and delays in implementing a new benefit payment system and terminated contracts for the development of the new system in 2004. In February 2005, the Department contracted with a new firm for the project. The Department did not meet its initial goal of implementation in January 2006 and currently anticipates implementing the new system by early 2007.

Finally, accompanying this letter is a management letter we provided to the Department. As required by *Government Auditing Standards*, we include an auditor's report on internal control and compliance with the management letter. We identified a reportable condition under these standards related to the lack of cash reconciliations on a program level and we noted other issues related to the calculation of sick leave conversion credits and the adequacy of computer access controls for the new pharmacy benefit program.

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

Respectfully submitted,



Janice Mueller  
State Auditor

JM/DA/bm

Enclosures

cc: Senator Robert Cowles  
Senator Scott Fitzgerald  
Senator Mark Miller  
Senator Julie Lassa

Representative Samantha Kerkman  
Representative Dean Kaufert  
Representative David Travis  
Representative David Cullen



STATE OF WISCONSIN

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Janice Mueller  
State Auditor

October 20, 2006

Mr. Eric Stanchfield, Secretary  
Department of Employee Trust Funds  
801 West Badger Road  
Madison, Wisconsin 53702

Dear Mr. Stanchfield:

We have completed the financial audit of the State of Wisconsin Department of Employee Trust Funds as of and for the year ended December 31, 2004. We have issued an unqualified auditor's report, dated November 30, 2005, on the fair presentation of the Department's financial statements. The financial statements and related opinion are included in the Department's Comprehensive Annual Financial Report.

As required by *Government Auditing Standards*, we also are furnishing you with the auditor's report on internal control over financial reporting, compliance with laws and regulations, and other matters. We identified a reportable condition under these standards related to the lack of cash reconciliations on a program level. We also identified issues related to the calculation of accumulated sick leave credits and the adequacy of computer access controls for the new pharmacy benefit program.

The Department's responses and corrective action plans to implement recommended improvements are included in the text so that readers may see your intended resolution of the matters discussed. In future audits, the Audit Bureau will determine the extent to which the issues in this letter have been resolved.

We appreciate the courtesy and cooperation extended to us by the Department's staff during the audit.

Sincerely,

Janice Mueller  
State Auditor

JM/DA/bm

Enclosures



STATE OF WISCONSIN

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Janice Mueller  
State Auditor

### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the State of Wisconsin Department of Employee Trust Funds as of and for the year ended December 31, 2004, and have issued our report thereon dated November 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is the lack of cash reconciliations on a program level, which is the level on which the Department reports and on which we opine on the Department's financial information. Further discussion of this concern and the Department's response to a corresponding recommendation are included in the accompanying narrative.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


We further noted certain additional matters pertaining to the calculation of accumulated sick leave conversion credits and the adequacy of computer access controls for the new pharmacy benefit program that are discussed in the accompanying narrative.

This independent auditor's report is intended solely for the information and use of the Department's management and the Wisconsin Legislature. This independent auditor's report, upon submission to the Joint Legislative Audit Committee, is a matter of public record and its distribution is not limited. However, because we do not express an opinion on internal control over financial reporting or on compliance, this report is not intended to be used by anyone other than these specified parties.

LEGISLATIVE AUDIT BUREAU

November 30, 2005

by



Diann Allsen  
Audit Director

## DEPARTMENT OF EMPLOYEE TRUST FUNDS

The Department of Employee Trust Funds is responsible for administering the Wisconsin Retirement System and several other programs that provide retirement, disability, health, and other benefits to participants who are current and retired employees of state and local government employers.

As part of our annual financial audits, we review and consider the Department's internal controls for the purpose of determining the audit work necessary to express an opinion on its financial statements. During our audit of the Department's 2004 financial statements, we noted internal control issues related to cash reconciliations, accumulated sick leave conversion credits, and computer access for the new pharmacy benefit program.

