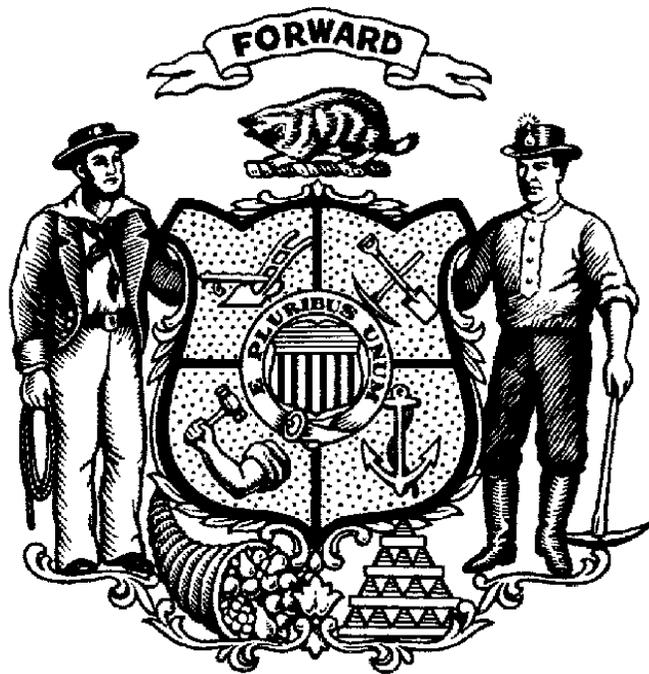


# State of Wisconsin

Department of Employee Trust Funds



Agency Budget Request

2021 – 2023 Biennium

September 15, 2020

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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  
etf.wi.gov

October 2, 2020

SECRETARY JOEL BRENNAN  
DEPT OF ADMINISTRATION  
101 E WILSON ST 10<sup>th</sup> FL  
PO BOX 7864  
MADISON WI 53703-7864

RE: 2021-23 Biennial Budget Request

Dear Secretary Brennan:

I am pleased to submit the 2021-23 biennial budget request for the Department of Employee Trust Funds (ETF). The ETF Board endorsed the attached budget request at its September 17, 2020 meeting.

Over the last several years, ETF has embarked on multiple projects designed to enhance the quality of services provided to state and local public employers, employees, and retirees. These projects will modernize ETF's antiquated and disjointed Information Technology (IT) systems and corresponding business processes. The requests included in this budget will equip ETF with the necessary resources to continue executing these projects.

As we developed our 21-23 budget request, we leveraged existing resources whenever possible, both considering the state's fiscal situation and our duty to ensure we are acting in the best interests of our members. What remains, and is included in our budget request, are items that represent the agency's most critical needs.

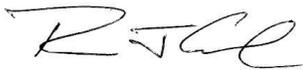
In addition to standard budget adjustment and technical items, including a request to convert 3.0 SEG FTE project positions to permanent positions, this budget request includes the following key items:

- 3.0 SEG FTE positions to help develop an effective data management program and provide additional permanent support to maintain a robust cybersecurity program as ETF moves to modernize its information technology systems and manage all health and retirement benefits for members online.

- Additional SEG expenditure authority to support increases in ongoing operational IT expenses related to recent modernization efforts.
- Disability program changes, approved by the ETF Board and the Group Insurance Board, that will streamline, simplify, reduce duplication, and help sustain the disability programs currently offered to State of Wisconsin and local government employees.
- The creation of an independent Office of Internal Auditing (OIA) to be consistent with auditing best practices of public retirement systems and to ensure that ETF's internal auditing is an independent, objective assurance and consulting activity designed to safeguard the integrity of the Public Employee Trust Fund.
- A change to align statutory language with long-standing administrative practices, which will support a more equitable manner for distributing core and variable trust fund earnings to participating program accounts.
- The consolidation of the Wisconsin Retirement Board and the Teachers Retirement Board into the Employee Trust Funds Board. The proposed merger consolidates three boards into one and reduces 35 board member positions to 13. This reduces costs and mirrors best practices for retirement board governance. At the September 16 and 17, 2020 retirement board meetings, each board recommended merging the three boards.

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 Tim Steiner, Director of Budget, Contract Administration & Procurement, at 261-2915.

Sincerely,



Robert J. Conlin  
Secretary

cc: Brian D. Pahnke, State Budget Director, Department of Administration  
Robert Lang, Director, Legislative Fiscal Bureau

## **AGENCY DESCRIPTION**

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.

The department is responsible for the implementation of retirement system policies and the day-to-day operations and management of the Wisconsin Retirement System (WRS). Either by Employee Trust Funds Board delegation or by statutory assignment, the department is charged with collecting and accounting for all monies due to the retirement trust funds, calculating and accurately disbursing all benefit payments, providing information and responding to inquiries from participating employers and employees, and 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 to 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 ACTIVITIES**

Note: Goals, objectives and activities have been updated.

### **Program 1: Employee Benefit Plans**

Goal 1: Create an effortless customer experience

Objective 1: Increase employer competency for managing employee benefits.

Activity: Develop an employer categorization method.

Activity: Develop repeatable and targeted training material for each employer category.

Activity: Develop, implement and pilot an employer benefits certification program.

Activity: Provide necessary resources and capabilities to be proactive with employers rather than reactive. Doing this to reaffirm and validate trainings.

Objective 2: Increase member personalization for managing their benefits.

Activity: Develop a comprehensive onboarding program for all newly hired employees that includes materials on ETF-administered benefits made available through employers (Onboarding Program) and communications sent directly to new members (targeted new employee outreach).

Activity: Partner with employers to provide targeted, virtual education on preparing for retirement to their employees.

Activity: Develop a member profile methodology and collect data from employers for active members and directly from inactive and retiree members.

Goal 2: Implement outcomes-driven performance measurement and process management

Objective 1: Establish metrics to measure progress towards meeting desired outcomes of key capabilities

Activity: Perform an assessment of existing key performance metrics against ETF core business capabilities, identify gaps, define business outcomes and select core forward-looking metrics that allow management to evaluate business performance against defined business outcome statements.

Activity: Design and implement measurement tools for ETF's business capability model that leverage data from core systems and tailor communication methods/systems for executive, management and staff members.

Objective 2: Establish business process management to increase knowledge, improve operational efficiencies and controls, and to support innovation.

Activity: To assure consistency in how business process management (BPM) is applied across the organization, develop policies and procedures (playbook) outlining ETF's BPM methodology and the steps to follow for successful process improvement projects from initiation through implementation and improve skills of those who facilitate BPM efforts across the organization.

Activity: Develop an organizational process inventory (process blueprint) identifying major service/support flows along with identifying process owners to enable prioritization of process alignment to ETF modernization.

Goal 3: Build a talented and agile workforce

Objective 1: Market ETF's vision to attract, integrate and advance top talent

Activity: Create a Strategic Recruiting Plan to increase awareness and marketing of open positions - (website, career fairs, educational outreach, internships, announcements, recruitment technology).

Activity: Develop an EVP - Employee Value Proposition - to amplify the visibility and value of "total rewards/compensation" as means for attracting and retaining top talent.

Activity: Create a centralized system for identifying documents, tracking data, and establishing baseline data for employee lifecycle (recruitment to offboarding).

Activity: Establish training and onboarding best practices (stay interviews, optimizing use of ETF's learning and development system, consistent process, mentoring).

Objective 2: Advance employee development through meaningful and intentional performance management approaches to empower, reward and retain top talent.

Activity: Review and improve existing performance management practices (tools, processes, data, staggered review process, etc.).

Activity: Develop and elevate training (e-learning and development - "L&D") that links career path to development, empowerment, job shadowing, and performance management.

Activity: Promote "Learning Culture" driven by frequent and creative feedback methods (mini-reviews, StrengthsFinder, radical candor, coaching).

Goal 4: Implement modern, secure and resilient information technologies

Objective 1: Develop and deploy solutions that meet customer expectations for accurate and timely services.

Activity: Implement an enterprise content management technology.

Activity: Implement insurance administration technologies to enable more efficient and consistent processes and enhance customer service.

Activity: Implement a pension administration system that provides customers with online access.

Objective 2: Integrate systems and processes in order to deliver a seamless, timely and secure experience for all stakeholders.

Activity: Identify and implement cross-functional process improvements that focus on and support benefit administration aligning with IT implementation schedules.

Activity: Implement data architecture to improve data quality and integration across the enterprise.

Activity: Implement an Information Risk Management Framework (IRMF) that ensures that ETF staff, processes, data and technologies are consistently secured using industry best practices and standards.

## PERFORMANCE MEASURES

### 2019 AND 2020 GOALS AND ACTUALS

Prog. No.	Performance Measure	Goal 2019	Actual 2019	Goal 2020	Actual 2020
1.	Average speed of call answered.	>70% calls answered in 3 minutes  >50% calls answered in 2 minutes	63% of calls answered in 3 minutes  57% of calls answered in 2 minutes	>70% calls answered in 3 minutes  >50% calls answered in 2 minutes	76% of calls answered in 3 minutes  69% of calls answered in 2 minutes
1.	Percent increase in Web site visitor traffic.	>15%	-6% <sup>1</sup>	>15%	-14% <sup>1</sup>
1.	Percentage of customer calls that are abandoned.	<10%	7%	<10%	6%
1.	Member counseling appointment wait time (one-on-one, individual appointments).	15 days	21 days	15 days	21 days <sup>2</sup>
1.	Members expressing high-level satisfaction.	95%	99%	95%	98%
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	13 days	15 days	6 days
1.	Total administrative cost per active member and annuitant compared to the median of peer retirement systems. <sup>3</sup>	Below peer median	\$87 WRS compared to \$88 peer median	Below peer median	N/A <sup>4</sup>
1.	Pension fund operational cost per member as a percent of peer average. <sup>3</sup>	<80%	89% of peer average	<80%	N/A <sup>4</sup>
1.	Vendor invoices paid within 30 days (no interest charges). <sup>5</sup>	98%	98%	98%	99%

Note: Based on fiscal year.

<sup>1</sup>User-friendly websites tend to result in users visiting fewer pages as they are able to find the relevant information quicker and easier. Thus, since ETF's website was just redesigned in July 2019, less visitor traffic could mean that users are finding information quicker and easier. This is supported by increased WRS member engagement scores for ETF overall.

<sup>2</sup>Through March. After that, data is skewed due to COVID-19.

<sup>3</sup>Retirement and disability programs only – other benefit programs administered by the department are excluded.

<sup>4</sup>CEM benchmarking survey has yet to be performed for 2020.

<sup>5</sup>Vendor invoices paid within 30 days from the invoice received day per the prompt payment law.

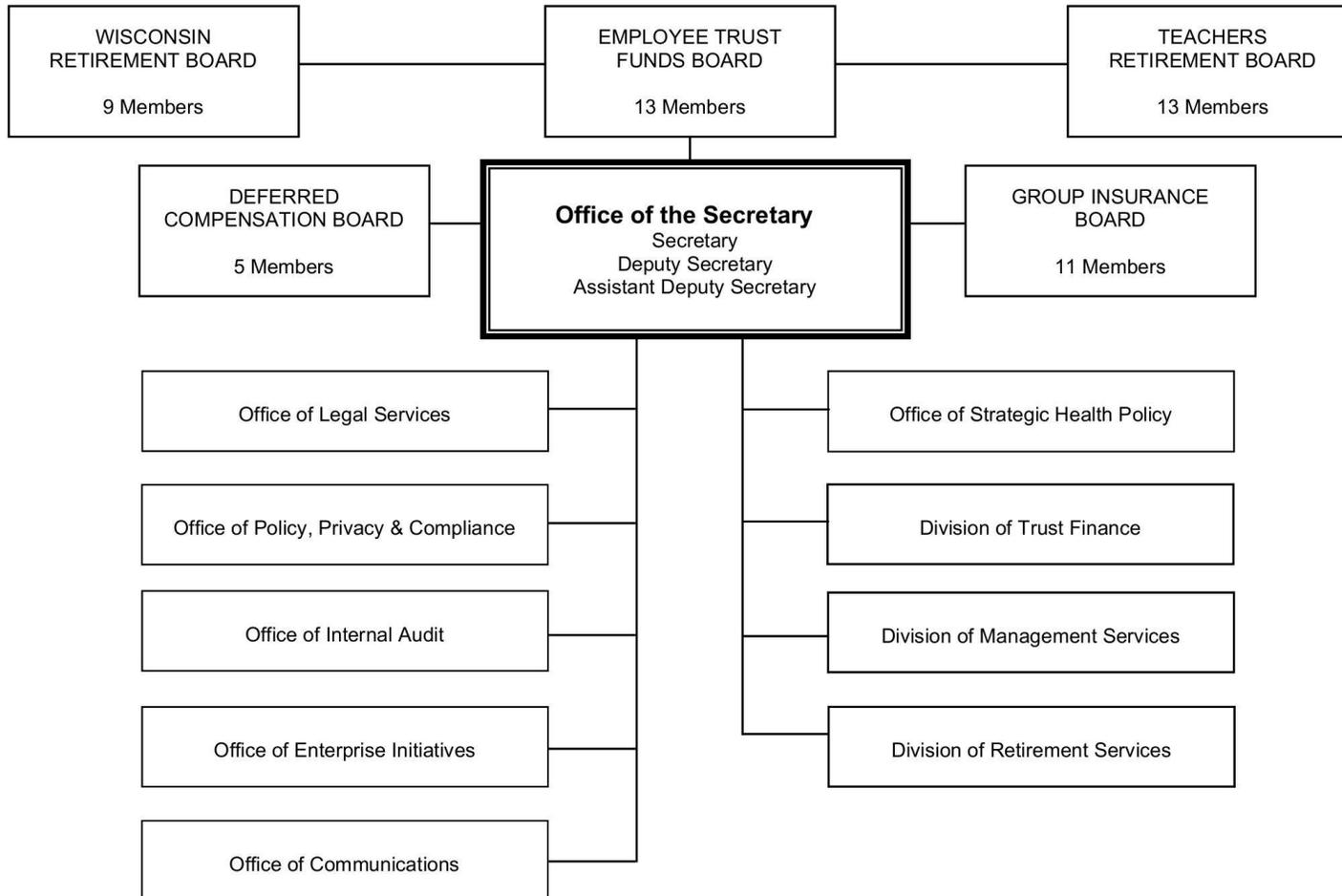
**2021, 2022 AND 2023 GOALS**

<b>Prog. No.</b>	<b>Performance Measure<sup>1</sup></b>	<b>Goal 2021</b>	<b>Goal 2022</b>	<b>Goal 2023</b>
1.	Average speed of call answered.	>70% calls answered in 3 minutes  >50% calls answered in 2 minutes	>70% calls answered in 3 minutes  >50% calls answered in 2 minutes	>70% calls answered in 3 minutes  >50% calls answered in 2 minutes
1.	Percentage of customer calls that are abandoned.	<10%	<10%	<10%
1.	Member counseling appointment wait time (one-on-one, individual appointments).	15 days	15 days	15 days
1.	Members expressing high-level satisfaction.	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.	Vendor invoices paid within 30 days from the invoice received day per the prompt payment law.	98%	98%	98%

Note: Based on fiscal year.

<sup>1</sup>Certain performance measures and goals were removed or revised for the upcoming biennium.

