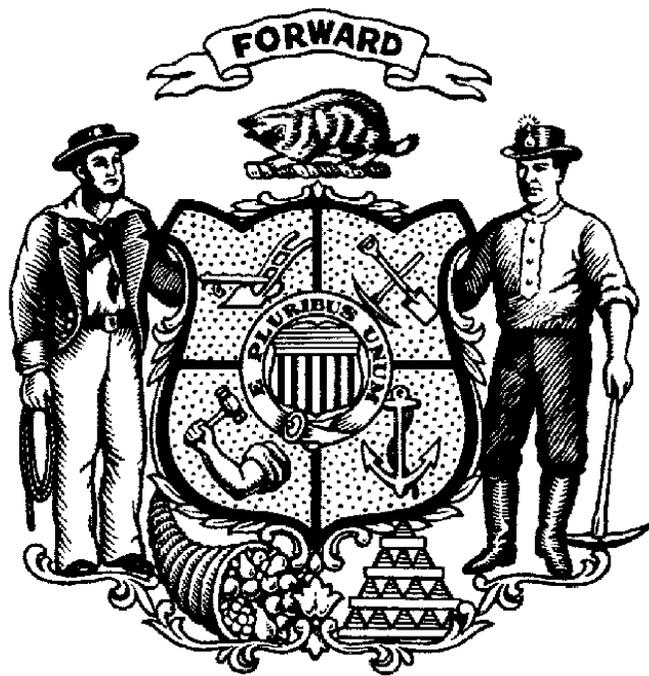


State of Wisconsin

Department of Employee Trust Funds



Agency Budget Request
2019 – 2021 Biennium
September 17, 2018

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STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

Wisconsin Department
of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931
1-877-533-5020 (toll free)
Fax 608-267-4549
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October 5, 2018

SECRETARY ELLEN NOWAK
DEPT OF ADMINISTRATION
101 E WILSON ST 10th FL
PO BOX 7864
MADISON WI 53703-7864

RE: 2019-21 Biennial Budget Request

Dear Secretary Nowak:

I am pleased to submit the 2019-21 biennial budget request for the Department of Employee Trust Funds (ETF). The Department's request has been prepared in accordance with your major budget policies for 2019-21. No general purpose revenue (GPR) is sought for operational purposes in this budget request. The ETF Board endorsed the attached budget request at its September 20, 2018 meeting.

In addition to standard budget adjustment and technical items, this budget request includes 4.0 SEG FTE positions for two initiatives. ETF is not requesting additional funding for these positions and will use existing authority to fund these positions. The first initiative requires 2.0 FTE positions to develop improved business intelligence processes while ETF continues to modernize its business infrastructure. This effort will enable ETF to serve a growing population of retirees, as well as create efficiencies for ETF and for public employers across the state.

The second initiative includes 2.0 FTE positions and statutory changes related to the redesign of ETF's disability programs. The goal of the redesign effort is to streamline the administration of disability benefits, reduce administrative costs, reduce duplication, and reduce complexity and confusion for employers and employees.

Finally, one-time SEG expenditure authority is requested for the Legislative Audit Bureau actuarial services required by s.13.94 (1)(dc) and s.13.94 (1)(dd), and additional statutory changes related to ETF's Internal Audit position and the Board's oversight of this function.

ETF 2019-21 Biennial Budget Request
October 2, 2018
Page 2

We look forward to working with you and your staff as the budget progresses. If you have any questions, please do not hesitate to contact me at 266-0301 or Bonnie Cyganek, Director of Budget, Contract Administration & Procurement, at 264-7918.

Sincerely,

A handwritten signature in black ink, appearing to read "RJC". The signature is written in a cursive, slightly stylized font.

Robert J. Conlin
Secretary

cc: Waylon Hurlburt, State Budget Director, Department of Administration
Robert Lang, Director, Legislative Fiscal Bureau

AGENCY DESCRIPTION

The department is responsible for the implementation of retirement system policies and the day-to-day operations and management of the WRS. The department is headed by a secretary appointed by a 13-member Employee Trust Funds Board and is responsible for the state-administered retirement program; group insurance programs (health, life, income continuation, long-term disability and long-term care); employee reimbursement account program; commuter benefits program; deferred compensation trust funds for state and local government employees; and the state accumulated sick leave conversion credits program. The Group Insurance Board, Teachers Retirement Board, Wisconsin Retirement Board and Deferred Compensation Board are attached to the department.

Either by Board delegation or by statutory assignment, the agency is charged with: (1) collecting and accounting for all monies due the retirement trust funds; (2) calculating and accurately disbursing all benefit payments; (3) providing information and responding to inquiries from participating employers and employees; and (4) accounting for all WRS benefit transactions.

The assets invested by the State of Wisconsin Investment Board are not assets of the State, but are held in trust pending disbursement to secure coverage for, or pay benefits to, members or their beneficiaries.

MISSION

The mission of the department is to develop and deliver quality benefits and services to customers while safeguarding the integrity of the Trust.

PROGRAMS, GOALS, OBJECTIVES, AND ACTIVITY

Program 1: Employee Benefit Plans

Goal: Enhance compliance with industry financial and accounting standards, federal and state laws, and agency rules, policies, and procedures.

Objective/Activity: Create a common framework that will clarify compliance standards in the Internal Revenue Code, and improve the accuracy and timeliness of reporting tax information.

Objective/Activity: Expand employer monitoring efforts.

Objective/Activity: Participate in the GFOA Certificate of Achievement for Excellence in Financial Reporting Program in 2018.

Objective/Activity: Chapter 40 revisions and improvements.

Goal: Administer program benefits and services that are sustainable for our members and employees.

Objective/Activity: Hold health insurance premium increases to no more than the CPI, on a five-year rolling average.

Objective/Activity: Reduce complexity of disability programs.

Goal: Employ business practices that incorporate documentation, testing, evaluation, and risk management.

Objective/Activity: Provide risk-based and objective assurance and advice services that provide insight and improve risk mitigation.

Objective/Activity: Develop a COOP testing and exercise program to improve readiness and response capabilities.

Goal: Expand metric-based decision-making to contain costs, maximize quality, and add value for our customers.

Objective/Activity: Develop operational metrics to enhance knowledge and report to the ETF Board.

Goal: Optimize business processes and systems that must be integrated, secure, and flexible.

Objective/Activity: Improve secure access to all ETF systems from anywhere staff work.

Objective/Activity: Increase member accessibility to counseling services.

Goal: Provide information and education, accessible services, and interactive communications to meet customers' needs.

Objective/Activity: Revise member communications for improved accessibility, readability, and consistency.

Objective/Activity: Increase customer engagement on the website each year and develop a plan for website enhancement.

Goal: Foster a diverse and skilled workforce that is adaptive, collaborative, forward-thinking, accountable, and productive.

Objective/Activity: Execute a recruiting plan that recognizes agency future needs and attracts individuals with the desired skill sets to meet them.

Objective/Activity: Evaluate the organizational structure to optimize training capacity.

PERFORMANCE MEASURES

2017 AND 2018 GOALS AND ACTUALS

Prog . No.	Performance Measure	Goal 2017	Actual 2017	Goal 2018	Actual 2018
1.	Number of calls received.	196,891	184,374	202,798	192,884
	Percentage of calls answered.	90%	92%	90%	90%
1.	Average speed of answer.	1 minute	3 minutes	1 minute	2 minutes
1.	Number of eligible participants counseled.	9,000	11,796	9,900	12,158
1.	Percentage of active participants that receive counseling.	3.6%	4.5%	3.9%	4.7%
1.	Days to provide annuity retirement estimate from date of receipt to mailing, assuming requests from 25 percent of participants eligible to retire.	20	15	20	15
1.	Total administrative cost per active member and annuitant in the Wisconsin Retirement System (WRS) compared to the median of peer retirement systems. ¹	\$65 or <100%	\$72 WRS compared to \$93 peer median	\$65 or <100%	N/A ²

Note: Based on fiscal year.

¹Retirement and disability programs only – other benefit programs administered by the department are excluded.

²CEM benchmarking survey has yet to be performed for FY18.

2019, 2020 AND 2021 GOALS

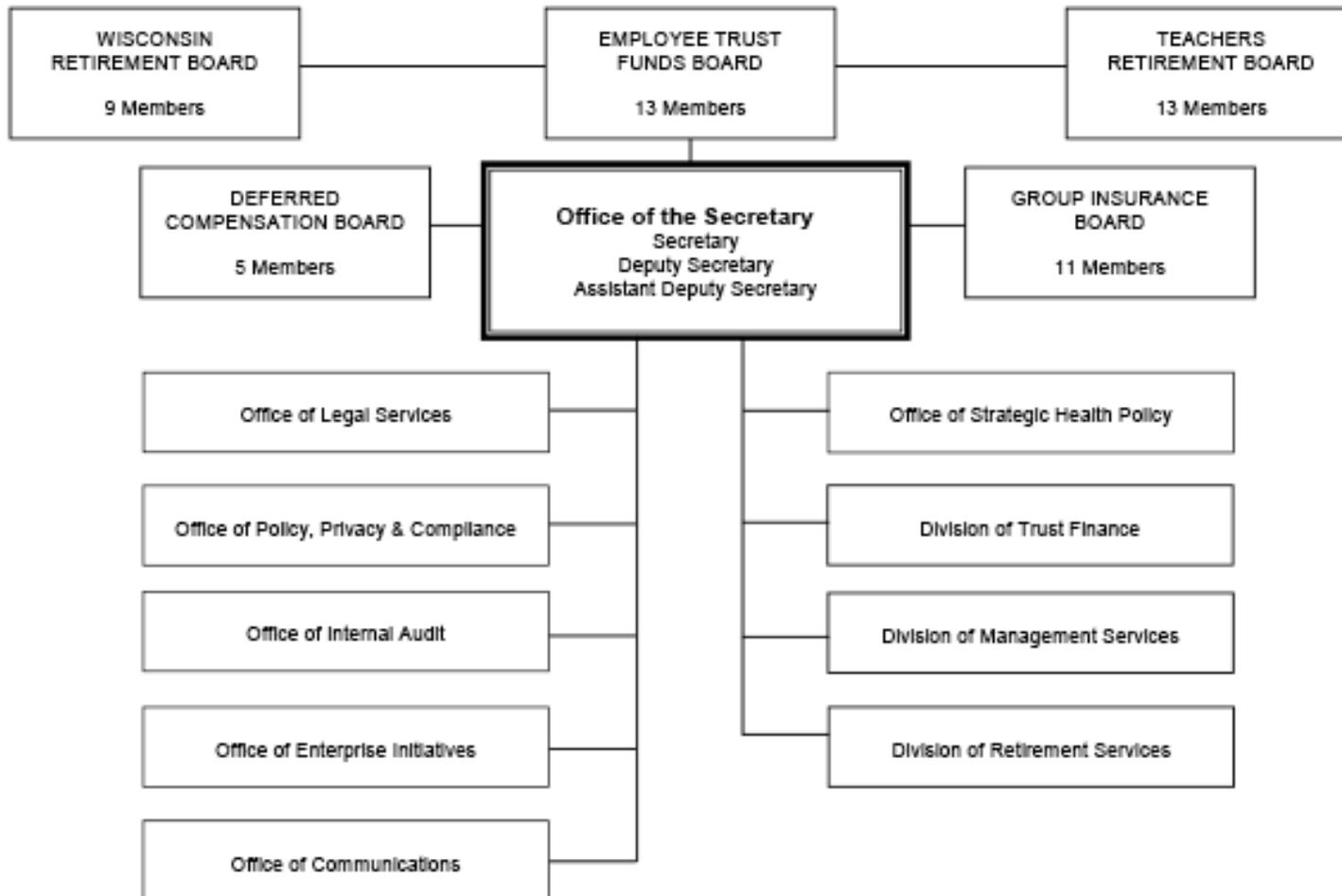
Prog . No.	Performance Measure	Goal 2019	Goal 2020	Goal 2021
1.	Average speed of call answer.	>70% calls answered in 3 min >50% calls answered in 2 min	>70% calls answered in 3 min >50% calls answered in 2 min	>70% calls answered in 3 min >50% calls answered in 2 min
1.	Percent increase in website visitor traffic. ²	>15%	>15%	>15%
1.	Percentage of customer calls that are abandoned. ²	<10%	<10%	<10%
1.	Member counseling appointment wait time (one-on-one, individual appointments). ²	15 days	15 days	15 days
1.	Members expressing high-level satisfaction. ²	95%	95%	95%
1.	Days to provide annuity retirement estimate from date of receipt to mailing, assuming requests from 25 percent of participants eligible to retire.	15 days	15 days	15 days
1.	Total administrative cost per active member and annuitant compared to the median of peer retirement systems. ¹	Below peer median	Below peer median	Below peer median
1.	Pension fund operational cost per member as a percent of peer average. ²	<80%	<80%	<80%
1.	Vendor invoices paid within 30 days (no interest charges). ²	98%	98%	98%

Note: Based on fiscal year.

¹Retirement and disability programs only – other benefit programs administered by the department are excluded.

²Reflects a new objective/activity and corresponding performance measure for the 2019-21 biennium.