### Reconciliations of Cash

The Department uses WiSMART, the State's accounting system, to process financial transactions and Helmsman, a financial reporting software package, to create financial statements for its programs. Section 16.41, Wis. Stats., requires all agencies to keep their accounts and other financial records in the form as prescribed by the Department of Administration (DOA) under s. 16.40, Wis. Stats. DOA implemented and established WiSMART as the State's official accounting system. As a state agency, the Department is responsible for ensuring its information on WiSMART is complete and accurate. An important step in ensuring the accuracy of the financial information on WiSMART is to reconcile it to the Department's internal financial records and systems. Further, regular reconciliations between the systems better ensures that information reported by the Department in its financial report is complete and accurate.

The Department has taken some steps to reconcile information on Helmsman to that reported on WiSMART. However, as we have communicated for several years, it has not been able to fully reconcile its cash balances. While the Department has made some attempts to reconcile cash balances at the fund level, varying amounts of unreconciled differences exist at the end of each year. Further, it has made only limited attempts to reconcile cash balances on a program level, which is the level on which it reports and on which we opine on the financial information in its annual financial report.

For the last several years we have reported the unexplained variances between the sets of records to the Department. For example, at the end of 2004, the Department reported:

- a cash balance for Fund 262, the Public Employee Trust Fund, that was \$1.0 million greater than that reported by DOA's Cash Management Operations Section, which reconciles its records to WiSMART; and
- a cash balance for Fund 747, the Core Retirement Investment Trust Fund, that was \$2.0 million greater than that reported by the Investment Board, which invests the funds in the Core Fund and reconciles its records to WiSMART.

On an overall fund level, the unreconciled amounts represent a very small percentage of the cash balances—0.9 percent for Fund 262 and 0.2 percent for Fund 747.

However, the unreconciled differences on a program level can be significantly greater. For example, the Department reported a cash balance for the Life Insurance Program that was 123.2 percent less than that reported on WiSMART. In the case of Fund 747, reconciling cash balances on a program level can be more difficult because of the volume and complexity of the cash transactions in this fund. Consequently, such reconciliations may require more detailed analyses of cash-related transactions. The Department attempted such reconciliations of the Fund 747 programs for 2001, but was unable to fully reconcile the variances. It has not attempted to repeat these reconciliations for subsequent years.

Based on our review of how the reconciliations are completed at the program level, we believe two issues are contributing to the difficulty in fully reconciling the cash balances. First, cash apparently was not properly allocated at the program level when WiSMART was first implemented in fiscal year 1993-94. To address this situation, the State Controller's Office (SCO) determined the adjustments it believed to be necessary to allocate cash balances among programs and has been using these adjustments in preparing the State's financial report for several years. The Department considered these adjustments as reconciling items when it completed the reconciliations at the program level, but it is not confident that the adjustments were for the correct amounts. Instead, it believes the balances on Helmsman are correct, but it has not taken steps to work with SCO to correct the balances on WiSMART.

Second, we believe the Department has not identified all reconciling items that need to be considered in the reconciliation process. For instance, we identified several reconciling items that the Department had not identified for the Commuter Benefits Program in its first year of operation.

While, to date, we have accepted the cash balances reported by the Department in its financial reports as materially correct, larger unreconciled variances could affect our ability to issue unqualified auditor's opinions in the future. Further, as a state agency, the Department has a responsibility to ensure the accuracy of its information on the State's official accounting system and records. Consequently, it should take steps to ensure that reliable and accurate reconciliations of the cash balances at the program level are performed and the State's official accounting system reflects the proper cash balances of its programs. While the State's official accounting system is currently WiSMART, the State is in the process of replacing it with a new system, the Integrated Business Information System. Thus, the Department should target the completion of its reconciliations by the time the new system is implemented.

