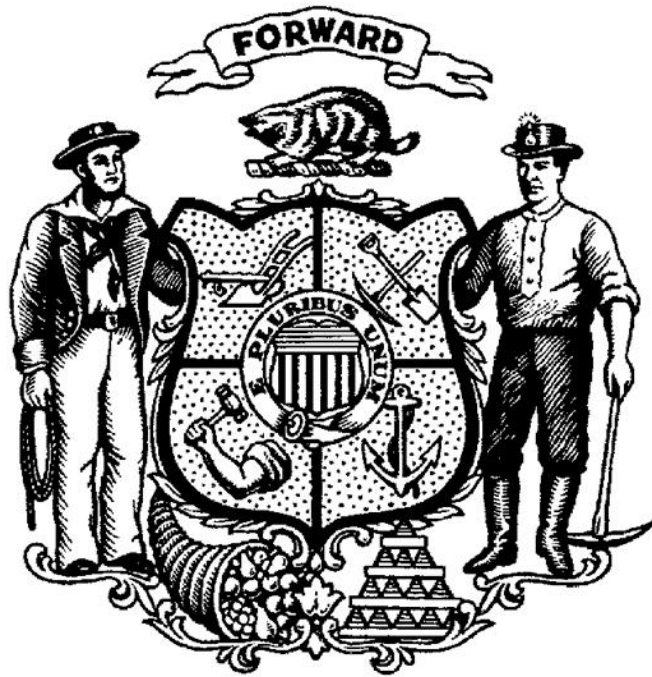


State of Wisconsin

Department of Employee Trust Funds



Agency Budget Request

2025 – 2027 Biennium

September 16, 2024

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STATE OF WISCONSIN
Department of Employee Trust Funds
A. John Voelker
SECRETARY

Wisconsin Department
of Employee Trust Funds
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September 24, 2024

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

RE: 2025-27 Biennial Budget Request

Dear Secretary Blumenfeld:

I am pleased to submit the 2025-27 biennial budget request for the Department of Employee Trust Funds (ETF). The ETF Board endorsed the attached budget request at its September 19, 2024, meeting.

The accompanying 2025-27 biennial budget request ensures ETF has the resources necessary to perform basic, fundamental benefits administration functions securely. As we developed our budget request, we leveraged existing resources whenever possible, as part of 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 essential needs to administer over 25 benefits to 692,000 public government members and 1,600 Wisconsin state and local employers.

ETF's budget request includes the following key items:

Replacement of ETF's Pension Administration System

ETF requests additional spending authority to replace its legacy Pension Administration Systems (PAS). Replacement of PAS is key to ensuring ETF members can securely and reliably access information on their retirement accounts and services.

PAS implementation will mark the final stage in ETF's efforts to replace aging legacy IT systems. ETF's current pension systems cannot continue to operate without increased risk that they fail or compromise sensitive information. The request included in this budget will equip ETF with the necessary resources to fully execute this project.

Strengthening ETF's Risk Management and Information Security

ETF requests 4.0 permanent FTE and additional supplies and services spending authority to help manage and reduce agency risk and further improve information security management practices. While implementing modern information technology (IT) systems to enhance customer experiences is a good business practice, it also comes with the increased risk of negative cyber events.

The resources requested would be used to: establish a formal Enterprise Risk Management function; enhance management of information security risks; and expand ETF's Office of Internal Audit's ability

to conduct independent audits and consultative reviews that help the agency identify and address issues related to all major risk categories.

Addressing Critical Customer Support Needs

ETF requests 2.0 permanent FTE benefit specialists. The positions will be used to address unacceptable Member Contact Center service levels for members and employers. ETF has experienced a nearly 30% increase in retiree accounts between 2013 to 2023. As the annuitant population grows, the Member Contact Center will face higher demands for support, particularly as annuitants require more extended assistance compared to active members.

Missing Participants

ETF is requesting 2.0 project FTE benefit specialists to help locate missing WRS participants. Forgotten accounts create administrative burdens and trigger compliance and fiduciary risks for ETF. Approximately 29,000 members are designated as a missing participant. Without valid contact information for missing participants, ETF cannot deliver important communications, distribute benefits, and fulfill federal compliance-related obligations. Lost WRS accounts are especially vulnerable to fraud, making it essential for ETF to proactively protect these accounts.

Financial Compliance

Actuarial functions are cornerstone to the proper management of the retirement and insurance programs ETF administers. ETF is requesting 1.0 permanent Actuarial Analyst to support ETF's oversight and management of its actuarial responsibilities.

Increased Autonomy Towards Managing Personnel

ETF requests increased authority and autonomy to manage personnel matters related to the compensation and classification of its employees. Additional autonomy in personnel management processes would allow ETF to meet the strategic goal of recruiting and retaining a talented and agile workforce.

ETF has unique organizational needs. As a fiduciary managed by an independent governing board, ETF is responsible for ensuring the Wisconsin Retirement System can meet its obligations to beneficiaries. These responsibilities are governed by legal and ethical standards designed to protect the interests of WRS members.

We look forward to working with you on our budget. If you have any questions, please do not hesitate to contact me at 266-0301 or our Office of Budget Management (Tarna Hunter or Tim Steiner at 267-0908 or 261-2915, respectively).

Sincerely,



A. John Voelker
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 program 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: Create an effortless customer experience.

Objective: Increase employer competency for managing employee benefits.

Activity: Complete Employers training initiative

Objective: Determine the strategy, programs and organizational infrastructure needed to drive customer experience improvements.

Activity: Expand persona library to include completion of employer personas, and others (active members, survivors/beneficiaries, inactive members) as capacity permits.

Objective: Ensure insurance program sustainability.

Activity: Execute GIB initiatives as capacity permits.

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

Objective: Optimize processes to leverage capabilities of modernization initiatives.

Activity: Define enterprise business intelligence building blocks to support customer experience goal and performance measurement.

Goal: Build a talented and agile workforce.

Objective: Attract, integrate and advance top talent.

Activity: Conduct Skills Assessment Framework pilot using IAS-impacted position changes.

Activity: Review end-to-end Office of Talent Management (OTM) talent acquisition and hiring processes to reduce time to fill, increase transparency and tighten integration of processes and data.

Activity: Define framework and road map for implementation of Enterprise Risk Management (ERM).

Objective: Advance employee development through meaningful and intentional performance management approaches.

Activity: Define and implement strategies to address delays in recruitment and selection.

Activity: Analyze turnover trends and develop retention strategies.

Objective: Build the recruitment and retention practices and culture that will make the department an equitable and inclusive organization.

Activity: Implement strategies and action steps of the ETF Equity & Inclusion Plan scheduled for this fiscal year, to include: finish developing and implementing the mentoring program to assist under-represented staff in achieving career goals and professional skills; and examine the Stay Interview program data and evaluate for use as a retention tool and determine next steps.

Goal: Implement modern, secure and resilient information technologies to support an effortless customer experience.

Objective: Develop and deploy solutions to support an effortless customer experience that enables accurate self-service and timely benefit administration services.

Activity: Implement insurance administration technologies providing administration capabilities for multiple insurance benefits including Health, Life, Income Continuation Insurance, and Supplemental benefits (including dental, health savings accounts, flexible spending accounts, dependent day care accounts, commuter benefits, accident, vision, and wellness), Portals/Identity Proofing/Okta, etc. to enable more efficient and consistent processes and enhance customer service including online access.

Activity: Identify and select a pension administration system (PAS). Tasks will include: system requirements; vendor selection; budget request support.

Activity: Soft launch new member portal in front of IAS go-live providing Statement of Benefit (SOB) reprints as a self-service option to drive traffic to the portal.

Objective: Integrate systems and data to support an effortless customer experience.

Activity: Implement a data storage and warehouse solution to support the creation of dashboards, reports and analytics providing transparency, increasing collaboration, and ensuring accurate and current data

Objective: Preserve the safety and security of all of the department's systems and data through standard practices, appropriate security controls, risk management and information security technologies.

Activity: Engineer and implement Security Operation Center Platform, capable of security orchestration, automation and response activities and leveraging threat intelligence modeling.

Activity: Implement technology, tools and processes to mature ETF's management of information risk, with a focus on compliance management and third-party risk management.

Activity: Develop sustainability road map that outlines how to bring ETF applications and systems up to speed and then maintain current security standards and secure, resilient versions of the code libraries and infrastructure they rely on.

PERFORMANCE MEASURES

2023 AND 2024 GOALS AND ACTUALS

Prog. No.	Performance Measure	Goal 2023	Actual 2023	Goal 2024	Actual 2024
1.	Average speed of call answered.	>70% calls answered in 3 minutes	59%	>70% calls answered in 3 minutes	80%
		>50% calls answered in 2 minutes	47%	>50% calls answered in 2 minutes	72%
1.	Percentage of customer calls that are abandoned.	<10%	12%	<10%	4%
1.	Percentage of beneficiary designations effective within 15 business days of receipt.	90%	98%	90%	99%
1.	Percentage of calls answered within three minutes; percentage of emails responded to within two business days.	70% for calls answered 95% for email response	59% 100%	70% for calls answered 95% for email response	80% 100%
1.	Percentage of retirement estimates completed within 15 business days of request.	100%	99%	100%	97%
1.	Percentage of separation benefits paid within one week after employer submits necessary information.	100%	100%	100%	100%
1.	Average wait for available appointment session.	15 days	35 Days	15 days	32 Days
1.	Percentage of retiree benefits started by next payroll or desired effective date.	100%	100%	100%	100%
1.	Percentage of lump-sum death benefits paid within 30 days of beneficiary application.	80%	97%	80%	98%

Note: Based on fiscal year.

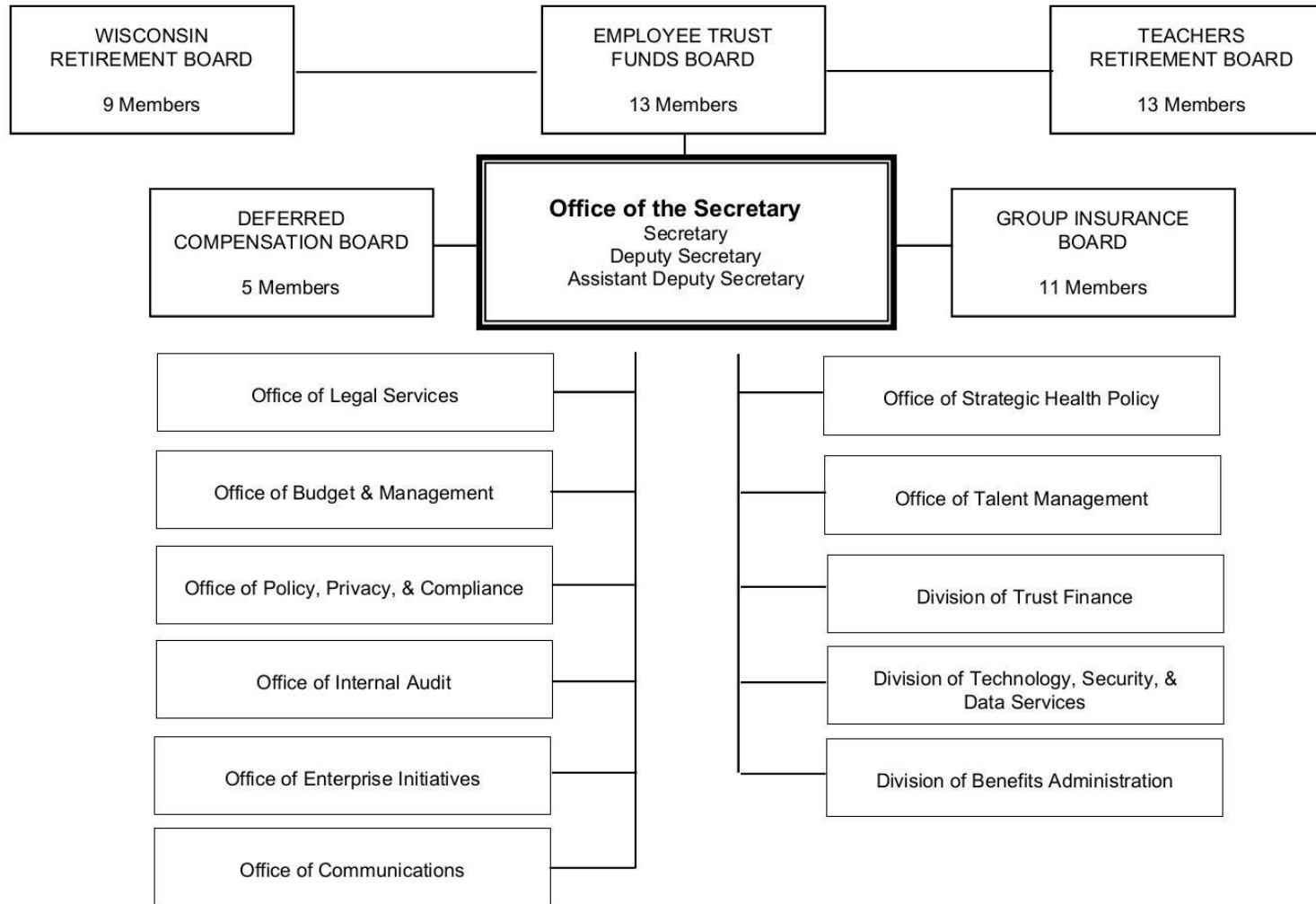
2025, 2026 AND 2027 GOALS

Prog. No.	Performance Measure ¹	Goal 2025	Goal 2026	Goal 2027
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.	Percentage of beneficiary designations effective within 15 business days of receipt.	90%	90%	90%
1.	Percentage of calls answered within three minutes; percentage of emails responded to within two business days.	70% for calls answered 95% for email response	70% for calls answered 95% for email response	70% for calls answered 95% for email response
1.	Percentage of retirement estimates completed within 15 business days of request.	100%	100%	100%
1.	Percentage of separation benefits paid within one week after employer submits necessary information.	100%	100%	100%
1.	Average wait for available appointment session.	15 days	15 days	15 days
1.	Percentage of retiree benefits started by next payroll or desired effective date.	100%	100%	100%
1.	Percentage of lump-sum death benefits paid within 30 days of beneficiary application.	80%	80%	80%

Note: Based on fiscal year.

¹Performance measures and goals were updated for the upcoming biennium to be aligned with the department's strategic plan.