DEPARTMENT OF EMPLOYEE TRUST FUNDS
FUNCTIONAL ORGANIZATIONAL CHART
January 2018



Agency Total by Fund Source

Department of Employee Trust Funds

1921 Biennial Budget

Source of Funds		ANNUAL SUMMARY						BIENNIAL SUMMARY			
		Prior Year Total	Adjusted Base	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE	Base Year Doubled (BYD)	Biennial Request	Change From (BYD)	Change From BYD %
GPR	A	\$95,100	\$68,000	\$47,900	\$31,600	0.00	0.00	\$136,000	\$79,500	(\$56,500)	-41.5%
Total		\$95,100	\$68,000	\$47,900	\$31,600	0.00	0.00	\$136,000	\$79,500	(\$56,500)	-41.5%
SEG	S	\$43,267,226	\$47,901,700	\$48,417,700	\$48,331,600	276.20	276.20	\$95,803,400	\$96,749,300	\$945,900	1.0%
Total		\$43,267,226	\$47,901,700	\$48,417,700	\$48,331,600	276.20	276.20	\$95,803,400	\$96,749,300	\$945,900	1.0%
Grand Total		\$43,362,326	\$47,969,700	\$48,465,600	\$48,363,200	276.20	276.20	\$95,939,400	\$96,828,800	\$889,400	0.9%

Agency Total by Program

515 Employee Trust Funds, Department of

1921 Biennial Budget

Source of Funds	ANNUAL SUMMARY						BIENNIAL SUMMARY			
	Prior Year Actual	Adjusted Base	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE	Base Year Doubled (BYD)	Biennial Request	Change From (BYD)	Change From BYD %
01 EMPLOYEE BENEFIT PLANS										
Non Federal										
GPR	\$95,100	\$68,000	\$47,900	\$31,600	0.00	0.00	\$136,000	\$79,500	(\$56,500)	-41.54%
A	\$95,100	\$68,000	\$47,900	\$31,600	0.00	0.00	\$136,000	\$79,500	(\$56,500)	-41.54%
SEG	\$43,267,226	\$47,901,700	\$48,417,700	\$48,331,600	276.20	276.20	\$95,803,400	\$96,749,300	\$945,900	0.99%
S	\$43,267,226	\$47,901,700	\$48,417,700	\$48,331,600	276.20	276.20	\$95,803,400	\$96,749,300	\$945,900	0.99%
Total - Non Federal	\$43,362,326	\$47,969,700	\$48,465,600	\$48,363,200	276.20	276.20	\$95,939,400	\$96,828,800	\$889,400	0.93%
A	\$95,100	\$68,000	\$47,900	\$31,600	0.00	0.00	\$136,000	\$79,500	(\$56,500)	-41.54%
S	\$43,267,226	\$47,901,700	\$48,417,700	\$48,331,600	276.20	276.20	\$95,803,400	\$96,749,300	\$945,900	0.99%
PGM 01 Total	\$43,362,326	\$47,969,700	\$48,465,600	\$48,363,200	276.20	276.20	\$95,939,400	\$96,828,800	\$889,400	0.93%
GPR	\$95,100	\$68,000	\$47,900	\$31,600	0.00	0.00	\$136,000	\$79,500	(\$56,500)	-41.54%

Agency Total by Program

515 Employee Trust Funds, Department of

1921 Biennial Budget

A	\$95,100	\$68,000	\$47,900	\$31,600	0.00	0.00	\$136,000	\$79,500	(\$56,500)	-41.54%
SEG	\$43,267,226	\$47,901,700	\$48,417,700	\$48,331,600	276.20	276.20	\$95,803,400	\$96,749,300	\$945,900	0.99%
S	\$43,267,226	\$47,901,700	\$48,417,700	\$48,331,600	276.20	276.20	\$95,803,400	\$96,749,300	\$945,900	0.99%
TOTAL 01	\$43,362,326	\$47,969,700	\$48,465,600	\$48,363,200	276.20	276.20	\$95,939,400	\$96,828,800	\$889,400	0.93%
A	\$95,100	\$68,000	\$47,900	\$31,600	0.00	0.00	\$136,000	\$79,500	(\$56,500)	-41.54%
S	\$43,267,226	\$47,901,700	\$48,417,700	\$48,331,600	276.20	276.20	\$95,803,400	\$96,749,300	\$945,900	0.99%
Agency Total	\$43,362,326	\$47,969,700	\$48,465,600	\$48,363,200	276.20	276.20	\$95,939,400	\$96,828,800	\$889,400	0.93%

Agency Total by Decision Item

Department of Employee Trust Funds

1921 Biennial Budget

Decision Item	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
2000 Adjusted Base Funding Level	\$47,969,700	\$47,969,700	272.20	272.20
3001 Turnover Reduction	(\$537,400)	(\$537,400)	0.00	0.00
3003 Full Funding of Continuing Position Salaries and Fringe Benefits	\$633,700	\$633,700	0.00	0.00
3007 Overtime	\$45,600	\$45,600	0.00	0.00
3008 Night and Weekend Differential Pay	\$72,200	\$72,200	0.00	0.00
3010 Full Funding of Lease and Directed Moves Costs	\$118,900	\$167,800	0.00	0.00
3011 Minor Transfers Within the Same Alpha Appropriation	\$0	\$0	0.00	0.00
4000 Mandatory LAB Audits	\$183,000	\$48,000	0.00	0.00
5000 Annuity Supplement Re-Estimate	(\$20,100)	(\$36,400)	0.00	0.00
5001 Disability Redesign	\$0	\$0	2.00	2.00
5002 Business Intelligence (BI) to Support Decision-Making	\$0	\$0	2.00	2.00
6000 Transfers Between Alpha Appropriations	\$0	\$0	0.00	0.00
TOTAL	\$48,465,600	\$48,363,200	276.20	276.20

Agency Total by Decision Item

Department of Employee Trust Funds

1921 Biennial Budget

Segregated Funds Revenue and Balances Statement

1921 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
NUMERIC APPROPRIATION	61	Automated operating system
PROGRAM	01	Employee benefit plans
SUBPROGRAM		
WISMART FUND	262	

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
Opening Balance	\$13,961,700	\$16,904,500	\$16,355,700	\$16,355,700
Current Appropriation	\$8,393,600	\$8,393,600	\$8,393,600	\$8,393,600
Total Revenue	\$22,355,300	\$25,298,100	\$24,749,300	\$24,749,300
Expenditures	\$5,450,830	\$8,942,400	\$0	\$0
2000 Adjusted Base Funding Level	\$0	\$0	\$8,393,600	\$8,393,600
Total Expenditures	\$5,450,830	\$8,942,400	\$8,393,600	\$8,393,600
<u>Closing Balance</u>	\$16,904,470	\$16,355,700	\$16,355,700	\$16,355,700

Agency Total by Decision Item

Department of Employee Trust Funds

1921 Biennial Budget

Segregated Funds Revenue and Balances Statement

1921 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
NUMERIC APPROPRIATION	62	Benefit administration
PROGRAM	01	Employee benefit plans
SUBPROGRAM		
WISMART FUND	262	

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
Opening Balance	\$0	\$4,900	\$4,900	\$9,800
Current Appropriation	\$4,900	\$4,900	\$4,900	\$4,900
Total Revenue	\$4,900	\$9,800	\$9,800	\$14,700
Expenditures	\$0	\$4,900	\$0	\$0
2000 Adjusted Base Funding Level	\$0	\$0	\$4,900	\$4,900
6001	\$0	\$0	(\$4,900)	(\$4,900)
Total Expenditures	\$0	\$4,900	\$0	\$0

Agency Total by Decision Item

Department of Employee Trust Funds

1921 Biennial Budget

Closing Balance

\$4,900

\$4,900

\$9,800

\$14,700

Agency Total by Decision Item

Department of Employee Trust Funds

1921 Biennial Budget

Segregated Funds Revenue and Balances Statement

1921 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
NUMERIC APPROPRIATION	64	Health insurance data collection and analysis contracts
PROGRAM	01	Employee benefit plans
SUBPROGRAM		
WISMART FUND	262	

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
Opening Balance	\$180,100	\$201,100	\$201,100	\$1,169,200
Current Appropriation	\$968,100	\$968,100	\$968,100	\$968,100
Unliquidated Encumbrance	(\$177,200)	\$0	\$0	\$0
Total Revenue	\$971,000	\$1,169,200	\$1,169,200	\$2,137,300
Expenditures	\$769,876	\$968,100	\$0	\$0
2000 Adjusted Base Funding Level	\$0	\$0	\$968,100	\$968,100
6000 Transfers Between Alpha Appropriations	\$0	\$0	(\$968,100)	(\$968,100)

Agency Total by Decision Item

Department of Employee Trust Funds

1921 Biennial Budget

Total Expenditures	\$769,876	\$968,100	\$0	\$0
<u>Closing Balance</u>	\$201,124	\$201,100	\$1,169,200	\$2,137,300

Agency Total by Decision Item

Department of Employee Trust Funds

1921 Biennial Budget

Segregated Funds Revenue and Balances Statement

1921 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
NUMERIC APPROPRIATION	76	Administration
PROGRAM	01	Employee benefit plans
SUBPROGRAM		
WISMART FUND	262	

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
Opening Balance	\$77,987,700	\$89,898,100	\$87,302,900	\$82,209,700
Collected Revenue	\$45,572,500	\$35,150,700	\$35,150,700	\$35,150,700
Total Revenue	\$123,560,200	\$125,048,800	\$122,453,600	\$117,360,400
Expenditures	\$33,662,120	\$37,745,900	\$0	\$0
2000 Adjusted Base Funding Level	\$0	\$0	\$35,150,700	\$35,150,700
5002 Business Intelligence (BI) to Support Decision-Making	\$0	\$0	\$0	\$0
5001 Disability Redesign	\$0	\$0	\$0	\$0

Agency Total by Decision Item

Department of Employee Trust Funds

1921 Biennial Budget

3003 Full Funding of Continuing Position Salaries and Fringe Benefits	\$0	\$0	\$853,500	\$853,500
3010 Full Funding of Lease and Directed Moves Costs	\$0	\$0	\$118,900	\$167,800
4000 Mandatory LAB Audits	\$0	\$0	\$183,000	\$48,000
3011 Minor Transfers Within the Same Alpha Appropriation	\$0	\$0	\$3,384,400	\$3,384,400
3008 Night and Weekend Differential Pay	\$0	\$0	\$72,200	\$72,200
3007 Overtime	\$0	\$0	\$45,600	\$45,600
6000 Transfers Between Alpha Appropriations	\$0	\$0	\$968,100	\$968,100
3001 Turnover Reduction	\$0	\$0	(\$537,400)	(\$537,400)
6001	\$0	\$0	\$4,900	\$4,900
Total Expenditures	\$33,662,120	\$37,745,900	\$40,243,900	\$40,157,800
<u>Closing Balance</u>	\$89,898,080	\$87,302,900	\$82,209,700	\$77,202,600

Agency Total by Decision Item

Department of Employee Trust Funds

1921 Biennial Budget

Segregated Funds Revenue and Balances Statement

1921 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
NUMERIC APPROPRIATION	88	Administration
PROGRAM	01	Employee benefit plans
SUBPROGRAM		
WISMART FUND	262	

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
Opening Balance	(\$9,806,400)	(\$13,190,800)	(\$13,190,800)	(\$9,806,400)
Collected Revenue	\$0	\$3,384,400	\$3,384,400	\$3,384,400
Total Revenue	(\$9,806,400)	(\$9,806,400)	(\$9,806,400)	(\$6,422,000)
Expenditures	\$3,384,400	\$3,384,400	\$0	\$0
2000 Adjusted Base Funding Level	\$0	\$0	\$3,384,400	\$3,384,400
3011 Minor Transfers Within the Same Alpha Appropriation	\$0	\$0	(\$3,384,400)	(\$3,384,400)
Total Expenditures	\$3,384,400	\$3,384,400	\$0	\$0

Agency Total by Decision Item

Department of Employee Trust Funds

1921 Biennial Budget

Closing Balance

(\$13,190,800)

(\$13,190,800)

(\$9,806,400)

(\$6,422,000)

Decision Item (DIN) - 2000

Decision Item (DIN) Title - Adjusted Base Funding Level

NARRATIVE

Adjusted Base Funding Level

Decision Item by Line

1921 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
	CODES	TITLES
DECISION ITEM	2000	Adjusted Base Funding Level

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$17,913,200	\$17,913,200
02	Turnover	\$0	\$0
03	Project Position Salaries	\$112,100	\$112,100
04	LTE/Misc. Salaries	\$121,700	\$121,700
05	Fringe Benefits	\$7,037,100	\$7,037,100
06	Supplies and Services	\$21,056,800	\$21,056,800
07	Permanent Property	\$1,660,800	\$1,660,800
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$68,000	\$68,000
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$47,969,700	\$47,969,700

18	Project Positions Authorized	3.00	3.00
19	Classified Positions Authorized	266.20	266.20
20	Unclassified Positions Authorized	3.00	3.00

Decision Item by Numeric

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	2000	Adjusted Base Funding Level			
01	Employee benefit plans				
	01 Annuity supplements and payments	\$68,000	\$68,000	0.00	0.00
	61 Automated operating system	\$8,393,600	\$8,393,600	0.00	0.00
	62 Benefit administration	\$4,900	\$4,900	0.00	0.00
	64 Health insurance data collection and analysis contracts	\$968,100	\$968,100	0.00	0.00
	76 Administration	\$35,150,700	\$35,150,700	272.20	272.20
	88 Administration	\$3,384,400	\$3,384,400	0.00	0.00
	Employee benefit plans SubTotal	\$47,969,700	\$47,969,700	272.20	272.20
	Adjusted Base Funding Level SubTotal	\$47,969,700	\$47,969,700	272.20	272.20
	Agency Total	\$47,969,700	\$47,969,700	272.20	272.20