**DEPARTMENT OF EMPLOYEE TRUST FUNDS  
FUNCTIONAL ORGANIZATIONAL CHART  
January 2020**



# Agency Total by Fund Source

Department of Employee Trust Funds

2123 Biennial Budget

		ANNUAL SUMMARY						BIENNIAL SUMMARY			
Source of Funds		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	\$60,771	\$56,400	\$42,000	\$33,100	0.00	0.00	\$112,800	\$75,100	(\$37,700)	-33.4%
<b>Total</b>		\$60,771	\$56,400	\$42,000	\$33,100	0.00	0.00	\$112,800	\$75,100	(\$37,700)	-33.4%
SEG	S	\$48,743,656	\$49,694,400	\$51,202,600	\$51,373,600	277.20	277.20	\$99,388,800	\$102,576,200	\$3,187,400	3.2%
<b>Total</b>		\$48,743,656	\$49,694,400	\$51,202,600	\$51,373,600	277.20	277.20	\$99,388,800	\$102,576,200	\$3,187,400	3.2%
<b>Grand Total</b>		\$48,804,427	\$49,750,800	\$51,244,600	\$51,406,700	277.20	277.20	\$99,501,600	\$102,651,300	\$3,149,700	3.2%

# Agency Total by Program

515 Employee Trust Funds, Department of

2123 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 %
<b>01 EMPLOYEE BENEFIT PLANS</b>										
<b>Non Federal</b>										
<b>GPR</b>	\$60,771	\$56,400	\$42,000	\$33,100	0.00	0.00	\$112,800	\$75,100	(\$37,700)	-33.42%
A	\$60,771	\$56,400	\$42,000	\$33,100	0.00	0.00	\$112,800	\$75,100	(\$37,700)	-33.42%
<b>SEG</b>	\$48,743,656	\$49,694,400	\$51,202,600	\$51,373,600	277.20	277.20	\$99,388,800	\$102,576,200	\$3,187,400	3.21%
S	\$48,743,656	\$49,694,400	\$51,202,600	\$51,373,600	277.20	277.20	\$99,388,800	\$102,576,200	\$3,187,400	3.21%
<b>Total - Non Federal</b>	<b>\$48,804,427</b>	<b>\$49,750,800</b>	<b>\$51,244,600</b>	<b>\$51,406,700</b>	<b>277.20</b>	<b>277.20</b>	<b>\$99,501,600</b>	<b>\$102,651,300</b>	<b>\$3,149,700</b>	<b>3.17%</b>
A	\$60,771	\$56,400	\$42,000	\$33,100	0.00	0.00	\$112,800	\$75,100	(\$37,700)	-33.42%
S	\$48,743,656	\$49,694,400	\$51,202,600	\$51,373,600	277.20	277.20	\$99,388,800	\$102,576,200	\$3,187,400	3.21%
<b>PGM 01 Total</b>	<b>\$48,804,427</b>	<b>\$49,750,800</b>	<b>\$51,244,600</b>	<b>\$51,406,700</b>	<b>277.20</b>	<b>277.20</b>	<b>\$99,501,600</b>	<b>\$102,651,300</b>	<b>\$3,149,700</b>	<b>3.17%</b>
<b>GPR</b>	<b>\$60,771</b>	<b>\$56,400</b>	<b>\$42,000</b>	<b>\$33,100</b>	<b>0.00</b>	<b>0.00</b>	<b>\$112,800</b>	<b>\$75,100</b>	<b>(\$37,700)</b>	<b>-33.42%</b>

### Agency Total by Program

#### 515 Employee Trust Funds, Department of

#### 2123 Biennial Budget

A	\$60,771	\$56,400	\$42,000	\$33,100	0.00	0.00	\$112,800	\$75,100	(\$37,700)	-33.42%
<b>SEG</b>	<b>\$48,743,656</b>	<b>\$49,694,400</b>	<b>\$51,202,600</b>	<b>\$51,373,600</b>	<b>277.20</b>	<b>277.20</b>	<b>\$99,388,800</b>	<b>\$102,576,200</b>	<b>\$3,187,400</b>	<b>3.21%</b>
S	\$48,743,656	\$49,694,400	\$51,202,600	\$51,373,600	277.20	277.20	\$99,388,800	\$102,576,200	\$3,187,400	3.21%
<b>TOTAL 01</b>	<b>\$48,804,427</b>	<b>\$49,750,800</b>	<b>\$51,244,600</b>	<b>\$51,406,700</b>	<b>277.20</b>	<b>277.20</b>	<b>\$99,501,600</b>	<b>\$102,651,300</b>	<b>\$3,149,700</b>	<b>3.17%</b>
A	\$60,771	\$56,400	\$42,000	\$33,100	0.00	0.00	\$112,800	\$75,100	(\$37,700)	-33.42%
S	\$48,743,656	\$49,694,400	\$51,202,600	\$51,373,600	277.20	277.20	\$99,388,800	\$102,576,200	\$3,187,400	3.21%
<b>Agency Total</b>	<b>\$48,804,427</b>	<b>\$49,750,800</b>	<b>\$51,244,600</b>	<b>\$51,406,700</b>	<b>277.20</b>	<b>277.20</b>	<b>\$99,501,600</b>	<b>\$102,651,300</b>	<b>\$3,149,700</b>	<b>3.17%</b>

# Agency Total by Decision Item

Department of Employee Trust Funds

2123 Biennial Budget

Decision Item	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
2000 Adjusted Base Funding Level	\$49,750,800	\$49,750,800	274.20	274.20
3001 Turnover Reduction	(\$579,500)	(\$579,500)	0.00	0.00
3002 Removal of Noncontinuing Elements from the Base	(\$38,000)	(\$228,500)	(3.00)	(3.00)
3003 Full Funding of Continuing Position Salaries and Fringe Benefits	\$1,414,700	\$1,414,700	0.00	0.00
3007 Overtime	\$45,600	\$45,600	0.00	0.00
3008 Night and Weekend Differential Pay	\$72,300	\$72,300	0.00	0.00
3010 Full Funding of Lease and Directed Moves Costs	\$14,500	\$14,500	0.00	0.00
4000 Project to Permanent Conversions	\$38,000	\$228,500	3.00	3.00
5000 Annuity Supplement Re-Estimate	(\$14,400)	(\$23,300)	0.00	0.00
6000 Data Management Program	\$74,400	\$95,800	1.00	1.00
6001 Modernization Related Ongoing IT Costs	\$317,300	\$424,200	0.00	0.00
7000 Cyber Security	\$148,900	\$191,600	2.00	2.00
7010 Internal Auditor Reporting	\$0	\$0	0.00	0.00
<b>TOTAL</b>	<b>\$51,244,600</b>	<b>\$51,406,700</b>	<b>277.20</b>	<b>277.20</b>

# Agency Total by Decision Item

Department of Employee Trust Funds

2123 Biennial Budget

## Segregated Funds Revenue and Balances Statement

2123 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	\$20,126,600	\$19,766,100	\$13,480,000	\$13,480,000
Current Appropriation	\$8,393,600	\$8,393,600	\$8,393,600	\$8,393,600
<b>Total Revenue</b>	<b>\$28,520,200</b>	<b>\$28,159,700</b>	<b>\$21,873,600</b>	<b>\$21,873,600</b>
Expenditures	\$8,754,147	\$14,679,700	\$0	\$0
2000 Adjusted Base Funding Level	\$0	\$0	\$8,393,600	\$8,393,600
<b>Total Expenditures</b>	<b>\$8,754,147</b>	<b>\$14,679,700</b>	<b>\$8,393,600</b>	<b>\$8,393,600</b>
<u>Closing Balance</u>	\$19,766,053	\$13,480,000	\$13,480,000	\$13,480,000

# Agency Total by Decision Item

Department of Employee Trust Funds

2123 Biennial Budget

## Segregated Funds Revenue and Balances Statement

2123 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
<b>Opening Balance</b>	<b>\$81,500</b>	<b>\$447,200</b>	<b>\$0</b>	<b>\$0</b>
Current Appropriation	\$40,024,100	\$39,938,000	\$43,278,200	\$43,927,400
<b>Total Revenue</b>	<b>\$40,105,600</b>	<b>\$40,385,200</b>	<b>\$43,278,200</b>	<b>\$43,927,400</b>
<b>Expenditures</b>	<b>\$39,658,409</b>	<b>\$40,385,200</b>	<b>\$0</b>	<b>\$0</b>
2000 Adjusted Base Funding Level	\$0	\$0	\$41,300,800	\$41,300,800
7000 Cyber Security	\$0	\$0	\$148,900	\$191,600
6000 Data Management Program	\$0	\$0	\$74,400	\$95,800
3003 Full Funding of Continuing Position Salaries and Fringe Benefits	\$0	\$0	\$1,414,700	\$1,414,700

# Agency Total by Decision Item

Department of Employee Trust Funds

2123 Biennial Budget

3010 Full Funding of Lease and Directed Moves Costs	\$0	\$0	\$14,500	\$14,500
6001 Modernization Related Ongoing IT Costs	\$0	\$0	\$317,300	\$424,200
3008 Night and Weekend Differential Pay	\$0	\$0	\$72,300	\$72,300
3007 Overtime	\$0	\$0	\$45,600	\$45,600
4000 Project to Permanent Conversions	\$0	\$0	\$38,000	\$228,500
3002 Removal of Noncontinuing Elements from the Base	\$0	\$0	(\$38,000)	(\$228,500)
3001 Turnover Reduction	\$0	\$0	(\$579,500)	(\$579,500)
Compensation Reserve	\$0	\$0	\$290,300	\$586,300
Health Insurance Reserves	\$0	\$0	\$178,200	\$359,600
Wisconsin Retirement System	\$0	\$0	\$700	\$1,500
<b>Total Expenditures</b>	<b>\$39,658,409</b>	<b>\$40,385,200</b>	<b>\$43,278,200</b>	<b>\$43,927,400</b>
<b>Closing Balance</b>	<b>\$447,191</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Decision Item (DIN) - 2000**

**Decision Item (DIN) Title - Adjusted Base Funding Level**

**NARRATIVE**

Adjusted Base Funding Level

# Decision Item by Line

2123 Biennial Budget

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

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$19,315,900	\$19,315,900
02	Turnover	\$0	\$0
03	Project Position Salaries	\$116,600	\$116,600
04	LTE/Misc. Salaries	\$121,700	\$121,700
05	Fringe Benefits	\$7,254,800	\$7,254,800
06	Supplies and Services	\$21,224,600	\$21,224,600
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	\$56,400	\$56,400
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>\$49,750,800</b>	<b>\$49,750,800</b>

18	Project Positions Authorized	3.00	3.00
19	Classified Positions Authorized	268.20	268.20
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
	<b>2000</b>	<b>Adjusted Base Funding Level</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	01 Annuity supplements and payments	\$56,400	\$56,400	0.00	0.00
	61 Automated operating system	\$8,393,600	\$8,393,600	0.00	0.00
	62 Benefit administration	\$0	\$0	0.00	0.00
	64 Health insurance data collection and analysis contracts	\$0	\$0	0.00	0.00
	76 Administration	\$41,300,800	\$41,300,800	274.20	274.20
	88 Administration	\$0	\$0	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>\$49,750,800</b>	<b>\$49,750,800</b>	<b>274.20</b>	<b>274.20</b>
	<b>Adjusted Base Funding Level SubTotal</b>	<b>\$49,750,800</b>	<b>\$49,750,800</b>	<b>274.20</b>	<b>274.20</b>
	<b>Agency Total</b>	<b>\$49,750,800</b>	<b>\$49,750,800</b>	<b>274.20</b>	<b>274.20</b>

# 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
<b>Decision Item</b>	<b>2000</b>	<b>Adjusted Base Funding Level</b>				
	GPR	A	\$56,400	\$56,400	0.00	0.00
	SEG	S	\$49,694,400	\$49,694,400	274.20	274.20
	<b>Total</b>		<b>\$49,750,800</b>	<b>\$49,750,800</b>	<b>274.20</b>	<b>274.20</b>
<b>Agency Total</b>			<b>\$49,750,800</b>	<b>\$49,750,800</b>	<b>274.20</b>	<b>274.20</b>

**Decision Item (DIN) - 3001**

**Decision Item (DIN) Title - Turnover Reduction**

**NARRATIVE**

Standard Budget Adjustment - Turnover Reduction

# Decision Item by Line

2123 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	3001	Turnover Reduction

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	(\$579,500)	(\$579,500)
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
<b>17</b>	<b>Total Cost</b>	<b>(\$579,500)</b>	<b>(\$579,500)</b>

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
	<b>3001</b>	<b>Turnover Reduction</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	76 Administration	(\$579,500)	(\$579,500)	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>(\$579,500)</b>	<b>(\$579,500)</b>	<b>0.00</b>	<b>0.00</b>
	<b>Turnover Reduction SubTotal</b>	<b>(\$579,500)</b>	<b>(\$579,500)</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>(\$579,500)</b>	<b>(\$579,500)</b>	<b>0.00</b>	<b>0.00</b>

# 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
<b>Decision Item</b>	<b>3001</b>	<b>Turnover Reduction</b>				
	SEG	S	(\$579,500)	(\$579,500)	0.00	0.00
	<b>Total</b>		<b>(\$579,500)</b>	<b>(\$579,500)</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>(\$579,500)</b>	<b>(\$579,500)</b>	<b>0.00</b>	<b>0.00</b>

**Decision Item (DIN) - 3002**

**Decision Item (DIN) Title - Removal of Noncontinuing Elements from the Base**

**NARRATIVE**

Standard Budget Adjustment - Removal of Noncontinuing Elements from the Base

# Decision Item by Line

2123 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	3002	Removal of Noncontinuing Elements from the Base

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	(\$27,300)	(\$164,000)
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	(\$10,700)	(\$64,500)
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
<b>17</b>	<b>Total Cost</b>	<b>(\$38,000)</b>	<b>(\$228,500)</b>

18	Project Positions Authorized	-3.00	-3.00
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
	<b>3002</b>	<b>Removal of Noncontinuing Elements from the Base</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	76 Administration	(\$38,000)	(\$228,500)	(3.00)	(3.00)
	<b>Employee benefit plans SubTotal</b>	<b>(\$38,000)</b>	<b>(\$228,500)</b>	<b>(3.00)</b>	<b>(3.00)</b>
	<b>Removal of Noncontinuing Elements from the Base SubTotal</b>	<b>(\$38,000)</b>	<b>(\$228,500)</b>	<b>(3.00)</b>	<b>(3.00)</b>
	<b>Agency Total</b>	<b>(\$38,000)</b>	<b>(\$228,500)</b>	<b>(3.00)</b>	<b>(3.00)</b>

# 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
<b>Decision Item</b>	<b>3002</b>	<b>Removal of Noncontinuing Elements from the Base</b>				
	SEG	S	(\$38,000)	(\$228,500)	(3.00)	(3.00)
	<b>Total</b>		<b>(\$38,000)</b>	<b>(\$228,500)</b>	<b>(3.00)</b>	<b>(3.00)</b>
<b>Agency Total</b>			<b>(\$38,000)</b>	<b>(\$228,500)</b>	<b>(3.00)</b>	<b>(3.00)</b>

**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

2123 Biennial Budget

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

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$685,700	\$685,700
02	Turnover	\$0	\$0
03	Project Position Salaries	\$47,400	\$47,400
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$681,600	\$681,600
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
<b>17</b>	<b>Total Cost</b>	<b>\$1,414,700</b>	<b>\$1,414,700</b>

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
	<b>3003</b>	<b>Full Funding of Continuing Position Salaries and Fringe Benefits</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	76 Administration	\$1,414,700	\$1,414,700	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>\$1,414,700</b>	<b>\$1,414,700</b>	<b>0.00</b>	<b>0.00</b>
	<b>Full Funding of Continuing Position Salaries and Fringe Benefits SubTotal</b>	<b>\$1,414,700</b>	<b>\$1,414,700</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>\$1,414,700</b>	<b>\$1,414,700</b>	<b>0.00</b>	<b>0.00</b>

# 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
<b>Decision Item</b>	<b>3003</b>	<b>Full Funding of Continuing Position Salaries and Fringe Benefits</b>				
	SEG	S	\$1,414,700	\$1,414,700	0.00	0.00
	<b>Total</b>		<b>\$1,414,700</b>	<b>\$1,414,700</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>\$1,414,700</b>	<b>\$1,414,700</b>	<b>0.00</b>	<b>0.00</b>

**Decision Item (DIN) - 3007**

**Decision Item (DIN) Title - Overtime**

**NARRATIVE**

Standard Budget Adjustment – Overtime

# Decision Item by Line

2123 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	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
<b>17</b>	<b>Total Cost</b>	<b>\$45,600</b>	<b>\$45,600</b>

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
	<b>3007</b>	<b>Overtime</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	76 Administration	\$45,600	\$45,600	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>\$45,600</b>	<b>\$45,600</b>	<b>0.00</b>	<b>0.00</b>
	<b>Overtime SubTotal</b>	<b>\$45,600</b>	<b>\$45,600</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>\$45,600</b>	<b>\$45,600</b>	<b>0.00</b>	<b>0.00</b>