**DEPARTMENT OF EMPLOYEE TRUST FUNDS
FUNCTIONAL ORGANIZATIONAL CHART
July 2024**



Agency Total by Fund Source

Department of Employee Trust Funds

2527 Biennial

		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	\$23,830	\$12,900	\$12,200	\$8,000	0.00	0.00	\$25,800	\$20,200	(\$5,600)	-21.70%
Total		\$23,830	\$12,900	\$12,200	\$8,000	0.00	0.00	\$25,800	\$20,200	(\$5,600)	-21.70%
SEG	S	\$60,153,420	\$64,117,200	\$81,096,000	\$80,938,200	296.20	296.20	\$128,234,400	\$162,034,200	\$33,799,800	26.40%
Total		\$60,153,420	\$64,117,200	\$81,096,000	\$80,938,200	296.20	296.20	\$128,234,400	\$162,034,200	\$33,799,800	26.40%
Grand Total		\$60,177,250	\$64,130,100	\$81,108,200	\$80,946,200	296.20	296.20	\$128,260,200	\$162,054,400	\$33,794,200	26.30%

Agency Total by Program

Department of Employee Trust Funds

2527 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 %
01 Employee benefit plans										
Non Federal										
GPR	\$23,830	\$12,900	\$12,200	\$8,000	0.00	0.00	\$25,800	\$20,200	(\$5,600)	-21.71%
A	\$23,830	\$12,900	\$12,200	\$8,000	0.00	0.00	\$25,800	\$20,200	(\$5,600)	-21.71%
SEG	\$60,153,420	\$64,117,200	\$81,096,000	\$80,938,200	296.20	296.20	\$128,234,400	\$162,034,200	\$33,799,800	26.36%
S	\$60,153,420	\$64,117,200	\$81,096,000	\$80,938,200	296.20	296.20	\$128,234,400	\$162,034,200	\$33,799,800	26.36%
Total - Non Federal	\$60,177,250	\$64,130,100	\$81,108,200	\$80,946,200	296.20	296.20	\$128,260,200	\$162,054,400	\$33,794,200	26.35%
A	\$23,830	\$12,900	\$12,200	\$8,000	0.00	0.00	\$25,800	\$20,200	(\$5,600)	-21.71%
S	\$60,153,420	\$64,117,200	\$81,096,000	\$80,938,200	296.20	296.20	\$128,234,400	\$162,034,200	\$33,799,800	26.36%
PGM 01 Total	\$60,177,250	\$64,130,100	\$81,108,200	\$80,946,200	296.20	296.20	\$128,260,200	\$162,054,400	\$33,794,200	26.35%
GPR	\$23,830	\$12,900	\$12,200	\$8,000	0.00	0.00	\$25,800	\$20,200	(\$5,600)	-21.71%
A	\$23,830	\$12,900	\$12,200	\$8,000	0.00	0.00	\$25,800	\$20,200	(\$5,600)	-21.71%
SEG	\$60,153,420	\$64,117,200	\$81,096,000	\$80,938,200	296.20	296.20	\$128,234,400	\$162,034,200	\$33,799,800	26.36%
S	\$60,153,420	\$64,117,200	\$81,096,000	\$80,938,200	296.20	296.20	\$128,234,400	\$162,034,200	\$33,799,800	26.36%
TOTAL 01	\$60,177,250	\$64,130,100	\$81,108,200	\$80,946,200	296.20	296.20	\$128,260,200	\$162,054,400	\$33,794,200	26.35%

Agency Total by Program

Department of Employee Trust Funds

2527 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 %
01 Employee benefit plans										
A	\$23,830	\$12,900	\$12,200	\$8,000	0.00	0.00	\$25,800	\$20,200	(\$5,600)	-21.71%
S	\$60,153,420	\$64,117,200	\$81,096,000	\$80,938,200	296.20	296.20	\$128,234,400	\$162,034,200	\$33,799,800	26.36%
AGENCY TOTAL	\$60,177,250	\$64,130,100	\$81,108,200	\$80,946,200	296.20	296.20	\$128,260,200	\$162,054,400	\$33,794,200	26.35%

Agency Total by Decision Item

Department of Employee Trust Funds

2527 Biennial Budget

Decision Item	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
2000 Adjusted Base Funding Level	\$64,130,100	\$64,130,100	287.20	287.20
3001 Turnover Reduction	(\$718,400)	(\$718,400)	0.00	0.00
3003 Full Funding of Continuing Position Salaries and Fringe Benefits	\$1,390,700	\$1,390,700	0.00	0.00
3007 Overtime	\$45,800	\$45,800	0.00	0.00
3008 Night and Weekend Differential Pay	\$72,500	\$72,500	0.00	0.00
3010 Full Funding of Lease and Directed Moves Costs	(\$542,000)	(\$542,000)	0.00	0.00
4000 Annuity Supplement Reestimate	(\$700)	(\$4,900)	0.00	0.00
5000 Replacement of ETF's Pension Administration System	\$14,200,000	\$14,200,000	0.00	0.00
6000 Strengthening Agency Risk Management and Information Security	\$2,105,000	\$1,828,500	4.00	4.00
7001 Addressing Critical Customer Support Needs	\$155,500	\$198,100	2.00	2.00
7002 Locating Missing WRS Participants	\$155,500	\$198,100	2.00	2.00
7003 Actuarial Compliance and Reporting Requirements	\$114,200	\$147,700	1.00	1.00
TOTAL	\$81,108,200	\$80,946,200	296.20	296.20

Segregated Funds Revenue and Balances Statement

2527 Biennial Budget

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

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
Opening Balance	\$12,808,854	\$11,077,300	\$9,321,000	\$3,321,000
Program Reimbursement Revenue	\$11,504,000	\$15,848,100	\$30,048,100	\$30,048,100
Total Revenue	\$24,312,854	\$26,925,400	\$39,369,100	\$33,369,100
Expenditures	\$13,235,592	\$17,604,400	\$0	\$0
2000 Adjusted Base Funding Level	\$0	\$0	\$15,848,100	\$15,848,100
5000 Replacement of ETF's Pension Administration System	\$0	\$0	\$14,200,000	\$14,200,000
Other Program Spending	\$0	\$0	\$6,000,000	\$3,321,000
Total Expenditures	\$13,235,592	\$17,604,400	\$36,048,100	\$33,369,100
Closing Balance	\$11,077,262	\$9,321,000	\$3,321,000	\$0

Segregated Funds Revenue and Balances Statement

2527 Biennial Budget

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

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
Opening Balance	\$595,536	\$753,800	\$0	\$0
Current Appropriation	\$47,081,425	\$45,791,200	\$52,337,900	\$53,192,600
Budget Reversion	(\$5,426)	\$0	\$0	\$0
Total Revenue	\$47,671,535	\$46,545,000	\$52,337,900	\$53,192,600
Expenditures	\$46,917,828	\$46,545,000	\$0	\$0
Fringe Reserve	\$0	\$0	\$79,200	\$160,000
2000 Adjusted Base Funding Level	\$0	\$0	\$48,269,100	\$48,269,100
3001 Turnover Reduction	\$0	\$0	(\$718,400)	(\$718,400)
3003 Full Funding of Continuing Position Salaries and Fringe Benefits	\$0	\$0	\$1,555,100	\$1,555,100
3007 Overtime	\$0	\$0	\$45,800	\$45,800
3008 Night and Weekend Differential Pay	\$0	\$0	\$72,500	\$72,500
3010 Full Funding of Lease and Directed Moves Costs	\$0	\$0	(\$542,000)	(\$542,000)
6000 Strengthening Agency Risk Management and Information Security	\$0	\$0	\$2,105,000	\$1,828,500
7001 Addressing Critical Customer Support Needs	\$0	\$0	\$155,500	\$198,100
7002 Locating Missing WRS Participants	\$0	\$0	\$155,500	\$198,100
7003 Actuarial Compliance and Reporting Requirements	\$0	\$0	\$114,200	\$147,700
7004 Internal Audit Function	\$0	\$0	\$0	\$0

Segregated Funds Revenue and Balances Statement

2527 Biennial Budget

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

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
Health Insurance Reserves	\$0	\$0	\$541,900	\$959,200
Salary Reserve	\$0	\$0	\$501,200	\$1,012,400
Wisconsin Retirement System	\$0	\$0	\$3,300	\$6,500
Total Expenditures	\$46,917,828	\$46,545,000	\$52,337,900	\$53,192,600
Closing Balance	\$753,707	\$0	\$0	\$0

Decision Item (DIN) - 2000

Decision Item (DIN) Title - Adjusted Base Funding Level

NARRATIVE

Adjusted Base Funding Level

Decision Item by Line

2527 Biennial Budget

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

	Expenditure Items	1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$23,947,900	\$23,947,900
02	Turnover	\$0	\$0
03	Project Position Salaries	\$164,400	\$164,400
04	LTE/Misc. Salaries	\$121,700	\$121,700
05	Fringe Benefits	\$9,132,500	\$9,132,500
06	Supplies and Services	\$29,089,900	\$29,089,900
07	Permanent Property	\$1,660,800	\$1,660,800
08	Unallotted 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	\$12,900	\$12,900
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	TOTAL	\$64,130,100	\$64,130,100
18	Project Positions Authorized	3.00	3.00
19	Classified Positions Authorized	281.20	281.20
20	Unclassified Positions Authorized	3.00	3.00

Decision Item by Numeric

2527 Biennial Budget

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	2000 Adjusted Base Funding Level				
01	Employee benefit plans				
	01 Annuity supplements and payments	\$12,900	\$12,900	0.00	0.00
	61 Automated operating system	\$15,848,100	\$15,848,100	0.00	0.00
	76 Administration	\$48,269,100	\$48,269,100	287.20	287.20
	Employee benefit plans Sub Total	\$64,130,100	\$64,130,100	287.20	287.20
	Adjusted Base Funding Level Sub Total	\$64,130,100	\$64,130,100	287.20	287.20
	Agency Total	\$64,130,100	\$64,130,100	287.20	287.20

Decision Item by Fund Source

2527 Biennial Budget

Department of Employee Trust Funds

Decision Item/Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
2000 Adjusted Base Funding Level					
SEG	S	\$64,117,200	\$64,117,200	287.20	287.20
GPR	A	\$12,900	\$12,900	0.00	0.00
Adjusted Base Funding Level Total		\$64,130,100	\$64,130,100	287.20	287.20
Agency Total		\$64,130,100	\$64,130,100	287.20	287.20

Decision Item (DIN) - 3001

Decision Item (DIN) Title - Turnover Reduction

NARRATIVE

Standard Budget Adjustment - Turnover Reduction

Decision Item by Line

2527 Biennial Budget

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

	Expenditure Items	1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	(\$718,400)	(\$718,400)
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unallotted Reserve	\$0	\$0
09	Aids to Individuals & Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	TOTAL	(\$718,400)	(\$718,400)
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

2527 Biennial Budget

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	3001 Turnover Reduction				
01	Employee benefit plans				
	76 Administration	(\$718,400)	(\$718,400)	0.00	0.00
	Employee benefit plans Sub Total	(\$718,400)	(\$718,400)	0.00	0.00
	Turnover Reduction Sub Total	(\$718,400)	(\$718,400)	0.00	0.00
	Agency Total	(\$718,400)	(\$718,400)	0.00	0.00

Decision Item by Fund Source

2527 Biennial Budget

Department of Employee Trust Funds

Decision Item/Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
3001 Turnover Reduction					
SEG	S	(\$718,400)	(\$718,400)	0.00	0.00
Turnover Reduction Total		(\$718,400)	(\$718,400)	0.00	0.00
Agency Total		(\$718,400)	(\$718,400)	0.00	0.00

Decision Item (DIN) - 3003

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

NARRATIVE

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

Decision Item by Line

2527 Biennial Budget

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

	Expenditure Items	1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$783,900	\$783,900
02	Turnover	\$0	\$0
03	Project Position Salaries	(\$1,400)	(\$1,400)
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$608,200	\$608,200
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unallotted Reserve	\$0	\$0
09	Aids to Individuals & Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	TOTAL	\$1,390,700	\$1,390,700
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

2527 Biennial Budget

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	3003 Full Funding of Continuing Position Salaries and Fringe Benefits				
01	Employee benefit plans				
	76 Administration	\$1,390,700	\$1,390,700	0.00	0.00
	Employee benefit plans Sub Total	\$1,390,700	\$1,390,700	0.00	0.00
	Full Funding of Continuing Position Salaries and Fringe Benefits Sub Total	\$1,390,700	\$1,390,700	0.00	0.00
	Agency Total	\$1,390,700	\$1,390,700	0.00	0.00

Decision Item by Fund Source

2527 Biennial Budget

Department of Employee Trust Funds

Decision Item/Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
3003 Full Funding of Continuing Position Salaries and Fringe Benefits					
SEG	S	\$1,390,700	\$1,390,700	0.00	0.00
Full Funding of Continuing Position Salaries and Fringe Benefits Total		\$1,390,700	\$1,390,700	0.00	0.00
Agency Total		\$1,390,700	\$1,390,700	0.00	0.00

Decision Item (DIN) - 3007

Decision Item (DIN) Title - Overtime

NARRATIVE

Standard Budget Adjustment - Overtime

Decision Item by Line

2527 Biennial Budget

DEPARTMENT	CODES	TITLES
	515	Department of Employee Trust Funds
DECISION ITEM	CODES	TITLES
	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	\$6,300	\$6,300
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unallotted Reserve	\$0	\$0
09	Aids to Individuals & Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	TOTAL	\$45,800	\$45,800
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

2527 Biennial Budget

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	3007 Overtime				
01	Employee benefit plans				
	76 Administration	\$45,800	\$45,800	0.00	0.00
	Employee benefit plans Sub Total	\$45,800	\$45,800	0.00	0.00
	Overtime Sub Total	\$45,800	\$45,800	0.00	0.00
	Agency Total	\$45,800	\$45,800	0.00	0.00

Decision Item by Fund Source

2527 Biennial Budget

Department of Employee Trust Funds

Decision Item/Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
3007 Overtime					
SEG	S	\$45,800	\$45,800	0.00	0.00
Overtime Total		\$45,800	\$45,800	0.00	0.00
Agency Total		\$45,800	\$45,800	0.00	0.00

Decision Item (DIN) - 3008

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

NARRATIVE

Standard Budget Adjustment - Night and Weekend Differential Pay

Decision Item by Line

2527 Biennial Budget

DEPARTMENT	CODES	TITLES
	515	Department of Employee Trust Funds
DECISION ITEM	CODES	TITLES
	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	\$9,900	\$9,900
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unallotted Reserve	\$0	\$0
09	Aids to Individuals & Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	TOTAL	\$72,500	\$72,500
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

2527 Biennial Budget

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	3008 Night and Weekend Differential Pay				
01	Employee benefit plans				
	76 Administration	\$72,500	\$72,500	0.00	0.00
	Employee benefit plans Sub Total	\$72,500	\$72,500	0.00	0.00
	Night and Weekend Differential Pay Sub Total	\$72,500	\$72,500	0.00	0.00
	Agency Total	\$72,500	\$72,500	0.00	0.00

Decision Item by Fund Source

2527 Biennial Budget

Department of Employee Trust Funds

Decision Item/Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
3008 Night and Weekend Differential Pay					
SEG	S	\$72,500	\$72,500	0.00	0.00
Night and Weekend Differential Pay Total		\$72,500	\$72,500	0.00	0.00
Agency Total		\$72,500	\$72,500	0.00	0.00

Decision Item (DIN) - 3010

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

NARRATIVE

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

Decision Item by Line

2527 Biennial Budget

DEPARTMENT	CODES	TITLES
	515	Department of Employee Trust Funds
DECISION ITEM	CODES	TITLES
	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	(\$542,000)	(\$542,000)
07	Permanent Property	\$0	\$0
08	Unallotted Reserve	\$0	\$0
09	Aids to Individuals & Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	TOTAL	(\$542,000)	(\$542,000)
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

2527 Biennial Budget

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	3010 Full Funding of Lease and Directed Moves Costs				
01	Employee benefit plans				
	76 Administration	(\$542,000)	(\$542,000)	0.00	0.00
	Employee benefit plans Sub Total	(\$542,000)	(\$542,000)	0.00	0.00
	Full Funding of Lease and Directed Moves Costs Sub Total	(\$542,000)	(\$542,000)	0.00	0.00
	Agency Total	(\$542,000)	(\$542,000)	0.00	0.00

Decision Item by Fund Source

2527 Biennial Budget

Department of Employee Trust Funds

Decision Item/Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
3010 Full Funding of Lease and Directed Moves Costs					
SEG	S	(\$542,000)	(\$542,000)	0.00	0.00
Full Funding of Lease and Directed Moves Costs Total		(\$542,000)	(\$542,000)	0.00	0.00
Agency Total		(\$542,000)	(\$542,000)	0.00	0.00

Decision Item (DIN) - 4000

Decision Item (DIN) Title - Annuity Supplement Reestimate

NARRATIVE

The Department of Employee Trust Funds (ETF) requests a reduced base funding of -\$700 GPR in FY 2026 and -\$4,900 GPR in FY 2027 to reflect decreased amounts necessary to pay benefit supplements for retirees who first began receiving annuities before October 1, 1974.

ETF – Annuity Supplement Re-Estimate

Objective/Issue

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 \$12,900.

Request

The Department of Employee Trust Funds (ETF) requests a reduced base funding of -\$700 GPR in FY 2026 and -\$4,900 GPR in FY 2027 to reflect decreased amounts necessary to pay benefit supplements for retirees who first began receiving annuities before October 1, 1974.