Decision Item by Fund Source

Department of Employee Trust Funds

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
Decision Item	2000	Adjusted Base Funding Level				
	GPR	A	\$68,000	\$68,000	0.00	0.00
	SEG	S	\$47,901,700	\$47,901,700	272.20	272.20
	Total		\$47,969,700	\$47,969,700	272.20	272.20
Agency Total			\$47,969,700	\$47,969,700	272.20	272.20

Decision Item (DIN) - 3001

Decision Item (DIN) Title - Turnover Reduction

NARRATIVE

Standard Budget Adjustment - Turnover Reduction

Decision Item by Line

1921 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
	CODES	TITLES
DECISION ITEM	3001	Turnover Reduction

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	(\$537,400)	(\$537,400)
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	(\$537,400)	(\$537,400)

18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	3001	Turnover Reduction			
01	Employee benefit plans				
	76 Administration	(\$537,400)	(\$537,400)	0.00	0.00
	Employee benefit plans SubTotal	(\$537,400)	(\$537,400)	0.00	0.00
	Turnover Reduction SubTotal	(\$537,400)	(\$537,400)	0.00	0.00
	Agency Total	(\$537,400)	(\$537,400)	0.00	0.00

Decision Item by Fund Source

Department of Employee Trust Funds

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
Decision Item	3001	Turnover Reduction				
	SEG	S	(\$537,400)	(\$537,400)	0.00	0.00
	Total		(\$537,400)	(\$537,400)	0.00	0.00
Agency Total			(\$537,400)	(\$537,400)	0.00	0.00

Decision Item (DIN) - 3003

Decision Item (DIN) Title - Full Funding of Continuing Position Salaries and Fringe Benefits

NARRATIVE

Standard Budget Adjustment - Full Funding of Continuing Position Salaries and Fringe Benefits

Decision Item by Line

1921 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
	CODES	TITLES
DECISION ITEM	3003	Full Funding of Continuing Position Salaries and Fringe Benefits

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$550,600	\$550,600
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$83,100	\$83,100
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0

17	Total Cost	\$633,700	\$633,700
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	3003	Full Funding of Continuing Position Salaries and Fringe Benefits			
01	Employee benefit plans				
	76 Administration	\$633,700	\$633,700	0.00	0.00
	Employee benefit plans SubTotal	\$633,700	\$633,700	0.00	0.00
	Full Funding of Continuing Position Salaries and Fringe Benefits SubTotal	\$633,700	\$633,700	0.00	0.00
	Agency Total	\$633,700	\$633,700	0.00	0.00

Decision Item by Fund Source

Department of Employee Trust Funds

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
Decision Item	3003	Full Funding of Continuing Position Salaries and Fringe Benefits				
	SEG	S	\$633,700	\$633,700	0.00	0.00
	Total		\$633,700	\$633,700	0.00	0.00
Agency Total			\$633,700	\$633,700	0.00	0.00

Decision Item (DIN) - 3007

Decision Item (DIN) Title - Overtime

NARRATIVE

Standard Budget Adjustment - Overtime

Decision Item by Line

1921 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
	CODES	TITLES
DECISION ITEM	3007	Overtime

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$39,500	\$39,500
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$6,100	\$6,100
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$45,600	\$45,600

18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	3007	Overtime			
01	Employee benefit plans				
	76 Administration	\$45,600	\$45,600	0.00	0.00
	Employee benefit plans SubTotal	\$45,600	\$45,600	0.00	0.00
	Overtime SubTotal	\$45,600	\$45,600	0.00	0.00
	Agency Total	\$45,600	\$45,600	0.00	0.00

Decision Item by Fund Source

Department of Employee Trust Funds

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
Decision Item	3007	Overtime				
	SEG	S	\$45,600	\$45,600	0.00	0.00
	Total		\$45,600	\$45,600	0.00	0.00
Agency Total			\$45,600	\$45,600	0.00	0.00

Decision Item (DIN) - 3008

Decision Item (DIN) Title - Night and Weekend Differential Pay

NARRATIVE

Standard Budget Adjustment - Night and Weekend Differential Pay

Decision Item by Line

1921 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
	CODES	TITLES
DECISION ITEM	3008	Night and Weekend Differential Pay

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$62,600	\$62,600
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$9,600	\$9,600
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$72,200	\$72,200

18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	3008	Night and Weekend Differential Pay			
01	Employee benefit plans				
	76 Administration	\$72,200	\$72,200	0.00	0.00
	Employee benefit plans SubTotal	\$72,200	\$72,200	0.00	0.00
	Night and Weekend Differential Pay SubTotal	\$72,200	\$72,200	0.00	0.00
	Agency Total	\$72,200	\$72,200	0.00	0.00

Decision Item by Fund Source

Department of Employee Trust Funds

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
Decision Item	3008	Night and Weekend Differential Pay				
	SEG	S	\$72,200	\$72,200	0.00	0.00
	Total		\$72,200	\$72,200	0.00	0.00
Agency Total			\$72,200	\$72,200	0.00	0.00

Decision Item (DIN) - 3010

Decision Item (DIN) Title - Full Funding of Lease and Directed Moves Costs

NARRATIVE

Standard Budget Adjustment - Full Funding of Lease and Directed Moves Costs

Decision Item by Line

1921 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
	CODES	TITLES
DECISION ITEM	3010	Full Funding of Lease and Directed Moves Costs

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$118,900	\$167,800
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$118,900	\$167,800

18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	3010	Full Funding of Lease and Directed Moves Costs			
01	Employee benefit plans				
	76 Administration	\$118,900	\$167,800	0.00	0.00
	Employee benefit plans SubTotal	\$118,900	\$167,800	0.00	0.00
	Full Funding of Lease and Directed Moves Costs SubTotal	\$118,900	\$167,800	0.00	0.00
	Agency Total	\$118,900	\$167,800	0.00	0.00

Decision Item by Fund Source

Department of Employee Trust Funds

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
Decision Item	3010	Full Funding of Lease and Directed Moves Costs				
	SEG	S	\$118,900	\$167,800	0.00	0.00
	Total		\$118,900	\$167,800	0.00	0.00
Agency Total			\$118,900	\$167,800	0.00	0.00

Decision Item (DIN) - 3011

Decision Item (DIN) Title - Minor Transfers Within the Same Alpha Appropriation

NARRATIVE

Standard Budget Adjustment - Minor Transfers Within the Same Alpha Appropriation. ETF has two separate administrative appropriations, 176 and 188, under s.20.515(1)(w). Appropriation 188 was split off from 176 during the 1997-99 biennium for IT funding (see page 389 of LFB Paper 361 1997-99). This segregation is no longer necessary. ETF would like to consolidate appropriation 188 into 176. The funds would remain on the same allotment lines when moved from 188 to 176.

Decision Item by Line

1921 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
	CODES	TITLES
DECISION ITEM	3011	Minor Transfers Within the Same Alpha Appropriation

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$0	\$0

18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	3011	Minor Transfers Within the Same Alpha Appropriation			
01	Employee benefit plans				
	76 Administration	\$3,384,400	\$3,384,400	0.00	0.00
	88 Administration	(\$3,384,400)	(\$3,384,400)	0.00	0.00
	Employee benefit plans SubTotal	\$0	\$0	0.00	0.00
	Minor Transfers Within the Same Alpha Appropriation SubTotal	\$0	\$0	0.00	0.00
	Agency Total	\$0	\$0	0.00	0.00

Decision Item by Fund Source

Department of Employee Trust Funds

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
Decision Item	3011	Minor Transfers Within the Same Alpha Appropriation				
	SEG	S	\$0	\$0	0.00	0.00
	Total		\$0	\$0	0.00	0.00
Agency Total			\$0	\$0	0.00	0.00

Decision Item (DIN) - 4000

Decision Item (DIN) Title - Mandatory LAB Audits

NARRATIVE

Under s. 13.94 (1) (dc), Wis. Stats., the Legislative Audit Bureau (LAB) is required to contract for the performance of an actuarial audit of the Wisconsin Retirement System (WRS) at least once every five years. This cost is then billed to the Department of Employee Trust Funds (ETF) as indicated in s. 13.94 (1s) (c) 1. Additionally, under s. 13.94 (1) (dd), the LAB is required to perform a financial audit of ETF annually. Fiscal year 2020 and 2021 audits include a review of new accounting standards issued by the Government Accounting Standards Board (GASB). This cost is also billed to ETF as indicated in 13.94 (1s) (c) 1. ETF requests one-time funding of \$183,000 in FY 2019-20 and \$48,000 in FY 2020-21 for the costs of these two LAB audits.

ETF 2019-21 Biennial Budget Request

Decision Item 4000 – Mandatory LAB Audits

176 – s. 20.515(1)(w)

Fiscal Summary		
	2019-20 Request	2020-21 Request
Total Request	\$183,000	\$48,000

Request/Objective

Under s. 13.94 (1) (dc), Wis. Stats., the Legislative Audit Bureau (LAB) is required to contract for the performance of an actuarial audit of the Wisconsin Retirement System (WRS) at least once every five years. This cost is then billed to the Department of Employee Trust Funds (ETF) as indicated in s. 13.94 (1s) (c) 1.

Additionally, under s. 13.94 (1) (dd), the LAB is required to perform a financial audit of ETF annually. Fiscal year 2020 and 2021 audits include a review of new accounting standards issued by the Government Accounting Standards Board (GASB). This cost is also billed to ETF as indicated in 13.94 (1s) (c) 1.

ETF requests one-time funding of \$183,000 in FY 2019-20 and \$48,000 in FY 2020-21 for the costs of these two LAB audits.

Background/Analysis of Need

Actuarial Audit - An actuarial audit involves engaging the services of an outside actuary to review the work of the plan's consulting actuary. The Government Finance Officers Association considers it a "Best Practice" to perform an actuarial audit at least every five years. They identify five benefits:

- Enhance the credibility of the actuarial valuation process by providing independent assurance that it was performed in accordance with actuarial standards of practice;
- Increase public trust in how the pension plan is being governed;
- Help plan fiduciaries to assess whether the pension plan is meeting its funding objectives;
- Lead to the remediation of errors that might otherwise go undiscovered; and
- Provide recommendations for improving the actuarial valuation process, including how information is presented in the actuarial valuation report and in other communications

In 1989 the legislature recognized the value of actuarial audits, and assigned the LAB responsibility for overseeing the audits. Section 13.94 (1) (dc) requires the LAB to perform an actuarial audit of WRS. The most recent actuarial audit was conducted in 2015 by the LAB. The next audit is scheduled for 2019. Due to the five-year nature of this audit, ETF is requesting one-time funding for the costs of this audit.

Additionally, section 13.94 (1) (dd) requires the LAB to conduct annual financial audits of ETF. While ETF's budget already includes funding for this audit, the audit is expanding to encompass additional GASB issued standards for accounting and financial reporting for pensions by public pension plans and employers. These new standards involve actuarial determination and reporting of pension liability and expense and the reporting of Other Postemployment Benefits (OPEB). ETF is requesting funding for the one-time costs of expanding this LAB audit.

Statutory Language

The department is not proposing statutory language related to this request.

Decision Item by Line

1921 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
	CODES	TITLES
DECISION ITEM	4000	Mandatory LAB Audits

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$183,000	\$48,000
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$183,000	\$48,000

18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	4000	Mandatory LAB Audits			
01	Employee benefit plans				
	76 Administration	\$183,000	\$48,000	0.00	0.00
	Employee benefit plans SubTotal	\$183,000	\$48,000	0.00	0.00
	Mandatory LAB Audits SubTotal	\$183,000	\$48,000	0.00	0.00
	Agency Total	\$183,000	\$48,000	0.00	0.00

Decision Item by Fund Source

Department of Employee Trust Funds

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
Decision Item	4000	Mandatory LAB Audits				
	SEG	S	\$183,000	\$48,000	0.00	0.00
	Total		\$183,000	\$48,000	0.00	0.00
Agency Total			\$183,000	\$48,000	0.00	0.00

Decision Item (DIN) - 5000

Decision Item (DIN) Title - Annuity Supplement Re-Estimate

NARRATIVE

The Department of Employee Trust Funds (ETF) requests a reduced base funding of -\$20,100 GPR in FY20 and -\$36,400 GPR in FY21 to reflect decreased amounts necessary to pay benefit supplements for retirees who first began receiving annuities before October 1, 1974. These supplements were authorized primarily by Chapter 337, Laws of 1973, 1983 Wisconsin Act 394, and 1997 Wisconsin Act 26. The re-estimate is due to a declining number of retirees eligible for these supplements due to deaths. Current base funding for the appropriation is \$68,000.

ETF 2019-21 BIENNIAL BUDGET REQUEST

DECISION ITEM 5000 – ANNUITY SUPPLEMENT REESTIMATE

101 – S. 20.515 (1)(a)

FISCAL SUMMARY		
	2019-2020 Request	2020-2021 Request
Total Request	(\$20,100)	(\$36,400)

Request

The Department of Employee Trust Funds (ETF) requests a reduced base funding of - \$20,100 GPR in FY20 and -\$36,400 GPR in FY21 to reflect decreased amounts necessary to pay benefit supplements for retirees who first began receiving annuities before October 1, 1974.