**Recommendation**

*We recommend the Department of Employee Trust Funds develop a plan to fully reconcile the cash balances for each program by the time the State's new Integrated Business Information System is implemented and take steps to correct any inaccuracies identified in the beginning cash balances on the State's official accounting system or Helmsman through the reconciliation process.*



Department Response and Corrective Action Plan: Reconciliations of cash balances between the Department's internal accounting records and the actual investment balances maintained by the Investment Board and DOA's Cash Management Operations Section are an integral part of the annual financial statement preparation. These reconciliations can only be performed at the fund level, because investment balances are maintained at the fund level. As noted, these reconciliations have consistently demonstrated that the Department's cash balances are materially correct based on investment balances. While immaterial variances do exist, we believe it is best not to delay presentation of materially correct financial statements in order to resolve variances that do not affect the usefulness of the financial statements.

Historically, the Department maintained a full accounting system and prepared generally accepted accounting principles (GAAP) financial statements that were regularly audited and opined on by the Legislative Audit Bureau. With the implementation of WiSMART, SCO made an attempt to establish assets and reserves at the program level. In the case of the Department's programs, it did so without taking advantage of the audited statements and account balances that already existed. As a result, SCO created account balances in WiSMART that were inconsistent with the Department's records.

The Department agrees that it would be desirable for the State's central accounting system to have the most accurate possible balances for the Department's programs. Ultimately, it may not be possible to fully reconcile that system to the Department's given the amount of time that has passed since it was implemented and its beginning balances were established. However, it would be possible to adjust those balances for consistency with the Department's balances. If that step was taken, regular reconciliations would be possible in the future.

The Department has already contacted SCO and they have agreed to commence work on reconciliation of cash balances between the systems. The Department agrees that completing such a reconciliation prior to the implementation of a new central accounting system would be ideal.

#### **Determination of Accumulated Sick Leave Conversion Credits**

The Department of Employee Trust Funds administers the Accumulated Sick Leave Conversion Credit program and the Supplemental Health Insurance Conversion Credit program. Both programs provide credits to eligible participants that may be used to pay for health insurance premiums after retirement. Eligible participants or their beneficiaries may also use these credits at the time of layoff or death.

The total credits granted through the Accumulated Sick Leave Conversion Credit program is a product of the participant's balance of sick leave hours and highest base hourly pay rate while employed with the State. The supplemental program provides additional matching credits for eligible state participants who have at least 15 years of continuous state service. The supplemental program also includes a provision allowing the restoration of up to 500 hours of sick leave upon retirement for eligible participants who used sick leave hours for a single injury or illness during the three years preceding retirement.

State agencies submit an Accumulated Leave Certification form to the Department to enroll eligible participants in both programs. This form provides the participant's base salary rate, accumulated sick leave hours, years of continuous State service, and calculation of the credits to be awarded. Agencies are responsible for ensuring the accuracy of the information on the forms.

During our past several audits, we have found errors in the calculation of sick leave credits. In a review of 20 calculations during our 2003 audit, we identified four instances in which errors were made. The errors ranged from a \$394 understatement to a \$5,787 overstatement of the credit. During our 2004 audit, we found only one error in a selection of 20 calculations. However, the error was significantly larger—an employee was granted an excess credit of \$18,206. The errors occurred because of human errors in determining the number of creditable years of service, the rate of pay, and the sick leave balance. Four of the five errors occurred for employees at the University of Wisconsin (UW) campuses.

Overall, the errors did not have a material effect on the financial statements. However, such errors could cause the Department to pay health insurance premiums in excess of credits actually earned or to prematurely cease to pay health insurance premiums for a participant with understated credits. In addition, actuarially determined contribution rates and liability amounts for the sick leave conversion and supplemental programs could ultimately be affected, depending on the size and volume of errors that actually exist.

While the Department is responsible for obtaining and processing the Accumulated Leave Certification forms as completed by the agencies, it does not have all the necessary information to ensure that the forms are correctly completed. The state agencies typically maintain the personnel files, which are the primary source for completing these forms. Further, the Office of State Employment Relations (OSER) historically has been the resource for questions regarding the completion of these forms. Therefore, the Department would likely need to work with OSER to improve the accuracy of the calculations performed by state agencies.