Fiscal Summary		
	FY 2026	FY 2027
Total Request	(\$700)	(\$4,900)

Decision Item by Line

2527 Biennial Budget

DEPARTMENT	CODES	TITLES
	515	Department of Employee Trust Funds
DECISION ITEM	CODES	TITLES
	4000	Annuity Supplement Reestimate

	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	Unallotted 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	(\$700)	(\$4,900)
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	TOTAL	(\$700)	(\$4,900)
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

2527 Biennial Budget

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	4000 Annuity Supplement Reestimate				
01	Employee benefit plans				
	01 Annuity supplements and payments	(\$700)	(\$4,900)	0.00	0.00
	Employee benefit plans Sub Total	(\$700)	(\$4,900)	0.00	0.00
	Annuity Supplement Reestimate Sub Total	(\$700)	(\$4,900)	0.00	0.00
	Agency Total	(\$700)	(\$4,900)	0.00	0.00

Decision Item by Fund Source

2527 Biennial Budget

Department of Employee Trust Funds

Decision Item/Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
4000 Annuity Supplement Reestimate					
GPR	A	(\$700)	(\$4,900)	0.00	0.00
Annuity Supplement Reestimate Total		(\$700)	(\$4,900)	0.00	0.00
Agency Total		(\$700)	(\$4,900)	0.00	0.00

Decision Item (DIN) - 5000

Decision Item (DIN) Title - Replacement of ETF's Pension Administration System

NARRATIVE

ETF requests segregated (SEG) funding of \$14.2 million in both SFY 2026 and SFY 2027 to replace aging pension administration-related IT systems. The resources will enable ETF to reduce risk of IT system failure by completing its transition to more modern, secure, and reliable information technology (IT) systems. ETF is currently in the process of selecting a Pension Administration System (PAS) vendor. In the meanwhile, ETF worked with its PAS Consultant, Linea Solutions, to develop a cost estimate.

The estimated costs for the implementation, licensing, software, reserve funds, and hosting for a PAS solution range from \$67.2 million to \$82.1 million. The project is expected to take five to seven years to complete. Spread out over a five-year period (SFY 2026 - SFY 2030), ETF requests \$14.2 million in additional annual budget authority in s. 20.515(1)(t), Wis. Stats. Additional costs related to maintenance and ongoing support are expected to start in year three or four of the project.

ETF – Replacement of ETF’s Pension Administration System

Objective

Considering an increasingly fragile IT infrastructure and an inability to meet the needs of our members from a self-service perspective with our current systems, ETF requests segregated (SEG) resources of \$14.2 million in SFY 2026-27. The resources will enable ETF to reduce risk of IT system failure by completing its transition to more modern, secure, and reliable information technology (IT) systems.

- The transition to new IT systems will better secure ETF members’ confidential information, increase system reliability and flexibility, and enhance accessibility of customer information through online, on-demand platforms.
- ETF’s systems serve over 1,600 employers and 692,000 current and former state and local government employees (members) and contain members’ confidential information.
- ETF takes great care to ensure legacy systems¹ are maintained and confidential information is secured. However, the legacy systems operated by the Department, many over 20 years old, continue to become more difficult to maintain, update, and integrate with each other to support the multiple benefit plans administered by the agency.
- Failure to adequately fund ETF’s ongoing IT improvement efforts will force continued reliance on legacy systems and increase the risk of incidents that incur significant costs for the Department, negatively impact ETF’s customers, and cause reputational harm to ETF and the State.

Issue

ETF is replacing its legacy systems to mitigate significant risks. For example, if the current 16-year-old system responsible for making annuity payments fails, the agency would be unable to make regular payments to retirees which totaled over \$7 billion in 2023. This effort is also in alignment with the FY 2022-2024 Statewide Strategic IT Plan goal to modernize state agency legacy data and technology assets.²

As noted in Appendix 1, ETF operates a portfolio of legacy systems that range in age, with the oldest and most vital data system over 38 years old. Over time, ETF’s IT portfolio developed into a patchwork of legacy systems designed to fulfill various agency objectives. The technical knowledge and support infrastructure needed to manage legacy systems has become increasingly complex and difficult to obtain. In addition, information reporting has become needlessly complex as duplicate and siloed data proliferated with the increase in systems. Agency risk also increased in several categories, including information security, fulfillment of business objectives, financial costs, and agency reputation, which are expanded on below.

The impact of these risks is severe. ETF’s legacy systems serve critical functions for our customers:

- The legacy systems cited in Appendix 1 are responsible for administering over 25 benefits for ETF’s 692,000 members and over 1,600 state and local employers. The systems support eligibility determinations, enrollments, payroll, billing, and reporting/reconciliation functions.

- In combination, the referenced legacy systems annually process millions of member and employer transactions that impact the approximately \$128 billion in trust funds administered by the agency. In 2023, annuitant benefit payments alone were over \$7 billion.
- The information contained in legacy systems is sensitive and includes Personal Identifiable Information (PII) and Personal Health Information (PHI). Legacy system PII and PHI includes Dates of Birth, Social Security Numbers, confidential health information, banking information, and contact information.

The next two sub-sections summarize the general risk environment caused by the operation of legacy systems and highlight how legacy system failures and data breaches impact ETF's operations and, by extension, its customers. The third sub-section highlights the efforts undertaken by ETF to address these risks.

General Risk Environment

Based on Government Accountability Office (GAO) reporting and guidance from technology and consulting firm Gartner, ETF summarized relevant risks associated with operating legacy systems in Table 1.³ Though the risks described below are general in nature, they result in real, negative repercussions if not addressed.

To reinforce that these risks are not hypothetical, Appendix 2 provides examples of actual legacy system related data breaches and system failures that resulted in significant expenses and other consequences.

Table 1 – Legacy System Risk Environment

Risk Area	Description
Information Security: Legacy systems can operate with security vulnerabilities that are technically difficult or prohibitively expensive to address.	<p>Vendors no longer provide support for legacy hardware or software, which creates security vulnerabilities that cost more to remediate with each passing year.</p> <p>Agencies with confidential information, such as Personal Identifiable Information (PII), risk exposing this information, which is even more expensive than remediation and causes reputational harm. In addition, agencies risk the inability to obtain cyber-liability insurance coverage if expensive remediation steps are not taken.</p>
Business Risk: Maintaining legacy systems becomes more difficult over time and presents an increased risk to fulfilling business objectives.	<p><u>Service Gaps/Failures:</u> Legacy systems are inflexible and do not accommodate required changes, which results in significant manual processing that is prone to errors. System failures and outages leave stakeholders without service. Depending on the service and outage duration, this often has broad downstream impacts.</p> <p><u>Compliance Issues:</u> Agencies face compliance issues as they operate systems that cannot be easily updated to reflect changes in state/federal regulations.</p> <p><u>Poor Data Quality:</u> Legacy systems were not designed to communicate with each other, which leads to data siloes that can impact the accuracy and</p>

Risk Area	Description
	<p>relevancy of business data. Maintaining legacy systems can also complicate the management of data retention and privacy regulation policies.</p> <p><u>Staffing Issues:</u> Staff experienced with older technology and programming languages are becoming more difficult to hire/retain. Because qualified staff are scarcer, associated personnel costs may increase.</p>
<p>Financial Risk: Though costs are difficult to predict, operational and information security risks often have financial implications.</p>	<p>Opportunity costs (i.e., cost savings associated with operating a more modern, reliable, secure, and flexible system) are more difficult to estimate due to their prospective nature.</p> <p>Conversely, costs can typically be quantified after an adverse event, like a system failure or data breach. Costs may include services for data breach detection and escalation, emergency response, credit monitoring, and general staff remediation time. IBM reports that the average cost per breach in 2024 is \$4.88 million. For the healthcare industry, which handles PII and PHI data much like ETF, average costs per breach were \$9.77 million.⁴</p>
<p>Reputational Risk: Organizations risk damaging trust when they fail to meet stakeholder expectations.</p>	<p>Information security and business risks could negatively impact stakeholders and result in reputational harm and a loss in trust.</p> <p>Though more abstract than financial risk, reputational loss is a serious risk that impacts an organization's ability to conduct business with its stakeholders. It can cost significant time and money to re-establish trust.</p>

ETF Risk Environment

When placed in the context of the dollar amounts, large customer base, and confidential information ETF manages, the risks and consequences of legacy system-related failures and security breaches are significant.

- State and local retirees count on annuity payments (over \$7 billion in 2023) being made accurately and timely. Interruptions to service leave them financially vulnerable.
- ETF members expect access to well-managed, low-cost programs that improve quality of life. Legacy system-related issues around eligibility, enrollment, and billing can cause interruptions in service that expose members to unnecessary risk.
- ETF must collect and account for all monies due to the various retirement and insurance-related accounts. System failures or breaches would impact ETF's ability to account for funds and safeguard the integrity of the trust.
- The combination of sensitive confidential information and ETF's large member population make our systems a target for potential security breaches. Though ETF takes numerous proactive steps to manage security, ETF's reliance on aged legacy systems increases security risks and the subsequent financial and reputational consequences.

In addition to the broad risks outlined above, risks can also be viewed under the framework of ETF's core benefit administration functions. Table 2 defines ETF's core functions and illustrates the impact of legacy systems on this critical work.

Table 2 – ETF Risk Environment by Function

Functional Area	Impact/Risk of Operating Legacy Systems
Eligibility: In conjunction with employers, ETF systems manage eligibility for all members and annuitants. This includes determinations of eligibility for WRS annuity benefits and major insurance plans.	<p>ETF struggles to modify legacy systems arising from regular changes in eligibility requirements.</p> <p>The inability to easily make system changes increases the risk that ETF will fail to comply with eligibility rules, which impacts a member's ability to enroll and receive services under a benefit program.</p> <p>Current systems are not easily modifiable due to technical limitations, skill set shortages, and resource constraints. Even simple changes can result in lengthy and costly IT upgrades.</p> <p>For example, 2023 Act 4 changed the county jailer classification process. The law changes required ETF to modify 15 ETF systems, which necessitated over 9,500 hours of staff time and \$620,000 to complete.</p>
Enrollment: Once determined eligible, employers, including ETF for retirees, enroll members into ETF's systems.	<p>Legacy system limitations impact ETF's ability to retain and report accurate enrollment-related member information. In turn, this information is critical to ensuring ETF can communicate with and serve its members.</p> <ul style="list-style-type: none"> • Legacy systems do not contain enrollment information for select insurance plans. This results in mismatches where members are billed for a benefit, but the system does not list them as enrolled or vice versa. • Field size limitations in legacy systems create an inability to maintain accurate, relevant member information. For example, the system used to manage WRS benefits cannot document a full legal address. This creates reporting and data matching issues with other systems when verifying contact information.
Payroll: ETF processes and distributes annuitant payments on a regular basis. In 2023, over \$7 billion in annuity payments were made to retirees. Employers deduct and transfer the benefit premiums from active employees and deposit into ETF directed accounts.	<p>It is critical that annuitants receive the correct annuity payment on time. When issues arise, not only are there immediate financial repercussions for the member, but it also results in additional staff time spent remediating issues.</p> <p>Changes to payroll functionality are time consuming and costly. For example, a federal mandate required changes to ACH processing. To comply, ETF's legacy pension systems required significant modifications to allow for better monitoring and control over member banking information. Legacy systems were often not built to be extensible and meet modern security needs.</p>

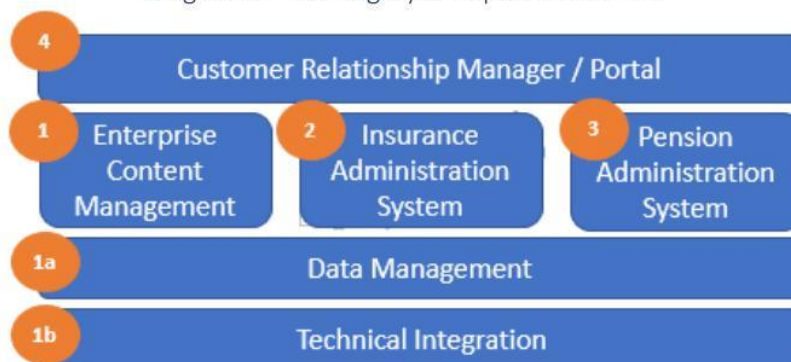
Functional Area	Impact/Risk of Operating Legacy Systems
Reporting and Reconciliation: ETF relies on reporting to monitor benefit programs and reconcile member data.	<p>Reports are hard coded in the legacy systems and were not built for flexibility. This means that ETF staff must deal with the limitations of current reports, find workarounds to gather information, or commit resources to modifying reports. Report modifications are time consuming and costly. The way data is stored across legacy systems is not consistent which increases the resources needed and technical complexity of current reports.</p> <p>For example, recent changes to tax law resulted in a need for reporting modifications. Because reports are coded in outdated standards, ETF has limited resources with the skills needed to make these changes. This increases the risk of non-compliance or results in delays and additional costs to secure the resources necessary to make modifications.</p>

Future State

ETF is taking steps to mitigate the outlined risks by replacing legacy systems and consolidating system functions. Our future IT state will seamlessly blend third-party vendor systems and custom developed applications using a common set of master data. Systems will communicate with each other through our integration platform all while secured through modern, standard technologies.

ETF has learned from experience on past IT projects and accordingly revised its approach in a way that reduces the risk of project failure and offers good value and service to our members. ETF is now using a “best-of-breed” approach to purchase the best performing Commercial Off the Shelf (COTS) software solution for each major functional area (i.e., member and employer records, insurance administration, and pension administration). This approach reduces reliance on any one vendor and allows for a staged implementation. Diagram 1 provides a visual overview of ETF’s staged implementation strategy.

Diagram 1 – ETF Legacy IT Replacement Plan¹



¹Appendix 3 includes additional information on each program. Programs are numbered in order of implementation.

Additional steps taken by ETF in recent years to ensure project success include:

- Invested in data management and information security functions through the establishment of dedicated data management and information security bureaus led by a Chief Data Officer and Chief Information Security Officer, respectively.
- Successfully implemented several components of ETF's modernization effort. This includes an Enterprise Content Management system as well as the Data Management and Technical Integration programs (see 1, 1a, and 1b in Diagram 1). In addition, ETF has successfully acquired and is implementing a new Insurance Administration System. Appendix 3 contains additional information on ETF's IT improvement efforts and accomplishments.
- Undergoing business process re-engineering efforts to define ETF business processes and identify inefficiencies so selections of new systems are not informed by unnecessary and outdated requirements.
- Strengthened ETF governance structure for strong oversight and alignment of our strategic goals to the individual system implementations to drive toward our desired business outcomes.

Request

Overview

ETF's PAS modernization consultant, Linea Solutions, Inc., identified the components of system modernization that require funding such as software licensing, hosting, and implementation costs; position backfill to sustain operations during technology projects; and technical subject matter experts to assist with solution design and implementation.

Current resources are insufficient to complete and sustain pension administration system improvement efforts. Existing resources are committed to several IT-related efforts including implementation and support costs associated with the system improvements noted earlier.

ETF has exercised most facets of the product selection and implementation process for the major components of its modernization efforts. The costs associated with these components plus ETF's updated PAS estimate inform current and future needs over the next five-year period.

Consequently, ETF requests the resources outlined in Table 3 be added to existing funding levels to ensure the successful implementation and support of modern benefits administration systems. The request includes:

- \$14,200,000 in SFY 2026-27 added to s.20.515(1)(t), Wis. Stats. to support vendor payments related to the replacement of ETF's Pension Administration System.

Table 3 – IT Modernization Resource Request

	SFY 2026	SFY 2027
Contract Services – 20.515(1)(t)		
Pension Administration System (Implementation)	\$14,200,000	\$14,200,000
Total	\$14,200,000	\$14,200,000

Smart investments in modern IT solutions will help mitigate identified risks to support ETF's strategic goal of providing an exceptional customer experience. ETF has historically been a low-cost, low-service pension administrator. In 2019, ETF worked with CEM Benchmarking Inc., to analyze agency performance, which included analysis of ETF's costs and service levels relative to its peers. ETF's costs were \$87 per active member and annuitant, which was \$11 below the peer average of \$98. ETF's service score was 18 points below the peer median. Service scores were most impacted by a lack of secure online access for members. A secure online system is not possible with the current IT infrastructure.

ETF considered the impact that additional costs would have on the programs it administers. ETF has a fiduciary duty to prudently administer trust funds and recognizes the magnitude of the funding request. The increase in funding will not have a material impact on the benefit programs and contribution rates administered by ETF. For example, WRS Trust Fund, the largest benefit program administered by ETF, remains fully funded. The risks mitigated and benefits realized through the implementation of modern systems outweigh the estimated cost impact to the trust fund. The ETF Board also realizes the importance of replacing legacy systems and fully supports this request.

Contract Services

As noted, ETF proceeded with a strategy of selecting several "best of breed" COTS software solutions. The costs associated with the PAS, as well as background into the cost estimation methodology, are provided below. Additionally, Appendix 3 contains more extensive information on ETF's modernization initiatives.