Background

These supplements were authorized primarily by Chapter 337, Laws of 1973, 1983 Wisconsin Act 394 and 1997 Wisconsin Act 26. The re-estimate is due to a declining number of retirees eligible for these supplements due to deaths. Current base funding for the appropriation is \$68,000.

Decision Item by Line

1921 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
	CODES	TITLES
DECISION ITEM	5000	Annuity Supplement Re-Estimate

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	(\$20,100)	(\$36,400)
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	(\$20,100)	(\$36,400)

18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	5000	Annuity Supplement Re-Estimate			
01	Employee benefit plans				
	01 Annuity supplements and payments	(\$20,100)	(\$36,400)	0.00	0.00
	Employee benefit plans SubTotal	(\$20,100)	(\$36,400)	0.00	0.00
	Annuity Supplement Re-Estimate SubTotal	(\$20,100)	(\$36,400)	0.00	0.00
	Agency Total	(\$20,100)	(\$36,400)	0.00	0.00

Decision Item by Fund Source

Department of Employee Trust Funds

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
Decision Item	5000	Annuity Supplement Re-Estimate				
	GPR	A	(\$20,100)	(\$36,400)	0.00	0.00
	Total		(\$20,100)	(\$36,400)	0.00	0.00
Agency Total			(\$20,100)	(\$36,400)	0.00	0.00

Decision Item (DIN) - 5001

Decision Item (DIN) Title - Disability Redesign

NARRATIVE

The Department of Employee Trust Funds (ETF) requests 2.0 SEG FTE Trust Funds Specialist Advanced positions and statutory changes related to the redesign of ETF's disability programs. The changes will restructure the disability programs to have one short-term disability program (Income Continuation Insurance) and one long-term disability program (Disability Retirement Annuity/§ 40.63). The goal of the redesign effort is to streamline the administration of disability benefits, reduce administrative costs, reduce duplication, and reduce complexity and confusion for employers and employees. These positions are necessary for the effective administration of ETF's disability programs. ETF is not requesting additional funding for these positions and will use existing expenditure authority to fund these positions.

ETF 2019-2021 BIENNIAL BUDGET REQUEST

DECISION ITEM 5001 - Disability Redesign – Position Request

176 – s. 20.515 (1)(w)

FISCAL SUMMARY		
	2019-20 Request	2020-21 Request
FTE	2.0 SEG FTE	2.0 SEG FTE
Total Funds	\$0	\$0

Request

The Department of Employee Trust Funds (ETF) requests 2.0 FTE SEG Trust Funds Specialist Advanced positions (funded from existing SEG base in FY20 and FY21). ETF is only requesting position authority and will use existing expenditure authority to fund these positions. These positions are essential for the effective administration of ETF's disability programs. ETF is in the midst of restructuring its disability programs to improve its financial performance, improve processes, reduce complexity and help members and employers better understand the programs.

As part of this larger program redesign, ETF has closed ETF's Long Term Disability Insurance Program (LTDI) to new applicants and reopened ETF's Disability Retirement Annuity (§ 40.63) program. The LTDI program was managed by a third-party administrator. ETF also moved the administration of the remaining long-term disability program in-house, which increased ETF's workload related to the disability programs. However, by administering these functions internally, ETF was able to reduce administrative fees paid to the current third party administrator by \$864,000 annually. The addition of these positions will provide an estimated net savings of \$610,500 annually to the trust fund. Without the positions, ETF would need to seek a third-party administrator to carry out these functions and would not realize the program savings.

Background

The Department of Employee Trust Funds

The Department of Employee Trust Funds administers the WRS, the group health insurance program for state employees and many local governments, and a variety of other public employee benefit programs. The WRS is the 9th largest pension system in the nation and ETF's largest program, providing retirement benefits for more than 620,000 current and former state and local government employees on behalf of more than 1,500 employers. Participants include public school teachers, current and former employees of Wisconsin's state agencies, and employees of most local governments other than the City of Milwaukee and Milwaukee County. The agency is overseen by an independent governing board, and WRS trust funds are held on behalf of ETF benefit program members and employers.

The Department's sole statutory mission is to administer the Public Employee Trust Fund in a way that provides legislatively-created, employment-related benefits at the lowest reasonable cost. Chapter 40 functions as the controlling document for the Trust.

ETF's Disability Program Redesign

Presently, ETF administers four disability benefit programs for state and local government employees:

- Disability Retirement Annuity (§ 40.63) (Long-Term Disability)
- Long-Term Disability Insurance (LTDI) (Long-Term Disability)
- Income Continuation Insurance (ICI) (Short-Term and Long-Term Disability)
- Duty Disability (40.65) (available to protective occupations only)

ETF's disability redesign focuses on the first three disability programs. The changes will streamline, simplify, and reduce duplication of the state's disability programs currently offered to State of Wisconsin and local government employees. The changes will restructure the disability programs to have one short-term disability program (ICI) and one long-term disability program (Disability Retirement Annuity/§ 40.63). The changes, approved by the ETF Board and the Group Insurance Board, also support the long-term financial sustainability of the state ICI program.

The goal of the restructuring was to simplify the programs, reduce duplication and ensure long-term sustainability and cost-effectiveness. After the completion of an actuarial analysis of the programs, ETF recommended the LTDI program be closed to new claims and the Disability Retirement Annuity (§ 40.63) program be reestablished. At its September 29, 2016, meeting, the ETF Board approved closing the LTDI program effective January 1, 2018, and reopening the Disability Retirement Annuity (§ 40.63) program. On November 6, 2017, the Legislature approved rule changes that closed the LTDI program and reopened the Disability Retirement Annuity (§ 40.63) program effective January 1, 2018.

Part of the program efficiency measures includes administering the Disability Retirement Annuity (§ 40.63) program using ETF staff. The LTDI program was an insurance program

that was administered by Aetna, a third-party administrator. After closing the LTDI program to new claimants, ETF renegotiated its contract with Aetna and reduced the annual administrative fee by \$864,000. ETF has taken over some of the duties previously handled by Aetna.

Analysis of Need

The closure of the LTDI program and revision of the Disability Retirement Annuity (§ 40.63) program has increased the workload of ETF’s Disability Programs Section. As the chart below shows, Disability Retirement Annuity (§40.63) claims have almost tripled. Average weekly caseloads for each case manager went from approximately 6 pending §40.63 claims to approximately 18 claims. Disability claims are complex and each case is unique, requiring the case manager to provide information and support for the employee applying for the disability benefit. The case manager must also process and manage information from members, employers, attorneys, and physicians. Currently, the time for processing claims, including disability calculations and audits, averages two to three months, but complex cases can take a year to process.

In addition to claims processing, case managers are responsible for duty disability claims and administrative functions related to managing the 2,458 existing LTDI benefits previously handled by Aetna. The combined impact of this additional claim volume and account maintenance has increased the workload for ETF’s disability programs.

Average Weekly Pending Claim Volume - § 40.63

Before LTDI Closure	25 Claims
After LTDI Closure	68 Claims

Prior to the closure of the LTDI program, ETF had five case managers to process both the § 40.63 claims up to the point of benefit calculation and duty disability program claims throughout the lifetime of the duty disability benefit. The duty disability program is complex and requires continuous benefit adjustments depending on the claimant’s various income sources. Additionally, the duty disability program is continually adding new benefit recipients and the administrative responsibilities of the program are expected to increase. ETF reallocated two positions as disability case managers, however, in addition to reallocating these positions, the responsibility for calculation of § 40.63 benefits was transferred to the disability section from another section within ETF. These two positions are unable to help fully absorb the increase in administrative work that is associated with the administration of disability benefits.

Average Number of Calculations Monthly - § 40.63

Before LTDI Closure	8 Calculations
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After LTDI Closure	23 Calculations
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The two new disability case managers have provided some assistance with the increased workload, but two additional positions are required to handle the increased claims for the Disability Retirement Annuity (§ 40.63) program, processing claims for the duty disability program and administrative functions related to administering the LTDI claims, many of which have not yet been transitioned to ETF from Aetna due to ETF's lack of staffing. Administrative functions that have been assumed by ETF include the creation and maintenance of an LTDI claimant database, processing claimant deaths and benefit suspensions, calculating benefit offsets, and coordination with other WRS benefits. The annual LTDI process that ETF has assumed includes annual salary adjustments, and the calculation of supplemental WRS retirement contribution benefits (both annual and weekly one-off contribution calculations) for LTDI claimants. Additionally, disability policy advisors have been spending a significant amount of time on administrative functions for the disability program. This has created an ongoing resource problem for the disability policy section.

Positions

In order to effectively administer the Disability Retirement Annuity (§ 40.63) program, the duty disability program and administer the remaining LTDI program claims, ETF is requesting two additional permanent FTE Trust Funds Specialist positions.

The positions requested can be funded from ETF's existing SEG base in FY19 and FY20. The cost for the positions will provide \$610,500 in net savings due to administering the disability programs with ETF staff.

These positions will be responsible for independently documenting, determining, and evaluating disability benefits available under ETF's Disability Retirement Annuity (§ 40.63) program and the duty disability program. The case manager positions will be responsible for:

- Evaluating disability applications for completeness and eligibility;
- Suspending and terminating disability benefits based on medical and financial documentation;
- Verifying life insurance and notifying employers of eligibility for group life insurance premium waivers; and
- Providing detailed information, assistance and counsel to applicants, personal representatives, attorneys, employers and others regarding the benefits and processes.

The disability case managers will also be responsible for fiscal responsibilities to ensure proper disability benefit payments including disability benefit calculations and audits, coordination of payments/offsets with the various disability programs offered through the

WRS, annual tax return and income statement reviews, overpayment calculations related to the WRS disability programs as well as ongoing disability case management.

Finally, it should be noted that ETF will also be responsible for overseeing the closure of the LTDI program, which is expected to take approximately 37 years. It is expected that the administrative responsibilities for the LTDI program will gradually decrease over time, but the program will still need oversight to ensure the effective administration of current LTDI benefit recipients. Furthermore, there is a permanent need for additional ETF disability staff due to increasing volume in the Disability Retirement Annuity (§ 40.63) program, the duty disability program and the various requirements that need to be managed for both of those programs.

Conclusion

ETF is in the middle of restructuring its disability programs. This effort will save \$610,500 and reduce duplication, streamline, and simplify these programs. Without the positions, ETF would need to contract with a third party to fulfill these responsibilities and lose the opportunity for savings. The requested position authority is necessary for the effective administration of the Disability Retirement Annuity (§ 40.63) program.

ETF 2019-2021 BIENNIAL BUDGET REQUEST

DECISION ITEM 5001 - Disability Redesign – Statutory Changes

ETF's Disability Redesign Project

The Department of Employee Trust Funds has completed a comprehensive evaluation of the four disability programs offered to State of Wisconsin and local government employees. The goal of the analysis was to identify a redesign approach that would reduce complexity and duplication of the disability benefit programs. ETF has implemented the initial phases of the redesign which is expected to generate \$610,500 in annual administrative savings. Completion of the redesign effort will reduce complexity and confusion for employers and members, address the actuarial deficit in the State ICI program and reduce State ICI plan liabilities, streamline the administration of disability benefits, and reduce duplication of disability benefits.

The majority of the remaining disability program changes will be achieved by making modifications to State and Local ICI plan contract language. However, changes related to decoupling sick leave and eliminating long-term benefits from the ICI program require statutory changes. The Group Insurance Board approved the proposed plan and statutory changes at their February 8, 2017 meeting.

Additionally, in 2017, the Legislative Audit Bureau released an audit (17-7) of ETF's Income Continuation Insurance (ICI) plan. The LAB provided several recommendations to ETF in regards to the ICI plan. As noted in the audit, implementing some of these changes would require statutory changes.

This biennial budget proposal sets forth the statutory changes necessary to complete the disability redesign project and comply with the recommendations included in the LAB audit of the ICI plan. Overall, the recommended changes are designed to ensure long-term sustainability of the disability programs administered by ETF.

State and Local Government Disability Programs

Presently, ETF administers four disability income benefit programs for state and local government employees:

- Disability Retirement Annuity (§40.63) (Long-Term Disability)
- Long-Term Disability Insurance (LTDI) (Long-Term Disability)
- Income Continuation Insurance (ICI) (Short-Term and Long-Term Disability)
- Duty Disability (§40.65) (available to protective occupations only)

ETF's disability redesign focuses on the first three disability programs. The changes will streamline, simplify, and reduce duplication of the state's disability programs currently offered to State of Wisconsin and local government employees. The changes will restructure the disability programs to have one short-term disability program (ICI) and one long-term disability program (Disability Retirement Annuity § 40.63). The changes, approved by the ETF Board and the Group Insurance Board, also support the long-term financial sustainability of the state ICI program.

The first phase of this project involved a technical clean-up of the optional ICI program plan language, which was completed in 2013.

The second phase was an evaluation of ETF's multiple long-term disability programs: ICI, LTDI and the Disability Retirement Annuity (§40.63) programs. The Disability Retirement Annuity (§40.63) program is available to any WRS member who has been continuously employed for a WRS employer since 1992. The LTDI program was created to replace the Disability Retirement Annuity (§40.63) program and was offered to all WRS employees. The ICI program is an optional insurance program that is funded by employee and employer premiums.