# 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
<b>Decision Item</b>	<b>3007</b>	<b>Overtime</b>				
	SEG	S	\$45,600	\$45,600	0.00	0.00
	<b>Total</b>		<b>\$45,600</b>	<b>\$45,600</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>\$45,600</b>	<b>\$45,600</b>	<b>0.00</b>	<b>0.00</b>

**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

2123 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	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	\$9,700	\$9,700
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
<b>17</b>	<b>Total Cost</b>	<b>\$72,300</b>	<b>\$72,300</b>

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
	<b>3008</b>	<b>Night and Weekend Differential Pay</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	76 Administration	\$72,300	\$72,300	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>\$72,300</b>	<b>\$72,300</b>	<b>0.00</b>	<b>0.00</b>
	<b>Night and Weekend Differential Pay SubTotal</b>	<b>\$72,300</b>	<b>\$72,300</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>\$72,300</b>	<b>\$72,300</b>	<b>0.00</b>	<b>0.00</b>

# 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
<b>Decision Item</b>	<b>3008</b>	<b>Night and Weekend Differential Pay</b>				
	SEG	S	\$72,300	\$72,300	0.00	0.00
	<b>Total</b>		<b>\$72,300</b>	<b>\$72,300</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>\$72,300</b>	<b>\$72,300</b>	<b>0.00</b>	<b>0.00</b>

**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

2123 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	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	\$14,500	\$14,500
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
<b>17</b>	<b>Total Cost</b>	<b>\$14,500</b>	<b>\$14,500</b>

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	2nd Year
		1st Year Total	2nd Year Total	FTE	FTE
	<b>3010</b>	<b>Full Funding of Lease and Directed Moves Costs</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	76 Administration	\$14,500	\$14,500	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>\$14,500</b>	<b>\$14,500</b>	<b>0.00</b>	<b>0.00</b>
	<b>Full Funding of Lease and Directed Moves Costs SubTotal</b>	<b>\$14,500</b>	<b>\$14,500</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>\$14,500</b>	<b>\$14,500</b>	<b>0.00</b>	<b>0.00</b>

# 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
<b>Decision Item</b>	<b>3010</b>	<b>Full Funding of Lease and Directed Moves Costs</b>				
	SEG	S	\$14,500	\$14,500	0.00	0.00
	<b>Total</b>		<b>\$14,500</b>	<b>\$14,500</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>\$14,500</b>	<b>\$14,500</b>	<b>0.00</b>	<b>0.00</b>

**Decision Item (DIN) - 4000**

**Decision Item (DIN) Title - Project to Permanent Conversions**

**NARRATIVE**

The Department of Employee Trust Funds (ETF) requests that 2.0 FTE SEG Trust Funds Specialist and 1.0 FTE SEG Accountant positions and associated funding be converted from project to permanent positions. All three positions are current 4-year project positions that were provided to support the Department's major initiative of modernizing its business processes and IT systems.

## ETF 2021-23 BIENNIAL BUDGET REQUEST

### DECISION ITEM 4000 – TRANSFORMATION, INTEGRATION, AND MODERNIZATION (TIM) PROJECT TO PERMANENT STAFF CONVERSION

176 – s. 20.515 (1)(w)

<b>FISCAL SUMMARY</b>		
	2021-22 Request	2022-23 Request
FTE	3.0 SEG FTE	3.0 SEG FTE
<b>Total Request</b>	<b>\$38,000</b> <b>3.0 SEG FTE</b>	<b>\$228,500</b> <b>3.0 SEG FTE</b>

#### **Request**

The Department of Employee Trust Funds (ETF) requests that 2.0 FTE SEG Trust Funds Specialist and 1.0 FTE SEG Accountant positions and associated funding be converted from project to permanent positions. All three positions are current 4-year project positions that were provided to support the Department's major initiative of modernizing its business processes and IT systems.

#### **Background**

##### **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 and university 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 652,000 current and former state and local government employees on behalf of 1,500 employers. The agency is overseen by an independent governing board.

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

##### **Position Authorization**

In 2014, ETF utilized non-statutory provisions included in the 2013-15 biennial budget (2013 Wisconsin Act 20) to obtain 3.0 FTE project positions to assist with the Department's IT Modernization efforts. In the FY 2017-19 biennial budget (2019 Wisconsin Act 9), ETF received 3.0 FTE new project positions to replace the expiring project positions. All 3.0 project positions will expire in May 2022.

## **Transformation, Integration, and Modernization (TIM)**

Currently, ETF provides services to members and employers using 17 different legacy business systems. TIM encompasses multiple programs, projects, and initiatives needed to successfully implement modern benefit administration systems along with the business process improvements necessary to more efficiently and effectively serve members and participating employers.

Over the next 5-7 years, ETF will research, acquire, and implement an Enterprise Content Management (ECM) system, Insurance Administration System (IAS), Pension Administration System (PAS), and Data Management program.

- The ECM system will replace the existing imaging and workflow proprietary system developed by the previous vendor, with a commercial enterprise content management/document imaging solution that will effectively integrate with a future pension administration system as well as other systems as needed.
- The IAS system will provide a new, integrated, best-practices insurance administration system for benefits including Health, Life, Income Continuation Insurance and several Supplemental Benefits.
- The PAS system will provide administration capabilities for benefit program enrollment, benefit distribution, account maintenance, reporting, contributions, communication, and customer service.
- The Data Management program consists of a series of projects and workstreams to promote trust and accuracy in ETF's data and ensure that different systems are sharing data appropriately. This program will assess and implement data management best practices, including the creation of the architecture needed to enable all ETF technology systems and databases to communicate with each other while maintaining data integrity and security.

Successful implementation will enable ETF to: 1) meet the significant growth in demand for ETF services; 2) meet the growing marketplace demand for online services; 3) increase operational efficiency; 4) achieve overall improvement in customer service; and 5) reduce long-term administrative costs for Wisconsin public employers.

## **Analysis of Need**

As noted, the 3.0 FTE project positions were originally approved to support the implementation of an integrated benefits administration system and to help modernize ETF's business processes. Based on the support these positions have provided over the last several years, it is now apparent that there is a need for these positions on a permanent basis. This is supported by the following:

- As ETF began work on modernizing its IT systems, it also enhanced and improved its business processes and encountered changes in its operating environment. ETF is unable to sustain process improvements or respond to operational changes without the continued support of these positions.
- ETF continues to modernize its IT systems, which involves staff from across the Department, including staff in the sections supported by these project positions.

These positions provide necessary support so staff in these areas can fully participate in ongoing modernization and business process improvement activities.

## **Improved Business Processes and Operational Changes**

### Employer Services – 2.0 FTE Trust Funds Specialists (Permanent)

The project positions approved in the 2017-19 Biennial Budget continue to provide essential support services to employers participating in the Health, Life, and Income Continuation Insurance programs. To maintain the current level of employer support, it is critical that the Employer Services – Insurance Section obtain 2.0 FTE permanent positions to replace the section's existing 2.0 FTE project positions.

The Employer Service – Insurance Section is comprised of 11.0 FTE, 1.0 LTE, and 4.0 contract staff. The section primarily manages work by assigning staff to either employers (active employees) or retirees. Employers with active employees and the retiree population have distinct support needs. Thus, staff that specialize in these areas are better equipped to provide timely and accurate support.

Staff from both groups provide frontline email and phone support to employers who participate in the Health, Life, and/or Income Continuation Insurance programs and retirees that participate in the Health, Sick Leave, and Life Insurance programs.

- Employer staff include 2.0 FTE permanent positions and 2.0 FTE project positions that serve as case managers for Central Payroll Agencies, the University of Wisconsin Hospitals and Clinics (UWHC), and the University of Wisconsin System. The two permanent staff also speak with employers interested in joining the Health, Life and ICI programs. Three contract staff work in the unit to support local employers.
- Retiree staff includes 3.0 FTE permanent positions, 1.0 contractor, and 1.0 LTE. The retiree staff responding to annuitants' support needs carry a similar workload to employer staff. The nature of retiree inquiries is often complex and varied. For retirees, ETF takes on the role as the employer that responds to their questions.
- The ESS Insurance Team is also supported by 4.0 FTE, including a supervisor, lead worker, internal trainer, and employer trainer. These employees typically do not have the time to assist the other areas with jobs in their work queues.

Permanent staff are warranted due to the caseload size managed by staff in the unit and the complexity of the work performed by these positions. As shown in Table 1, the caseload managed by the employer unit requires the full dedication of current staff. Without the 2.0 FTE project positions, the additional case load burden on the 2.0 FTE permanent staff would double, which is not sustainable in the mid- to long-term.

- For the health plan, the 4.0 FTE permanent and project employer staff who work with central payroll agencies, the UW, and UWHC provide support services to 52 employers who represent 164,101 covered employees.

- Employer staff received 22,344 email inquiries from central payroll agencies, the UW, and UWHC. If staff in the section were decreased from 4.0 FTE to 2.0 FTE, the remaining permanent staff would each be responsible for responding to approximately 11,200 emails annually.
- For FY 2019, all ESS Insurance Team staff responded to 42,458 email inquiries, answered 5,435 inbound calls, and initiated 5,252 outbound calls.

**Table 1 – ETF Program Plan Enrollment Details (SFY 2019)**

	Health		Life Insurance		Income Continuation		Email Inquiries
	ER's <sup>1</sup>	Covered Indiv.	ER's <sup>1</sup>	Covered Indiv.	ER's <sup>1</sup>	Covered Indiv. <sup>2</sup>	
Central Payroll Agencies	1 (50)	71,566	1 (50)	51,674	1 (50)	20,760	12,424
UW	1	72,843	1		1	17,696	9,920
UWHC	1	19,692	1		1	5,306	
Subtotal	52	164,101	52	51,674	52	43,762	22,344
Local ER's	378	29,715	744	76,305	262	9,700	9,164
Annuitants	-	44,021		46,952	N/A	N/A	10,950
Total	430	237,837	796	174,931	314	53,462	42,458

<sup>1</sup> Employers who participate in the applicable program. Central payroll represents 50 distinct state agencies.

<sup>2</sup> Estimated based on the best available information.

In addition to caseload size, the work performed by staff is complicated and requires substantial training and on-the-job experience to become proficient. Consequently, the section must be able to recruit, develop, and retain employees that can understand and communicate the elaborate eligibility rules and requirements related to the Health, Life and ICI programs. Employers, in turn, rely on ETF to provide them with accurate information so they can appropriately administer these programs according to state and federal rules and regulations.

Inquiries range in complexity but can include issues such as:

- Program eligibility questions;
- Inquiries relating to a loss of coverage, life event change, or COBRA eligibility; or
- Questions concerning the coordination of health insurance benefits.

ETF wants to maintain its current approach to providing employers insurance support services. However, this approach is not sustainable without the conversion of existing project staff to permanent staff. Without additional permanent resources, the accuracy or timeliness of employer support services would suffer. This could result in not administering health plans according to the plan contracts, employer violations of state and federal rules and regulations, and gaps in service quality for active employees. The latter, for example, could result in employees paying for unnecessary out-of-pocket costs.

Project positions and/or contractor staff have been helpful in the short term to demonstrate the advantages of our current support model. However, new project positions and/or the use of less experienced contract staff are not viable long-term solutions and would impact ETF's ability to recruit the best candidates and retain a highly trained and proficient workforce.

#### Financial Expertise – 1.0 FTE Accountant (Permanent)

The Division of Trust Finance (DTF) requests that 1.0 FTE Accountant project position be converted to a permanent position in the Retirement Accounting Bureau. This will help provide DTF with the necessary resources to permanently support the internal control and data integrity measures required in a financial environment to mitigate risk of errors and provide accurate and timely customer service.

The current project position functions as an integral part of the accounting team that performs ongoing daily, monthly, and annual work. This position is primarily responsible for various WRS contribution system financial activities that are reported in multiple GAAP funds and reserve accounts. Project position duties include, but are not limited to:

- recording and reconciling receipts and employer payments;
- recording and auditing employee paid additional contributions and late reported earnings and offsets;
- processing and reconciling member service purchases and other WRS member account adjustments; and
- annual processing tasks and functions.

The current project position allows ETF to transfer some of the responsibilities outlined above from an existing permanent position to the project position. This creates necessary capacity for the permanent staff person to participate in higher level accounting and internal control processes, modernization, and other value-added activities.

ETF continually strives to improve its internal financial controls. Improvement of internal controls helps ensure accuracy in financial reporting and compliance with appropriate professional and governmental standards and requirements. The Bureau has strengthened internal controls in several ways due to the additional support of this position:

- the number of journal entries and vouchers that are pre-audited by a higher-level accountant prior to entry into the STAR Peoplesoft general ledger has increased by a minimum of 25 additional pre-audits per month;
- procedure documentation is routinely enhanced and updated;
- staff cross-training activities are provided, which increase the depth and breadth of the Bureau's internal support in the event of staff turnover, etc.; and
- the regular analysis and management of financial data has been undertaken to conduct quality assurance checks, to make more timely adjustments when needed, and to ensure accuracy across multiple software platforms.

The permanent position is also able to identify and participate in process improvement activities that are continually needed to maintain the efficiency of Bureau operations in a frequently changing financial environment.

- The position recently worked with another business area to resolve a challenge with duplicate social security numbers for members. The result was a significant decrease in the opportunity for this to occur due to form and system changes. It also resulted in increased efficiency by reducing the number of handoffs between the two units from four to one.
- An analysis of the Other Governmental Service Purchase application and receipt process resulted in this position working with Member Services staff to redesign the workflow to better meet member needs and eliminate confusing role assignments which has reduced the processing time in most cases.

The work identified above is not anticipated to decrease or change significantly in the coming years. In order to maintain the benefit of the additional position and continue to make progress on the key initiatives identified, the current project position should be converted to a permanent position. The absence of this additional resource could delay WRS financial activities. Internal control improvements would also likely regress to below currently expected and necessary levels, which could negatively impact the accuracy of financial reporting. This, in turn, could adversely affect the integrity of the program's financial statements, ultimately creating a decrease in member service and agency accuracy and reputation.

### **Ongoing Modernization Activities**

As noted earlier, under the TIM plan ETF has begun a renewed effort to modernize its IT systems. The initiatives described require technical and program staff involvement from across the Department. Ways in which program staff are involved may include:

- Assisting with Request for Information/Proposal (RFI/RFP) drafting;
- Attending vendor information sessions;
- Serving as subject matter experts or evaluation committee members on an RFP, which includes evaluating proposals, attending vendor demonstrations, and participating in evaluation committee meetings;
- Participating in Proof of Concept exercises with selected vendors to ensure the system functionality and vendor staff meet ETF's needs; and
- Supporting system implementation, which may include working with the vendor(s) to define current business processes, attending regular implementation meetings, helping with testing efforts, attending training sessions, and updating or creating new procedure documentation.

Full participation of ETF subject matter experts in modernization initiatives is required for these projects to be successful. In order to participate in these efforts, staff need additional assistance with their existing, routine work. The permanent continuation of the requested 3.0 FTE will ensure that subject matter experts have the necessary support to fully participate in these activities.

## **Conclusion**

ETF continues to embark on critical projects to refocus the way the agency does business with its customers as well as upgrade outdated IT systems. The requested positions are essential to the continued success of these projects and the effectiveness of ETF's benefit administration. Without the permanent addition of the requested positions, current service levels to employers, employees, and annuitants will decrease.

# Decision Item by Line

2123 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	4000	Project to Permanent Conversions

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$27,300	\$164,000
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$10,700	\$64,500
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
<b>17</b>	<b>Total Cost</b>	<b>\$38,000</b>	<b>\$228,500</b>

18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	3.00	3.00
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
	<b>4000</b>	<b>Project to Permanent Conversions</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	76 Administration	\$38,000	\$228,500	3.00	3.00
	<b>Employee benefit plans SubTotal</b>	<b>\$38,000</b>	<b>\$228,500</b>	<b>3.00</b>	<b>3.00</b>
	<b>Project to Permanent Conversions SubTotal</b>	<b>\$38,000</b>	<b>\$228,500</b>	<b>3.00</b>	<b>3.00</b>
	<b>Agency Total</b>	<b>\$38,000</b>	<b>\$228,500</b>	<b>3.00</b>	<b>3.00</b>

# 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
<b>Decision Item</b>	<b>4000</b>	<b>Project to Permanent Conversions</b>				
	SEG	S	\$38,000	\$228,500	3.00	3.00
	<b>Total</b>		<b>\$38,000</b>	<b>\$228,500</b>	<b>3.00</b>	<b>3.00</b>
<b>Agency Total</b>			<b>\$38,000</b>	<b>\$228,500</b>	<b>3.00</b>	<b>3.00</b>

**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 -\$14,400 GPR in FY22 and -\$23,300 GPR in FY23 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 \$56,400.