Pension Administration System (PAS) – \$14,200,000 Annually

ETF requests funding to source a fully integrated PAS solution that replaces ETF's current legacy pension systems, which are comprised of the Wisconsin Employee Benefits System (WEBS) implemented in 1985 and several subsequent subsystems. The Pension Administration solution will provide easier, more reliable, and secure access to pension benefit information for ETF's staff and customers. For additional information on the scope of the pension system functionality, please see Appendix 3.

In August 2024, Linea Solutions, Inc. estimated ETF-specific PAS costs. Linea's cost estimates were developed using a statistical model informed by PAS proposals in the United States and Canada from a varied distribution of clients. Cost estimates were modeled using information about the proposals and clients, focusing on those closest in size and other factors to ETF. Linea's peer comparison methodology considered the complexity of the Wisconsin Retirement System to similar organizations. Pension systems costs are primarily impacted by complexity. In 2019, CEM Benchmarking found that Wisconsin's pension system ranked more complex than 8 out of 14 of its peers. More information on Linea's cost estimate is included in their report, which is available upon request.

The estimated costs for the implementation, licensing, software, reserve funds, and hosting for a PAS solution range from \$67,184,554 to \$82,084,178. The project is expected to take five to seven years to complete. Spread out over a five-year period (SFY 2026 – SFY 2030), ETF requests \$14,200,000 in additional annual budget authority in s. 20.515(1)(t), Wis. Stats. Additional costs related to maintenance and ongoing support are expected to start in year three or four of the project. Finally, after the vendor is selected, ETF will work with the vendor and Linea to create a resource plan for the project. ETF may need to seek additional resources for staffing in the future.

Endnotes

¹ Legacy System means a "critical system that is out of date in some way." The system may not support future business operations; vendors may no longer support the system or may no longer be in business; the system architecture may be fragile or complex and unsuitable for upgrades or fixes; or the finer details of how the system works are no longer understood. *Robert Charette, IEEE Spectrum "Inside the Hidden World of Legacy IT Systems," August 28, 2020.*

² Goal 3: Optimizing Wisconsin: Modernize state agency legacy data and technology assets to achieve greater efficiency and effectiveness in delivering government services and operations.

Objective 1: Prioritize investments in current and emerging technologies to accelerate sustainable, scalable modernization of legacy, outdated technologies.

Source: Wisconsin Strategic IT Plan 2022-2024, *WI Department of Administration (DOA)* [website], <https://det.wi.gov/Documents/StrategicITPlan2022.pdf> (accessed 17 August 2022).

³ GAO, *Information Technology: Agencies Need to Develop and Implement Modernization Plans for Critical Legacy Systems*, [GAO-21-524T](#) (Washington, D.C.: April 27, 2021).

⁴ Data Breach Costs Increase by 10% to \$4.9 Million, *The Hippa Guide* [website], [Data Breach Costs Increase by 10% to \\$4.9 Million - The HIPAA Guide](#) (accessed 27 August 2024).

Appendix 1 – ETF IT Legacy Systems

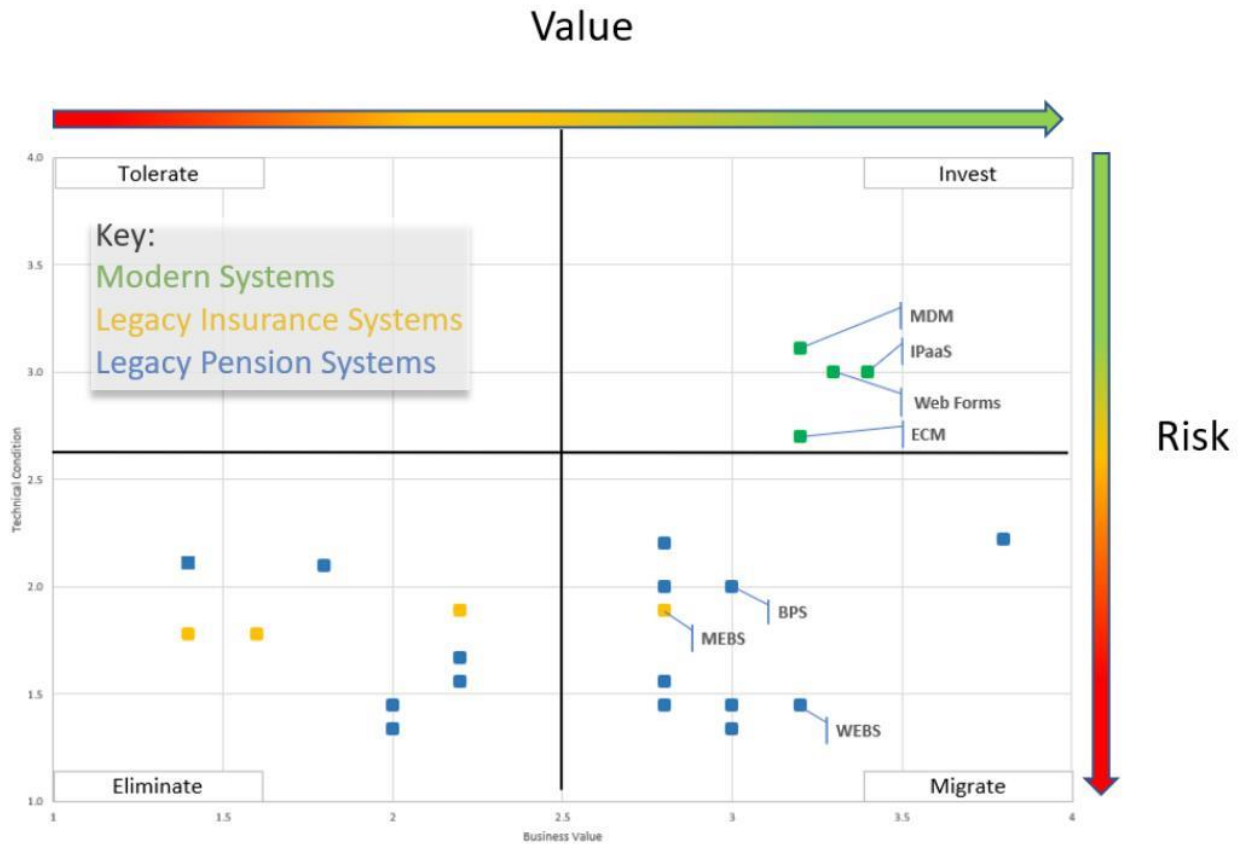
As shown in the table below, ETF operates numerous legacy systems that range in age but average 18.2 years old. These systems will be replaced by ETF's modernized PAS solutions.

Table 1 – ETF IT Legacy System Inventory

Application	System Responsibility	Age
40.63 Disability Environment	Manage the benefits for an employee who becomes disabled (permanent, total disability) and cannot work until normal retirement age.	16 Years
40.65 Duty Disability	This benefit is for protective positions only, and the employee must have a work-related injury or illness and can't continue work.	16 Years
Benefit Payment System	The system processes annuitant retirement, disability, and death benefit payments.	16 Years
Call and Service System	The system tracks member phone contact information, initiates member service requests and workflow jobs, and sends communications to other business areas when follow-up is required.	16 Years
Disability Benefits Calculator	Calculates disability retirement benefits, duty disability benefits, and LTDI benefits.	6 Years
Employer CRM	Allows staff to manage customer information and interactions.	12 Years
ETF Address Inquiry	Displays member's address info including the mailing address, check address, and physical address.	11 Years
ETF Calculators	Allows members to go online and put in information to create an estimate on their projected retirement amounts as well as other retirement related information.	22 Years
Lump Sum Payment System (LSPS)	The system processes lump-sum payments for retirement, separation, death benefits.	14 Years
Member Services Purchases System	Member service purchases – both years of service and dollars associated with years credited to a member's account.	24 Years
Retcalcs	Calculates the estimated and actual retirement within WEBS. Once a member retires it transfers data from WEBS to BPS.	26 years
Variable Participation System (VPS)	The system stores records for WRS participants who have elected variable participation or later opt to cancel their variable participation.	22 Years
WEBS Total	The system is used as part of the daily/monthly reconciliation process for WEBS.	25 Years
WEBS (Wisconsin Employee Benefits System)	WEBS and Retirement Calculations (RetCalcs) store retirement account information for all active, inactive, alternate payee, non-annuitant beneficiary and most annuity members related to rights, dates, service, earnings and monies maintained in their Wisconsin Retirement System (WRS) accounts.	38 Years
WRS Statistics	IT extracts data from WEBS and BPS and produces a series of statistic files. DTF puts them into Access to further analyze the data and compile statistics then used in the ACFR.	26 Years

The diagram below maps ETF's modern and legacy solutions into one of four quadrants based on the dimensions of business value and technical condition.

Diagram 1 – ETF Modern and Legacy System Business Value



ETF's modern systems are in better technical condition and offer increased business value. These systems present fewer operational risks and include the Master Data Management solution, Application Programming Interface (API) Exchange tool (iPaas), Enterprise Content Management solution, and online web forms. All legacy insurance and pension systems will be retired after the migration to IAS and PAS.

Appendix 2 – Legacy System Failure Case Studies

Organization	Year	Event/Incident
U.S. Office of Personnel Management (OPM) ¹	2015	In 2015, OPM experienced a major data breach that impacted upwards of 18.0 million Americans. Costs for notification letters and credit monitoring totaled up to \$21.0 million. The need to centralize and modernize OPM's many IT systems was a primary discussion point in subsequent hearings on the breach.
Equifax ²	2017	Equifax failed to patch a critical vulnerability in the company's Automated Consumer Interview System, which was built in the 1970's. The resulting data breach impacted 146 million individuals. The settlement included \$425 million to help individuals affected by the breach. ³
City of Atlanta ⁴	2018	The City of Atlanta experienced a ransomware attack in 2018 due, in part, to vulnerable legacy systems. The cost to recover and decrypt the data and remediate vulnerabilities was estimated to be at least \$17.0 million.
State of New Jersey ⁵	2020	Due to a high-volume of unemployment insurance applications, the state's 40-plus years old system suffered system failures and outages that impacted residents seeking assistance in the early months of the COVID-19 pandemic. The Governor put out a general call for Common Business Oriented Language (COBOL) programmers to help get the system running. (COBOL is a programming language no longer commonly taught.) Maintaining code is critical to system security and functionality.
State of Wisconsin – Department of Workforce Development (DWD) ⁶	2020	Like New Jersey and several other states, Wisconsin experienced a large increase in unemployment insurance claims in Spring 2020. When coupled with an outdated legacy system dating back to the 1970's, this created ongoing issues catching up with claims capacity. DWD is in the process of modernizing its UI system.
United Kingdom Government's Department of Work and Pensions ⁷	2021	The U.K.'s Department of Work and Pensions operated a legacy system built in 1988 that resulted in underpayments of more than 1.0 billion pounds (approximately 1.2 billion dollars). Staff time alone to repair and remediate the damage was expected to cost the equivalent of \$29.4 million.

¹ OPM Director Blames Federal Breach on Legacy Systems in Senate Committee Hearing, *Forbes* [website], <https://www.forbes.com/sites/katevinton/2015/06/23/opm-director-blames-federal-breach-on-legacy-systems-in-senate-hearing/?sh=5be7e7b97081> (accessed 23 August 2022).

² U.S. House of Representatives Committee on Oversight and Government Reform, 'The Equifax Data Breach', December 2018, <https://republicans-oversight.house.gov/wp-content/uploads/2018/12/Equifax-Report.pdf> (accessed 22 August 2022).

³ Federal Trade Commission, Equifax Data Breach Settlement, 'Important Settlement Update', February 2022, <https://www.ftc.gov/enforcement/refunds/equifax-data-breach-settlement> (accessed 22 August 2022).

⁴ Confidential Report: Atlanta's Cyber Attack Could Cost Taxpayers \$17 million, *The Atlanta Journal Constitution* [website], <https://www.ajc.com/news/confidential-report-atlanta-cyber-attack-could-hit-million/GAljmdAF3EQdVWIMcXSOK/> (accessed 22 August 2022).

⁵ Why New Jersey's Unemployment Insurance System Uses a 60-Year-Old Programming Language, *Slate* [website], <https://slate.com/technology/2020/04/new-jersey-unemployment-cobol-coronavirus.html> (accessed 17 August 2022).

⁶ Coronavirus exposed huge flaws in Wisconsin unemployment system. Where things stand and what still needs to be done, *Milwaukee Journal Sentinel* [website], <https://www.jsonline.com/story/news/local/wisconsin/2021/07/29/covid-exposed-flaws-unemployment-system-where-things-stand-now/7939753002/> (accessed 19 August 2022).

⁷ You Might Want to Consider the Cost of Not Upgrading Legacy Tech, UK's Department for Work and Pensions Told, *The Register* [website], https://www.theregister.com/2022/01/21/dwp_1bn_pension_shortfall/ (accessed 18 August 2022).

Appendix 3 – Overview of ETF IT Improvements

ETF is migrating to several modern IT systems that will facilitate easier access to customers, while also increasing data quality, system accuracy, reliability, and security. Improvement efforts are projected to continue through at least SFY 2030.

ETF's IT improvement efforts are comprised of a series of projects designed to address ETF's outdated legacy systems using modern technology solutions and industry best practices. The chosen solution strategy is to implement multiple commercial-off-the-shelf solutions (COTS), each specializing in a specific business area and function. Systems will communicate with each other through our integration platform all while secured through modern standard technologies.

Pension Administration System

Overview

ETF's objective is to implement a Pension Administration System software package. The key components of the software will allow ETF to perform all its operations, for example: perform wage and contribution reporting, generate benefit estimates, issue contribution refunds, calculate the cost of purchased service, retirement processing, payroll, tax processing, 1099 processing, and production of member annual statements. Additionally, the solution will provide:

- Browser-based access to the solution for members, users, employers, and managers to facilitate ease of application system deployment and maintenance;
- Secure, Internet-based, self-service functionality to improve access to ETF by pension participants, retirees, and employers;
- Integration with ETF's Enterprise Content Management system, Hyland OnBase;
- Enablement of all required interfaces with other entities, including but not limited to employers;
- Ad hoc reporting capabilities;
- Audit indicator capabilities such that a member's account can be identified as to whether it has been audited, through what date and by whom;
- Integrated workflow and business process management; and
- Customer Relationship Management.

Status

PAS project planning began in Spring 2024. The RFP is estimated to release in Fall 2024. ETF needs to secure additional PAS funding to be in the position to conduct RFP contract negotiations in Spring/Summer 2025.

Insurance Administration System

Overview

ETF partnered with Benefitfocus to implement a best practice based, fully integrated IAS that will both replace ETF's current health insurance system, MEBs, and support administration for other insurance programs, including life, income continuation, and supplemental benefits. Our new IAS will enable ETF to fully leverage a best-of-breed, proven, integrated solution with one source of master data.

IAS will provide core line-of-business insurance functions, including:

- determining member insurance eligibility;
- facilitating benefit enrollment including transfer of data from and to other internal ETF systems, employers, and third-party administrators (TPAs);
- updating and maintaining coverage records;
- calculating and generating premium payment invoices;
- reconciling invoices with incoming payments;
- executing queries and other data extractions used to determine plan trends, usage patterns, and facilitate statistical analysis, etc.; and
- facilitating TPA carrier payments and financial reporting, data/records, etc.

The system will offer web-based, self-service functionality that provide access to the Department, participants, retirees, and other stakeholders (i.e., employers and TPAs).

Status

ETF signed the IAS contract with Benefitfocus in July 2021. IAS implementation began in Fall 2021 and is estimated to be complete by Summer 2025.

Enterprise Content Management System

Overview

ECM software captures, stores, retrieves, shares, manages, and integrates member and employer records and information, as well as creates and manages workflows for customer case management by business units throughout the department.

Status

ETF successfully completed the migration to the ECM system in November 2021. ECM will be integrated with IAS and PAS solutions as they are acquired and implemented.

Data Management Program

Overview

This program is a series of projects designed to promote trust and accuracy in ETF's data and ensure that different systems are sharing data appropriately.

With the formal completion of the Data Management Program, the focus is shifting to individual initiatives to complete the remaining initiatives and operationalize the capabilities in support of modernized business solutions.