The goal of the evaluation was to identify an approach that would simplify the programs, reduce duplication, and ensure long-term sustainability and cost-effectiveness. After the completion of an actuarial study of the disability programs, ETF recommended that the LTDI program be closed to new claims and the Disability Retirement Annuity (§40.63) program be reopened to all members, and not just those who had been continuously employed since 1992. The ETF Board approved closing the LTDI program effective January 1, 2018 and reopening the Disability Retirement Annuity (§40.63) program. On November 6, 2017, the Legislature approved rule changes that closed the LTDI program and reopened the Disability Retirement Annuity (§40.63) program effective January 1, 2018.

Income Continuation Insurance Plan – Current Status

ICI Plan

The ICI plan is an optional short-term and long-term disability program that consists of two separate plans. The state ICI plan is available to state employees, and the local ICI plan is available to local government employees if their employer has elected to participate in the plan. Both plans pay a benefit of 75% of salary, with an additional \$75 per month supplemental long-term benefit payable after 12 months. ICI standard coverage will pay a benefit covering up to \$64,000 of an employee's annual salary (\$4,000 maximum monthly benefit). Standard coverage premium costs are split between the employee and employer, as laid out in statute (§40.05 (5)). An employee can purchase additional supplemental coverage up to \$120,000 of annual salary (\$3,500 additional monthly benefit), but the employee is responsible for paying the full cost of the supplemental coverage. Generally, ICI long-term benefits last until an employee recovers or reaches age 65. ICI benefits are offset by other benefit payments, such as Social Security Disability Income, WRS benefits, Worker's Compensation, and any earnings.

For most state employees, ICI plan premiums are associated with an employee's accumulated sick leave balance. Accumulated sick leave is used to determine premiums, employer cost sharing, and the start date of benefits. The exception to this structure is for University of Wisconsin (UW) faculty and academic staff, whose premiums are based on an elimination period, which is the period of time an employee must wait before benefits are payable. UW faculty and academic staff can select from four elimination periods, up to a maximum of 180 days. Under the current UW plan, the premium for a 180-day elimination period is fully paid by the employer, and additional premiums are paid by the employee if they wish to enroll in a shorter elimination period.

All enrollees in the state ICI plan must exhaust their sick leave, up to 130 days, before they can start receiving ICI benefits.

State ICI Plan Funding

The state ICI plan has been operating with an actuarial deficit since 2006. This deficit has grown substantially since 2008 due to various factors. The primary factors include declining enrollment and growth in long-term disability payments. State ICI enrollment has declined 15% from 2009-2017, while annual claims payments have risen 33%. Additionally, annual long-term disability claims have risen 87% over the same period from \$6.5 million to \$12.2 million.

To address the deficit, the Group Insurance Board (GIB) has increased premiums regularly over this time period as shown in the following table.

State ICI Premium Rate Increase History 2009-2018				
Actuary Report Year	Plan Year (Ending 12/31/xx)	Premium Increases		
		Effective Year	Recommended	Board Approved
2008	2007	2009	0.0%	0.0%
2009	2008	2010	7.0%	7.0%
2010	2009	2011	0.0%	0.0%
2011	2010	2012	7.0%	7.0%
2012	2011	2013	0.0%	4.5%
2013	2012	2014	4.5%	4.5%
2014	2013	2015	7.0%	7.0%
2015	2014	2016	20%	20%
2016	2015	2017	20%	20%

2017	2016	2018	20%	20%
2018	2017	2019	20%	20%

However, premium growth has not been sufficient to address the actuarial deficit. Additionally, higher premiums are likely adding to the decline in enrollment. Premiums for basic coverage range from \$2.88 - \$101.75 per month, with the employee share of those premiums ranging from \$.42 - \$101.75 per month depending on the amount of accumulated sick leave and salary level. ICI is an optional insurance program and recent premium increases have caused employees to cancel coverage. As premiums increase, more employees will elect to cancel coverage or decline coverage when they become eligible. The state ICI program appears to be in an unsustainable position and risks even greater growth in the deficit.

Local ICI Plan Funding

The local ICI plan is structured similarly to the UW portion of the state ICI plan, but without the requirement to exhaust sick leave that occurs with the state ICI plan. Employees select an elimination period up to a maximum 180 days. If the employee selects the 180-day elimination period, the premium is entirely employer paid.

The local ICI program has experienced exceptional performance results. The local ICI program is essentially self-sustaining as investment revenue has typically exceeded claims costs in recent years. From 2013 through 2017, the local ICI plan fund balance has increased 17% despite being on a premium holiday over the same time period.

ICI Plan Change Recommendations

In 2016, ETF contracted with Milliman Inc. to help develop a plan to reform the state ICI program. Milliman is the current actuary for ETF’s disability programs. The primary objective is to reduce the program’s deficit and liabilities but also to encourage enrollment, which is necessary for long-term financial sustainability. Using the local ICI program as a model, Milliman recommended and ETF agrees that the following changes should be made to both ICI programs:

- Replace the current accumulated sick leave based premium rate structure in the state ICI program with elimination-period (EP) based premiums. EPs of 30, 60, 90, and 180 days are proposed.
- Eliminate the requirement to exhaust sick leave prior to receipt of benefits in the state ICI program.

- Eliminate long-term benefits by reducing the maximum benefit period to 18-months following the employee selected elimination period.
- Reduce the benefit to 70% of pre-disability earnings up to a maximum monthly benefit of \$7,000 based on a maximum monthly salary of \$10,000.
- Employers will pay the entire premium for the longest EP (180 days) with employees paying the premium differential for electing a shorter EP.
- Elimination of the \$75 long-term disability add-on.
- Elimination of supplemental coverage.
- Elimination of the one-year service requirement before UW faculty and academic staff are eligible for employer premium contributions.
- The earnings offset for employees who return to work part-time with their former employer is reduced to 70%.
- New program effective beginning January 1, 2021.

The proposed changes would convert the ICI program into a short-term disability income program that will pay a benefit that is 70% of an enrollee's salary for a period of 18 months after the expiration of the employee selected elimination period. This change should significantly reduce the program liability going forward and eliminate the program deficit as early as 2023. According to Milliman, these benefit changes are consistent with industry standards for income replacement insurance benefit levels and program structure which feature separate short-term and long-term programs, rather than the hybrid (combined long-term and short-term) structure of the current ICI program.

The ICI program changes would encourage employee enrollment by expanding opportunities for employer premium sharing while simultaneously reducing per employee premium costs for both employees and employers. Even though these program changes result in enrollment growth, the effect on overall employer premium costs would remain neutral due to premium reductions. Increased enrollment is crucial to the long-term sustainability and financial health of the ICI program. It will also provide more employees the benefit of short-term disability insurance.

Eliminating ICI's long-term benefit component helps streamline, simplify and reduce duplication in the delivery of employee disability benefits. The disability redesign project will

result in one short-term, ICI, and one long-term disability benefit program, the Disability Retirement Annuity (§40.63) program. This creates a disability benefit program structure that is less complicated for employees and employers to navigate, and for ETF to administer.

Recommended Statutory Changes to Redesign the ICI Program Structure

Proposal: Decouple Sick Leave from the State ICI Plan Premium and Benefit Determinations

Under current law, employers and employees share the premium cost of the plan. The employer's share is a specified percentage that is based on the employee's accumulated sick leave balance. The higher an employee's accumulated balance, the greater the employer share. The employee then pays the remaining share. Employers pay 100% of the premium for all employees who accumulate more than 130 days of sick leave.

This change amends §40.05 (5) Wis. Stat. to remove sick leave as a factor in the determination of employee premium rates. Instead, it would require employees to elect an elimination period and pay the amount of ICI premium remaining after the employer has paid the premium for the equivalent of the longest elimination period option available under the ICI contract plan language. The change would also remove the UW faculty and academic staff creditable service provisions in §40.05 (5).

This change will also remove the provision for employers to have an annual deferred enrollment period connected to sick leave accrual as established in §40.61 (2). Additionally, the requirement for an employee to exhaust their accumulated sick leave as required in §40.62 (1) is removed.

The result of these changes is the decoupling of all requirements related to accumulated sick leave from the ICI program.

Justification: Removing the sick leave and UW creditable service provisions from premium and benefit determinations is part of the department's strategy to reduce the complexity of the ICI program and simplify administration by making all eligible employees subject to the same premium pricing, cost sharing, and benefit determination provisions. Removing the deferred enrollment requirements in §40.61 (2) also eliminates an annual administrative burden that is placed on state employers.

Additionally, removing the accumulated sick leave provisions from the premium calculation removes some uncertainty regarding future income from premiums because sick leave balances are subject to fluctuation from year to year. Employees will have the opportunity to substitute other types of accumulated leave (such as sabbatical leave) during their selected elimination period in order to preserve their accumulated sick leave.

Proposal: Eliminate ICI Coverage for Long-Term Benefits – remove the provision in §40.62 (1) that establishes the ICI program as a short-term and long-term disability income benefit program.

The ICI program offers short-term benefits for a period of 12 months and long-term benefits until a claimant reaches the age of 65 (or older, in certain circumstances). The significant length of long-term ICI benefits has resulted in a cumulative growth in the amount of payments and the number of outstanding claims in recent years. Annual long-term claim payments have risen 87% from 2009 to 2017. While the GIB has increased premiums to counter this claim growth, these increases have not improved the actuarial deficit in the state ICI program, and are likely contributing to the decline in enrollment.

Justification: Removing long-term benefits from the ICI program will achieve the department's goal of eliminating duplicative disability benefit programs. This recommendation also directly addresses the financial position of the state ICI plan, partially caused by the significant growth in the long-term payments. Additionally, eliminating long-term benefits reduces premiums for employees and employers, which should reverse the downward trend in ICI enrollment in recent years.

Additionally, the redesign effort recommends the following statutory changes to the §40.63 Disability Program Structure:

Proposal: Amend §40.63 (9) (c): Provide that if an individual exceeds the annual earnings limit in two calendar years within a five-year period starting on January 1, 2020, that individual's disability annuity benefit payments will be terminated.

Justification: The Disability Retirement Annuity program has earning limits on how much disability recipients are allowed to earn each year. Currently, there is no provision for terminating disability benefits if the recipient exceeds the earnings limit. If a recipient exceeds the annual earnings limit, the disability benefit is suspended for the rest of the calendar year and restarts at the beginning of the next calendar year. Disability benefits are designed to provide income to employees who are unable to engage in any substantial gainful activity.

This change will address disability recipients who regularly have their disability benefit suspended because they are working enough to be considered participating in gainful activity. The requirement that the termination of a §40.63 benefit occurs only if the annuitant exceeds the annual earnings limit twice in a five-year period is intended to avoid terminating annuitants who may have exceeded the earnings limit more than once, but had a number of years in between incidents in which their earnings did not reach the level of gainful activity. These instances are generally unintended and do not indicate a pattern. The change to §40.63 (9) is intended to terminate benefits for those recipients who are capable of regularly engaging in substantial gainful activity and may be taking advantage of the program.

Proposal: Streamline how the Disability Retirement Annuity (§40.63) program determines the last day paid to be consistent with regular WRS retirements and other ETF disability programs.

Justification: Disability retirement applicants (§40.63) must have their last day paid extended out when they receive lump sum payments for leave time, and this also extends their termination date and benefit effective date. Regular retirement applicants (§40.23) can be paid for leave time without any effect on termination or last day paid dates. This change will allow all annuitant applicants to be treated the same when they are paid a lump sum for leave time. This will enable ETF to streamline how benefits are paid.

For 2017, there were 23 approved claims that received lump sum payouts. The average time from the last day worked to the last day paid for §40.63 claims was 93 days and for the majority of those claims the average time was 37 days, or a little more than one month of disability benefits that would not be paid.

Proposal: Provides that a named joint survivor is entitled to the larger of either the disability benefit or the member's active WRS death benefit if the member dies before their disability application is approved.

Justification: Currently ETF considers an application "deemed approved" if the deceased applicant has at least one of the required qualifying medical reports from a physician that certifies the applicant's disability and the employer indicates they've paid out all earnings to the employee. If there was/will be a paycheck from the employer dated after the participant's date of death, the application would not be deemed approved. If an application should be denied under this condition, the beneficiary would be eligible for an inactive death benefit only, losing the employer contributions to the deceased employee's retirement account.

This change would clarify that the determination on whether an application should be "deemed approved" is not dependent on the date of the employee's final check from their employer.

An example would be an employee who is disabled leaves their job because of a disability. The employee applies for a §40.63 benefit, and dies after the first medical is received, but before the application is approved. Under these circumstances, the employee's beneficiary would only receive the inactive WRS death benefit (50% of the retirement account).

The creation of §40.63 (8) (hm) would allow beneficiaries to choose between the §40.63 disability benefit or the deceased employee's WRS active death benefit (employee and employer contributions) under §40.73 (1) (am). This would also allow beneficiaries the option to receive a lump sum benefit, if applicable, rather than monthly annuity payments.

Recommended Statutory Changes to Board Oversight

Finally, the Employee Trust Funds Board has authority over the Disability Retirement Annuity (§40.63) program and the Duty Disability Program. The Group Insurance Board has authority over LTDI and ICI. In an effort to streamline administration of the disability programs, both the Group Insurance Board and the Employee Trust Funds Board approved the transfer of ICI and LTDI oversight to the Employee Trust Funds Board. This change requires statutory changes and is included in the proposal.

Conclusion

The redesign effort will streamline the administration of disability benefits, reduce duplication and reduce complexity and confusion for employers and employees. Finally, the requested statutory changes will enable ETF to address the LAB's recommendations in regards to ICI plan and support the long-term financial sustainability of the ICI plan.

The LRB is in the final stages of drafting statutory language changes for this request.