## ETF 2021-23 BIENNIAL BUDGET REQUEST

### DECISION ITEM 5000 – ANNUITY SUPPLEMENT RE-ESTIMATE

101 – s. 20.515 (1)(a)

<b>FISCAL SUMMARY</b>		
	2021-2022 Request	2022-2023 Request
<b>Total Request</b>	<b>(\$14,400)</b>	<b>(\$23,300)</b>

#### **Request**

The Department of Employee Trust Funds (ETF) requests a reduced base funding of - \$14,400 GPR in FY22 and -\$23,300 GPR in FY23 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 \$56,400.

# Decision Item by Line

2123 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	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	(\$14,400)	(\$23,300)
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>(\$14,400)</b>	<b>(\$23,300)</b>

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
	<b>5000</b>	<b>Annuity Supplement Re-Estimate</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	01 Annuity supplements and payments	(\$14,400)	(\$23,300)	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>(\$14,400)</b>	<b>(\$23,300)</b>	<b>0.00</b>	<b>0.00</b>
	<b>Annuity Supplement Re-Estimate SubTotal</b>	<b>(\$14,400)</b>	<b>(\$23,300)</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>(\$14,400)</b>	<b>(\$23,300)</b>	<b>0.00</b>	<b>0.00</b>

# 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
<b>Decision Item</b>	<b>5000</b>	<b>Annuity Supplement Re-Estimate</b>				
	GPR	A	(\$14,400)	(\$23,300)	0.00	0.00
	<b>Total</b>		<b>(\$14,400)</b>	<b>(\$23,300)</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>(\$14,400)</b>	<b>(\$23,300)</b>	<b>0.00</b>	<b>0.00</b>

**Decision Item (DIN) - 5001**

**Decision Item (DIN) Title - Gifts and Grants Appropriation**

**NARRATIVE**

The Department of Employee Trust Funds (ETF) requests the re-creation of its gifts and grants appropriation (s. 20.515(1)(gm), appropriation 121). In the 2019-21 biennial budget, ETF requested the repeal of the Gifts and Grants appropriation (s. 20.515(1)(gm), appropriation 121) as this appropriation had not been used in the past. ETF would like to re-create this appropriation as ETF foresees a possible need for the ability to receive gifts and grants in the future.

## **ETF 2021-23 BIENNIAL BUDGET REQUEST**

### **DECISION ITEM 5001 – GIFT AND GRANTS APPROPRIATION**

**121 – s. 20.515 (1)(gm)**

#### **Request**

The Department of Employee Trust Funds (ETF) requests the re-creation of its gifts and grants appropriation (s. 20.515(1)(gm), appropriation 121).

#### **Background**

In the 2019-21 biennial budget, ETF requested the repeal of the Gifts and Grants appropriation (s. 20.515(1)(gm), appropriation 121) as this appropriation had not been used in the past. ETF would like to re-create this appropriation as ETF foresees a possible need for the ability to receive gifts and grants in the future.

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

**Decision Item (DIN) - 6000**

**Decision Item (DIN) Title - Data Management Program**

**NARRATIVE**

The Department of Employee Trust Funds (ETF) requests a 1.0 FTE IS Data Services Specialist (\$74,400 SEG in FY22 and \$95,800 SEG in FY23) for the Division of Management Services (DMS) in the Data Management Bureau. ETF is responsible for the health and financial information for over 652,000 public employees. The management and security of that data is critical for the proper administration of public employee retirement, health and other fringe benefit programs. This request directly supports ETF Strategic plan goals of implementing outcomes-driven performance measurement, process management and implementing modern, secure and resilient information technologies. Additionally, the request supports goal three of the State's Strategic IT plan - modernize state agency legacy data and technology assets to achieve greater efficiency and effectiveness in delivering government services and operations.

## ETF 2021-23 BIENNIAL BUDGET REQUEST

### DECISION ITEM 6000 – DATA MANAGEMENT PROGRAM

176 – s. 20.515 (1)(w)

<b>FISCAL SUMMARY</b>		
	2021-2022 Request	2022-2023 Request
Contracts	\$0	\$0
FTE	\$74,400 1.0 SEG FTE	\$95,800 1.0 SEG FTE
<b>Total Request</b>	<b>\$74,400</b> <b>1.0 FTE</b>	<b>\$95,800</b> <b>1.0 FTE</b>

#### Request

The Department of Employee Trust Funds (ETF) requests a 1.0 FTE IS Data Services Specialist (\$74,400 SEG in FY22 and \$95,800 SEG in FY23) for the Division of Management Services (DMS) in the Data Management Bureau. ETF is responsible for the health and financial information for over 652,000 public employees. The management and security of that data is critical for the proper administration of public employee retirement, health and other fringe benefit programs. This request directly supports ETF Strategic plan goals of implementing outcomes-driven performance measurement, process management and implementing modern, secure and resilient information technologies. Additionally, the request supports goal three of the State's Strategic IT plan - modernize state agency legacy data and technology assets to achieve greater efficiency and effectiveness in delivering government services and operations.

#### Background

##### **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 and university 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 652,000 current and former state and local government employees on behalf of 1,500 employers. The agency is overseen by an independent governing board.

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

## **Modernizing ETF's Legacy Systems**

Currently, ETF provides services to members and employers using 17 different legacy business systems that have an extensive amount of program and member data. The types of data include financial data, member personal financial and health data, enrollment data, and benefit utilization data. The Transformation, Integration, and Modernization (TIM) initiative will transition ETF from this fragile patchwork of legacy applications to modern systems that advance and automate benefit administration processes.

TIM encompasses multiple programs, projects, and initiatives needed to successfully implement modern benefit administration. ETF's modernization effort includes transitioning to multiple best-of-breed Commercial Off the Shelf (COTS) systems (an enterprise content management system, a master data management system, an insurance administration system, a pension administration system, and other systems, including those that will need to be integrated in the future). A strong data management program is essential to ensure real-time, consistent, and quality data across ETF's different COTS systems. Data integration, master data management, and data quality efforts are needed for multiple COTS systems to reliably send, receive, and integrate data from each other.

Current legacy systems have duplicative, competing data and no clear single source of truth hierarchy. The Data Management Program will establish the foundation and framework for our successful transition from this current state to modernized systems, a single golden record for all common data, systems that ensure the confidentiality, availability and integrity of our data, and on-going sustainable data management best practices necessary to serve our customers.

## **Data Management Program**

Every day, ETF staff work with important data related to WRS employers and members, benefit providers and third-party administrators, and other organizations including state and federal agencies and industry groups. The data currently managed in various legacy systems is critical to providing efficient and effective service to members. However, this data is sometimes inconsistent and unreliable.

ETF's data management program will lead to operational efficiencies and improved decision-making, including less administrative work by staff to administer programs. With reliable data and implementation of modernized benefit administration systems, customers will be able to access their accounts, view their data and conduct business with ETF. This will be more convenient for many customers and more efficient for ETF.

A strong data management program requires data integration; data integration is the process of updating all needed systems with the most current incoming data. This creates an effortless experience for members accessing personalized data and completing transactions online. For example, a member who enrolls for health insurance (in the insurance administration system) and updates their email address during that process should not have to update their email address again when they are trying to complete a WRS transaction (in the pension administration system) such as adding an additional

contribution amount. To ensure information is in sync between the different systems, data integration is needed. Without data integration, ETF must spend resources reconciling the data from different systems and adding verification checks to minimize the risk of inconsistencies when entering the data in the different systems or when exchanging data with business partners.

A strong data management program also requires data quality efforts; data quality is the process of ensuring data entering the systems is accurate. ETF has made progress in improving data quality in recent years, but more work is needed. Efforts have been made to minimize member impact; however, without a comprehensive data management program, these efforts are manual and cumbersome.

Finally, data management will assist in data security efforts. In order to keep a member's financial and health information safe, ETF needs to make sure that the information is reliable, consistent and organized across the various benefits administration systems. Ensuring that member social security numbers, financial information and health information are consistent and secure across ETF's multiple systems is critical for the protection and livelihood of Wisconsin public employees and their families.

### **Master Data Management**

As noted in the DOA's State Strategic IT Plan, properly protecting, accessing, and utilizing available data requires a strong governance framework to manage and coordinate the usage of enterprise data. This includes an end goal of creating master records that bring together data about specific individuals and businesses into a single secure record. These objectives are supported by ETF's strategic plan as well.

Without master data management, data integration and data quality efforts will have less impact; master data management is the process of using data quality efforts to establish the master record, or "golden record", that becomes the source of truth that is communicated to all applicable systems as part of the data integration process. When there are multiple sources of data, systems don't know which data to utilize. Master data management establishes comprehensive and robust rules for determining the "golden record" that tells the different IT systems how to determine which piece of data should be integrated when there is competing data. Master data management pinpoints the quality data entering ETF systems and ensures it is synced across these systems through data integration. Tracking and fixing data issues is much more costly than preventing these issues in the first place.

### **Analysis of Need**

#### **An IS Data Services Specialist**

In recent years, there has been a well-documented trend to elevate and create new data-related roles within organizations to reflect the critical role of data. This trend is reflected in recruitments for Chief Data Officer (CDO)-like positions across the country at federal, state, and local government levels. According to Gartner, "...managing data is part of business

operations, and data management is on the same level, organizationally, as financial management and technology management — and just as important” (Logan et al., 2016). IBM estimated in 2016 that poor data quality costs organizations \$3.1 trillion per year in the U.S. alone (Redman, 2016).

Recognizing the importance of data management to ETF’s business operations, ETF created a new Data Management Bureau in July 2020 to oversee and implement the full range of data management functions: data strategy, data architecture, data integration, master data management, data quality, and data governance.

ETF reallocated three permanent positions and seven contractors to staff the bureau. As ETF moves toward a modernized benefit administration system, ETF will need additional permanent resources to implement a full-fledged data management program. This additional permanent position will provide the Data Management Bureau with a more balanced ratio of permanent positions compared to contractors. Full-time permanent staff will help to reduce risk in delays and issues for modernization projects.

Additionally, ETF has contracted with ICON Data Integrity & Design, Inc. (ICON) since 2013. The ICON contract is set to expire at the end of 2021 which would result in a loss of business knowledge related to ETF’s data. A permanent position will help mitigate the risks from the ICON contract ending.

With the increased criticality of data, the scope and magnitude of the responsibilities of the Data Management Bureau, and the significant role that data management has in ETF’s modernization efforts, ETF identified the importance of adding permanent full-time employees to this function. ETF has prioritized master data management and is requesting 1.0 full-time permanent position to lead IT development efforts related to master data management and ensure continuity after the ICON contract expires.

Given the role that master data management plays in the success of the data management program and ETF’s modernization efforts, having a full-time position devoted to these efforts is vital. There is limited capacity to absorb the master data management responsibilities in the Data Management Bureau; existing staff are responsible for other core data management program efforts including data architecture, data modeling, Extract, Transform, Load (ETL) development, report development, software support, and testing. Thus, currently, ETF is only able to support the master data management efforts with piecemeal efforts from these staff as their time permits.

The requested IS Data Service Specialist will primarily work on development and configuration for the master data management (MDM) solution. The master data management solution will provide a software mechanism for capturing the golden record for the multitude of situations where there is conflicting data for the same field. The Specialist will help develop the MDM solution which includes building and maintaining the logic to determine the golden record (single source of truth), developing workflows, ingesting data into the system, and configuration of rules used to execute the processes in the system.

ETF's data management program is a long-term effort to address the ongoing need to manage its data. The Data Services Specialist will help ensure that:

- ETF successfully transitions to its modernized benefits administration systems.
- ETF coordinates and monitors data coming in, including data received from modernization vendor solutions and third-party administrators.
- ETF continuously updates business rules around data as systems within the larger benefit administration framework implement improved and more modern features.
- ETF's new appointment scheduling software application and other systems are integrated with other modernized systems.
- ETF develops a data management operating model to support these new systems effectively.

### **Conclusion**

This position will allow ETF to implement a modern data management program necessary to support existing operations and to conduct more convenient and efficient digital business with members and employers in the future.

# Decision Item by Line

2123 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	6000	Data Management Program

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$47,300	\$63,100
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$18,600	\$24,800
06	Supplies and Services	\$8,500	\$7,900
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
<b>17</b>	<b>Total Cost</b>	<b>\$74,400</b>	<b>\$95,800</b>

18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	1.00	1.00
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
	<b>6000</b>	<b>Data Management Program</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	76 Administration	\$74,400	\$95,800	1.00	1.00
	<b>Employee benefit plans SubTotal</b>	<b>\$74,400</b>	<b>\$95,800</b>	<b>1.00</b>	<b>1.00</b>
	<b>Data Management Program SubTotal</b>	<b>\$74,400</b>	<b>\$95,800</b>	<b>1.00</b>	<b>1.00</b>
	<b>Agency Total</b>	<b>\$74,400</b>	<b>\$95,800</b>	<b>1.00</b>	<b>1.00</b>

# 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
<b>Decision Item</b>	<b>6000</b>	<b>Data Management Program</b>				
	SEG	S	\$74,400	\$95,800	1.00	1.00
	<b>Total</b>		<b>\$74,400</b>	<b>\$95,800</b>	<b>1.00</b>	<b>1.00</b>
<b>Agency Total</b>			<b>\$74,400</b>	<b>\$95,800</b>	<b>1.00</b>	<b>1.00</b>

**Decision Item (DIN) - 6001**

**Decision Item (DIN) Title - Modernization Related Ongoing IT Costs**

**NARRATIVE**

ETF requests a permanent increase to base funding of \$317,300 in FY 2022 and \$424,200 in FY 2023 to Appropriation 176, Allotment Line 4 (Supplies and Services). The additional funding will support increases for ongoing operational IT expenses related to recent ETF modernization efforts.

## ETF 2021-23 BIENNIAL BUDGET REQUEST

### DECISION ITEM 6001 – SUPPORT FOR MODERNIZATION-RELATED ONGOING IT EXPENSES

176 – s. 20.515 (1)(w)

<b>FISCAL SUMMARY</b>		
	2021-2022 Request	2022-2023 Request
Contracts	\$317,300	\$424,200
FTE	\$0 0.0 SEG FTE	\$0 0.0 SEG FTE
<b>Total Request</b>	<b>\$317,300</b> <b>0.0 FTE</b>	<b>\$424,200</b> <b>0.0 FTE</b>

#### Request

ETF requests a permanent increase to base funding of \$317,300 in FY 2022 and \$424,200 in FY 2023 to Appropriation 176, Allotment Line 4 (Supplies and Services). The additional funding will support increases for ongoing operational IT expenses related to recent ETF modernization efforts.

#### Background

##### **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 and university 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 652,000 current and former state and local government employees on behalf of 1,500 employers. The agency is overseen by an independent governing board.

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

##### **Transformation, Integration, and Modernization (TIM)**

Currently, ETF provides services to members and employers using 17 different legacy business systems. TIM encompasses multiple programs, projects, and initiatives needed to successfully implement modern benefit administration systems along with the business process improvements necessary to more efficiently and effectively serve members and participating employers.

Over the next 5-7 years, ETF will research, acquire, and implement an Enterprise Content Management (ECM) system, Insurance Administration System (IAS), Pension Administration System (PAS), and Data Management program.

- The ECM system will replace the existing imaging and workflow proprietary system developed by the previous vendor, with a commercial enterprise content management/document imaging solution that will effectively integrate with a future pension administration system as well as other systems as needed.
- The IAS system will provide a new, integrated, best-practices insurance administration system for benefits including Health, Life, Income Continuation Insurance and several Supplemental Benefits.
- The PAS system will provide administration capabilities for benefit program enrollment, benefit distribution, account maintenance, reporting, contributions, communication, and customer service.
- The Data Management program consists of a series of projects and workstreams to promote trust and accuracy in ETF's data and ensure that different systems are sharing data appropriately. This program will assess and implement data management best practices, including the creation of the architecture needed to enable all ETF technology systems and databases to communicate with each other while maintaining data integrity and security.

