



STATE OF WISCONSIN Assembly Journal

Ninety-Ninth Regular Session

11:05 A.M.

TUESDAY, January 13, 2009

The Assembly met in the Assembly Chamber located in the State Capitol.

Speaker Sheridan in the chair.

The Assembly dispensed with the call of the roll.

REFERENCE BUREAU CORRECTIONS

Assembly Resolution 2

1. Page 2, line 9: delete “Homeland security and state preparedness affairs” and substitute “Homeland State affairs and homeland security and state preparedness”.

REFERRAL OF AGENCY REPORTS

State of Wisconsin
Department of Corrections
Madison

January 1, 2009

To the Honorable, the Legislature:

Attached in compliance with s. [301.03 \(6t\)](#), is the Department’s information on the use of overtime in state adult correctional institutions for fiscal year 2008. Should you have any questions related to this information, please contact Roland Couey at 608-240-5405.

Sincerely,
RICK RAEMISCH
Secretary

Referred to committee on **Corrections and the Courts.**

AGENCY REPORTS

State of Wisconsin
Legislative Audit Bureau
Madison

January 12, 2009

To the Honorable, the Assembly:

We have completed our calendar year 2006 financial audit of the Department of Employee Trust Funds (ETF), as requested by ETF and to fulfill our audit requirements under s. [13.94 \(1\)\(dd\)](#), Wis. Stats. ETF’s financial statements report information on the financial position and activity of various benefit programs available to public employees. The statements and our unqualified opinion on them are included in ETF’s 2006 Comprehensive Annual Financial Report, which can be found on ETF’s Web site.

The late issuance of the financial report was primarily a result of ETF’s delays in implementing a new accounting standard for other post employment benefits (OPEB) plans. We are currently in the process of completing the audit of ETF’s 2007 financial statements. ETF anticipates its 2007 financial report will be issued in spring 2009.

The largest program administered by ETF is the Wisconsin Retirement System, which reported net assets of \$80.4 billion at the end of 2006 and provided benefits totaling \$3.3 billion during 2006. Positive investment returns contributed to a net increase in retirement assets of \$8.9 billion in 2006. However, the adverse events in the global investment markets and corresponding volatile market conditions in 2008 have resulted in a considerable decrease in the Wisconsin Retirement System’s investment assets from the balances in 2006. Additional information on the effect of the market volatility on the Wisconsin Retirement System can be found on ETF’s and the State of Wisconsin Investment Board’s Web sites.

As noted, in 2006, ETF implemented a new accounting standard for the OPEB plans it administers for the Duty Disability Insurance, Retiree Life Insurance, and Retiree Health Insurance programs for participating state and local government employers. The State also implemented a new accounting standard for OPEBs in its fiscal year 2007-08 Comprehensive Annual Financial Report.

Accompanying this letter is a management letter we provided to ETF. As required by Government Auditing Standards, we include an auditor’s report on internal control and compliance

with the management letter. We identified four new and continuing concerns required to be reported under these standards:

- inadequate planning for the implementation of the new accounting standard for OPEB plans;
- inadequate procedures and insufficient attention and oversight to ensure the accuracy of the financial reporting process;
- a continuing concern with the lack of cash reconciliations on a program level; and
- a federal tax compliance issue.

ETF agrees with our recommendations and identifies the steps it plans to take to address our concerns. We also note that ETF has adequately addressed concerns with the use of clearing accounts and the administration of the Badger Rx Gold Program that we noted in our 2005 audit. We will continue to monitor and report on ETF's progress in addressing our outstanding concerns in future audits.

Sincerely,
JANICE MUELLER
State Auditor

State of Wisconsin
Legislative Audit Bureau
Madison

January 12, 2009

To the Honorable, the Assembly:

We have completed our fiscal year (FY) 2007-08 financial audit of the State of Wisconsin Investment Board, as requested by the Investment Board and to fulfill our audit requirements under s. 13.94 (1)(df), Wis. Stats. The Investment Board's financial statements report the investments and investment activity for the State Investment Fund, the Wisconsin Retirement System funds, and five other smaller insurance and trust funds. The statements and our unqualified opinions on them are included in the Investment Board's FY 2007-08 Annual Report, which can be found on the Investment Board's Web site.

The State Investment Fund invests the excess operating funds of State of Wisconsin agencies, the retirement funds, and the Wisconsin Local Government Investment Pool. Net investment income earned by the State Investment Fund decreased 15.5 percent, from \$302.7 million in FY 2006-07 to \$255.7 million in FY 2007-08 because of lower interest rates in the markets. After factoring in net investment income

and net deposits and withdrawals, the State Investment Fund had a net asset balance of \$5.6 billion as of June 30, 2008.

The retirement funds, which include the Core Retirement Investment Trust Fund and the Variable Retirement Investment Trust Fund, experienced negative investment returns in FY 2007-08. The Core Fund reported a net investment loss of \$3.8 billion, and the Variable Fund reported a net investment loss of \$0.9 billion. After factoring in net investment income, net contribution receipts, and benefit disbursements in FY 2007-08, the net investment assets of the retirement funds as of June 30, 2008, were \$75.0 billion for the Core Fund and \$6.0 billion for the Variable Fund.

Subsequent to June 30, 2008, the global capital markets have experienced significant adverse events, which have affected the net investment assets for both retirement funds. Current information detailing investment returns and the value of retirement fund assets is provided on the Investment Board's Web site.

The Investment Board is also responsible for investing the assets of five insurance and trust funds: the Injured Patients and Families Compensation Fund, the State Life Insurance Fund, the Local Government Property Insurance Fund, the Historical Society Trust Fund, and the EdVest Tuition Trust Fund. Each of these funds has different investment policies, as established by the agency responsible for the fund and the Investment Board. The largest of these funds, the Injured Patients and Families Compensation Fund, had net investment assets totaling \$735.6 million as of June 30, 2008.

Government Auditing Standards require us to provide an auditor's report on internal control over financial reporting and on compliance and other matters, which accompanies this letter. As noted in the report, we did not identify any control or compliance concerns that are required to be reported under these standards.

Sincerely,
JANICE MUELLER
State Auditor

ADJOURNMENT

Representative Nelson moved that the Assembly stand adjourned pursuant to **Senate Joint Resolution 1**.

The question was: Shall the Assembly stand adjourned?

Motion carried.

The Assembly stood adjourned.

11:06 A.M.