Decision Item by Line

1921 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
	CODES	TITLES
DECISION ITEM	5001	Disability Redesign

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$0	\$0

18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	2.00	2.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	5001	Disability Redesign			
01	Employee benefit plans				
	76 Administration	\$0	\$0	2.00	2.00
	Employee benefit plans SubTotal	\$0	\$0	2.00	2.00
	Disability Redesign SubTotal	\$0	\$0	2.00	2.00
	Agency Total	\$0	\$0	2.00	2.00

Decision Item by Fund Source

Department of Employee Trust Funds

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
Decision Item	5001	Disability Redesign				
	SEG	S	\$0	\$0	2.00	2.00
	Total		\$0	\$0	2.00	2.00
Agency Total			\$0	\$0	2.00	2.00

Decision Item (DIN) - 5002

Decision Item (DIN) Title - Business Intelligence (BI) to Support Decision-Making

NARRATIVE

The Department of Employee Trust Funds (ETF) requests 2.0 FTE SEG Information Systems Specialist positions to support ETF's on-going efforts to transform into a data driven enterprise. The requested positions will assist in building a business intelligence framework that will provide information that supports and drives decision making in a timely, repeatable manner. As private sector companies invest in data and analytical capabilities to improve performance and value for shareholders, ETF is moving in a direction that will better utilize data to improve ETF's internal processes, strengthen regulatory compliance efforts, better provide services to customers and inform policy and regulatory changes. Overall, these capabilities will support the objective of keeping the Wisconsin Retirement System as a leader in public pension system design, and add value for over 620,000 members and the 1,500 employers we serve. ETF is not requesting additional funding for these positions and will use existing expenditure authority to fund the positions.

ETF 2019-2021 BIENNIAL BUDGET REQUEST

DECISION ITEM 5002 - Business Intelligence (BI) to Support Decision-Making

176 – s. 20.515 (1)(w)

FISCAL SUMMARY		
	2019-20 Request	2020-21 Request
FTE	2.0 SEG FTE	2.0 SEG FTE
Total Funds	\$0	\$0

Request

The Department of Employee Trust Funds (ETF) requests 2.0 FTE SEG Information Systems Specialist positions to support ETF's on-going efforts to transform into a data driven enterprise. The requested positions will assist in building a business intelligence framework that will provide information that supports and drives decision making in a timely, repeatable manner. As private sector companies invest in data and analytical capabilities to improve performance and value for shareholders, ETF is moving in a direction that will better utilize data to improve ETF's internal processes, strengthen regulatory compliance efforts, better provide services to customers and inform policy and regulatory changes. Overall, these capabilities will support the objective of keeping the Wisconsin Retirement System as a leader in public pension system design, and add value for over 620,000 members and the 1,500 employers we serve.

ETF is not requesting additional funding for these positions and will use existing expenditure authority to fund the positions.

Background

State of Wisconsin – Business Intelligence

The State of Wisconsin has made business intelligence (BI) a priority. In 2015, the Governor created the Governor's Commission on Reform, Efficiency and Performance. The Commission served the purpose of "advising and assisting the Governor in a coordinated government-wide effort to reduce the size of government, reduce

spending and reduce the state tax burden, and deliver government services more efficiently.” Recognizing the value of BI initiatives, the Commission unanimously recommended that the State use STAR and its business intelligence tools to realize savings and eliminate inefficiencies. Recently, the Governor signed Executive Order #288 relating to the implementation of the Commission’s recommendations.

As part of the State’s 2018 strategic IT Plan, the Department of Administration’s Division of Enterprise Technology (DET) is partnering with state agencies to provide a cost-effective and maintainable BI technology and platform, so that State agencies, like ETF, can make intelligent, fact-based decisions and conduct reporting to improve productivity. DET has invested in BI technologies from Oracle, Tableau and other technology vendors. ETF will avoid unnecessary IT infrastructure costs and will leverage DET’s technical expertise by utilizing the enterprise BI infrastructure service offerings. Because DET provides BI technology, but does not provide the data management, data analytics, dashboard development services, or services to blend STAR data with agency data, ETF needs the requested BI staff positions to focus on core business-driven objectives and service delivery to our members, employers and policymakers. ETF will do this by leveraging DET technologies at the enterprise-level, with a focus on utilizing the tools, key insights and business-specific knowledge relating to ETF.

The Department of Employee Trust Funds

The Department of Employee Trust Funds administers the Wisconsin Retirement System (WRS), the group health insurance program for state employees and many local governments, and a variety of other public employee benefit programs. The WRS is the 9th largest pension system in the nation and ETF’s largest program, providing retirement benefits for more than 620,000 current and former state and local government employees on behalf of more than 1,500 employers. Participants include current and former employees of Wisconsin’s state agencies and most local governments other than the City of Milwaukee and Milwaukee County. The agency is overseen by an independent governing board, and WRS trust funds are held on behalf of ETF benefit program members and employers.

The Department’s sole statutory mission is to administer the Public Employee Trust Fund in a way that provides legislatively-created, employment-related benefits at the lowest reasonable cost. Chapter 40 functions as the controlling document for the Trust.

Analysis of Need

BI capabilities will provide ETF decision makers and policy makers with insights that will enable ETF to take an enterprise view of financial and operational information leading to effective business decision making. This will increase efficiencies and allow ETF to optimize its operations and continue to keep its administrative costs low. Additionally, BI capabilities will provide timely and enhanced insights of customer needs. Finally, it will enable ETF to adapt quickly and cost effectively to shifting regulatory landscapes.

Currently, ETF has extensive amount of data related to program and member data. The types of data range from financial data, member personal information, enrollment and benefit utilization data, etc.

The siloed nature of the data results in ETF's data and information needs being met through ad hoc creation of reports from various sources using time-consuming spreadsheets and simplistic common end-user business office tools. This approach also requires manual cross-checking to ensure accuracy. This does not lead to efficient, reliable, and repeatable processes. Implementing a formal BI program will provide the structure and expertise to move from basic ad hoc reporting to a broader organizational capability. The capability will allow ETF to capitalize on its information, and eventually apply analytical insight and predictive analytics to agency operations and decision making.

Benefits

BI will increase efficiencies and allow ETF to optimize its operations. BI will enable ETF to automate turning data into information, reducing staff hours spent manually gathering and connecting data. A data warehouse will bring ETF data sources together in an automated fashion. Rather than spending time on collecting and processing data, the focus will change to analyzing information to drive more powerful decisions and outcomes. Examples of this include:

- BI will enhance ETF's lean government efforts, in alignment with The [Governor's Lean initiative](#). ETF will monitor and track progress through centralized dashboards as lead and process times decrease, improving the overall accuracy of business processes. BI will also help ETF promote operational efficiency and establish cost savings through the elimination of waste.
- BI capabilities will provide the ability to blend STAR financial and position data with ETF program data. BI staff within the agency will understand ETF's unique operations and processes and provide the business fluency to help decision makers draw timely accurate conclusions from the relevant data and information.
- Currently, ETF uses Excel spreadsheets to reconcile ETF member and employer data against summary data held in the STAR financial system. Using BI technologies and the requested staff, ETF would automate this currently labor-intensive process, realizing staff time savings and reducing the risk of errors.
- BI will enable ETF to optimize its recruitment strategies. ETF currently lacks the ability to automate the extraction of STAR Human Capital Management (HCM) data on staff recruitment and internal transfers and compare this with transactional workload data from ETF member service systems. Such data analyses would allow ETF to target new staff recruitments and staff allocations

across work areas to achieve enhanced customer service while controlling workforce costs.

- Integration of member satisfaction survey data with business operations data across the various benefit programs for identification of process and service improvements.
- Identification of individuals among the increasing population of members eligible to retire and when they are most likely to need or want benefit estimate and application materials so that workloads related to this can be better managed and staffed for more efficient service.

BI will provide ETF enhanced insights on customer needs. BI capabilities are essential for ETF to best meet the expectations of the more than 620,000 members and over 1,500 employers. Members expect responsive and personalized services when conducting transactions related to their benefits. State and local government employers are expecting information regarding their employees and how to manage programs more efficiently. The BI program will lay the groundwork for providing better service to our customers. A few examples of this include:

- Better focused and proactive planning of member outreach activities by combining and correlating data on member demographics, geography, communication patterns with ETF, and overall benefit enrollment and usage.
- Deeper understanding of member communication channels and patterns with ETF for informing timely development and formatting of information for members in ways that are more useful and beneficial to them.
- Development of information campaigns to educate and increase enrollment in voluntary benefit programs by overlaying and comparing data across programs such as WRS and Deferred Compensation.

BI will provide ETF the tools to enhance its regulatory, compliance and policy functions. Precise, timely data analysis and reporting is vital in regulatory and compliance management. A BI framework will enable ETF to use business rules to automate many routine regulatory tasks in a reliable manner. A few examples include:

- Validation of certain cost/time investments versus service benefits analyses of potential process, technology, program simplification, or legislative changes against other risks.
- BI capabilities will provide tools for better analysis of legislative and regulatory changes, which will streamline and enhance the agency responses to legislative and regulatory requests.
- Analysis of retiree participation in health insurance programs relative to activity within the sick leave conversion credit programs for determination of additional information or service needs.

Enhanced data quality will enable ETF to produce fast, accurate compliance and regulatory reporting. Having data available earlier will allow more time to review data prior to submission. BI can also enable early warning signals in cases where ETF may lack compliance and allow ETF to have a better view of its risk exposure at each stage in the risk management life cycle.

Business Intelligence Tools in State Retirement Systems

ETF participates in an annual pension administration benchmarking service performed by CEM Benchmarking, Inc. (CEM) whereby the WRS is measured for cost, service, and plan complexity and then compared to a customized peer group of similar pension plans as well as the CEM client universe. ETF scores lower than many of its peers in regards to member service. Several of our peers have benefitted from the implementation of BI. A December CEM Benchmarking, Inc. survey noted that the Indiana Public Retirement System and the New York City Teachers Retirement System had implemented BI programs and the Washington State Division of Retirement Services and Oregon Public Employee Retirement System were in the BI program planning stage. A CEM Report in 2017 highlighted case studies of six pension systems using BI to conduct analyses and create effective dashboards for conveying critical and actionable management and member information. The report noted the Alberta Pension Services was able to improve its CEM service score by 6 points in one year by implementing BI processes and practices.

Positions

These positions will assist in building a business intelligence framework that will provide information that informs, supports and drives decision making in a timely, repeatable manner.

BI professionals within ETF will offer a combination of requisite skills:

Technical Skills – Advanced computer skills will be used to mine multiple complex data sources to extract, consolidate, transform, translate data; create reports, dashboards, visual presentation; expertise in data warehousing, data and process modeling, data governance; tune and trouble applications and manage related data security roles.

Analytical Skills – Analytical skills will be used to elicit and define requirements, organize data, and make connections and correlations, identify trends, and utilize statistical/predictive analytic techniques to interpret output in meaningful ways for ETF programs and operations.

Problem Solving Skills – Problem solving skills and industry knowledge are necessary for developing and recommending evidence-based solutions for ETF programs and operations.

Communication Skills – Communication skills are essential for effectively presenting technical information to nontechnical business users, managers, and decision-makers as well as transferring knowledge to business staff in ways that ensure they can effectively adopt BI processes and technologies and evolve them for ETF specific programs and operations going forward.

Conclusion

Private sector companies, state government, and peer pension systems are actively pursuing the implementation of business intelligence capabilities in order to reduce costs, improve efficiency, support decision making, and enhance customer service. The 2 SEG Trust Fund positions will allow ETF the ability to develop this capability by providing the expertise necessary to transform from siloed data repositories into a data driven enterprise.

Decision Item by Line

1921 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
	CODES	TITLES
DECISION ITEM	5002	Business Intelligence (BI) to Support Decision-Making

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$0	\$0

18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	2.00	2.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	5002	Business Intelligence (BI) to Support Decision-Making			
01	Employee benefit plans				
	76 Administration	\$0	\$0	2.00	2.00
	Employee benefit plans SubTotal	\$0	\$0	2.00	2.00
	Business Intelligence (BI) to Support Decision-Making SubTotal	\$0	\$0	2.00	2.00
	Agency Total	\$0	\$0	2.00	2.00

Decision Item by Fund Source

Department of Employee Trust Funds

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
Decision Item	5002	Business Intelligence (BI) to Support Decision-Making				
	SEG	S	\$0	\$0	2.00	2.00
	Total		\$0	\$0	2.00	2.00
Agency Total			\$0	\$0	2.00	2.00

Decision Item (DIN) - 6000

Decision Item (DIN) Title - Transfers Between Alpha Appropriations

NARRATIVE

ETF is seeking a consolidation of a separate annual SEG appropriation (164) for administrative operational costs related to health insurance data into the department's annual SEG appropriation (176) for general program operations under 20.515(1)(w). The repeal of 20.515(1)(ut) requires a modification to the reference in s. 153.05(2r) to s.20.515(1)(ut) which allows ETF to spend up to \$150,000 from 20.515(1)(ut) to s.20.515(1)(w). The department's request to consolidate appropriation 164 into 176 by transferring spending authority has no fiscal impact. Additionally, ETF is seeking a consolidation of a separate annual SEG appropriation (162) for benefit administration costs related to independent medical evaluations (IMEs) for disability recipients under 20.515(1)(um) into the department's annual SEG appropriation (176) for general program operations under 20.515(1)(w). This requires a statutory language repeal of s.20.515(1)(um). The repeal of 20.515(1)(um) requires a modification to the reference in s.40.01(2) referencing the purpose of the benefit plan. The department's request to consolidate appropriation 162 into 176 by transferring spending authority has no fiscal impact.