- Completed initial data literacy training for staff that will help them read, work with, analyze and communicate data effectively.
 - Expanded the data governance framework to focus on security, privacy, and the lifecycle of data.
 - Developing a new data quality framework with the initial phase targeting insurance program data.
 - Integrating new insurance program data sources into ETF's master data lake, which includes the optimal member demographic and contact information.
 - Converting insurance program data from employers and third-party administrators for the new IAS and developing daily transaction processing to transfer insurance-related data through different systems.
-

- Developing an automated daily transfer of insurance program data into the data warehouse for key operational and analytical reports.

Status

The Data Management Program has been completed with additional follow-on projects in progress. Future efforts will focus on continued integrations with IAS and PAS, enhancements to Business Intelligence reporting and dashboard functionality, and maturation of data governance and data literacy functions.

Technology Program

Overview

The Technology Program was a collection of projects to deliver the specific capabilities needed to implement and support the new systems and data management functions being introduced by Modernization.

- IT Operations & Support Model: Create and implement a new IT operating model to connect ETF's strategy to day-to-day operational activity.
- Dev OPS – Repository & Code Management and Continuous Integration & Deployment: Implement additional process, structure, and automation to manage source code and application configuration more effectively. Implement an automated integration, development, and testing framework to drive accuracy and efficiency in the development and testing processes.
- Authorization and Authentication: Identify and implement authentication and authorization technologies, processes, and standards to deliver a modern, secure, and reliable citizen identity for accessing digital services at ETF.
- Adaptive Security: Identify approaches, processes, and tools that are needed to manage an expanding security perimeter to most effectively manage threats and risks to the organization.
- Security Standards, Procedures, and Guidelines: Develop security standards, procedures, and guidelines in alignment with the security policies that are being put in place to better secure the data, applications, and infrastructure the organization uses.

Status

The technology program ran from April of 2020 and concluded in August of 2022. In just over two years this program implemented:

- A new IT Operating Model prioritizing roles and practices necessary for modernization;
 - A new Identity Management Solution that has been adopted by the State Enterprise;
 - New Security Policies satisfying Enterprise IT Audit findings;
 - A new DevOps practice including tools that set the stage for future automation;
 - A new Application Integration Practice that is enabling the stitching together of the various purchased products in ETF's modernization; and
 - A new IT Service Management Practice enabling consistency of IT service delivery vision.
-

Decision Item by Line

2527 Biennial Budget

DEPARTMENT	CODES	TITLES
	515	Department of Employee Trust Funds
DECISION ITEM	CODES	TITLES
	5000	Replacement of ETF's Pension Administration System

	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	\$14,200,000	\$14,200,000
07	Permanent Property	\$0	\$0
08	Unallotted Reserve	\$0	\$0
09	Aids to Individuals & Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	TOTAL	\$14,200,000	\$14,200,000
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

2527 Biennial Budget

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	5000 Replacement of ETF's Pension Administration System				
01	Employee benefit plans				
	61 Automated operating system	\$14,200,000	\$14,200,000	0.00	0.00
	Employee benefit plans Sub Total	\$14,200,000	\$14,200,000	0.00	0.00
	Replacement of ETF's Pension Administration System Sub Total	\$14,200,000	\$14,200,000	0.00	0.00
	Agency Total	\$14,200,000	\$14,200,000	0.00	0.00

Decision Item by Fund Source

2527 Biennial Budget

Department of Employee Trust Funds

Decision Item/Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
5000 Replacement of ETF's Pension Administration System					
SEG	S	\$14,200,000	\$14,200,000	0.00	0.00
Replacement of ETF's Pension Administration System Total		\$14,200,000	\$14,200,000	0.00	0.00
Agency Total		\$14,200,000	\$14,200,000	0.00	0.00

Decision Item (DIN) - 6000

Decision Item (DIN) Title - Strengthening Agency Risk Management and Information Security

NARRATIVE

ETF requests segregated (SEG) resources in the form of 4.0 FTE (Permanent) positions and \$2.1 million in SFY 2026 and \$1.83 million in SFY 2027 to help manage and reduce agency risk and continue to improve our information security management practices.

The resources requested would be used to:

- Establish a formal Enterprise Risk Management (ERM) function to help ETF better identify, manage, and mitigate risks;
- Implement additional measures to further enhance ETF's ability to manage Information Security (IS) risks and maintain the privacy of member data; and
- Strengthen ETF's Office of Internal Audit's (OIA) ability to conduct objective reviews of ETF's Third-Party Administrators (TPAs), IT project implementations, and staff oversight of external vendors.

ETF – Strengthening Agency Risk Management and Information Security

Objective

ETF requests segregated (SEG) resources in the form of 4.0 FTE (Permanent) positions and \$2.1 million in SFY 2026 and \$1.83 million in SFY 2027 to help manage and reduce agency risk and continue to improve our information security management practices. ETF continues to adopt more digital technologies and pursue new business models to support enhanced customer experiences. While implementing modern information technology (IT) systems is a good business practice, it also comes with the increased risk of cyberattacks, data breaches and other cyber events.

The resources requested would be used to:

- Establish a formal Enterprise Risk Management (ERM) function to help ETF better identify, manage, and mitigate risks;
- Implement additional measures to further enhance ETF's ability to manage Information Security (IS) risks and maintain the privacy of member data; and
- Strengthen ETF's Office of Internal Audit's (OIA) ability to conduct objective reviews of ETF's Third-Party Administrators (TPAs), IT project implementations, and staff oversight of external vendors.

Issue

Enterprise Risk Management

ETF seeks to establish an Enterprise Risk Management (ERM) Program. The ERM program would enable the ETF Secretary to maintain proper oversight of the agency in the face of an increasing array of risks and would be built on public pension fund best practices of ERM frameworks.

ERM is a systematic approach to identifying risks associated with operating an organization, assessing their likelihood and potential impact, and developing strategies to manage and mitigate them.¹ (See Appendix 1 for additional information on ERM.)

The ERM function would focus on efficient and effective management of risks to the pension and insurance benefit programs administered by ETF. Such risks include, but are not limited to, information/cybersecurity, fraud, sustainability of benefits, actuarial valuations/funding status/financial reporting, legal/compliance, third party administrators/vendor management, business continuity, disaster recovery, and incident response.

ETF operates in a complex environment, resulting in increased risks to effectively meet the agency's mission.

- In CY 2023, ETF managed \$128.0 billion in trust assets and administered over 25 benefits for ETF's 692,000 members and over 1,600 state and local employers.
- Benefits administration involves processing millions of employer and member transactions that include sensitive information in the form of both Personally Identifiable Information (PII) and Protected Health Information (PHI).
- ETF must administer benefits in compliance with several regulations at the state and federal level, such as Chapter 40, Wis. Stats, Wisconsin Administrative Code, federal Internal Revenue Code requirements, Social Security Administration requirements, and the Health Insurance Portability and Accountability Act (HIPAA).

ETF's operating environment requires a coordinated effort to help manage risks. While ETF has made efforts to manage risks across organizational areas, current agency risk management efforts are often limited in scope and compartmentalized. A less coordinated risk planning and mitigation effort leaves gaps that increase the likelihood of events that negatively impact ETF's operations and erode member trust.

ERM establishment is considered best practice in the public pension sector. The American Academy of Actuaries Public Plans Practices Task Force issued a report recommending that their governing board "encourage and coordinate the development of a risk evaluation, management, and reporting framework for public pension plans."² Likewise, the National Association of State Retirement Administrators (NASRA) commissioned a series of briefs intended to help public pension systems establish an ERM function. NASRA highlighted that ERM helps:

- Facilitate a risk intelligent dialogue between governing boards and the executive;
- Establish a common risk language;
- Develop policies that consider risk appetite and risk tolerance; and
- Synchronize existing risk management functions and practices to improve effectiveness and efficiency.³

Many of ETF's peers adhered to this guidance and established ERM functions. ETF identified nearly a dozen peer pension agencies that implemented formal ERM frameworks, including:

- Ohio's School and Public Employee Retirement System (OSERS and OPERS);
- California's State Teacher's and Public Employee Retirement System (CALSTRS and CALPERS);
- Pennsylvania's School Employees Retirement System (PSERS);
- Washington State's Department of Retirement Systems;
- New York State Teachers' Retirement System (NYSTRS);
- New Hampshire Retirement System;
- South Carolina Retirement System;
- Louisiana Retirement System; and

- Indiana’s Public Retirement System (PRS).

Additionally, ETF’s partner agency, the State of Wisconsin Investment Board (SWIB), has also implemented an Enterprise Risk Management framework led by a Chief Risk Officer.

Information Security

As a component of strengthening ETF’s overall management of risk, the agency is looking to invest additional resources to help manage one of the most complex and impactful risk categories in its operating environment – Information Security (IS). ETF maintains confidential information, including PHI and PII, on over 692,000 members, which makes the agency an especially high-risk target.

The National Conference on Public Employee Retirement Systems (NCPERS) further emphasized the vulnerability of public pension funds: “Public employee pension funds are prime targets for cyberattacks. Very few other enterprises have the combination of large amounts of personally identifiable information (PII), lots of money and relatively small staffs. Most financial institutions with assets the size of a typical pension fund have many more employees, particularly in Information Security.”⁴

The IS threat environment continues to pose a significant risk to the continuity of government operations and protection of confidential user information. The Federal Bureau of Investigation released its 2023 Internet Report Crime report, which found:

- Total complaints related to internet crimes reported to the FBI, increased by 88.4% from 467,361 to 880,418 complaints between 2019 and 2023.
- Estimated financial losses associated with complaints over the same period increased by \$9.0 billion, or 257.1%.
- Government Facilities and Healthcare/Public Health Facilities (where ETF is best classified), were two of the top three infrastructure sectors affected by ransomware (i.e., a type of malicious software, or malware, that encrypts data on a computer, making it unusable).⁵

A recent study conducted by the Center for Internet Security further highlights the increase of cyberattacks against government agencies. The study found that between the first 8 months of 2022 and 2023:

- malware attacks increased by 148%;
- ransomware incidents increased by 51%;
- non-malware attacks increased by 37%; and
- endpoint security, data breaches and unauthorized access incidents surged by 313%.⁶

The timing associated with acquiring additional IS resources is critical. The IS threat environment is increasing at the same time ETF is modernizing its IT systems. ETF’s IT

modernization projects aim to increase system accessibility and reliability while also keeping member information secure. The Insurance Administration System (IAS) implementation is underway, and ETF has begun efforts to procure a Pension Administration System (PAS) with a goal of starting PAS implementation in SFY 2026.

With the move to modern online systems, ETF will assume new IS risks and needs to be resourced appropriately to meet these new demands and challenges. Specifically, ETF must evaluate and improve its IS risk posture to effectively protect member information. Additional risks are generated when members and employers gain access to confidential and sensitive insurance and pension related information over the public internet. Risks increase when access to this information is facilitated through the complex coordination of several systems (both built in house and provided by vendors).

Internal Audit Capabilities

ETF's Office of Internal Audit (OIA) conducts independent audits and consultative reviews that help the agency identify and address issues related to all major risk categories. OIA plays a critical role in the agency's risk identification and mitigation strategies by providing objective assurance and advisory services that business risks are being managed appropriately and that risk management and internal control frameworks are operating effectively.

Demand for the independent audit and consultative review services provided by OIA has increased over the past four years. This trend is anticipated to continue as ETF's operating environment becomes more complex, especially considering ETF's increasing reliance on external vendors for the provision of critical services.

The additional resources requested would be used to expand OIA's engagement in Third-Party Administrator (TPA) contract compliance audits and independent reviews of ETF staff oversight of external vendors and IT project implementations.

There is increasing demand for OIA's services as the Office has assumed direct responsibility for conducting select contract compliance audits of Third-Party Administrators (TPAs).

TPAs play a significant role in the provision of services to ETF's members and employers. They help administer several employee benefit programs at ETF, including deferred compensation, group health insurance, life insurance, income continuation insurance, and pre-tax savings account programs. In 2022, ETF spent approximately \$32.0 million on TPA-related administrative expenses, and TPAs processed over \$2.0 billion in contributions and \$2.2 billion in benefit payments.

Recognizing the significance of the services provided by TPAs, ETF engages with external auditors to conduct routine TPA contract compliance audits. Starting in 2020, OIA began directly assuming a limited number of TPA contract compliance audits in response to a decline

in audit quality from one of our externally contracted auditors. Audit deficiencies included report errors, questionable testing methods, and inaccurate results.

OIA's work addressed the deficiencies present in the externally conducted audits and garnered positive feedback from the ETF Board, ETF Secretary, and other internal stakeholders. Specifically, OIA-led TPA contract compliance reviews:

- Eliminated quality concerns through more accurate work;
- Developed and changed audit procedures based on a risk assessment;
- Enhanced how tests were performed through a more accurate sampling methodology; and
- Provided recommendations for improvement (i.e., versus only identifying issues).

The continued transfer of TPA contract compliance audits to OIA helps ensure that risks with TPAs are being identified and addressed in a more comprehensive, accurate, and timely manner. OIA currently conducts contract compliance audits for the TPAs administering the Pre-tax Savings, Wisconsin Deferred Compensation, and Wellness programs. With additional staffing resources, OIA could expand the scope of TPA compliance audits and establish a more routine audit cycle. Additionally, OIA could expand TPA compliance audits to the Uniform Dental, Income Continuation Insurance, and Life Insurance programs.

OIA needs to conduct more consultative reviews and audits of ETF staff oversight of external vendors and IT project implementations.

ETF's modernization strategy resulted in the agency working with additional external vendors. Beyond our new IAS (and eventually PAS) vendor, ETF has entered contractual relationships with several IT vendors providing ancillary services that relate to the operation of these systems. Examples include tools to help ETF establish and manage a common data framework between systems and tools to assist with verifying members' identities. While this approach is necessary for the successful operation of IAS and PAS, it also introduces new risks by increasing the number of concurrent vendor relationships in need of appropriate monitoring and oversight. OIA's consultative reviews and audits provide objective reassurance that ETF staff are adhering to contractual requirements and exercising best practices related to vendor communication and oversight.

IAS and PAS are large, complex IT modernization projects with significant resource investments in the form of external vendor services and internal staff hours. Recognizing how critically important these services are, OIA has been tasked with conducting consultative reviews of IAS project implementation to verify that: management oversight is appropriate; status reporting is accurate; key risks are identified and properly treated; necessary testing is completed; and other key project milestones are achieved.

OIA currently has 1,100 hours in the Fiscal Year 2025 audit plan for the IAS Program Review project. Without additional resources, continuation of IAS and eventually PAS implementation

oversight will come at the expense of other OIA consultative reviews and audit work, which increases agency risk across several risk categories.

IAS and PAS implementation are time-limited projects. IAS implementation is anticipated to end in early SFY 2026; however, PAS implementation is expected to continue over the next five to seven years. At the conclusion of these efforts, ETF staff will be managing routine oversight and relations with several large IT vendors. As such, there will be an ongoing need to ensure that staff are properly managing vendors.

Request

Summary

As shown in Table 1, ETF requests 4.0 FTE in the next biennium and \$2.1 million in SFY 2026 and \$1.83 million in SFY 2027 to address the outlined issues.

Table 1 – Summary of Total Funding Request

	SFY 2026	SFY 2027
Total FTE (#)	4.0	4.0
Salary	\$324,000	\$432,000
Fringe	126,700	168,900
Supplies and Services*	1,654,300	1,227,600
Total	\$2,105,000	\$1,828,500

* Includes \$420,000 in one-time funding in SFY 2026 for a consultant to assist with establishment of an ERM framework.

Enterprise Risk Management

As shown in Table 2, ETF requests 1.0 FTE Administrative Manager to serve as the agency's Chief Risk Officer (CRO), including \$554,800 in SFY 2026 and \$175,200 in SFY 2027 to cover salary, fringe, and supplies and services expenses. ETF would use one-time funding in SFY 2026 to hire a consultant with industry expertise to assist in the development and implementation of an ERM program right sized for ETF. Consulting costs are estimated at approximately \$420,000.

Table 2 – Enterprise Risk Management Funding Request Summary

	SFY 2026	SFY 2027
Total FTE (#)	1.0	1.0
Salary	\$90,700	\$121,000
Fringe	35,500	47,300
Supplies and Services	428,600	6,900
Total	\$554,800	\$175,200

The CRO position would report to the Secretary's Office. The CRO is expected to exercise significant independent judgment while coordinating with other internal offices and divisions. The position would work with risk owners across the agency to develop tools, metrics, practices, and policies to analyze/report on enterprise risks and assist risk owners with mitigating risks within their own areas. This position would also conduct periodic briefings to ETF's Governing Boards.