Additional information and reminders for these calculations could be provided in employer bulletins or at monthly payroll meetings. Training could also be provided to individual payroll staff as needed, such as for agencies that complete these calculations infrequently or have experienced changes in payroll staff. Further, the Department and OSER may want to focus informational and training efforts to the UW campuses where most of the errors noted in our testing occurred.

**Recommendation**

*We recommend the Department of Employee Trust Funds work with the Office of State Employment Relations to establish a plan for promoting the accurate completion of the Accumulated Sick Leave Certification forms.*

Department Response and Corrective Action Plan: The Department issued an Employer Bulletin in October 2004 to provide additional information to state agencies on the calculation of sick leave conversion credits. The Accumulated Sick Leave Certification form was revised to more accurately reflect the changes resulting from 2003 Wisconsin Act 33 and to facilitate accurate

calculations. The Department recently updated the State Health Insurance Manual for employers, which includes an increased emphasis on certification of program requirements and accurate calculations.

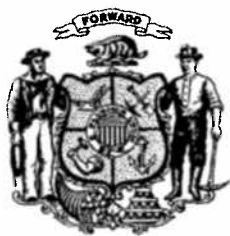
The Department is also developing a set of talking points and materials for state agency employers, which it plans to present at a state payroll council meeting in January 2007. The Department will also make this offering available to the UW central payroll office since four of the five errors cited in 2003 and 2004 occurred for employees at UW campuses. In addition, the Department has been working with the OSER contact for administration of the supplemental program to discuss the nature and volume of questions referred there from employers on calculating the value on the Accumulated Sick Leave Certification form and any follow-up necessitated by those employer questions.

### **Pharmacy Benefit Program**

Beginning January 1, 2004, pharmacy benefits were separated from all of the health insurance benefit options offered to state and local government employees and a separate pharmacy benefit program was created. Navitus Health Solutions, LLC was selected as the pharmacy benefit manager for the new program. Navitus contracts with SXC Health Solutions, Inc., which operates the system through which pharmacy claims are processed. Most claims are electronically submitted and entered into the system, although some paper claims need to be manually entered.

Access to the pharmacy claims system needs to be properly controlled to ensure that only valid claims can be entered into the system. However, during our 2004 audit, we noted a concern with the access provided to Navitus employees. Various Navitus employees require access to the pharmacy claims system in order to add eligibility information or to process the manual claims. Although Navitus has assigned different staff responsibility for these functions, staff who have access can perform both functions on the system. With such access, an employee potentially could establish a false eligible participant, process manual claims for that participant, and receive inappropriate claims payments. Navitus management noted that it was already aware of this issue and had begun considering options for appropriately limiting employee access.

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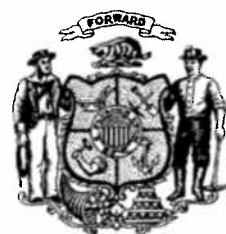


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1 East Main Street, Suite 200  
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2004

COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT

ERIC O. STANCHFIELD  
SECRETARY

State of Wisconsin  
Department of  
Employee Trust Funds



# 2004 COMPREHENSIVE ANNUAL FINANCIAL REPORT

**ROBERT WILLETT, CHIEF TRUST  
FINANCIAL OFFICER AND CONTROLLER**

**NANCY KETTERHAGEN, EDITOR**

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ET-8501

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**STATE OF WISCONSIN**  
**Department of Employee Trust Funds**  
Eric O. Stanchfield  
SECRETARY

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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.

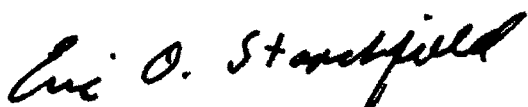
**Internal Controls:**

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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