Successful implementation will enable ETF to: 1) meet the significant growth in demand for ETF services; 2) meet the growing marketplace demand for online services; 3) increase operational efficiency; 4) achieve overall improvement in customer service; and 5) reduce long-term administrative costs for Wisconsin public employers.

### **Analysis of Need**

ETF is requesting additional funding to support routine, ongoing costs related to five recent IT upgrades. ETF's primary focus over the next 5-7 years is on the implementation of an ECM, IAS, PAS, and Data Management program. However, as ETF undertook planning efforts for these initiatives, the agency also looked for opportunities to modernize other IT systems and functions through smaller-scoped, value-added projects. These projects incurred one-time and ongoing costs. One-time costs primarily include implementation-related expenses, while ongoing costs may include hosting of the solution, license renewals, and/or other routine maintenance. A description of each project is summarized below.

### **Appointment Scheduling Software**

Online scheduling of member appointments is a necessity in modern client management enterprises. In 2019, ETF had approximately 200,000 direct contacts with members. The volume of calls and other inquiries into the agency has elevated the need for ETF to improve the efficiency and effectiveness of its appointment scheduling operations.

The enterprise appointments system will provide ETF with the opportunity to receive real-time data about customer requests, identify peak usage times, and track user trends which will further empower ETF to provide the highest quality service to its customers. The appointments system should reduce duplicate efforts from dropped calls or repeated customer inquiries, consolidate fragmented processes by centralizing business processes in an online appointment processing service, and replace antiquated and manual appointment scheduling that can be prone to errors.

Initial licensing and implementation costs totaled \$209,835 between FY 2019 and FY 2020. Beginning in FY 2021, ongoing annual expenses for hosting and licensing/maintenance are estimated at \$64,300/year. The prior system, Appointment Plus, was \$1,000/year.

### **Automatic Call Distribution (ACD)**

In August 2019, ETF replaced its legacy Automated Call Distribution (ACD) system with CenturionCARES, which is a modern, flexible and scalable solution that fully integrates with the already updated interactive voice response system (IVR). The new ACD system provides additional functionality, for example:

- Allowing for more efficient call routing with IVR & ACD integration;
- Call back option: Members waiting in queue may choose to be called back and maintain their spot in queue or request a specific call back time;
- Employer CRM (Customer Relationship Management) tool: Provides the ability to document and report on employer interactions;
- Specialist screen monitoring: Supervisors can give more specific performance feedback to specialists with the ability to view their work habits; and
- Ease in creating/updating surveys for members and employers.

Initial licensing, maintenance, and implementation costs totaled \$403,078 in FY 2019. Ongoing costs for hosting, licensing, and maintenance are estimated to be \$128,000/year. ETF was assessed \$63,900 annually in SFY 2019 for use of the prior ACD system (Call Center Anywhere - CCA). CCA is no longer supported.

### **Extract, Transform, Load (ETL) Software**

ETL solutions help integrate data from multiple sources.

- Data extraction involves extracting data from a source.
- Data transformation processes data by cleansing and transforming data into a proper format/structure for the purposes of querying and analysis.
- Data loading describes the insertion of data into the final target database such as a data warehouse.

Prior to acquiring the new ETL tool, Alteryx, SQL Server Integration Services was used. ETF believes that migration to Alteryx will promote efficiencies through the increased flexibility, capability, and usability of the solution. The purchase and implementation of Alteryx occurred in FY 2020. The tool is expected to be used under the Data Management program to help organize and store data from the various information systems that will be implemented as part of ETF's modernization efforts.

Alteryx ongoing costs include \$116,400 in annual hosting and licensing/maintenance costs. Costs for the prior ETL solution were immaterial.

### **Project and Work Management Solution (Eclipse)**

ETF successfully implemented Eclipse, which is a project and work management system to provide portfolio management, project management and resource management capabilities across the organization. It enables ETF to provide real-time project status information in one place, better align projects with organizational goals, evaluate project performance, and determine resource levels available to pursue other work.

Prior to the implementation of Eclipse, ETF had no formal system for planning, documenting, and monitoring project-related work. Ongoing support, maintenance, and licensing for Eclipse are estimated at \$69,500/year.

### **Website Re-design**

In Summer 2018, ETF began implementation of a re-designed website. ETF hired Palantir for site design and Acquia for hosting the website platform and content migration implementation. The goal of the project was to simplify the user interface, put high profile content in Plain Language, enhance search functions, and create a responsive design for mobile devices.

The new website launched in June 2019. Total project costs in FY 2019 were \$898,855, which principally covered planning, design, and implementation. Project costs totaled \$131,020 in FY 2020 and primarily shifted to hosting and additional ad hoc consultation services. Ongoing annual costs for hosting and consulting services are anticipated to be \$112,500/year. Prior costs for supporting the ETF website were minimal (\$1,560/year).

As indicated in the table below, ETF is requesting additional funding to pay for the increase in IT operational expenses. Some of the recently implemented solutions represent all-new

costs for ETF. In other instances, the costs for operating the prior system were minimal/immaterial.

**Table 1 - ETF - Ongoing IT Operational Funding Needs**  
(Estimated as of 9/2020)

Modernization-Related Project	Prior System Expenses (Annual)	FY 2022		FY 2023	
		Estimated Expense	Funding Need	Estimated Expense	Funding Need
ETL Software <sup>1</sup>	\$ -	\$9,500	\$9,500	\$116,400	\$116,400
Website Re-design	1,600	112,500	110,900	112,500	110,900
Proj./Work Mgmt Software	-	69,500	69,500	69,500	69,500
Auto. Call Dist. Software	63,900	128,000	64,100	128,000	64,100
Appt. Sched. Software	1,000	64,300	63,300	64,300	63,300
<b>Total</b>	<b>\$66,500</b>	<b>\$383,800</b>	<b>\$317,300</b>	<b>\$490,700</b>	<b>\$424,200</b>

<sup>1</sup> Annual ETL licensing costs are expected to commence in FY 2023. Initial licensing costs were incurred upfront for a 3-year period from FY 2020 – FY 2022.

**Conclusion**

Overall, this request will provide additional support to ETF’s efforts to modernize its IT systems and related business processes. The transition to new IT systems enhances the services ETF provides its customers and results in other efficiencies; however, the movement to more secure and feature-rich solutions often comes at additional expense. ETF does not have the administrative funds to absorb these ongoing expenses and prepare itself for the implementation and support of significantly more costly IT systems over the next 5-7 years.

# Decision Item by Line

2123 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	6001	Modernization Related Ongoing IT 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	\$317,300	\$424,200
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
<b>17</b>	<b>Total Cost</b>	<b>\$317,300</b>	<b>\$424,200</b>

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	2nd Year
		1st Year Total	2nd Year Total	FTE	FTE
	6001	Modernization Related Ongoing IT Costs			
01	Employee benefit plans				
	76 Administration	\$317,300	\$424,200	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>\$317,300</b>	<b>\$424,200</b>	<b>0.00</b>	<b>0.00</b>
	<b>Modernization Related Ongoing IT Costs SubTotal</b>	<b>\$317,300</b>	<b>\$424,200</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>\$317,300</b>	<b>\$424,200</b>	<b>0.00</b>	<b>0.00</b>

# 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
<b>Decision Item</b>	<b>6001</b>	<b>Modernization Related Ongoing IT Costs</b>				
	SEG	S	\$317,300	\$424,200	0.00	0.00
	<b>Total</b>		<b>\$317,300</b>	<b>\$424,200</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>\$317,300</b>	<b>\$424,200</b>	<b>0.00</b>	<b>0.00</b>

## **Decision Item (DIN) - 7000**

### **Decision Item (DIN) Title - Cyber Security**

#### **NARRATIVE**

ETF requests the creation of 2.0 FTE SEG Computer and Internet Security Analyst permanent positions and \$148,900 in FY22 and \$191,600 in FY23 to provide additional permanent support to maintain a robust cybersecurity program. ETF has evaluated its cybersecurity strategy, governance, and practices as part of its ongoing risk assessment framework. Information gained from these analyses were used to develop a comprehensive cyber risk management strategy to mitigate risks of cybersecurity threats. Additional permanent positions are critical to the ongoing management of the cybersecurity program, especially as ETF moves to modernize its information technology systems and manage all health and retirement benefits for members online.

## ETF 2021-23 BIENNIAL BUDGET REQUEST

### DECISION ITEM 7000 – CYBER SECURITY

176 – s. 20.515 (1)(w)

<b>FISCAL SUMMARY</b>		
	2021-2022 Request	2022-2023 Request
Contracts	\$0	\$0
FTE	\$148,900 2.0 SEG FTE	\$191,600 2.0 SEG FTE
<b>Total Request</b>	<b>\$148,900</b> <b>2.0 FTE</b>	<b>\$191,600</b> <b>2.0 FTE</b>

#### Request

ETF requests the creation of 2.0 FTE SEG Computer and Internet Security Analyst permanent positions and \$148,900 in FY22 and \$191,600 in FY23 to provide additional permanent support to maintain a robust cybersecurity program. ETF has evaluated its cybersecurity strategy, governance, and practices as part of its ongoing risk assessment framework. Information gained from these analyses were used to develop a comprehensive cyber risk management strategy to mitigate risks of cybersecurity threats. Additional permanent positions are critical to the ongoing management of the cybersecurity program, especially as ETF moves to modernize its information technology systems and manage all health and retirement benefits for members online.

#### Background

The Department of Employee Trust Funds (ETF) is trusted with protecting detailed medical and financial records of more than 652,000 individuals and one of the largest public sector trust funds in the nation. This type of personally identifiable information increases ETF's risk of being subject to a cyber-attack. According to the Legislative Audit Bureau's September 2020 Report – IT Needs Assessment, Procurement, and Security, the State of Wisconsin has been a leader in cybersecurity defense and protecting residents' health and financial information continues to be a top priority for the state.

#### **ETF's Cybersecurity Program**

ETF established its cybersecurity program in 2015 when it reallocated an existing position to create a Chief Information Security Officer (CISO) which is responsible for establishing and maintaining the enterprise vision, strategy, and program to ensure information assets and technologies are adequately protected. In 2016, ETF received authority for three FTE and currently employs four permanent FTE dedicated to performing all operational and project cybersecurity responsibilities. ETF reallocated contractor resources from other areas in the last year to meet the needs of the program. While ETF has spent the last few

years creating a robust security program, additional permanent resources are crucial to the ongoing management of the cybersecurity program and protecting the medical and financial records of its more than 652,000 Wisconsin Retirement System (WRS) members.

Development of information risk management is central to addressing weaknesses and managing risks, faced both internally and externally. ETF created an Information Security Steering Committee (ISSC) to oversee and provide governance over matters relating to information security risk. The ISSC also provides management oversight for the operational aspects of information security and provides direction by determining, approving and communicating information security principles using the International Organization for Standardization (ISO) and International Electrotechnical Commission (IEC) 27001 standards.

The ISO/IEC 27001 framework provides a structure that organizations can use to create, guide, assess and improve comprehensive cybersecurity programs. The framework was designed to allow organizations – regardless of size, degree of cyber risks or cybersecurity sophistication – to apply the principles and best practices of risk management to improve the security and resilience of critical information systems.

Based on the ISO/IEC 27001 framework, ETF developed an Information Risk Management Program (IRMP) that assesses threats, vulnerabilities, potential impact to business plan, the likelihood of occurrence, and the way in which ETF responds to and monitor risks. The IRMP includes a vendor management program, which is increasingly important as ETF moves its systems to the cloud. The IRMP helps ETF monitor how business partners are protecting ETF data and ensures that ETF people, process and technology are consistently secured using industry best practices and standards. The IRMP demonstrates both a clear commitment to stakeholders and due diligence through adherence to a recognized and widely used international standard.

Additionally, ETF has implemented the ETF20 Program, which is a continuous technical initiative intended to provide for the establishment of more robust cybersecurity controls. The program provides ETF the ability to prevent, alert, and respond to attacks that are experienced every day. The ETF20 Program projects are determined by recommendations from the CIS (Center for Internet Security) Critical Security Controls for Effective Cyber Defense, which serves as best practice guidelines for computer security.

Finally, this request supports goal 3 of the Department of Administration's Division of Enterprise Technology (DET) Strategic IT Plan - securing systems and data by refining strategies to mitigate risk for individuals and other key stakeholders, including operational changes due to unexpected events. ETF's cybersecurity plan is a strategic partnership with DET. DET supports the lower layers of the technology stack including networks, servers and other infrastructure, like firewalls. ETF is responsible for more specific security to protect our members and their data, including fully securing our computer applications, designing processes for securing and handling member data, and educating our employees on how best to protect member data. Today's security threats aren't only concerned with

networks and firewalls. ETF employees are also directly targeted through things like phishing emails designed to steal login credentials. Successful cyber management involves addressing people, process and technology.

## **Analysis of Need**

### **Cyber Risks are Escalating**

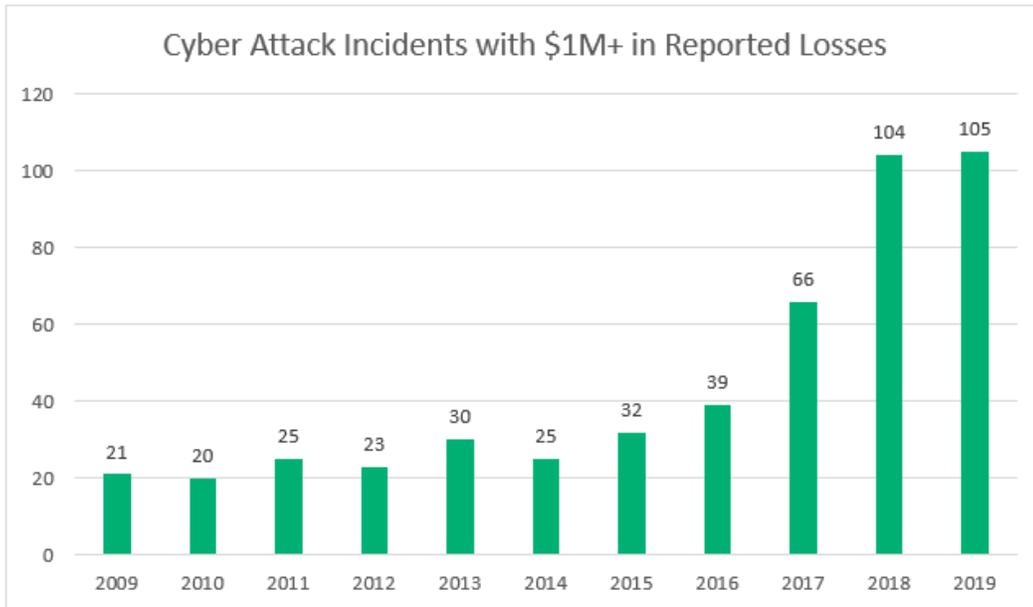
The requested resources will allow ETF to continue to enhance our security posture by investing in new technologies, processes and capabilities in line with its strategic plan to implement modern, secure and resilient information technologies. The risks of underfunding cybersecurity defenses are significant. The frequency, complexity, and costs associated with attacks is significantly increasing. According to the 2020 Official Annual Cybercrime Report by Cybersecurity Ventures, sponsored by Herjavec Group, cybercrime is the greatest threat to organizations. Cybersecurity Ventures predicts cybercrime will cost the world in excess of \$6 trillion annually by 2021, up from \$3 trillion in 2015.

Cyber attacks against state and local governments have been dramatically increasing. Wisconsin state agencies see over 500 email phishing attempts each year, block 93,000 malware downloads and see nearly 110,000 attempts to break passwords. A report from the Government Accountability Office, noted that cybersecurity incidents in the federal government have skyrocketed by more than 1,000 percent in recent years. The report shows that in fiscal year 2015, federal agencies experienced 77,183 cybersecurity incidents involving personally identifiable information. The number of incidents has increased every year since fiscal year 2006, when that number was just 5,503. That's an upsurge of over 1,300 percent in just ten years.