General responsibilities for the position include providing advanced enterprise risk management, strategic planning, vendor management, and business continuity program planning work, as well as the innovation and management necessary to identify, evaluate, mitigate, and monitor other risks relevant to the agency.

Information Security

As shown in Table 3, ETF requests 2.0 FTE IS Technical Service Specialists, including \$1.4 million in SFY 2026 and \$1.5 million in SFY 2027 to cover salary, fringe, and supplies and services expenses. The positions would reside in ETF's Division of Technology, Security, and Data Services (DTSDDS) in the Bureau of Information Security Management (BISM).

Table 3 – Information Security Funding Request Summary

	SFY 2026	SFY 2027
Total FTE (#)	2.0	2.0
Salary	\$156,600	\$208,800
Fringe	61,200	81,600
Supplies and Services	1,217,100	1,213,800
Total	\$1,434,900	\$1,504,200

ETF would use the \$1.2 million annually in additional supplies and services spending authority to cover IS-related expenses for additional software and vendor services to continue to improve ETF's overall IS capabilities. The additional resources would allow ETF to address high priority IS risks.

Table 4 contains a summary of the high priority IS risks that require additional agency attention and resources. The additional \$1.2 million in non-salary spending authority would be roughly evenly allocated between the three risk areas outlined below.

Table 4 – Summary of High Priority Information Security Risk Areas

Area	Description
Security Incident and Fraud Detection Management	<p>As ETF delivers more services online, it will be critical for the agency to be proactive with respect to detecting, identifying, stopping, or remediating fraud.</p> <p>Additional funds would be used to acquire and support tools that provide real-time visibility into areas like user behavior analytics. This will give ETF visibility into potential fraud and a means to protect itself (and our members) from it.</p>
Application Security Management	<p>Both for legacy and new applications ETF will continue to improve upon its ability to stay ahead of the curve with respect to security vulnerabilities and keeping applications up to date with the 3rd party components used inside them. Additional funds would be used to proactively identify application security issues and resolve them during development and testing before applications are deployed to production. This will not only keep applications more up to date making them easier to maintain and modify but more secure as well.</p>
Vendor Risk Management and Data Protection	<p>Additional funds would be used to acquire and support tools that allow ETF to better manage data by preparing it for the oncoming use of artificial intelligence as well as protect it more effectively by categorizing and/or labeling it so tools can help determine what can be done with it, where it can be used, and by whom.</p>

The additional IS resources requested by ETF will better position the agency to meet the demands of its IT modernization efforts and address the areas of IS risk identified above.

Internal Audit

As shown in Table 5, ETF requests 1.0 FTE Auditor Advanced, including \$115,300 in SFY 2026 and \$149,100 in SFY 2027 to cover salary, fringe and position-related supplies and services expenses. The position would reside in ETF's Office of Internal Audit.

Table 5 – Internal Audit Funding Request Summary

	SFY 2026	SFY 2027
Total FTE (#)	1.0	1.0
Salary	\$76,700	\$102,200
Fringe	30,000	40,000
Supplies and Services	8,600	6,900
Total	\$115,300	\$149,100

The position would help address increased demand for OIA's services. Specifically, the position would provide capacity for OIA to complete additional TPA contract compliance audits, conduct internal reviews focused on ETF staff oversight of external vendors, and provide objective reviews on the status of implementing both the IAS and PAS IT modernization projects.

Endnotes

¹ <https://legal.thomsonreuters.com/blog/what-is-enterprise-risk-management/>

² https://www.actuary.org/sites/default/files/files/PPPTF_Final_Report_c_0.pdf

³ <https://www.nasra.org/files/Topical%20Reports/Governance%20and%20Legislation/1%20ERM%20in%20Public%20Retirement%20Systems.pdf>

⁴ https://www.ncpers.org/blog_home.asp?Display=276

⁵ https://www.ic3.gov/Media/PDF/AnnualReport/2023_IC3Report.pdf

⁶ <https://statescoop.com/ransomware-malware-cyberattacks-cis-report-2024/>

Appendix 1: What is Enterprise Risk Management?

Risk management is an effort to preemptively identify, analyze, and strategically respond to threats (i.e., risks) to an organization's mission. Enterprise Risk Management (ERM) offers a more integrated and coordinated approach to managing risk across an entire organization.¹

There are several frameworks that organizations may use to manage ERM functions (e.g., see the Committee of Sponsoring Organizations' *ERM Framework* and the International Organization for Standardization's *ISO 31000 – Risk Management*). Regardless, the framework adopted should be customized to meet the needs of the organization. Elements of the adopted framework(s) should include:

- development of a common risk language (to facilitate effective and efficient communication);
- creating an organizational structure that promotes preemptive identification, analysis, and management of key risks; and
- embedding risk management within all key processes to promote effective risk management.

ERM frameworks categorize risks in several ways. Examples include:

- Strategic Risk: Risks that arise from an organization's business strategy and objectives.
- Operational Risk: Risks that arise from an organization's day-to-day activities and processes.
- Financial Risk: Risks that arise from an organization's financial operations and management.
- Legal/Compliance Risk: Risks that arise from an organization's failure to comply with laws, regulations, or standards.
- Reputational Risk: Risks that arise from damage to an organization's reputation, image, or brand.

Fundamentally, ERM is not intended to eliminate all risk; however, it is intended to bring it to light and help an organization efficiently and consistently make decisions about how to best balance risk taking and risk mitigation against the accomplishment of an organization's mission, goals, and objectives.

¹ <https://www.temple.edu/about/ethics-compliance/enterprise-risk-management/types-risk-erm>

Decision Item by Line

2527 Biennial Budget

DEPARTMENT	CODES	TITLES
	515	Department of Employee Trust Funds
DECISION ITEM	CODES	TITLES
	6000	Strengthening Agency Risk Management and Information Security

	Expenditure Items	1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$324,000	\$432,000
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$126,700	\$168,900
06	Supplies and Services	\$1,654,300	\$1,227,600
07	Permanent Property	\$0	\$0
08	Unallotted Reserve	\$0	\$0
09	Aids to Individuals & Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	TOTAL	\$2,105,000	\$1,828,500
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	4.00	4.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

2527 Biennial Budget

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	6000 Strengthening Agency Risk Management and Information Security				
01	Employee benefit plans				
	76 Administration	\$2,105,000	\$1,828,500	4.00	4.00
	Employee benefit plans Sub Total	\$2,105,000	\$1,828,500	4.00	4.00
	Strengthening Agency Risk Management and Information Security Sub Total	\$2,105,000	\$1,828,500	4.00	4.00
	Agency Total	\$2,105,000	\$1,828,500	4.00	4.00

Decision Item by Fund Source

2527 Biennial Budget

Department of Employee Trust Funds

Decision Item/Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
6000 Strengthening Agency Risk Management and Information Security					
SEG	S	\$2,105,000	\$1,828,500	4.00	4.00
Strengthening Agency Risk Management and Information Security Total		\$2,105,000	\$1,828,500	4.00	4.00
Agency Total		\$2,105,000	\$1,828,500	4.00	4.00

Decision Item (DIN) - 7001**Decision Item (DIN) Title - Addressing Critical Customer Support Needs****NARRATIVE**

ETF requests position authority for 2.0 permanent FTE Trust Funds Specialists and associated funding of \$155,500 in SFY 2026 and \$198,100 in SFY 2027 to help address increased demand for critical member support services.

These positions are essential as ETF is undergoing a period of significant growth in the retiree and employer populations, including Milwaukee City and County, at the same time it is modernizing IT systems and streamlining processes that allow online access to member services. These positions will permit ETF to maintain the high quality of service and security expected by its members.

ETF - Addressing Critical Customer Support Needs

Objective

ETF requests segregated (SEG) resources in the form of 2.0 FTE Trust Funds Specialist (Permanent) positions and \$155,500 in SFY 2026 and \$198,100 in SFY 2027 to help address increased demand for critical member support services.

These positions are essential as ETF undergoes a period of significant growth in the annuitant and employer populations, including Milwaukee City and County, while at the same time modernizes IT systems and streamlines processes to allow online access to member services. These positions will permit ETF to maintain the high quality of service and security expected by members of the Wisconsin Retirement System.

Issue

Staffing in ETF's Member Contact Center must be increased to maintain adequate customer service standards. The Member Contact Center is currently experiencing a rise in both the volume of calls and complexity of calls received, along with the addition of several new employers to the WRS. The current growth is primarily due to an increase in the annuitant population. Annuitants, whose sensory and cognitive abilities often change and who may be less comfortable with online tools or automated systems, will increasingly rely on the Member Contact Center for assistance with complex benefits, such as Medicare, insurance programs, WRS annuities, and other services. While the annuitant population is anticipated to continue growing, demand for services will also increase as ETF transitions to a new online member portal. Without additional staff, ETF will be unable to manage these growing demands and effectively maintain service standards for members.

Background

ETF administers the WRS and other employee benefit plans for approximately 692,000 members, annuitants, and beneficiaries. As part of its customer support services, ETF operates a Member Contact Center which is typically the first point of contact by WRS members. The center responds to phone and email inquiries concerning WRS benefits, health insurance benefits, and other benefit programs administered by the agency. The two requested positions in the Member Contact Center will help address increased call volumes and call complexities from WRS's growing annuitant population, while also considering members' anticipated uneasiness on ETF's new online services.

Call Volume Increases and Transitioning to Online Account Access

ETF anticipates a significant increase in the number of calls to the Member Contact Center over the next several years. Two primary factors drive the anticipated rise in call volume: the

growing number of annuitants needing support, and the upcoming transition to a new online services platform. ETF also experienced an increase of 32 employers over the last year, including Milwaukee City and Milwaukee County. To maintain consistent and effective customer service, ETF will need to expand its staffing levels to address these challenges. Current Member Contact Center staff already struggles to keep up with the demand, and without additional resources, service levels are likely to decline.

As shown in Table 1, the increase in annuitants is a major factor contributing to the rising call volume at ETF. The number of WRS annuitants now exceeds the number of WRS active employees. This trend is set to continue. According to data from the Wisconsin Department of Administration, Wisconsin's population is rapidly aging, with projections indicating that by 2040 many counties will have nearly half of their population over 60 years of age.

Table 1 - WRS Membership Levels (2013 to 2023)



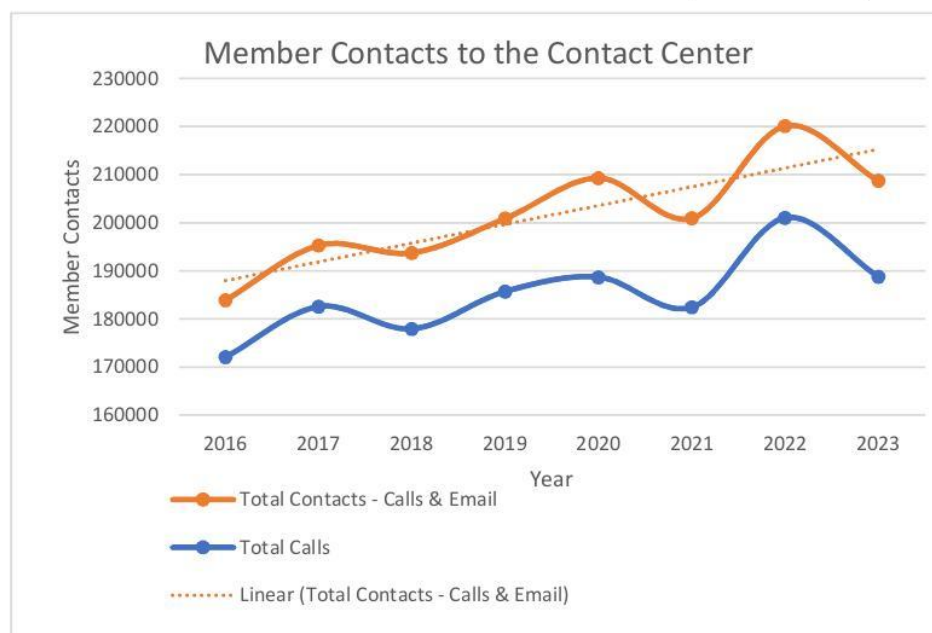
ETF has experienced a nearly 30% increase in annuitant accounts between 2013 to 2023. As the annuitant population grows, the Member Contact Center will face higher demands for support, particularly as annuitants require more personalized and extended assistance compared to active members.

As WRS's member population ages, a larger portion of annuitants will rely on the Member Contact Center for assistance with complex benefits, including Medicare, insurance programs, WRS annuities, and other services. Upon transitioning from active employment to retirement,

annuitants shift their primary point of contact from their agency's human resources or payroll office to ETF. The ETF Member Contact Center is responsible for managing inquiries from annuitants concerning various matters, including pharmacy services, health insurance, Medicare, Medicare Advantage, sick leave credits, and other complex issues. Annuitants sensory and cognitive abilities often change as they age, requiring greater assistance in managing their benefits. Additionally, annuitants may have less comfort or familiarity with online tools or automated systems, prompting them to call ETF's Member Contact Center for help. ETF has a responsibility to ensure WRS annuitants receive the necessary information they need to make appropriate benefit decisions that can significantly impact their financial security.

As shown in Table 2, in recent years, ETF's Member Contact Center has experienced a notable increase in total contacts by members through calls and emails. Between 2016 and 2023, there has been a 13.5% rise in inquires.

Table 2 – Member Contact Center Interactions (2016 to 2023)



The number of positions in the Member Contact Center has not kept up with the growth in call volume. Between 2016 and 2024, Member Contact Center staff have only increased by 2.0 FTE from 25.0 FTE to 27.0 FTE. As noted, over the same approximate period, member contacts increased by 13.5%.

Anticipating Increased Calls with Process Changes

Changes in policy, procedure, technology, or vendors can lead to significant spikes in call volume that further impact ETF's ability to maintain member service levels. As listed below, these changes have occurred in recent years and are anticipated to continue as the agency implements an online member portal:

- In 2022, ETF implemented an adjustment to tax withholding procedures to comply with new federal regulations. Despite ETF's efforts to provide comprehensive resources and guidance to members about these changes, the agency encountered a significant spike in call volumes. During this time, the average speed of answer was 6 minutes and 16 seconds.
- On June 1, 2022, WEA Trust announced they would no longer offer health insurance after January 1, 2023. Approximately 55,000 members were told that they would need to choose a different insurance provider. This created major stress related to insurance and provider coverage for these members, and the departure significantly impacted ETF's Member Contact Center. As Table 3 details, the number of calls nearly doubled, which drastically increased call wait times, abandonment rates, and talk times. These metrics show that additional staff are essential to provide timely and effective support amid these changes.

Table 3 – Member Contact Center Metrics During Open Enrollment

	Average Metrics of 2020 to 2022	WEA Trust Departure - 2023
Calls Received	7,409 Calls	12,320 Calls
Average Wait Time	1:39 Minutes	10:17 Minutes
Abandonment Rate	4.73%	20.48%
Talk Time	6:22 Minutes	7:50 Minutes

- ETF is preparing for a considerable surge in calls with the upcoming rollouts of the Insurance Administration System and Pension Administration System, which will require members to use an online portal to manage their insurance and retirement benefits. A successful rollout of ETF's new online portal is critical to maintaining the trust and confidence of members and employers. Recently, the Federal Thrift Savings Plan (TSP) launched a new online system intended to modernize and improve user access. After the system went live, TSP received 120,644 calls on its first day of rollout, with many

members waiting hours to get help with accessing their accounts. TSP's rollout issues severely damaged member trust and required significant resources to address such issues. The United States Congress asked the Government Accountability Office (GAO) to investigate, and the GAO's final report advised TSP to increase the number of customer service positions and provide additional training.

- ETF's peer system in Arizona had similar experiences with increased call volume. Arizona received calls from approximately 15% of its members following the launch of their online member portal. An extrapolation would suggest that ETF would experience approximately 100,000 member calls. Additionally, ETF anticipates that calls will remain elevated post-rollout, as members will need continued assistance with using and logging on to the new portal. This increased demand will place additional pressure on ETF staff, who will need to absorb this workload while continuing to address existing inquiries.