ETF 2019-2021 BIENNIAL BUDGET REQUEST

DECISION ITEM 6000 - Appropriation Cleanup – Statutory Changes

This provision repeals the following appropriations so that obsolete numeric appropriations used for accounting purposes can be deleted.

- s.20.515(1)(gm) Gifts and Grants (appropriation 121)
- s.20.515(1)(r) Gifts and Grants (appropriation 160)
- s.20.515(1)(m) Federal aid (appropriation 141)
- s.20.515(1)(um) Benefit administration (appropriation 162)
- s. 20.515(1)(ut) Health Insurance data collection and analysis contracts (appropriation 164)

This will remove unused appropriations from the statutes and consolidate a separate annual SEG appropriation s. 20.515(1)(ut) (appropriation 164) for administrative operational costs related to health insurance data into the department's annual SEG appropriation (176) for general program operations under 20.515(1)(w). This will help streamline ETF's budget. Additionally, these expenditures will still be tracked in the state's accounting system.

Additionally, ETF is seeking a consolidation of a separate annual SEG appropriation (162) for benefit administration costs related to independent medical evaluations (IMEs) for disability recipients under 20.515(1)(um) into the department's annual SEG appropriation (176) for general program operations under 20.515(1)(w). This requires a statutory language repeal of s.20.515(1)(um). The repeal of 20.515(1)(um) requires a modification to the reference in s.40.01(2) referencing the purpose of the benefit plan. The department's request to consolidate appropriation 162 into 176 by transferring spending authority has no fiscal impact.



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-0315/P2
MIM:kjf

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

1 **AN ACT ...; relating to:** the budget.

Analysis by the Legislative Reference Bureau

RETIREMENT AND GROUP INSURANCE

This bill eliminates certain appropriations to DETF and adjusts the appropriation from which costs for contracting for certain health insurance data collection and analysis may be paid.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

2 **SECTION 1.** 20.515 (1) (gm) of the statutes is repealed.

***NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

3 **SECTION 2.** 20.515 (1) (m) of the statutes is repealed.

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

4 **SECTION 3.** 20.515 (1) (sr) of the statutes is repealed.

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

5 **SECTION 4.** 20.515 (1) (um) of the statutes is repealed.

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

1 **SECTION 5.** 20.515 (1) (ut) of the statutes is repealed.

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

2 **SECTION 6.** 40.01 (2) of the statutes is amended to read:

3 40.01 (2) PURPOSE. The public employee trust fund is a public trust and shall
4 be managed, administered, invested and otherwise dealt with solely for the purpose
5 of ensuring the fulfillment at the lowest possible cost of the benefit commitments to
6 participants, as set forth in this chapter, and shall not be used for any other purpose.
7 Revenues collected for and balances in the accounts of a specific benefit plan shall
8 be used only for the purposes of that benefit plan, including amounts allocated under
9 s. 20.515 (1) (um) or (ut) or 40.04 (2), and shall not be used for the purposes of any
10 other benefit plan. Each member of the employee trust funds board shall be a trustee
11 of the fund and the fund shall be administered by the department of employee trust
12 funds. All statutes relating to the fund shall be construed liberally in furtherance
13 of the purposes set forth in this section.

14 **SECTION 7.** 40.04 (2) (a) of the statutes is amended to read:

15 40.04 (2) (a) An administrative account shall be maintained within the fund
16 from which administrative costs of the department shall be paid, except charges for
17 services performed by the investment board, ~~costs of medical and vocational~~
18 ~~evaluations used in determinations of eligibility for benefits under ss. 40.61, 40.63~~
19 ~~and 40.65 and costs of contracting for insurance data collection and analysis services~~
20 under s. 40.03 (6) (j).

21 **SECTION 8.** 40.04 (2) (e) of the statutes is repealed.

22 **SECTION 9.** 153.05 (2r) (intro.) of the statutes is amended to read:

1 153.05 **(2r)** (intro.) Notwithstanding s. 16.75 (1), (2), and (3m), from the
2 appropriation account under s. 20.515 (1) ~~(ut)~~ (w) the department of employee trust
3 funds may expend up to \$150,000, and from the appropriation accounts under s.
4 20.435 (1) (fn), (hg), and (hi) the department of health services, in its capacity as a
5 public health authority, may expend moneys, to contract with a data organization to
6 perform services under this subchapter that are specified for the data organization
7 under sub. (1) (c) or, if s. 153.455 (4) applies, for the department of health services
8 to perform or contract for the performance of these services. As a condition of the
9 contract under this subsection, all of the following apply:

10

(END)

Decision Item by Line

1921 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
	CODES	TITLES
DECISION ITEM	6000	Transfers Between Alpha Appropriations

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$0	\$0

18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	6000	Transfers Between Alpha Appropriations			
01	Employee benefit plans				
	62 Benefit administration	(\$4,900)	(\$4,900)	0.00	0.00
	64 Health insurance data collection and analysis contracts	(\$968,100)	(\$968,100)	0.00	0.00
	76 Administration	\$973,000	\$973,000	0.00	0.00
	Employee benefit plans SubTotal	\$0	\$0	0.00	0.00
	Transfers Between Alpha Appropriations SubTotal	\$0	\$0	0.00	0.00
	Agency Total	\$0	\$0	0.00	0.00

Decision Item by Fund Source

Department of Employee Trust Funds

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
Decision Item	6000	Transfers Between Alpha Appropriations				
	SEG	S	\$0	\$0	0.00	0.00
	Total		\$0	\$0	0.00	0.00
Agency Total			\$0	\$0	0.00	0.00

Decision Item (DIN) - 7000

Decision Item (DIN) Title - Internal Audit Function

NARRATIVE

The Department of Employee Trust Funds (ETF) requests the creation of an independent Office of Internal Audit (OIA) at ETF. These changes are consistent with the audit industry's best practice of public retirement systems and are essential to ensure that ETF's internal audit function is an independent, objective assurance and consulting entity designed to add value and improve ETF's operations.

ETF 2019-2021 BIENNIAL BUDGET REQUEST

DECISION ITEM 7000 - Internal Audit Function – Statutory Changes

Request

The Department of Employee Trust Funds (ETF) requests creation of an independent Office of Internal Audit (OIA). The OIA, attached to ETF, will report directly to the ETF Board. These changes are consistent with the audit industry's best practices of public retirement systems and are essential to ensure that ETF's internal audit function is an independent, objective assurance and consulting entity designed to add value and improve ETF's operations.

Currently, the OIA Director reports functionally and administratively to the ETF Secretary. The purpose and mission of OIA is to provide assurance to management and the ETF Board Audit-Subcommittee that ETF's assets are safeguarded, operating efficiency is achieved, and that compliance is maintained with prescribed laws and ETF policies. Objectives also include assessment of ETF's governance, risk management, and control and monitoring processes. Proposed statutory changes are necessary to provide organizational independence and objectivity in fact and in appearance. The unclassified civil service OIA Director will report functionally to the ETF Board. The ETF Board will appoint and set the salary of the OIA Director. The OIA Director will appoint three unclassified advanced auditors and determine their salary. These positions will not be included in the State of Wisconsin Compensation Plan.

At its September 20, 2018 meeting, the ETF Audit Sub-Committee and the ETF Board unanimously approved this organizational change, recognizing that in order to fulfill their fiduciary duties, they need full and unrestricted access to the OIA Director regarding all evaluations, assessments, and analyses pertaining to ETF.

Analysis of Need

According to the Institute of Internal Auditors (IIA), "the role of internal audit is to provide independent assurance that an organization's risk management, governance, and internal control processes are operating effectively." Internal audit is conducted objectively and designed to improve and mature an organization's business practices.

These changes conform with the IIA Standards. In 2018, the IIA Quality Services, LLC completed an external quality assessment of ETF's internal audit function. The report recommended that ETF revise its policy and structure to ensure OIA functional and administrative reporting relationships are properly defined, and clearly provide the appropriate appearance of organizational independence and objectivity. The standards provide that organizational independence is effectively achieved when the chief audit executive reports functionally to the Board.

The required organizational independence from management enables unrestricted evaluation of management activities and personnel and allows internal auditors to perform their role effectively.

Examples of Board functions related to internal audit include:

- Approving the internal audit charter;
- Approving the risk based internal audit plan;
- Approving the internal audit budget and resource plan;
- Receiving communications from the OIA Director on the internal audit activity's performance relative to its plan and other matters;
- Approving decisions regarding the appointment and removal of the OIA Director;
- Approving the compensation of the OIA Director; and
- Making appropriate inquiries of management and the OIA to determine whether there are inappropriate scope or resource limitations.

This is consistent with other public retirement systems. A recent poll by the Association of Public Pension Fund Auditors found that all 26 responding systems have their Internal Auditor reporting functionally to their Board.

Conclusion

The ETF Board has established an Audit Committee Charter to assist them in fulfilling their oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and ETF's process for monitoring compliance with laws and regulations. An independent OIA will support the Board's oversight responsibilities of ETF.



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-0340/P2
MIM:kjf

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

1 **AN ACT ...; relating to:** the budget.

Analysis by the Legislative Reference Bureau
RETIREMENT AND GROUP INSURANCE

This bill creates the Office of Internal Audit attached to the ETF Board. Under the bill, the office plans and conducts audit activities among other responsibilities. The bill requires the board to appoint an internal auditor outside the classified service who reports directly to the board. Under the bill, the auditor appoints employees outside the classified service to perform services in the Office of Internal Audit.

Because this bill relates to public employee retirement or pensions, it may be referred to the Joint Survey Committee on Retirement Systems for a report to be printed as an appendix to the bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

2 **SECTION 1.** 15.165 (title) of the statutes is amended to read:

3 **15.165** (title) **Same; attached boards and offices.**

4 **SECTION 2.** 15.165 (5) of the statutes is created to read:

5 15.165 (5) **OFFICE OF INTERNAL AUDIT.** There is created an office of internal audit
6 which is attached to the department of employee trust funds under s. 15.03. The

1 office shall be under the direction and supervision of an internal auditor who shall
2 be appointed by the employee trust funds board and serve outside the classified
3 service. The internal auditor shall report directly to the employee trust funds board.
4 The budget of the office of internal audit shall be transmitted by the department of
5 employee trust funds to the governor without change or modification by the
6 department of employee trust funds, unless agreed to by the employee trust funds
7 board.

8 **SECTION 3.** 16.50 (3) (b) of the statutes is amended to read:

9 16.50 (3) (b) No change in the number of full-time equivalent positions
10 authorized through the biennial budget process or other legislative act may be made
11 without the approval of the joint committee on finance, except for position changes
12 made by the governor under s. 16.505 (1) (c), (2), or (2j), by the investment board
13 under s. 16.505 (2g), by the employee trust funds board under s. 16.505 (2d), or by
14 the board of regents of the University of Wisconsin System under s. 16.505 (2m) or
15 (2p).

16 **SECTION 4.** 16.505 (1) (intro.) of the statutes is amended to read:

17 16.505 (1) (intro.) Except as provided in subs. (2), (2d), (2g), (2j), (2m), and (2p),
18 no position, as defined in s. 230.03 (11), regardless of funding source or type, may be
19 created or abolished unless authorized by one of the following:

20 **SECTION 5.** 16.505 (2d) of the statutes is created to read:

21 16.505 (2d) The employee trust funds board may create or abolish a full-time
22 equivalent auditor position or portion thereof funded from revenues appropriated
23 under s. 20.515 (1) (w).

24 **SECTION 6.** 20.923 (6) (n) of the statutes is created to read:

1 20.923 **(6)** (n) Employee trust funds, department of: office of internal audit;
2 internal auditor appointed under s. 15.165 (5) and internal audit employees
3 appointed under s. 40.03 (4m) (b).

4 **SECTION 7.** 40.03 (1) (dm) of the statutes is created to read:

5 40.03 **(1)** (dm) Shall fix the compensation of the internal auditor and approve
6 the compensation of the employees appointed by the internal auditor.

7 **SECTION 8.** 40.03 (4m) of the statutes is created to read:

8 40.03 **(4m)** OFFICE OF INTERNAL AUDIT. (a) The office of internal audit shall
9 provide independent assurance that the public employee trust fund assets under the
10 control of the department are safeguarded for the purpose of ensuring the fulfillment
11 of the benefit commitments to individuals under this chapter.

12 (b) The internal auditor shall appoint all employees necessary to carry out the
13 duties and functions of the office of internal audit and the internal auditor. The
14 internal auditor shall appoint all employees outside the classified service. The
15 internal auditor shall fix the compensation of all employees appointed by the
16 internal auditor, subject to approval by the board, to be paid from the appropriation
17 under s. 20.515 (1) (w).

18 (c) The internal auditor may review any activity, information, or record of the
19 department that relates to the administration of the fund.

20 (d) The internal auditor shall plan and conduct audit activities, including
21 external audits, risk assessments, research projects, and management reviews
22 under the direction of the board and in accordance with policies, principles, and
23 directives determined by the board.

1 (e) The internal auditor shall monitor the department's compliance with
2 applicable legal requirements and contracts entered into by the department and the
3 board.