Public pension systems are increasingly being targeted. In August 2019, cyber-thieves hacked into an email account of an investment manager working for the Oklahoma Law Enforcement Retirement System and were able to steal \$4.2 million. Additionally, similar crimes took place in 2016, when hackers stole \$100,000 from a Pennsylvania local government police pension fund and in Iowa in 2017, when hackers stole the identities of more than 100 retired public employees to illegally claim pension payments worth hundreds of thousands of dollars.

Additionally, the Center for Strategic & International Studies (CSIS) tracks "cyber attacks on government agencies, defense and high-tech companies, or economic crimes with losses of more than a million dollars." Over the past decade, they've tracked 490 significant cyber incidents. In the first 10 months of 2019, public state and local governments and health care providers reported 140 successful ransomware attacks, a rise of 65% from the previous year.

**Figure 1 - Incidents Reported 2009-2019**



As noted above, ETF manages medical and financial information for over 652,000 current or former employees and their beneficiaries or dependents. This information is often the most sensitive information for individuals. In relation to managing medical information, Cybersecurity Ventures predicted that ransomware attacks on healthcare organizations will quadruple between 2017 and 2020 and will increase by five times by 2021.

It is imperative that ETF have sufficient permanent resources to institutionalize a robust security program to protect the information of its members. Cybercrime has increased up to 600% during the COVID-19 pandemic. Due to the COVID-19 outbreak an uptick in sophisticated phishing email schemes by cybercriminals has emerged. Malicious actors are posing as the Center for Disease Control and Prevention (CDC) or World Health Organization (WHO) representatives.

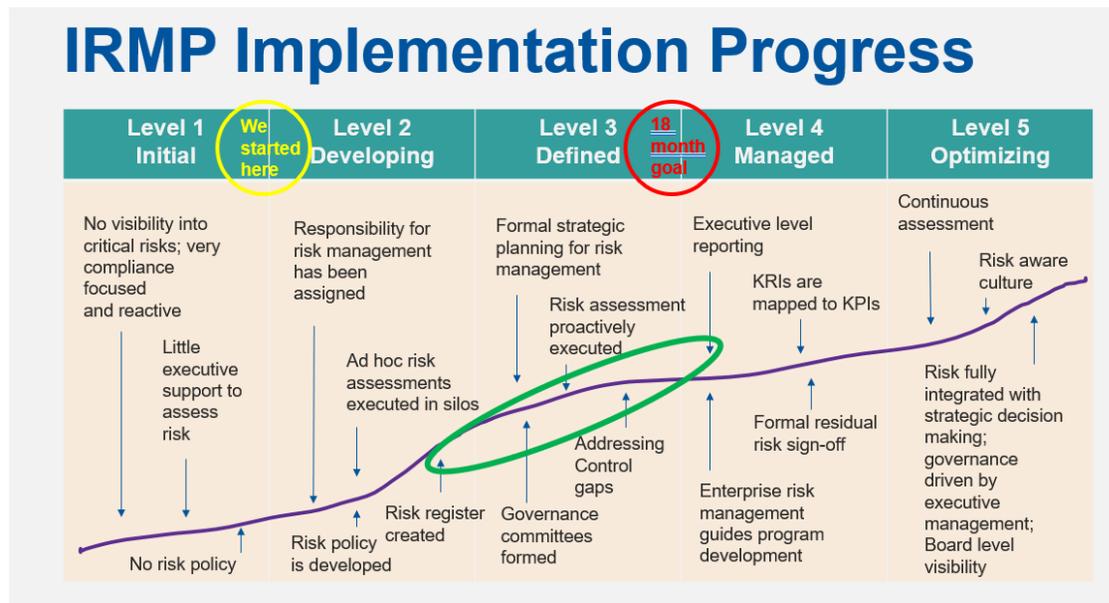
Wisconsin government is not immune. According to the Department of Administration, every day, there are approximately 30,000 vulnerability scans on State of Wisconsin computer systems. There are also about 2,000 brute force attempts to crack State of Wisconsin passwords. The risks are very real. Because of the programs ETF administers, ETF is required to retain member's financial and health data. ETF must protect this data. Given the increasing sophistication and severity of cyberattacks, ETF needs to continually improve its cyber defenses.

### **ETF's Current Cyber Security Process Maturity**

In the past five years, ETF used the DET information security diagnostic tool to gain an understanding of its organization's security risk. The tool allows an organization to develop a comprehensive understanding of information security maturity and make specific changes to improve its maturity. The Gartner maturity model shown in Figure 2 rates organizations

using five levels. ETF has launched a number of security initiatives designed to improve its information security maturity level. In early 2020, an AT&T risk management evaluation showed that ETF has moved from Level 1 to Level 3 in the last three years. Additional permanent resources are needed to reach and maintain a higher level.

**Figure 2 - Gartner Maturity Model**



ETF staff, who are familiar with agency people and operations, are in the best position to do this.

The ETF Cybersecurity program allows ETF to improve its cybersecurity practices and work towards proactive threat mitigation. Staff in the new permanent security positions will work on strengthening ETF's security and ensuring that ETF's systems, processes and employees are as secure as possible.

### Security Positions – 2.0 Computer and Internet Security Analysts

Even as ETF's internal and Internet defenses improve, cyber criminals are persistent and patient when trying to exploit systems. Cybersecurity requires continual maintenance, analysis, research and optimization to stay up-to-date and to protect organizational resources from the latest threats and vulnerabilities. Gartner notes that processes must be in place to evaluate the need for applying security controls and new configurations, and for ensuring that they are quickly and effectively rolled out.

Qualified and permanent staff are essential to detect cybersecurity threats against the agency. Currently, ETF is too reliant on contractor staff, which is more costly and less ideal than permanent positions. ETF security staff need to understand ETF's unique business operations and processes in order to determine how limited resources should be deployed to maximize effective protection. Not having the necessary permanent staff places ETF's security at risk. Having established knowledge of ETF's processes, programs and people is

critical to the protection of ETF's important functions and projects. Providing ETF with these two cybersecurity positions will help ensure that ETF is able to properly manage cyber risks and safeguard member's confidential information over the long-term.

The cybersecurity positions will help drive the implementation of more IT security controls; collaborate with DET on security management; maintain and optimize ETF's security monitoring and alert software; improve vulnerability management processes; manage and improve ETF's network security by working with DET to ensure that the firewalls are properly maintained; manage anti-malware software to protect all user workstations and legacy application servers; and routinely test ETF's vulnerability (e.g., ethical hacking). The positions will also be responsible for conducting risk assessments, recommending new controls, and delivering an effective security awareness program. These positions will also help drive security as the landscape changes and more cloud-based services are used.

## **Conclusion**

Cybercrime continues to rapidly evolve. Threats are multifaceted and becoming increasingly sophisticated. As previously noted, the completion of ETF's modernization effort will automate the administration of benefits for both employers and employees. This will provide better customer service, as well as increased efficiencies. This will also increase cyber-attack risks, which requires additional resources to properly manage these risks. The requested positions and resources are essential for ETF to protect confidential and valuable member information.

# Decision Item by Line

2123 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	7000	Cyber Security

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$94,600	\$126,200
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$37,200	\$49,600
06	Supplies and Services	\$17,100	\$15,800
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
<b>17</b>	<b>Total Cost</b>	<b>\$148,900</b>	<b>\$191,600</b>

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
	<b>7000</b>	<b>Cyber Security</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	76 Administration	\$148,900	\$191,600	2.00	2.00
	<b>Employee benefit plans SubTotal</b>	<b>\$148,900</b>	<b>\$191,600</b>	<b>2.00</b>	<b>2.00</b>
	<b>Cyber Security SubTotal</b>	<b>\$148,900</b>	<b>\$191,600</b>	<b>2.00</b>	<b>2.00</b>
	<b>Agency Total</b>	<b>\$148,900</b>	<b>\$191,600</b>	<b>2.00</b>	<b>2.00</b>

# 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
<b>Decision Item</b>	<b>7000</b>	<b>Cyber Security</b>					
	SEG	S	\$148,900	\$191,600	2.00	2.00	
	<b>Total</b>		<b>\$148,900</b>	<b>\$191,600</b>	<b>2.00</b>	<b>2.00</b>	
<b>Agency Total</b>			<b>\$148,900</b>	<b>\$191,600</b>	<b>2.00</b>	<b>2.00</b>	

## **Decision Item (DIN) - 7010**

### **Decision Item (DIN) Title - Internal Auditor Reporting**

#### **NARRATIVE**

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. This position will not be included in the State of Wisconsin Compensation Plan. The ETF Audit Sub-Committee and the ETF Board unanimously supported 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.

## **ETF 2021-2023 BIENNIAL BUDGET REQUEST**

### **DECISION ITEM 7010 – 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. This position will not be included in the State of Wisconsin Compensation Plan.

The ETF Audit Sub-Committee and the ETF Board unanimously supported 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.

The LRB draft for these changes is attached to this budget request.



State of Wisconsin  
2021 - 2022 LEGISLATURE

LRB-0017/P3  
MIM:amn

**PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION**

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

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*Analysis by the Legislative Reference Bureau*

**RETIREMENT AND GROUP INSURANCE**

This bill creates an Office of Internal Audit attached to ETF. Under the bill, the office plans and conducts audits of activities and programs administered by ETF, among other responsibilities.

The bill requires the ETF board to appoint an internal auditor outside the classified service who reports directly to the board. Currently, the internal auditor for ETF reports to the secretary of ETF.

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*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  
7 office shall be under the direction and supervision of an internal auditor who shall

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

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

8 16.50 (3) (b) No change in the number of full-time equivalent positions  
9 authorized through the biennial budget process or other legislative act may be made  
10 without the approval of the joint committee on finance, except for position changes  
11 made by the governor under s. 16.505 (1) (c), (2), or (2j), by the investment board  
12 under s. 16.505 (2g), by the employee trust funds board under s. 16.505 (2d), or by  
13 the board of regents of the University of Wisconsin System under s. 16.505 (2m) or  
14 (2p).

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

16 16.505 (1) (intro.) Except as provided in subs. (2), (2d), (2g), (2j), (2m), and (2p),  
17 no position, as defined in s. 230.03 (11), regardless of funding source or type, may be  
18 created or abolished unless authorized by one of the following:

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

20 16.505 (2d) The employee trust funds board may create or abolish a full-time  
21 equivalent auditor position or portion thereof funded from revenues appropriated  
22 under s. 20.515 (1) (w).

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

24 20.923 (6) (n) Employee trust funds, department of: office of internal audit;  
25 internal auditor appointed under s. 15.165 (5).

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

2           40.03 (1) (dm) Shall fix the compensation of the internal auditor.

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

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

8           (b) The internal auditor may review any activity, information, or record of the  
9 department that relates to the administration of the fund.

10           (c) The internal auditor shall plan and conduct audit activities, including  
11 external audits, risk assessments, research projects, and management reviews  
12 under the direction of the board and in accordance with policies, principles, and  
13 directives determined by the board.

14           (d) The internal auditor shall monitor the department's compliance with  
15 applicable legal requirements and contracts entered into by the department and the  
16 board.

17           (e) Notwithstanding s. 230.08 (2) (pb), an employee of the department holding  
18 the position of internal auditor in the classified service, who has achieved permanent  
19 status in class before the effective date of this paragraph .... [LRB inserts date], if the  
20 individual is appointed by the employee trust funds board under 2021 Wisconsin Act  
21 .... (this act), section 9113 (1), while serving in that position in the unclassified  
22 service, shall have reinstatement privileges as set forth in s. 230.33 (1m). An  
23 employee holding the position of internal auditor in the department in the classified  
24 service on the effective date of this paragraph .... [LRB inserts date], who has not  
25 achieved permanent status in class in any position at the department on that date

1 shall have reinstatement privileges as set forth in s. 230.33 (1m) if the employee  
2 successfully completes service equivalent to the probationary period required in the  
3 classified service for the position that such an employee holds on that date.

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

5 230.08 (2) (pb) The internal auditor under s. 15.165 (5).

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

7 230.12 (1) (a) 1. b. The provisions governing the pay of all unclassified positions  
8 except positions for employees of the legislature who are not identified under s.  
9 20.923 (4), for employees of a service agency under subch. IV of ch. 13, for employees  
10 of the state court system, for employees of the investment board identified under s.  
11 230.08 (2) (p), for the internal auditor appointed under s. 15.165 (5), as identified  
12 under s. 230.08 (2) (pb), for one stenographer employed by each elective executive  
13 officer, except the secretary of state and the state treasurer, under s. 230.08 (2) (g),  
14 for 3 sales representatives of prison industries and one sales manager of prison  
15 industries identified under s. 303.01 (10), and for sales and development professional  
16 of the historical society employed under s. 44.20 (4) (a).

17 **SECTION 9113. Nonstatutory provisions; Employee Trust Funds.**

18 (1) INCUMBENT INTERNAL AUDITOR. The individual holding the position of  
19 internal auditor in the department of employee trust funds on the day before the  
20 effective date of this subsection shall continue to serve in that position until an  
21 internal auditor is appointed under s. 15.165 (5).

22

(END)

# Decision Item by Line

2123 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	7010	Internal Auditor Reporting

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
<b>17</b>	<b>Total Cost</b>	<b>\$0</b>	<b>\$0</b>

18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	-1.00	-1.00
20	Unclassified Positions Authorized	1.00	1.00

# 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
	<b>7010</b>	<b>Internal Auditor Reporting</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	76 Administration	\$0	\$0	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>
	<b>Internal Auditor Reporting SubTotal</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>

# 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
<b>Decision Item</b>	<b>7010</b>	<b>Internal Auditor Reporting</b>				
	SEG	S	\$0	\$0	0.00	0.00
	<b>Total</b>		<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>

**Decision Item (DIN) - 7020**

**Decision Item (DIN) Title - Board Restructuring**

**NARRATIVE**

ETF requests the consolidation of the Wisconsin Retirement (WR) Board and the Teachers Retirement (TR) Board into the Employee Trust Funds (ETF) Board. The proposed merger reduces the number of boards from three to one and the number of retirement board member positions from 35 to 13. The practical result of this merger will create greater efficiencies, reduce costs, and mirror best practices for retirement board governance while retaining representation of Wisconsin Retirement System (WRS) participants and stakeholders.

## **ETF 2021-2023 BIENNIAL BUDGET REQUEST**

### **DECISION ITEM 7020 – BOARD RESTRUCTURING – STATUTORY CHANGES**

#### **Request**

ETF requests the consolidation of the Wisconsin Retirement (WR) Board and the Teachers Retirement (TR) Board into the Employee Trust Funds (ETF) Board. The proposed merger reduces the number of boards from three to one and the number of retirement board member positions from 35 to 13. The practical result of this merger will create greater efficiencies, reduce costs, and mirror best practices for retirement board governance while retaining representation of Wisconsin Retirement System (WRS) participants and stakeholders.

#### **Background**

The Department of Employee Trust Funds administers the Wisconsin Retirement System (WRS) for 1,500 Wisconsin employers including state and university employers, all state school districts, and most local governments. The WRS is the 9th largest pension system in the nation and provides retirement benefits for more than 652,000 current and former state and local government employees. The agency is overseen by the ETF Board, an independent governing board with fiduciary responsibility. The TR Board and the WR Board serve as advisory boards to the ETF Board.

The Department's statutory mission is to administer the Public Employee Trust Fund in a way that provides legislatively created, public employee benefits at the lowest reasonable cost. Chapter 40 of Wisconsin Statutes is the controlling document for the Trust.

The Legislature created the Department of Employee Trust Funds in 1967 (Chapter 75, Laws of 1967) to manage the State Teachers Retirement System (STRS) and the Wisconsin Retirement Fund (WRF). Other public pension systems included the Milwaukee Teachers Retirement Fund (MTRF), and two systems for Milwaukee City and Milwaukee County employees. At that time, the ETF Board had seven members: three appointed by and from the WRF Board, two appointed by and from the STRS Board, one member of the Milwaukee teacher's annuity and retirement fund, and one member appointed by and from the Group Insurance Board.

In 1974, the Legislature's Retirement Research Committee recommended merging the WRF, STRS and MTRF into one system as a means to drive efficiency. The Research Retirement Committee also recommended that the emerged retirement system should be governed by one board. Chapter 280, Laws of 1975, declared that STRS, MTRF, and WRF merge into one system called the Wisconsin Retirement System (WRS).

