



WISCONSIN DEPARTMENT OF
ADMINISTRATION

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MICHAEL L. MORGAN
SECRETARY

Division of Executive Budget and Finance
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October 6, 2009

Mr. Jon Kranz
Department of Employee Trust Funds
801 W. Badger Road
Madison, WI 53713-2526

Dear Jon:

Attached you will find a revised interagency agreement between the Department of Administration, State Controller's Office (DOA-SCO) and the Department of Employee Trust Funds associated with other postemployment benefit information requested by the DOA-SCO for use in the fiscal year 2010 and 2011 Comprehensive Annual Financial Report. The agreement incorporates changes suggested by ETF related to periodic payment of invoices. Please sign and return the agreement to me by Friday, October 16, 2009.

Thank you. Please call me at 266-8158 if you have any questions or concerns.

Sincerely,


Stephen Censky, State Controller
Department of Administration

SC/CS

Enclosure

2009 Agreement for Purchase of GASB 45 OPEB Information

This agreement is between the Wisconsin Department of Administration and the Wisconsin Department of Employee Trust Funds.

Purpose:

The Wisconsin Department of Administration (DOA) is seeking financial information regarding other postemployment benefit information (OPEB Information) (i.e., benefits other than pensions) for programs administered by the Wisconsin Department of Employee Trust Funds (DETF) in which the State participates as an employer. This OPEB Information is to be incorporated into the State of Wisconsin's audited Fiscal Year 2010 *Comprehensive Annual Financial Report* (CAFR) to meet financial reporting requirements issued by the nationally-recognized Governmental Accounting Standards Board (GASB) in their Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Background:

Each year, the DOA-State Controller's Office prepares a CAFR for the fiscal year ended June 30 that presents financial statements prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB. The CAFR, which must be published by mid-December following the close of the fiscal year, is audited by the Legislative Audit Bureau. The financial statements presented in the CAFR have historically received an unqualified opinion from the auditors. The financial statements presented in the CAFR are based on a combination of information obtained from the State central accounting system and provided by State agencies.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), was effective with financial statements for periods beginning after December 15, 2006. GASB 45 establishes standards for the measurement, recognition and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. OPEBs include postemployment health care, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. Since the State of Wisconsin, as an employer, provides OPEBs as part of the total compensation offered to employees, the State must comply with the reporting requirements of GASB 45. The Statement specifies valuations of the OPEBs are to be completed at least once every two years for the State. Beginning with the fiscal year 2008 CAFR, the State has complied with those reporting requirements by obtaining required information through the DETF.

The DETF administers the types of programs potentially covered by the GASB 45 requirements. For example, the DETF administers the health, life, income continuation, long-term disability and long-term care insurance programs, along with the retirement disability coverage. The DETF has identified the existence of OPEBs as defined by GASB 45 for certain of these programs. The DOA is requesting that the DETF provide the GASB 45 OPEB information for the fiscal year 2010 and 2011 CAFRs, accordingly. The DOA will pay the DETF for the additional costs incurred to compile the GASB 45 OPEB information.

Deliverables:

The DETF will provide GASB 45 actuarial OPEB Information for the following program:

- Health Insurance (both pre-age 65 postretirement medical benefits for State employees (implicit rate subsidy) and post-age 65 liabilities for State employees, if necessary (Medicare Part D subsidy))

If additional GASB 45 OPEBs are identified subsequent to the date of this agreement but before or during the course of the compilation of the 2010 CAFR, the DOA is also requesting that the DETF provide such OPEB information in order for the State to fulfill the GASB 45 requirements and meet its goal of having the financial statements receive an unqualified opinion from the auditors.

Deliverables (Continued):

GASB 45 OPEB information to be provided by the DETF for the Health Insurance Program in which the State of Wisconsin participates as an employer is as follows:

- Financial information to identify and/or calculate the amounts to be reported as liabilities and expenditures/expenses in the government-wide financial statements and the proprietary fund financial statements of the State of Wisconsin's CAFR following the requirements of GASB 45. Such information will address requirements of GASB 45, Paragraphs 4 through 23 (where applicable), and will include the calculation of the GASB 45 liability, the annual required contributions of the employer (ARC), and the OPEB costs, based on a valuation as of December 31, 2008.
- Footnote disclosures as required by GASB 45, Paragraphs 24 and 25, where applicable.
- Other OPEB Information, including Required Supplementary Information (as discussed in GASB 45, Paragraphs 26 and 27), where applicable.

The financial information and note disclosures may be delivered to the DOA State Controller's Office either electronically or in paper copy form.

Timeframe of Agreement:

The desired completion date for receipt of this information is no later than April 30, 2010.

Payment:

The DETF will bill the DOA State Controller's Office for the cost of providing this OPEB information relating to GASB 45. The estimated cost of is \$100,000. If, during the process of acquiring and/or compiling this OPEB information, the DETF becomes aware that the actual cost may exceed the estimate, the DETF will contact the DOA before proceeding to incur additional costs.

Upon receipt of periodic invoices and associated supporting documentation from the DETF, the DOA will initiate payment to the DETF for the GASB 45 OPEB information. The DOA will pay DETF within 15 days of receipt of the invoice. Final payment will be made after the submission of the aforementioned deliverables to DOA State Controller's Office.

Approval:


 Name _____
 Title State Controller
 Agency Dept of Admin
 Date 10-6-2009


 Name _____
 Title Deputy Secretary
 Agency Dept. of Employed Trust Funds
 Date 10/28/2009



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August 13, 2009

Mr. Robert Willett
Controller and Chief Trust Financial Officer
Dept. of Employee Trust Funds
801 West Badger Road
Madison, WI 53713-2526

Subject: Agreement to Provide Actuarial Valuation Services for the Retiree Health Program under GASB Statement No. 45

Dear Bob:

The purpose of this letter is to document that the Wisconsin Department of Employees Trust Funds has requested that Deloitte Consulting perform an actuarial valuation of the Retiree Health Program based on the requirements of GASB Statement No. 45.

The actuarial valuation will be performed as of January 1, 2009 and will include:

- Calculation of the unfunded actuarial accrued liability
- Calculation of the annual required contribution
- Draft December 31, 2009 GASB No. 45 financial disclosure information
- Analysis of plan experience
- 10-year projection of expected benefit payments
- All results broken out by WHEDA vs. Other State Members; the liability and projected benefit payments will be further split by Implicit Rate vs. Medicare Part D subsidies

These services will be performed under the contract agreement ETG0012: *For Services to be Provided as the Consulting Actuary to the State of Wisconsin Employee Trust Funds Board for the Health Insurance Programs Offered by the State of Wisconsin Group Insurance Board.* The cost of providing the services outlined above will be \$100,000 and will be billed to the Department of Employee Trust Funds periodically throughout the performance of the valuation services.

If the details of this agreement are in accordance with your understanding, please sign and date below and return the letter to Michael de Leon of Deloitte Consulting.

Sincerely,

Deloitte Consulting LLP

Deloitte Consulting LLP

By: *Patrick A. Pechacek*
Patrick Pechacek
Director

Accepted By: *R. J. L.*
Authorized Representative of Dept. of Employee Trust Funds

Date: *11/13/2009*