4 (f) Those employees holding positions in the classified service at the
5 department who are performing audit functions on the effective date of this
6 paragraph [LRB inserts date], and who have achieved permanent status in class
7 before that date, shall retain, while serving in the unclassified service at the
8 department, those protections afforded employees in the classified service under ss.
9 230.34 (1) (a) and 230.44 (1) (c) relating to demotion, suspension, discharge, layoff,
10 or reduction in base pay. Such employees shall also have reinstatement privileges
11 to the classified service as provided under s. 230.33 (1). Those employees of the
12 department holding positions in the classified service on the effective date of this
13 paragraph [LRB inserts date], who have not achieved permanent status in class
14 in any position at the department on that date are eligible to receive the protections,
15 privileges, and rights preserved under this paragraph if they successfully complete
16 service equivalent to the probationary period required in the classified service for the
17 position that they hold on that date.

18 **SECTION 9.** 230.08 (2) (pb) of the statutes is created to read:

19 230.08 (2) (pb) The internal auditor and subordinate employees of the office of
20 internal audit under ss. 15.165 (5) and 40.03 (4m) (b).

21 **SECTION 10.** 230.12 (1) (a) 1. b. of the statutes is amended to read:

22 230.12 (1) (a) 1. b. The provisions governing the pay of all unclassified positions
23 except positions for employees of the legislature who are not identified under s.
24 20.923 (4), for employees of a service agency under subch. IV of ch. 13, for employees
25 of the state court system, for employees of the investment board identified under s.

1 230.08 (2) (p), for the internal auditor appointed under s. 15.165 (5) and internal
2 audit employees appointed under s. 40.03 (4m) (b), as identified under s. 230.08 (2)
3 (pb), for one stenographer employed by each elective executive officer, except the
4 secretary of state and the state treasurer, under s. 230.08 (2) (g), for 3 sales
5 representatives of prison industries and one sales manager of prison industries
6 identified under s. 303.01 (10), and for sales and development professional of the
7 historical society employed under s. 44.20 (4) (a).

8

(END)

ACT 201

Proposal under s. 16.42(4)(b)2.: **0% change in each fiscal year**

FY: **FY20**

Agency: **ETF - 515**

Exclusions: Federal
Debt Service

Columns A-G were prepopulated for agencies to reflect state operations adjusted base and reductions agreed to by DOA and LFB. See Appendix H for instructions on how to complete these templates.

Proposed \$ and Proposed FTE columns reflect total agency proposed spending and positions for indicated fiscal year. These amounts should include standard budget adjustments (SBAs), any proposed reallocations or reductions to meet the target, and any other requests that the agency would want considered under this proposal.

Appropriations with zero dollars and zero FTEs are not loaded into the template. If you have any questions, contact your SBO analyst.

IF YOUR AGENCY PLANS TO TAKE THE SAME CUTS OVER BOTH YEARS, YOU SHOULD ONLY FILL OUT ONE GRID FOR 0% GROWTH AND ONE GRID FOR 5% REDUCTION, THEN CHANGE FY20 TO FY20 AND 21.

Agency	Appropriation		Fund Source	Adjusted Base		(See Note 1)	Proposed Budget 2019-20			Item Ref.	Change from Adj Base		(See Note 2)	Change from Adjusted Base after Removal of SBAs	
	Alpha	Numeric		\$	FTE	0% Change Target	Proposed \$	Proposed FTE	\$		FTE	Remove SBAs	\$	FTE	
515	1t	161	SEG	8,393,600	0.00	0	8,393,600	0.00		0	0.00	0	0.00	0	0.00
515	1um	162	SEG	4,900	0.00	0	0	0.00		(4,900)	0.00	0	0.00	(4,900)	0.00
515	1ut	164	SEG	968,100	0.00	0	0	0.00		(968,100)	0.00	0	0.00	(968,100)	0.00
515	1w	176	SEG	35,150,700	272.20	0	39,841,100	272.20	1	4,690,400	0.00	(333,000)	0.00	4,357,400	0.00
515	1w	188	SEG	3,384,400	0.00	0	0	0.00		(3,384,400)	0.00	0	0.00	(3,384,400)	0.00
Totals				47,901,700	272.20	0	48,234,700	272.20		333,000	0.00	(333,000)	0.00	0	0.00

Note 1: Reduction target must be met within state operations appropriations, but may be allocated across those appropriations and fund sources.

Target Reduction = 0

Note 2: Amounts should be SBAs (DINs 3001 - 3011) from agency request multiplied by -1.

Difference = **0**
Should equal \$0

Items - Describe proposed changes (excl. SBAs) to reach target or other priorities of agency

- The no growth scenario could result in state and local compliance issues and a delay in the agency's modernization efforts to upgrade antiquated legacy systems, which could result in additional costs and operational risk.

ACT 201

Proposal under s. 16.42(4)(b)1.: 5% change in each fiscal year

FY: **FY20**
Agency: ETF - 515

Exclusions: Federal
 Debt Service

Columns A-G were prepopulated for agencies to reflect state operations adjusted base and reductions agreed to by DOA and LFB. See Appendix H for instructions on how to complete these templates.

Proposed \$ and Proposed FTE columns reflect total agency proposed spending and positions for indicated fiscal year. These amounts should include standard budget adjustments (SBAs), any proposed reallocations or reductions to meet the target, and any other requests that the agency would want considered under this proposal.

Appropriations with zero dollars and zero FTEs are not loaded into the template. If you have any questions, contact your SBO analyst.

IF YOUR AGENCY PLANS TO TAKE THE SAME CUTS OVER BOTH YEARS, YOU SHOULD ONLY FILL OUT ONE GRID FOR 0% GROWTH AND ONE GRID FOR 5% REDUCTION, THEN CHANGE FY20 TO FY20 AND 21.

Agency	Appropriation		Fund Source	Adjusted Base		(See Note 1)	Proposed Budget 2019-20			Change from Adj Base		(See Note 2)		Change from Adjusted Base after Removal of SBAs	
	Alpha	Numeric		\$	FTE	5% Reduction Target	Proposed \$	Proposed FTE	Item Ref.	\$	FTE	\$	FTE	\$	FTE
515	1t	161	SEG	8,393,600	0.00	(419,700)	7,937,900	0.00	1, 2	(455,700)	0.00	0	0.00	(455,700)	0.00
515	1um	162	SEG	4,900	0.00	(200)	0	0.00	3	(4,900)	0.00	0	0.00	(4,900)	0.00
515	1ut	164	SEG	968,100	0.00	(48,400)	0	0.00	1, 4	(968,100)	0.00	0	0.00	(968,100)	0.00
515	1w	176	SEG	35,150,700	272.20	(1,757,500)	37,901,800	272.20	1, 5	2,751,100	0.00	(333,000)	0.00	2,418,100	0.00
515	1w	188	SEG	3,384,400	0.00	(169,200)	0	0.00	1	(3,384,400)	0.00	0	0.00	(3,384,400)	0.00
Totals				47,901,700	272.20	(2,395,000)	45,839,700	272.20		(2,062,000)	0.00	(333,000)	0.00	(2,395,000)	0.00

Note 1: Reduction target must be met within state operations appropriations, but may be allocated across those appropriations and fund sources.

Note 2: Amounts should be SBAs (DINs 3001 - 3011) from agency request multiplied by -1.

Target Reduction = (2,395,000)

Difference = 0
 Should equal \$0

Items - Describe proposed changes (excl. SBAs) to reach target or other priorities of agency

- 1 All ETF appropriations are SEG Public Trust Funds and not state funds (OAG 1-95), a 5% cut yields no GPR benefits.
- 2 Reduces funding for IT resources that would delay modernization efforts, thereby increasing costs and potential risks in the long-term.
- 3 Eliminates funding of independent medical evaluations for disability programs.
- 4 Reduces funding for health insurance data collection and analysis.
- 5 Reduces funding for WRS employer and member training, outreach travel, and other supplies and services.

ACT 201

Proposal under s. 16.42(4)(b)2.: 0% change in each fiscal year

FY: **FY21**
 Agency: **ETF - 515**

IF YOUR AGENCY PLANS TO TAKE THE SAME CUTS OVER BOTH YEARS, YOU SHOULD ONLY FILL OUT ONE GRID FOR 0% GROWTH AND ONE GRID FOR 5% REDUCTION, THEN CHANGE FY20 TO FY20 AND 21.

Agency	Appropriation		Fund Source	Adjusted Base		(See Note 1) 0% Change		Proposed Budget 2020-21			Change from Adj Base		(See Note 2) Remove SBAs		Change from Adjusted Base after Removal of SBAs	
	Alpha	Numeric		\$	FTE	Target	Proposed \$	Proposed FTE	Item Ref.	\$	FTE	\$	FTE	\$	FTE	
515	1t	161	SEG	8,393,600	0.00	0	8,393,600	0.00	2	0	0.00	0	0.00	0	0.00	
515	1um	162	SEG	4,900	0.00	0	0	0.00		(4,900)	0.00	0	0.00	(4,900)	0.00	
515	1ut	164	SEG	968,100	0.00	0	0	0.00		(968,100)	0.00	0	0.00	(968,100)	0.00	
515	1w	176	SEG	35,150,700	272.20	0	39,890,000	272.20	1	4,739,300	0.00	(381,900)	0.00	4,357,400	0.00	
515	1w	188	SEG	3,384,400	0.00	0	0	0.00		(3,384,400)	0.00	0	0.00	(3,384,400)	0.00	
Totals				47,901,700	272.20	0	48,283,600	272.20		381,900	0.00	(381,900)	0.00	0	0.00	

Note 1: Reduction target must be met within state operations appropriations, but may be allocated across those appropriations and fund sources.

Target Reduction = 0

Note 2: Amounts should be SBAs (DINs 3001 - 3011) from agency request multiplied by -1.

Difference = **0**
 Should equal \$0

Items - Describe proposed changes (excl. SBAs) to reach target or other priorities of agency

- 1 The no growth scenario could result in state and local compliance issues and a delay in the agency's modernization efforts to upgrade antiquated legacy systems, which could result in additional costs and operational risk.
- 2 Reduces funding for IT resources that would delay modernization efforts, thereby increasing costs and potential risks in the long-term.

ACT 201

Proposal under s. 16.42(4)(b)1.: 5% change in each fiscal year

FY: **FY21**
 Agency: **ETF - 515**

IF YOUR AGENCY PLANS TO TAKE THE SAME CUTS OVER BOTH YEARS, YOU SHOULD ONLY FILL OUT ONE GRID FOR 0% GROWTH AND ONE GRID FOR 5% REDUCTION, THEN CHANGE FY20 TO FY20 AND 21.

Agency	Appropriation		Fund Source	Adjusted Base		(See Note 1)	Proposed Budget 2020-21			Change from Adj Base		(See Note 2)		Change from Adjusted Base	
	Alpha	Numeric		\$	FTE	5% Reduction Target	Proposed \$	Proposed FTE	Item Ref.	\$	FTE	Remove SBAs \$	FTE	after Removal of SBAs \$	FTE
515	1t	161	SEG	8,393,600	0.00	(419,700)	7,397,430	0.00	1, 2	(996,170)	0.00	0	0.00	(996,170)	0.00
515	1um	162	SEG	4,900	0.00	(200)	0	0.00	3	(4,900)	0.00	0	0.00	(4,900)	0.00
515	1ut	164	SEG	968,100	0.00	(48,400)	0	0.00	1, 4	(968,100)	0.00	0	0.00	(968,100)	0.00
515	1w	176	SEG	35,150,700	272.20	(1,757,500)	38,491,170	272.20	1, 5	3,340,470	0.00	(381,900)	0.00	2,958,570	0.00
515	1w	188	SEG	3,384,400	0.00	(169,200)	0	0.00	1	(3,384,400)	0.00	0	0.00	(3,384,400)	0.00
Totals				47,901,700	272.20	(2,395,000)	45,888,600	272.20		(2,013,100)	0.00	(381,900)	0.00	(2,395,000)	0.00

Note 1: Reduction target must be met within state operations appropriations, but may be allocated across those appropriations and fund sources.

Note 2: Amounts should be SBAs (DINs 3001 - 3011) from agency request multiplied by -1.

Target Reduction = (2,395,000)

Difference = 0
 Should equal \$0

Items - Describe proposed changes (excl. SBAs) to reach target or other priorities of agency

- 1 All ETF appropriations are SEG Public Trust Funds and not state funds (OAG 1-95), a 5% cut yields no GPR benefits.
- 2 Reduces funding for IT resources that would delay modernization efforts, thereby increasing costs and potential risks in the long-term.
- 3 Eliminates funding of independent medical evaluations for disability programs.
- 4 Reduces funding for health insurance data collection and analysis.
- 5 Reduces funding for WRS employer and member training, outreach travel, and other supplies and services.

BASE BUDGET REVIEW REPORTS

Please indicate any appropriation whose minimum level of funding to achieve objectives is less than the prior fiscal year's base funding [s. 16.423(3)(d)]. Add rows to the table as needed.

Chapter 20 Appropriation	Title	Prior Fiscal Year Budget	Prior Fiscal Year Expended	Minimum Budget Needed

The agency's mission and objectives can be found in the biennial budget submission at the following URL [s. 16.423(3)(e)]:
<https://doa.wi.gov/Pages/StateFinances/CurrentBiennialBudget.aspx>. Please create an agency mission if your agency does not currently have a mission to include in its agency budget request.

OPTIONAL ANALYSIS

This section is available to agencies that want to describe why expenditures varied throughout fiscal quarters and/or years.

 Secretary	10/8/2018
Signature, Title	Date