During the 1975 merger legislation, STRS and MTRF Board members and others opposed delegating full fund management authority to the ETF Board. The STRS and MTRF Board

members feared that teachers and non-teachers would receive different treatment under the new system and would not be adequately represented. The Board members' concerns were addressed in a compromise in which the TR and WR Boards would serve as advisory boards to the ETF Board.

The merger implementation guidelines were defined under Chapter 96, Laws of 1981, which retained the boards of the merging systems, as advisory boards. That legislation increased the size of the ETF Board from nine members to 11 and created the nine member WR Advisory Board and 13 member TR Advisory Board. Subsequent legislation added two members to the ETF Board. Today, the WRS has 35 board member positions -- far more board members than other public pension plans.

The ETF Board provides direction and supervision to ETF and the WRS. The board appoints the ETF Secretary; approves actuarial tables; contracts with actuarial, legal, medical and other independent experts; determines whether to contract with insurance plans for death and disability benefits through the Group Insurance Board; authorizes all annuities except for disability, which is currently delegated to ETF staff; approves or rejects ETF administrative rules; delegates powers as desirable or necessary; sets policy for ETF and generally oversees ETF's benefit programs. The WR and TR Advisory Boards are responsible for approving administrative rules; authorizing benefit payments, which is currently delegated to ETF staff; hearing appeals of ETF determinations; and appointing one member each to the State of Wisconsin Investment Board's (SWIB) Board.

The ETF Board hears all appeals except for disability determinations heard by the WR and TR Boards. The administrative and advisory responsibilities of the WR and TR Boards have pointedly decreased over the last two decades.

### **ETF Board Consolidation Study**

In the past, there have been several discussions on whether to merge the boards. Consolidation was previously advised against due to the high workload of the TR and WR Boards which is no longer present today. However, over the last year, the TR, WR and ETF Boards spent five meetings studying the history of the structure of the retirement boards, the primary governing role of the ETF Board compared to the supporting role of the WR and TR Boards, best practices of public pension governing boards and what a model ETF Board would look like. The boards used the following four criteria in developing the proposed changes to the board structure.

- **Number and Size** – A single board with 9 to 13 members is recommended by industry experts and used by most public pension systems. The boards determined that a model ETF Board would be a single board with 13 members. This maintains the current level of representation on the ETF Board and aligns with typical single board structure of public pension plans.
- **Balance Considerations** – Best practice boards include ex officio, elected, and appointed members. The proposed model ETF Board is generally

comprised of the same number of ex officio, elected and appointed members as the typical pension plan.

- **Representation** – As trustees, each board member must faithfully represent the interests of all trust beneficiaries. However, best practice boards ensure that the various plan stakeholders are represented. Stakeholders with differing backgrounds bring the board differing experiences, knowledge and skillsets that enriches the quality of the decision-making process. The model ETF Board is representative of WRS stakeholders, including members and employers. Elected seats are based on plan demographics.
- **Experience** – Best practice boards align board member experience requirements with the needed skillset. The proposed model ETF Board includes members with the required skillset and experience needed to effectively govern ETF and the WRS.

Recognizing these benefits, at the September 16 and 17, 2020 retirement board meetings, each board recommended merging the three boards into one board. The new ETF Board would include two ex officio members, five gubernatorial appointees, and six members elected by WRS constituents.

### **Analysis of Need**

Significant advantages can be realized from a consolidation of the ETF, TR and WR Boards. The consolidation will enable more efficient use of trust fund resources and create a single board that conforms to best practices for governing boards while ensuring equalized representation of WRS participants and stakeholders. As noted above, the original intent of the legislature was to create a unified board to oversee the WRS.

### **Board Governance and Responsibilities**

In the last 40 years, the predominant argument for preserving three retirement boards was that specific groups of employees, namely teachers and non-teachers, need separate representation to protect their benefits. Today, nearly all WRS members, regardless of occupation or location, have uniform benefits. There isn't a sizeable difference between levels of benefits by employee type.

Furthermore, ETF Board members are bound by fiduciary duties, which includes the duty of loyalty. The duty of loyalty obligates board members to act for the exclusive benefit of the plan participants and beneficiaries. The board members must put the interest of all plan participants and beneficiaries above their own interests or those of any third parties. Regardless of their selection process, fiduciaries do not represent a specific constituency or interest group.

Finally, the composition of the new ETF Board includes representatives of WRS stakeholders, including teachers, non-teachers, protectives, and local and state government employers. See Attachment One for a list of the proposed board membership.

## **Diminishing Workload of Advisory Boards**

The TR and WR Boards were created with the responsibilities of advising the ETF Board, recommending and approving rules and administrative policy, authorizing disability annuity payments, hearing appeals of staff determinations for disability participants, appointing one member each to the State of Wisconsin Investment Board. While the Advisory Boards today retain most responsibilities delegated to them at their creation, the workload of the boards has significantly decreased.

- **Approval of Disability Annuities** – When the WRS system was first created, the WR and TR Boards were responsible for approving each individual disability application from their individual employee groups. Today, ETF staff determine if a disability annuity application should be approved or denied, and the boards are responsible for hearing determination appeals of their members.
- **Appeals** – The number of appeals heard by the TR and WR Boards has significantly declined. On average, the ETF Board hears six appeals per year; the WR Board hears one to two appeals per year; and the TR Board has only heard one appeal since 2004. It would be more efficient for a consolidated board to assume all the appeals currently heard by the WR, TR, and ETF Boards. See Attachment Two for Board Appeals Chart.
- **Administrative Rules** – Administrative rules are generally approved by all three boards. The promulgation of administrative rules has also decreased significantly over time. The boards hear an average of less than two administrative rules per year. Review of administrative rules by one board would create administrative efficiencies for ETF staff and board members. See Attachment Three for Administrative Rules Chart.
- **Appointments to SWIB's Board** – The TR and WR Boards each appoint one member to SWIB's Board. The TR Board is required to appoint one teacher participant and the WR Board is required to appoint one non-teacher participant. The WR Board has historically chosen to appoint the ETF Secretary to SWIB's Board. The TR Board's appointment authority could be transferred to the consolidated board and the ETF Secretary could be codified as an ex officio member on SWIB's Board.

As shown above, the three retirement boards create duplicative functions and multiple inefficiencies for ETF employees and board members. Creating one board will improve board governance and oversight, as well as create more efficient processes for board meetings and staff's ability to serve the board.

## **Public Retirement System Board of Trustees Size – Best Practices**

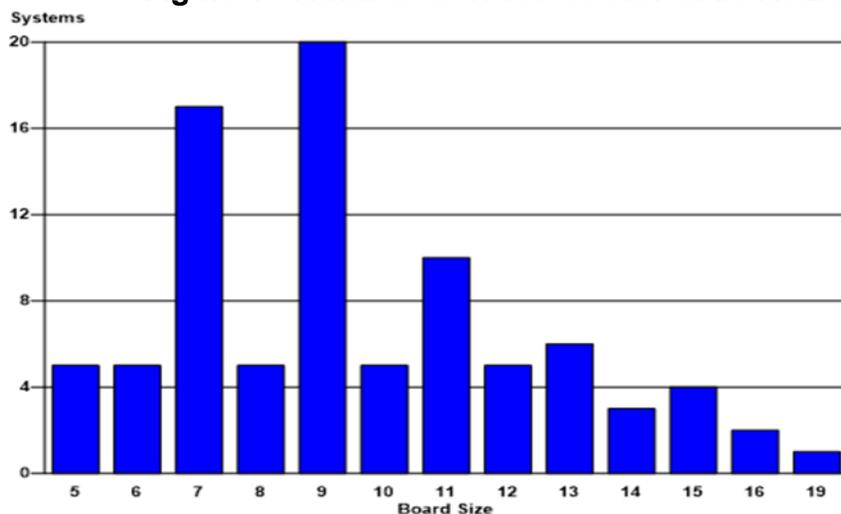
According to the Government Finance Officers Association, a public retirement system's board of trustees should be neither so large as to be unwieldy nor so small that it runs the risk of not being able to get a quorum to make decisions. Optimal board size is between seven and 13 members, depending on the size and complexity of the system.

With 35 board member positions, the WRS comprises far more board members than other public pension plans. Being a large plan does not appear to require a large number of board members. Public retirement systems that are almost triple the size of the WRS in both members and funding have much smaller boards than the WRS. For example, California’s CalPERS and CalSTRS, Texas’ Teachers Retirement System, and New York’s NYSTRS each use 13, 12, 9, and 10-member boards respectively.

Additionally, the National Association of State Retirement Administrators (NASRA) advises that the size of a retirement system’s board of trustees should fall between seven and 13 members, depending upon the complexity of the system. Boards smaller than the recommended size are prone to having problems reaching a quorum, and larger boards were likely to have difficulty functioning.

Most other states’ retirement system boards fall in the recommended range of board members. The median public pension board size is nine members. Only six prominent public retirement systems utilize large boards of trustees of 15 or more members.

**Figure 1 - Number of Trustees on Public Retirement System Boards**



Source: National Association of State Retirement Administrators (NASRA), State Info, <http://www.nasra.org/al>

**Fiscal Effect**

Consolidating boards and reducing the number of board members will utilize ETF resources more efficiently. Board consolidation would reduce staff time, board member time, election costs, lodging cost, travel cost, and per diem payments. This supports ETF’s fiduciary responsibility of managing the WRS. The WRS will realize savings in the following areas:

**ETF Staff** – Transitioning to a sole board will reduce staff time spent preparing for board meetings. Currently, staff create separate agendas and multiple memos for the different boards. A sole thirteen-member board would reduce the staff time and costs related to coordination of elections of board members currently spread across three boards.

Additionally, changes in administrative rules and policies are presented to both advisory boards and the ETF Board before a policy is approved. This should create more efficient processes and will considerably reduce staff time preparing for and attending board meetings.

**Board Members** – Transitioning to a sole board will reduce board member time preparing for and attending meetings. Currently, there are 35 board member positions on the ETF, WR, and TR Board, with eight members statutorily required to serve on more than one board. Reconstructing the boards into a single entity would allow board members to prepare for and attend only one board meeting. Additionally, the agendas of the advisory boards' individual meetings have become sparse.

Having a sole board will also reduce the cost of lodging, travel, and per diem payments made to board members. Wis. Stat. § 15.07(5) provides that each board member shall be reimbursed for their travel and accommodation costs to attend the board meetings, and that non-state employees shall be paid \$25 a day for their service. Additionally, Wis. Stat. § 15.07(3)(a) requires that the ETF Board meet quarterly, and Wis. Stat. § 15.07(3)(b) requires that the TR and WR Boards meet at least once per year.

The approximate expenditures are \$5,800 for the Wisconsin Retirement Board, and \$8,400 for the Teachers Retirement Board. These costs would be eliminated if the boards were reconstructed into a singular board.

## **Conclusion**

As noted above, at their September 16 and 17, 2020 board meetings, the TR Board, the WR Board and the ETF Board supported consolidating the three boards into a sole ETF Board. Consolidating the three boards will improve the board's performance of fiduciary and governance responsibilities, create administrative efficiencies and reduce costs to the trust fund.

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

## Proposed ETF Board – Attachment 1

*Proposed ETF Board: 13 Members (6 Elected, 5 Appointed, and 2 Ex officio)*

### **Elected Members (6)**

- WRS annuitant
- WRS annuitant who retired as a public school teacher
- WRS participant who is an educational support staff participant
- Public school teacher (2)
- Protective occupation participant in the WRS

### **Appointed Members (5)**

- WRS participant who is an UW or state employee
- WRS participant who is an administrator in a Wisconsin public school and who is not a classroom teacher
- WRS participant who is an administrator for a local unit of government that is not a school district
- WRS participant who is an elected member of a participating local employer's governing body
- Non-WRS participant with audit, actuarial, financial or other relevant experience relating to employee benefit plans or insurance administration

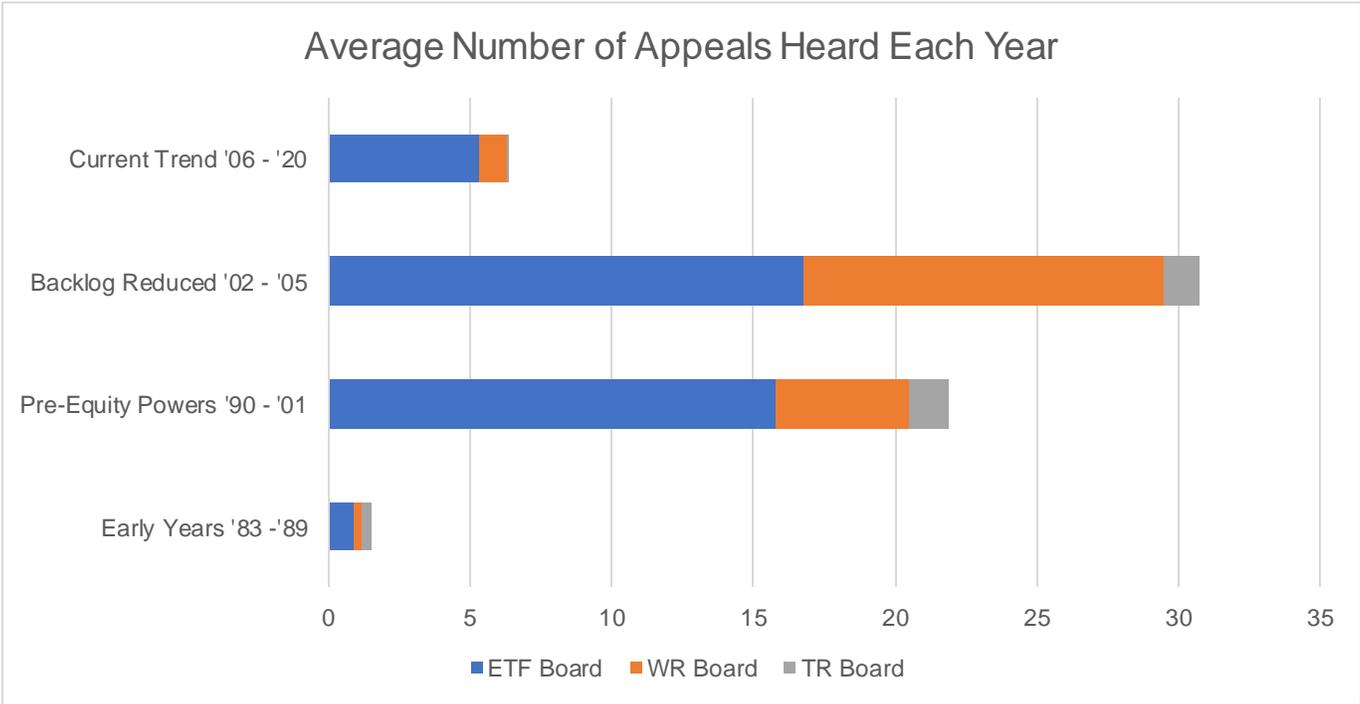
### **Ex officio Members (2)<sup>1</sup>**

- Governor or the Governor's designee on the Group Insurance Board
- Administrator of the Division of Personnel Management in the Department of Administration, or the Administrator's designee.