Improving Low Service Levels

The increased contact volume, combined with the already growing complexity of issues faced by annuitants, will place additional strain on the Member Contact Center, necessitating more staff to manage the higher volume of contacts and maintain service quality.

Allowing service levels to decline further is not acceptable. The Member Contact Center's service level is already considered low compared to peer public retirement plans and industry customer service best practices. This is because the Member Contact Center's benchmarks are set lower, as it is difficult to absorb higher service performance when staff allocation is not keeping up with the growth of WRS members. For example, the Member Contact Center aims to answer 70% of calls within 3 minutes which compares to answering 80% of calls within 20 seconds, the service standard used by Empower, the third-party administrator for ETF's Wisconsin Deferred Compensation Program.

ETF's significantly lower service level demonstrates the need for additional staffing at ETF's Member Contact Center. Increasing staff would enable ETF to enhance call handling speeds and achieve other target service levels to improve overall member satisfaction and operational efficiency.

Request

As shown in Table 4, ETF requests 2.0 FTE Trust Fund Specialist permanent positions with an estimated cost of \$155,500 in SFY 2026 and \$198,100 in SFY 2027.

Table 4 – Summary of Funding Request

	SFY 2026	SFY 2027
Total FTE (#)	2.0	2.0
Salary	\$99,400	\$132,500
Fringe	38,900	51,800
Supplies and Services	17,200	13,800
Total	\$155,500	\$198,100

With the projected rise in call volume and the growing complexity of inquiries, driven by ETF's aging membership and the introduction of new online services, it is necessary to expand our Member Contact Center staffing. By adding these two positions, ETF will be better equipped to manage the increased demand, provide adequate support to its expanding member base, and maintain the necessary service levels for members relying on ETF to administer their benefits effectively.

Decision Item by Line

2527 Biennial Budget

DEPARTMENT	CODES	TITLES
	515	Department of Employee Trust Funds
DECISION ITEM	CODES	TITLES
	7001	Addressing Critical Customer Support Needs

	Expenditure Items	1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$99,400	\$132,500
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$38,900	\$51,800
06	Supplies and Services	\$17,200	\$13,800
07	Permanent Property	\$0	\$0
08	Unallotted Reserve	\$0	\$0
09	Aids to Individuals & Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	TOTAL	\$155,500	\$198,100
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

2527 Biennial Budget

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	7001 Addressing Critical Customer Support Needs				
01	Employee benefit plans				
	76 Administration	\$155,500	\$198,100	2.00	2.00
	Employee benefit plans Sub Total	\$155,500	\$198,100	2.00	2.00
	Addressing Critical Customer Support Needs Sub Total	\$155,500	\$198,100	2.00	2.00
	Agency Total	\$155,500	\$198,100	2.00	2.00

Decision Item by Fund Source

2527 Biennial Budget

Department of Employee Trust Funds

Decision Item/Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
7001 Addressing Critical Customer Support Needs					
SEG	S	\$155,500	\$198,100	2.00	2.00
Addressing Critical Customer Support Needs Total		\$155,500	\$198,100	2.00	2.00
Agency Total		\$155,500	\$198,100	2.00	2.00

Decision Item (DIN) - 7002

Decision Item (DIN) Title - Locating Missing WRS Participants

NARRATIVE

ETF requests 2.0 FTE Trust Fund Specialist 4-year Project positions and \$155,500 in SFY 2026 and \$198,100 in SFY 2027 to provide additional resources to help locate approximately 29,000 ETF members who are designated as 'missing participants.'

ETF – Locating Missing WRS Participants

Objective

ETF requests 2.0 FTE Trust Fund Specialist 4-year Project positions and \$155,500 in SFY 2026 and \$198,100 in SFY 2027 to provide additional resources to help locate approximately 29,000 Wisconsin Retirement System members who are designated as “missing participants.”

Issue

ETF strives to keep up-to-date contact information available on all 692,000 WRS members the agency serves. However, member contact information can become outdated. ETF classifies a WRS member as a “missing participant” if their annual Statement of Benefits is returned as undeliverable, and ETF is unable to find a current address. Typically, missing participants are inactive members who are not receiving an annuity and are no longer working in a WRS-covered position. Currently, 190,130 WRS participants are classified as inactive. Of these, approximately 29,000 members (15%) are designated as a missing participant. Without valid contact information for missing participants, ETF cannot deliver important communications, distribute benefits, and fulfill other plan-related obligations.

Participant contact information may go missing for several reasons. For example, they:

- Terminated their employment with their employer but failed to update their contact information.
- Moved to a different address and did not notify ETF.
- Changed their name and forgot to update their contact information.
- Ignored or overlooked ETF communications about their retirement benefit.
- Did not request a WRS retirement benefit because they thought their benefit was small.
- Passed away and their beneficiaries were unaware of their WRS benefits.

Despite advancements in digital communications, locating missing participants is challenging. ETF employs various methods to locate these individuals, including using internal ETF systems, online search tools, public databases, and social media. To comply with state and federal laws regarding minimum distributions, ETF must allocate considerable resources to finding missing participants. ETF spends on average 1.4 hours to locate each missing participant or their beneficiaries. It is estimated that it will require over 40,000 hours of staff time to locate the current missing participants. Dedicating two project positions to this effort will significantly support ETF’s efforts to locate these WRS members.

Finding WRS missing participants is crucial for both ETF and the participants for several reasons. Notably, missing participants’ forgotten accounts create administrative burdens and trigger compliance and fiduciary risks for ETF.

Compliance and Legal Obligations

ETF has fiduciary and legal responsibility to locate missing participants, as mandated by both federal and Wisconsin law (s. 40.08 (8), Wis. Stat., and Internal Revenue Code (IRC) Section 401 (a)). The law requires ETF to make reasonable efforts to locate missing participants and ensure they receive their benefits. Additionally, ETF has a fiduciary duty to act in the best interest of the plan participants, which includes ensuring that all participants receive the benefits they are entitled to.

Protecting Lost WRS Retirement Accounts from Fraud

ETF is implementing a new Insurance Administration System and will soon begin a project to replace its legacy Pension Administration System. It is imperative that ETF locate missing participants before system implementation is complete. These new modern systems will require WRS members to create an online account to manage their benefits. In preparation for the anticipated go-live, ETF would like to significantly reduce the number of lost WRS retirement accounts.

Lost WRS accounts can be particularly vulnerable to fraud, making it essential for ETF to take proactive measures to protect these accounts. Lost or inactive accounts are usually not monitored regularly by the account holders, making them prime targets for fraudulent activities. Fraudsters can exploit outdated contact information to take control of these accounts, especially if the rightful owner is unaware the account exists. This increases the risks for identity theft. If a fraudster gains access to personal information, they can potentially create synthetic identities using bits of real and fake information, which can be used to impersonate the account holder and withdraw funds.

Financial Security for WRS Participants

Locating missing participants can significantly impact their retirement readiness. Ensuring that individuals have access to all their retirement funds is essential for their financial security during retirement. WRS participants may be unaware of or have forgotten about old retirement accounts from previous employers. Recovering these accounts can provide a substantial boost to their retirement savings. Current total retirement benefits for missing participants are estimated at \$354,000,000.

By implementing robust security measures, maintaining accurate records, educating participants, utilizing advanced technologies, and adhering to regulatory requirements, ETF can significantly reduce the risk of fraud associated with lost retirement accounts.

The following example demonstrates how locating missing WRS participants can be life-changing for these individuals.

- One multi-year search successfully found a WRS member who was unaware of his \$1,200 lifetime monthly benefit, which he thought was lost when he left WRS employment. His response ("to say all this has changed my life in the present and into

- my future retirement years would be an understatement”) underscores the profound difference accessing these benefits made in his life.
- ETF located a member who had over \$300,000 in her WRS account. The member was struggling financially and unable to afford stable housing. The member was overwhelmed with relief and expressed gratitude to ETF staff who located her. She no longer worries about being transient.
 - Finally, ETF located a 65-year-old member after his disability payments were suspended due to his failure to submit required tax forms. ETF conducted an extensive search and found the individual living in a care facility and facing eviction. ETF helped the member file the necessary tax forms and reclaim over \$600,000 in earned WRS benefits, which provided a lifetime monthly annuity of \$4,000.

These cases highlight the critical need for dedicated resources to locate and assist missing members who may not be aware of their benefits.

Adding two project positions dedicated to locating missing members would dramatically increase ETF's ability to find and reunite more individuals with their benefits.

Request

As shown in Table 1, to effectively address the large volume of existing missing participants, ETF requests segregated (SEG) resources of 2.0 FTE (Project) positions to locate missing inactive WRS participants.

Table 1 – Summary of Funding Request

	SFY 2026	SFY 2027
Total Project FTE (#)	2.0	2.0
Salary	\$99,400	\$132,500
Fringe	38,900	51,800
Supplies and Services	17,200	13,800
Total	\$155,500	\$198,100

The resources requested will reside in the Member Services Bureau to help conduct the following activities:

- Support ETF’s legal and compliance requirements to make a reasonable effort to locate missing participants.
- Support WRS plan management and efficiency.
- Mitigate fraud risks related to lost retirement accounts.
- Ensure WRS participants have access to their WRS retirement funds to increase financial security during retirement.

Decision Item by Line

2527 Biennial Budget

DEPARTMENT	CODES	TITLES
	515	Department of Employee Trust Funds
DECISION ITEM	CODES	TITLES
	7002	Locating Missing WRS Participants

	Expenditure Items	1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$99,400	\$132,500
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$38,900	\$51,800
06	Supplies and Services	\$17,200	\$13,800
07	Permanent Property	\$0	\$0
08	Unallotted Reserve	\$0	\$0
09	Aids to Individuals & Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	TOTAL	\$155,500	\$198,100
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

2527 Biennial Budget

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	7002 Locating Missing WRS Participants				
01	Employee benefit plans				
	76 Administration	\$155,500	\$198,100	2.00	2.00
	Employee benefit plans Sub Total	\$155,500	\$198,100	2.00	2.00
	Locating Missing WRS Participants Sub Total	\$155,500	\$198,100	2.00	2.00
	Agency Total	\$155,500	\$198,100	2.00	2.00

Decision Item by Fund Source

2527 Biennial Budget

Department of Employee Trust Funds

Decision Item/Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
7002 Locating Missing WRS Participants					
SEG	S	\$155,500	\$198,100	2.00	2.00
Locating Missing WRS Participants Total		\$155,500	\$198,100	2.00	2.00
Agency Total		\$155,500	\$198,100	2.00	2.00

Decision Item (DIN) - 7003**Decision Item (DIN) Title - Actuarial Compliance and Reporting Requirements****NARRATIVE**

ETF requests position authority for 1.0 permanent FTE Actuarial Analyst position in the Division of Trust Finance (DTF) and associated funding of \$114,200 in SFY 2026 and \$147,700 in SFY 2027. The position is critical for ETF to fulfill its actuarial responsibilities related to actuarial valuations and financial reporting. Without in-house expertise and oversight of multiple vended actuarial services, there is increased vendor and compliance risk and risk of errors, which could result in inaccurate financial reporting and incorrect contribution and premium calculations. This would directly impact ETF's ability to maintain sustainable benefit programs.

ETF - Actuarial Compliance and Reporting Requirements

Objective:

The Department of Employee Trust Funds (ETF) requests segregated (SEG) resources of 1.0 FTE (Permanent) and funding of \$114,200 in SFY 2026 and \$147,700 in SFY 2027. The requested position is for 1.0 FTE Actuarial Analyst position in the Division of Trust Finance (DTF).

- The position is critical for ETF to fulfill its actuarial responsibilities related to actuarial valuations and financial reporting.
- Without in-house expertise and oversight of multiple vended actuarial services, there is increased vendor and compliance risk and risk of errors, which could result in inaccurate financial reporting or incorrect contribution and premium calculations, which could adversely impact the financial position and funded status of benefit programs.

Issue:

ETF's administration of the trust fund through its accounting and actuarial functions is a critical component to the proper management of public retirement and insurance employee benefit programs.

- ETF manages the \$128 billion Wisconsin Retirement System (WRS), which is the 10th largest pension system in the nation and is one of the only fully funded pension systems.
- ETF administers the Group Health Insurance Program (GHIP). GHIP is one of the state's largest health plans and provides health insurance coverage to over 260,000 individuals throughout the state and recorded over \$1.8 billion in benefit expenses in 2023.
- ETF also oversees the Duty Disability Insurance, Income Continuation Insurance, Life Insurance, and the Sick Leave programs.

Support for Actuarial Services

ETF's Board members have a fiduciary duty over ETF's trusts, the benefit plans, and its assets. One fiduciary standard is the Duty of Prudence whereby ETF must act with care, skill, prudence, and diligence. This includes hiring, monitoring, and evaluating required experts and utilizing experts inside and outside of ETF.

ETF does not have a dedicated and permanent actuarial analyst skilled in understanding and overseeing Actuarial Standards of Practice (ASOP) application to ETF's benefit programs. ETF currently works with actuarial firms to perform actuarial functions of employee benefit programs, including those benefit programs listed above, with valuations performed annually and experience studies typically performed every three years. Every five years, ETF contracts with firms to audit the vended actuaries' services.

Actuarial services include establishing and updating actuarial demographic and economic assumptions, such as employee wages, mortality rates, investment earnings, and forecasting benefit claims. Services also include annual actuarial valuations and calculation of benefit liabilities, which are the basis for setting annual contributions or premiums for both employees and employers. It is critical that this information is accurate to ensure the proper funding and

financial position of these programs. Beyond funding purposes, actuaries are also used to conduct specific valuations or calculations for financial reporting purposes, as promulgated by the GASB.

As fiduciaries, the ETF Board and Group Insurance Board selects and contracts directly with actuarial firms. Consequently, a dedicated permanent actuarial analyst position is key to:

- ensuring actuarial firms receive accurate member and benefit data to use as inputs to actuarial valuations;
- monitoring the timeliness of firms' actuarial valuations;
- assessing the reasonableness of actuarial methodology and assumption changes;
- providing qualitative and technical support in actuarial research; and
- assisting with the selection and on/offboarding of actuarial firms.

Peer comparisons and objective, independent evaluations of ETF's operations support the need for a dedicated permanent actuarial analyst position.

- According to the National Association of State Retirement Administrators, a growing number of public retirement systems employ one or more actuaries as staff. Of the 15 largest public retirement systems in the nation, only three (including Wisconsin) do not employ an actuary as staff.
- In its 2019 audit of the Group Insurance programs, the Legislative Audit Bureau noted ETF may wish to hire staff with actuarial expertise to better analyze information from consulting actuaries.

The financial, operational and governance risks associated with the benefits programs ETF administers demonstrate the need for an actuarial analyst to strengthen the state's ability to balance: 1) the fulfilling of the promise of paying future benefits to retirees; 2) the need to recruit and retain qualified governmental employees; and 3) reasonable tax assessment. This position is vital to assisting ETF and the state manage these oversight functions.

Request:

As shown in Table 1, ETF requests 1.0 permanent Actuarial Analyst position to fulfill its actuarial responsibilities.

Table 1 – ETF FY 2026 and FY 2027 Request

	SFY 2026	SFY 2027
Total FTE (#)	1.0	1.0
Salary	\$75,900	\$101,200
Fringe	29,700	39,600
Supplies and Services	8,600	6,900
Total	\$114,200	\$147,700

Actuarial Management – 1.0 SEG FTE Actuarial Analyst Position

The Actuarial Analyst will be responsible for the following functions:

- Review, test, and analyze data extracted from various systems to ensure accurate data is maintained and provided for actuarial valuations. ASOP 23, Data Quality, states the accuracy and completeness of data is the responsibility of those who supply the data.
- Direct and provide leadership in actuarial functions and projects, coordinating and managing the work of external consulting actuaries.
- Provide actuarial research and analyses to ETF.
- Provide management and oversight of ETF's financial data to support ETF's data management program and help ensure data quality.

Without a dedicated permanent resource overseeing ETF's actuarial valuations, existing staff will likely not have adequate time to ensure that actuarial valuations are using accurate data, providing timely results, and performing processes at a high standard. This compromises ETF's ability to maintain high quality financial and actuarial reporting processes to ensure the integrity of program financial information and contribution rates for members. The timeliness of completing actuarial valuations, related studies and financial reports is also at risk.