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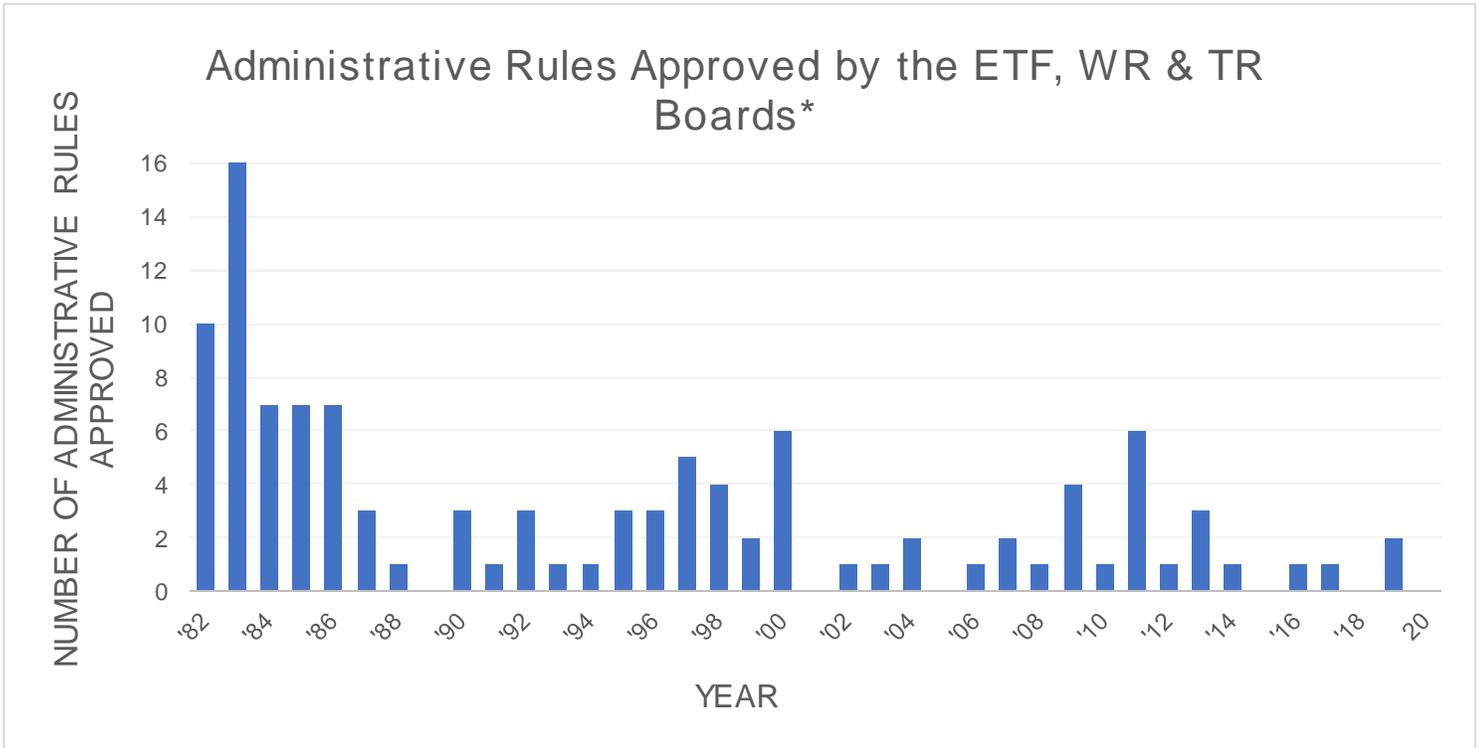
<sup>1</sup> No change from the number and type of ex officio members on the current ETF Board.

Average Number of Appeals Heard Each Year Chart – Attachment 2



\*The data in this chart was calculated using historical board meeting minutes. Some of the data in this chart may slightly differ from the actual number of appeals heard due to the availability of data.

### Administrative Rule Chart – Attachment 3



\*The data in this chart was calculated using historical board meeting minutes. Some of the data in this chart may slightly differ from the actual number of administrative rules approved due to the availability of data.

## **Decision Item (DIN) - 7030**

### **Decision Item (DIN) Title - Disability Program Redesign**

#### **NARRATIVE**

ETF requests statutory changes necessary to complete ETF's disability redesign project. As part of its disability redesign project, ETF proposes to base income continuation insurance (ICI) program premiums for state employees on how long they are willing to wait for ICI benefits (the elimination period) in the event they were to become disabled. Additionally, oversight of the ICI and long-term disability insurance (LTDI) programs will be transferred to the Employee Trust Funds Board. These 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, approved by the ETF Board and the Group Insurance Board, also support the long-term sustainability of the disability programs administered by ETF. 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 regarding the ICI plan. As noted in the audit, implementing some of these changes would require statutory changes.

## **ETF 2021-2023 BIENNIAL BUDGET REQUEST**

### **DECISION ITEM 7030 – DISABILITY REDESIGN – STATUTORY CHANGES**

#### **Request**

ETF requests statutory changes necessary to complete ETF's disability redesign project. As part of its disability redesign project, ETF proposes to base income continuation insurance (ICI) program premiums for state employees on how long they are willing to wait for ICI benefits (the elimination period) in the event they were to become disabled. Additionally, oversight of the ICI and long-term disability insurance (LTDI) programs will be transferred to the Employee Trust Funds Board.

These 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, approved by the ETF Board and the Group Insurance Board, also support the long-term sustainability of the disability programs administered by ETF.

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 regarding the ICI plan. As noted in the audit, implementing some of these changes would require statutory changes.

#### **Background**

The Department of Employee Trust Funds has completed a comprehensive evaluation of ETF's 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 generated approximately \$860,000 in annual administrative savings. Completion of the redesign effort will reduce complexity and confusion for employers and members, continue to address the actuarial deficit in the State Income Continuation Insurance (ICI) program and streamline the administration of disability benefits.

#### **Income Continuation Insurance (ICI) Program**

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. The ICI benefit amount is based on an employee's salary and whether an employee has chosen only the standard benefit or both the standard and supplemental benefits. Employees and employers split the cost of the standard benefit whereas employees must cover the full cost of the supplemental benefit. Both plans pay a standard benefit based on an employee's salary with supplemental benefits available as well if selected by the employee.

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. All enrollees in the state ICI plan (including UW faculty and academic staff) must exhaust their sick leave, up to 130 days, before they can start receiving ICI benefits.

The exception to this structure is for University of Wisconsin (UW) faculty and academic staff state employees, whose premiums are based on an elimination period, which is the period of time an employee must wait before benefits are payable. For example, UW faculty and academic staff who choose an elimination period of 90 days would have to wait 90 days (or exhaust up to 130 days of sick leave, whichever is longer) after they were disabled before benefit payments begin.

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 whereas part of the premium is paid by the employee if they wish to enroll in a shorter elimination period.

This proposal seeks to align the state ICI program with the UW ICI program by determining the premium based on the elimination period the employee selects when electing ICI coverage, rather than the amount of sick leave an employee has. Using elimination periods is considered industry best practice and is far more common than using sick leave balances to determine premiums.

### **Needs Analysis**

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 was to reduce the program's deficit and liabilities but also to encourage enrollment, which was and still is necessary for long-term financial sustainability.

The proposed ICI program changes would streamline the state and UW ICI plans and 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.

### **Recommended Statutory Changes to Redesign the ICI Program Structure**

Under current law, employers and employees share the premium cost of the plan. For most state employees (other than UW faculty and academic staff), 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. The result of these changes is the decoupling of all requirements related to accumulated sick leave from the ICI program.

- Employees would elect an elimination period and pay the 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 UW faculty and academic staff creditable service provisions in §40.05 (5) would be removed.
- The provision for employers to have an annual deferred enrollment period connected to sick leave accrual as established in §40.61 (2) would be removed.
- Additionally, the requirement for an employee to exhaust their accumulated sick leave as required in §40.62 (1) would be removed.

Removing the sick leave 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.

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 can still voluntarily use sick leave but will also have the opportunity to substitute other types of accumulated leave (such as sabbatical leave) during their selected elimination period in order to preserve their sick leave accumulation.

### **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 Long Term Disability Insurance (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 decrease complexity and confusion for employers and employees. Finally, the requested statutory changes will enable ETF to 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 (DIN) - 7040**

**Decision Item (DIN) Title - Trust Fund Earnings Allocation**

**NARRATIVE**

ETF is requesting a statutory language change to more closely align statutory provisions in Wis. Stats. §40.04 (3) (a) and §40.04 (3) (am) (3) with the current administrative practice for allocating trust fund earnings. ETF believes that the current administrative practice adheres to legislative intent. This change would update statutes to better reflect the operational realities of how trust fund investment earnings are held and allocated. The Law Revision Committee approved these changes during the 2019 legislative session.

## **ETF 2021-2023 BIENNIAL BUDGET REQUEST**

### **DECISION ITEM 7040 – TRUST FUND EARNINGS ALLOCATION – STATUTORY CHANGES**

#### **Request**

ETF is requesting a statutory language change to more closely align statutory provisions in Wis. Stats. §40.04 (3) (a) and §40.04 (3) (am) (3) with the current administrative practice for allocating trust fund earnings. ETF believes that the current administrative practice adheres to legislative intent. This change would update statutes to better reflect the operational realities of how trust fund investment earnings are held and allocated. The Law Revision Committee approved these changes during the 2019 legislative session.

#### **Analysis of Need**

The allocation basis used to distribute trust fund earnings to ETF programs differs between statute and administrative practice. Current statute specifies that earnings should be distributed based on the ratio of each participating account's average daily balance to the total average daily balance of all participating accounts. Proposed statutory revisions and current administrative practice distribute earnings based on the ratio of each participating account's simple average beginning and end of year balances compared to the total average balance of all participating accounts.

Under current administrative practice, the State of Wisconsin Investment Board (SWIB) invests assets of the core and variable investment trust funds which include assets for several programs that ETF administers. Because assets are commingled per 40.04 (3)(am)3.b., Wis. Stats. all activity is not recorded in the various separate participating accounts on a daily basis. SWIB provides ETF certified earnings for the core and variable investment trust funds annually.

After SWIB provides the annual certified earnings for the core and variable investment trust funds, ETF distributes the earnings to each participating account by calculating a simple average balance. This involves using beginning of year and end of year balances for each participating account compared to the total average balance of all participating accounts. ETF believes this practice carries out the intent of distributing gains and losses in an equitable manner using a ratio of each account to all participating accounts.

#### **Conclusion**

The change is needed to align statutory language with current administrative practices. Because activity is not recorded in the various separate participating accounts on a daily basis, it would not be accurate to use an average daily balance as the basis for distributing investment earnings.

The LRB draft for these changes is attached to this budget request.



State of Wisconsin  
2021 - 2022 LEGISLATURE

LRB-0016/P1  
MIM:skw

**PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION**

1     **AN ACT** *to amend* 40.04 (3) (a) and 40.04 (3) (am) 3. (intro.) of the statutes;  
2             **relating to:** allocation of core and variable investment trust earnings of the  
3             employee trust funds.

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***Analysis by the Legislative Reference Bureau***

Under current law, investment gains and losses of the core and variable retirement investment trust funds are distributed in a ratio of each participating account's average daily balance to the total average daily balance of all participating accounts. The State of Wisconsin Investment Board invests assets of the core and variable investment trust funds, which are commingled under current law, but all activity is not recorded on a daily basis for the separate participating accounts. SWIB provides certified annual earnings reports for the core and variable trust funds.

This bill provides that the Department of Employee Trust Funds may distribute the earnings to each participating account by calculating a simple average balance, which uses beginning and end-of-year balances for each participating account, and comparing that average balance to the total average balance of all participating accounts.

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

4             **SECTION 1.** 40.04 (3) (a) of the statutes is amended to read:

1           40.04 (3) (a) The net gain or loss of the variable retirement investment trust  
2 shall be distributed annually on December 31 to each participating account in the  
3 same ratio as each account's average daily balance within the respective trust bears  
4 to the total average daily balance of all participating accounts in the trust. The  
5 amount to be distributed shall be the excess of the increase within the period in the  
6 value of the assets of the trust resulting from income from the investments of the  
7 trust and from the sale or appreciation in value of any investment of the trust, over  
8 the decrease within the period in the value of the assets resulting from the sale or  
9 the depreciation in value of any investments of the trust.

10           **SECTION 2.** 40.04 (3) (am) 3. (intro.) of the statutes is amended to read:

11           40.04 (3) (am) 3. (intro.) Annually, on December 31, the sum of all of the  
12 following shall be distributed from the market recognition account to each  
13 participating account in the core retirement investment trust in the same ratio as  
14 each account's average daily balance bears to the total average daily balance of all  
15 participating accounts in the trust:

16

(END)

## ACT 201

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

FY: **FY22**

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 FY22 TO FY22 AND 23.**

Agency	Appropriation		Fund Source	Adjusted Base		(See Note 1)	Proposed Budget 2021-22			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	Remove SBAs	\$	FTE	
515	1t	161	SEG	\$8,393,600.00	0.00	(419,700)	5,908,900	0.00	1, 2	(2,484,700)	0.00	0	0.00	(2,484,700)	0.00
515	1w	176	SEG	\$41,300,800.00	274.20	(2,065,000)	42,230,400	271.20	1, 3	929,600	(3.00)	(929,600)	3.00	0	0.00
<b>Totals</b>				<b>49,694,400</b>	<b>274.20</b>	<b>(2,484,700)</b>	<b>48,139,300</b>	<b>271.20</b>		<b>(1,555,100)</b>	<b>(3.00)</b>	<b>(929,600)</b>	<b>3.00</b>	<b>(2,484,700)</b>	<b>0.00</b>

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 = (2,484,700)

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 This 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.
- 4
- 5

## ACT 201

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

FY: **FY22**

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 FY22 TO FY22 AND 23.**

Agency	Appropriation		Fund Source	Adjusted Base		(See Note 1) 0% Change Target	Proposed Budget 2021-22			Change from Adj Base		(See Note 2) Remove SBAs		Change from Adjusted Base after Removal of SBAs	
	Alpha	Numeric		\$	FTE		Proposed \$	Proposed FTE	Item Ref.	\$	FTE	\$	FTE	\$	FTE
<b>515</b>	<b>1t</b>	161	SEG	\$8,393,600.00	0.00	0	8,393,600	0.00		0	0.00	0	0.00	0	0.00
<b>515</b>	<b>1w</b>	176	SEG	\$41,300,800.00	274.20	0	42,230,400	271.20	1, 2	929,600	(3.00)	(929,600)	3.00	0	0.00
<b>Totals</b>				<b>49,694,400</b>	<b>274.20</b>	<b>0</b>	<b>50,624,000</b>	<b>271.20</b>		<b>929,600</b>	<b>(3.00)</b>	<b>(929,600)</b>	<b>3.00</b>	<b>0</b>	<b>0.00</b>

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

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- 2 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.
- 3

## ACT 201

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

FY: **FY23**

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 FY22 TO FY22 AND 23.**

Agency	Appropriation		Fund Source	Adjusted Base		(See Note 1)	Proposed Budget 2022-23			Change from Adj Base		(See Note 2)	Change from Adjusted Base after Removal of SBAs		
	Alpha	Numeric		\$	FTE	0% Change Target	Proposed \$	Proposed FTE	Item Ref.	\$	FTE	Remove SBAs \$	FTE	\$	FTE
515	1t	161	SEG	\$8,393,600.00	0.00	0	8,393,600	0.00		0	0.00	0	0.00	0	0.00
515	1w	176	SEG	\$41,300,800.00	274.20	0	42,039,900	271.20	1, 2	739,100	(3.00)	(739,100)	3.00	0	0.00
<b>Totals</b>				<b>49,694,400</b>	<b>274.20</b>	<b>0</b>	<b>50,433,500</b>	<b>271.20</b>		<b>739,100</b>	<b>(3.00)</b>	<b>(739,100)</b>	<b>3.00</b>	<b>0</b>	<b>0.00</b>

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

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- 3

## ACT 201

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

FY: **FY23**

Agency: **ETF - 515**

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Agency	Appropriation		Fund Source	Adjusted Base		(See Note 1)	Proposed Budget 2022-23		Item Ref.	Change from Adj Base		(See Note 2)		Change from Adjusted Base after Removal of SBAs	
	Alpha	Numeric		\$	FTE	5% Reduction Target	Proposed \$	Proposed FTE		\$	FTE	Remove SBAs \$	FTE	\$	FTE
515	1t	161	SEG	\$8,393,600.00	0.00	(419,700)	5,908,900	0.00	1, 2	(2,484,700)	0.00	0	0.00	(2,484,700)	0.00
515	1w	176	SEG	\$41,300,800.00	274.20	(2,065,000)	42,039,900	271.20	1, 3	739,100	(3.00)	(739,100)	3.00	0	0.00
<b>Totals</b>				<b>49,694,400</b>	<b>274.20</b>	<b>(2,484,700)</b>	<b>47,948,800</b>	<b>271.20</b>		<b>(1,745,600)</b>	<b>(3.00)</b>	<b>(739,100)</b>	<b>3.00</b>	<b>(2,484,700)</b>	<b>0.00</b>

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