Decision Item by Line

2527 Biennial Budget

DEPARTMENT	CODES	TITLES
	515	Department of Employee Trust Funds
DECISION ITEM	CODES	TITLES
	7003	Actuarial Compliance and Reporting Requirements

	Expenditure Items	1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$75,900	\$101,200
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$29,700	\$39,600
06	Supplies and Services	\$8,600	\$6,900
07	Permanent Property	\$0	\$0
08	Unallotted Reserve	\$0	\$0
09	Aids to Individuals & Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	TOTAL	\$114,200	\$147,700
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

2527 Biennial Budget

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	7003 Actuarial Compliance and Reporting Requirements				
01	Employee benefit plans				
	76 Administration	\$114,200	\$147,700	1.00	1.00
	Employee benefit plans Sub Total	\$114,200	\$147,700	1.00	1.00
	Actuarial Compliance and Reporting Requirements Sub Total	\$114,200	\$147,700	1.00	1.00
	Agency Total	\$114,200	\$147,700	1.00	1.00

Decision Item by Fund Source

2527 Biennial Budget

Department of Employee Trust Funds

Decision Item/Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
7003 Actuarial Compliance and Reporting Requirements					
SEG	S	\$114,200	\$147,700	1.00	1.00
Actuarial Compliance and Reporting Requirements Total		\$114,200	\$147,700	1.00	1.00
Agency Total		\$114,200	\$147,700	1.00	1.00

Decision Item (DIN) - 7004**Decision Item (DIN) Title - Internal Audit Function****NARRATIVE**

The Department of Employee Trust Funds (ETF) requests creation of an independent Office of Internal Audit (OIA). If approved, the OIA will report directly to the ETF Board.

- Currently, the OIA Director reports functionally and administratively to the ETF Secretary.
- ETF requests that the OIA Director position become an unclassified position that functionally reports 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.

ETF – Internal Audit Function

Objective

The Department of Employee Trust Funds (ETF) requests creation of an independent Office of Internal Audit (OIA). If approved, the OIA will report directly to the ETF Board.

- Currently, the OIA Director reports functionally and administratively to the ETF Secretary.
- ETF requests that the OIA Director position become an unclassified position that functionally reports 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.

Proposed statutory changes are necessary to provide organizational independence and objectivity in fact and in appearance. 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.

The ETF Board Audit Subcommittee and the ETF Board unanimously support this organizational change, recognizing that to fulfill their fiduciary duties, they need full and unrestricted access to the OIA Director regarding all evaluations, assessments, and analyses pertaining to ETF.

Issue

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.

According to the Institute of Internal Auditors (IIA), "Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight. Internal auditing enhances the organization's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Additionally, internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

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 organizational independence and objectivity. The standards provide that organizational independence is effectively achieved when the chief audit executive reports functionally to the Board. In 2023, the same recommendation was raised by the external quality assessment peer review conducted by the Virginia Retirement System.

To be most effective, the recently updated Global Internal Audit Standards require the internal audit function be directly accountable to the board, rather than directly accountable to management for the activities over which it provides assurance and advice. The essential conditions concerning the organizational independence of the board functions include but are not limited to:

- 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.
- 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.

Request

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.

Decision Item by Line

2527 Biennial Budget

DEPARTMENT	CODES	TITLES
	515	Department of Employee Trust Funds
DECISION ITEM	CODES	TITLES
	7004	Internal Audit Function

	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	Unallotted Reserve	\$0	\$0
09	Aids to Individuals & Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	TOTAL	\$0	\$0
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

2527 Biennial Budget

Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	7004 Internal Audit Function				
01	Employee benefit plans				
	76 Administration	\$0	\$0	0.00	0.00
	Employee benefit plans Sub Total	\$0	\$0	0.00	0.00
	Internal Audit Function Sub Total	\$0	\$0	0.00	0.00
	Agency Total	\$0	\$0	0.00	0.00

Decision Item by Fund Source

2527 Biennial Budget

Department of Employee Trust Funds

Decision Item/Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
7004 Internal Audit Function					
SEG	S	\$0	\$0	0.00	0.00
Internal Audit Function Total		\$0	\$0	0.00	0.00
Agency Total		\$0	\$0	0.00	0.00

Decision Item (DIN) - 7005**Decision Item (DIN) Title - Increased Autonomy Towards Managing Personnel****NARRATIVE**

The Department of Employee Trust Funds (ETF) requests increased authority and autonomy to manage personnel matters related to the compensation and classification of its employees. ETF is requesting for the ETF secretary to have a permanent delegation of authority under Chapter 230 over the classification and compensation of ETF staff necessary for the administration of benefits under Chapter 40, consistent with the State of Wisconsin Compensation Plan. This will provide ETF the necessary and intended autonomy to effectively meet its strategic goal related to the recruitment and retention of a talented and agile workforce.

ETF - Increased Autonomy Towards Managing Personnel

Objective

The Department of Employee Trust Funds (ETF) requests increased authority and autonomy to manage personnel matters related to the compensation and classification of its employees. As a fiduciary, ETF is responsible for ensuring Wisconsin Retirement System's (WRS) integrity, financial health, and ability to meet its obligations to beneficiaries. These responsibilities are governed by legal and ethical standards designed to protect the interests of WRS members, including retirees, active employees, and their beneficiaries. Wis. Stat. §40.03(2)(b) provides that the secretary of the Department of Employee Trust Funds shall employ and select administrative, clerical, or other employees as required for the administration of this chapter and establish the internal organization of the department. Given that broad authority, ETF is requesting for the ETF secretary to have a permanent delegation of authority under Chapter 230 over the classification and compensation of ETF staff necessary for the administration of benefits under Chapter 40, consistent with the State of Wisconsin Compensation Plan. This will provide ETF the necessary and intended autonomy to effectively meet its strategic goal related to the recruitment and retention of a talented and agile workforce.

Department of Employee Trust Funds

ETF is a non-cabinet state agency, with unique responsibilities. ETF administers the WRS, state and local group health and life insurance programs, and a variety of other public employee fringe benefit programs. In terms of assets, the WRS is the 10th largest public pension system in the U.S. and provides retirement benefits for more than 692,000 current and former state and local government employees via more than 1,600 employers. The WRS is one of the few fully funded public pension systems in the U.S., with a funding ratio estimated at 100%. WRS trust funds are held and invested by the State of Wisconsin Investment Board (SWIB) on behalf of ETF benefit program members. A few key distinctions that separate ETF from other state agencies include:

- **Fiduciary Duty** – ETF's fiduciary responsibilities are centered on safeguarding the assets of the system, ensuring fairness and impartiality, and maintaining transparency in operations. Oversight and administration of the programs at ETF is governed by several statutory boards, the ETF Secretary, Chapter 40 of the Wisconsin Statutes, and Federal law. As fiduciaries of the Trust, the ETF Board and the ETF Secretary have a unique and legal obligation to adhere to fiduciary principles. Fiduciary standards are among the highest standards of conduct imposed by law. Responsibilities include the duty of loyalty, the duty of prudence, the duty to manage costs, and the duty to comply with governing law. When making decisions regarding the Trust, the fiduciary principle of loyalty dictates that the ETF Board and the ETF Secretary act solely in the members' interest to

ensure that the Trust is used in the fulfillment of participant benefits and not for any other purpose. The duty to manage costs requires that expenses paid from trust fund dollars must be reasonable.

ETF is the only agency in Wisconsin state government with a distinct fiduciary duty that employs classified employees regulated under Chapter 230 of Wisconsin Statutes. ETF's sister agency, SWIB, shares ETF's fiduciary duty, however their employees are not classified under Chapter 230. Consequently, SWIB is provided full independence and authority over the classification and compensation of its employees. This grants SWIB the ability to compensate employees for specialized skills required to carry out their duties. Similarly, ETF requires independent authority over key functions and decision making to ensure the proper and efficient management of ETF and the trust funds.

- **Board Oversight** – ETF is a non-cabinet agency. The independent 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.
- **Segregated Funding** – ETF is solely funded by the segregated Public Employee Trust Funds. There is a longstanding precedent in Wisconsin law that Trust Fund monies are treated differently than general revenue, and that the State has less power to regulate the use of the Trust. For example, there are Attorney General Opinions expressing the limitations on regulating Trust Fund monies because they are not state funds. The Supreme Court has ruled against taking of Employee Trust Fund dollars for non-benefit purposes. In April 2007, the Legislative Fiscal Bureau (LFB) expressed its concerns over the potential for use of Trust Fund dollars in its [Paper #110](#) to the Joint Committee on Finance on the consolidation of attorneys and legal staff under DOA. In May 2015, the LFB pointed out similar concerns in [Paper #272](#) on the transfer of procurement positions to DOA. Most recently, the LFB reinforced these points in May 2017, in [Paper #110](#) regarding transfer of Human Resources staff to DOA. Both ETF and SWIB were excluded from Shared Services due to their segregated funding and need for HR independence. The Legislature and courts have recognized the unique legal position of ETF and thus provided it with required autonomy as a tax-qualified plan, legal trust, and with the powers and duties enumerated in Chapter 40 of the Wisconsin Statutes.

Issue

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. Chapter 40 provides that the ETF secretary shall employ and select administrative, clerical, or other employees as required for the proper administration of ETF programs. The current processes related to the compensation and classification of ETF employees impairs the ETF secretary's fiduciary responsibility to the Trust. ETF requires increased autonomy to effectively manage its workforce.

As noted above, ETF has a unique operational environment that warrants customized compensation structures. The requested delegation will support ETF's fiduciary duty and its goal of recruiting and retaining qualified employees. Below are some of the benefits ETF will realize from being provided delegation authority.

- **ETF Specialized Knowledge:** ETF needs employees with specific skills. ETF's retirement and insurance programs require expertise on complex state and federal rules and regulations related to retirement plans, health insurance, life insurance and other fringe benefits plans. Moreover, ETF's fiduciary responsibility includes the duty to hire experts. The requested delegation will support ETF's ability to recruit and retain employees with the specialized skills necessary for managing these complex benefits. Increasing ETF's ability to manage the classification and compensation of employees will ensure that ETF is able to hire and retain individuals with the expertise needed. The current centralized compensation system is not adequately recognizing the market value of these specialized roles. The requested delegation will allow ETF, as limited and as required by its fiduciary duties, to adjust pay scales to reflect the unique demands of its workforce, ensuring that employees are competitively and equitably compensated.
- **Attracting Top Talent:** The delegated authority will allow ETF to offer competitive compensation, benefits, and working conditions that are tailored to attract the best candidates. This flexibility is critical for ETF in a competitive labor market. Recently, ETF lost multiple candidates due to being unable to offer competitive pay. ETF must be provided additional pay flexibility to attract leaders with industry experience from peer retirement organizations. It should be noted that ETF is bound by its fiduciary responsibility to defray the expenses of administering the system in a reasonable manner. This ensures that ETF will manage compensation decisions with care, skill, prudence, and diligence. Furthermore, greater autonomy will support shorter recruitment timelines, saving time and money. Long recruitment timelines may jeopardize the loss of top candidates to other employers. The delegation authority will enhance ETF's ability to recruit individuals with the necessary qualifications, particularly when competing with private sector employers and peer retirement systems.

- **Retention Strategies:** As previously stated, ETF services are unique from other state agencies. It takes years for employees to gain the knowledge and experience of pension and insurance administration. The requested delegation will provide ETF the flexibility to design classification and compensation plans that reward employees for long-term service or the development of expertise over time. This is crucial because ETF employee experience and knowledge of the agency's operations are key to delivering high-quality services.
- **Responding to Market Changes** – Labor market conditions can change rapidly. The requested delegation will allow ETF to respond quickly to fluctuations in supply and demand for particular skills or roles, adjusting salaries to stay competitive and fill critical vacancies. Additionally, the delegation will allow ETF to make role-specific salary adjustments to ensure it can attract and retain employees in key positions.
- **Operational Efficiency and Accountability** – ETF must operate efficiently to ensure timely and accurate processing of benefits, contributions, and records. Having authority over employee compensation and classification will allow ETF to hire, train, and manage employees who are critical to maintaining operational efficiency. This accountability ensures that ETF can directly address performance issues, align staff with organizational goals, and hold employees responsible for their roles.
- **Enhanced Decision Making** – The delegated authority will enable ETF to make prompt decisions regarding hiring, promotions, and disciplinary actions. This eliminates delays caused by having to go through external bodies, ensuring that the agency can promptly respond to staffing needs, changing priorities, or performance issues. Additionally, delegated authority will eliminate the need to navigate through a centralized approval process for salary adjustments, which can be time-consuming and inefficient. By making compensation decisions internally, ETF will be able to react quickly to changing needs and ensure that employees are compensated fairly and in a timely manner.
- **Improved Service Quality:** Will support ETF's objective of ensuring that staffing aligns with its mission to serve the WRS member efficiently and effectively. The delegated authority will allow for optimized staff deployment, better handling of workloads, and a focus on improving service delivery and member satisfaction.

Request

ETF requests the following changes:

- Provide that the Division of Personnel Management delegate to the ETF secretary classification and compensation functions set forth in Chapter 230.
- Provide that the Division of Personnel Management may at any time investigate or audit performance of the delegated functions. The ETF Secretary shall respond to and provide a written remediation plan for any specific instances identified of improper transactions.

Granting ETF delegation authority to manage employee classification and compensation functions is essential for attracting and retaining top talent, ensuring operational efficiency, and maintaining flexibility in response to changing market and regulatory conditions. It allows the agency to tailor compensation to its unique needs, align performance incentives with organizational goals, and manage budgets responsibly. Ultimately, this authority enhances both the ETF's effectiveness and its ability to deliver high-quality services.

ETF is working with the LRB to draft statutory language changes for this request.

Decision Item by Line

2527 Biennial Budget

DEPARTMENT	CODES	TITLES
	515	Department of Employee Trust Funds
DECISION ITEM	CODES	TITLES
	7005	Increased Autonomy Towards Managing Personnel

	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	Unallotted Reserve	\$0	\$0
09	Aids to Individuals & Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	TOTAL	\$0	\$0
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

Decision Item by Numeric

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	Agency Total				

Decision Item by Fund Source

Decision Item/Source of Funds	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
Agency Total				

ACT 201

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

FY: FY26 AND 27

Agency: ETF - 515

Exclude: 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 "FY26" TO "FY26 AND 27".

Agency	Appropriation		Fund Source	\$	FTE	(See Note 1) 0% Change Target	Proposed Budget 2025-26		Item Ref	Change from Adj Base		(See Note 2) Remove SBAs		Change from Adj Base after Removal of SBAs	
	Alpha	Numeric					Proposed \$	Proposed FTE		\$	FTE	\$	FTE	\$	FTE
515	1t	161	SEG	\$15,848,100.00	0.00	\$0	\$15,848,100	0.00		\$0	0.00	\$0	0.00	\$0	0.00
515	1w	176	SEG	\$48,269,100.00	287.20	\$0	\$48,517,700	287.20		\$248,600	0.00	(\$248,600)	0.00	\$0	0.00
Totals				\$64,117,200.00	287.20	\$0	\$64,365,800	287.20		\$248,600	0.00	(\$248,600)	0.00	\$0	0.00

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

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

Target Reduction = \$0

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

ACT 201

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

FY: **FY26 AND 27**

Agency: **ETF - 515**

Exclude: 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 "FY26" TO "FY26 AND 27".

Agency	Appropriation		Fund Source	\$	FTE	(See Note 1) 5% Change	Proposed Budget 2025-26		Item Ref	Change from Adj Base		(See Note 2) Remove SBAs		Change from Adj Base after Removal of SBAs	
	Alpha	Numeric				Target	Proposed \$	Proposed FTE		\$	FTE	\$	FTE	\$	FTE
515	1t	161	SEG	\$15,848,100.00	0.00	(\$792,400)	\$12,642,200	0.00		(\$3,205,900)	0.00	\$0	0.00	(\$3,205,900)	0.00
515	1w	176	SEG	\$48,269,100.00	287.20	(\$2,413,500)	\$48,517,700	287.20		\$248,600	0.00	(\$248,600)	0.00	\$0	0.00
Totals				\$64,117,200.00	287.20	(\$3,205,900)	\$61,159,900	287.20		(\$2,957,300)	0.00	(\$248,600)	0.00	(\$3,205,900)	0.00

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

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

Target Reduction = (\$3,205,900)

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.