

## EMPLOYEE TRUST FUNDS

Budget Summary						FTE Position Summary				
Fund	2006-07 Adjusted Base	Request		2007-09 Change Over Base Year Doubled		2006-07	Request		2008-09 Over 2006-07	
		2007-08	2008-09	Amount	%			2007-08	2008-09	Number
GPR	\$1,832,600	\$1,565,300	\$1,331,500	-\$768,400	-21.0%	3.50	0.00	0.00	-3.50	-100.0%
SEG	<u>21,513,600</u>	<u>31,358,000</u>	<u>26,880,400</u>	<u>15,211,200</u>	35.4	<u>193.10</u>	<u>256.10</u>	<u>256.10</u>	<u>63.00</u>	32.6
TOTAL	\$23,346,200	\$32,923,300	\$28,211,900	\$14,442,800	30.9%	196.60	256.10	256.10	59.50	30.3%

### Major Request Items

#### 1. STANDARD BUDGET ADJUSTMENTS

GPR	\$381,400
SEG	<u>-463,000</u>
Total	-\$81,600

Request standard adjustments to the base budget totaling \$190,700 GPR and -\$231,500 SEG annually. Adjustments are for: (a) turnover reduction (-\$293,800 SEG annually); (b) removal of noncontinuing elements from base (-\$300,000 SEG annually); (c) full funding of continuing salaries and fringe benefits (\$190,700 GPR and \$239,600 SEG annually); (d) overtime (\$47,200 SEG annually); (e) night and weekend differential (\$74,800 SEG annually); and (f) full funding of lease costs and directed moves (\$700 SEG annually).

#### 2. CUSTOMER SERVICE FUNCTIONS

	Funding	Positions
GPR	-\$381,800	-3.50
SEG	<u>8,758,700</u>	<u>51.00</u>
Total	\$8,376,900	47.50

Request \$4,345,000 and 2007-08 and \$4,031,900 in 2008-09 and 47.5 positions annually for customer service functions, as follows: (a) -\$190,900 GPR and 3.5 GPR positions annually relating to a private employer health care coverage program; (b) \$439,200 SEG in 2007-08 and \$92,000 SEG in 2008-09 for automated operating system costs; (c) \$19,800 SEG in 2007-08 and -\$23,100 SEG in 2008-09 for health insurance data collection and analysis contracts; (d) \$3,388,100 SEG in 2007-08 and \$3,440,600 SEG in 2008-09 and 51.0 SEG positions annually for general program operations; and (e) \$688,800 SEG in 2007-08 and \$713,300 SEG in 2008-09 for other information technology costs.

ETF administers the Wisconsin Retirement System (WRS), which covers all state employees and most local governmental employees except for employees of the City and County of Milwaukee. ETF indicates that the requested staffing increase is needed to reduce backlogs and improve response times for participant requests relating to their retirement and the transition of such individuals to retirement annuities and other post-retirement benefit

programs for health insurance, the accumulated sick leave credit conversion program, life insurance, vision care, and long-term care insurance. These requests are expected to increase during the 2007-09 biennium and beyond due to the aging of the WRS workforce. The 51.0 SEG positions requested include: 33.5 FTE trust fund specialists and assistants; (b) 8.5 FTE administrative positions; (c) 1.0 FTE publications editor; (d) 7.0 FTE information technology positions; and (e) 1.0 FTE accounting position.

Under the request, 3.5 GPR positions currently authorized for an inactive private employer health care coverage program (PEHCCP) would be deleted. Under 1999 Wisconsin Act 9, the Department was directed to design an actuarially sound health care coverage program for small employers and seek a plan administrator so that the plan could be operational by January 1, 2001. The Department was unable to secure bids for a program administrator and subsequently sought a series of statutory changes during the 2001-03 biennium to make the program more attractive to potential plan administrators. While some modifications were enacted, the PEHCCP Board did not believe that they were sufficient to result in a successful program and no additional proposal was circulated for a plan administrator. Under current law, the statutory provisions relating to PEHCCP will be repealed on January 1, 2010.

In the 2005-07 biennium, base level funding and staffing for the program was limited to \$200 GPR annually and the 3.5 GPR unfunded positions. ETF is requesting \$190,700 GPR annually under the standard budget adjustment to provide full funding of continuing salaries and fringe benefits for the 3.5 GPR positions. In turn, the Department is requesting the deletion of \$190,900 GPR and 3.5 GPR positions annually to partially offset funding and position increases associated with increased customer service staffing.

**3. REENGINEERING INFORMATION TECHNOLOGY SYSTEMS**

	Funding	Positions
SEG	\$5,697,500	9.00

Request \$4,936,800 in 2007-08 and \$760,700 in 2008-09 and 6.0 two-year project positions and 3.0 permanent positions annually for reengineering certain information technology (IT) systems as follows: (a) request \$3,162,700 in 2007-08 and \$375,600 in 2008-09 and 2.0 two-year project positions annually for the evaluation and implementation of an integrated lump-sum payment system; (b) request \$1,595,800 in 2007-08 and \$195,300 in 2008-09 and 4.0 two-year project positions annually for the evaluation and planning of an integrated health insurance enrollment, eligibility, and processing system; and (c) \$178,300 in 2007-08 and 189,800 in 2008-09 and 3.0 positions annually for ongoing support for the integrated health insurance enrollment, eligibility, and processing system.

The requested positions include 4.0 two-year project trust funds positions, 2.0 two-year project accountant positions, and 3.0 permanent information systems development positions. The 6.0 project positions are intended to assist with day-to-day operations so that more experienced ETF personnel can participate in the systems evaluation and planning work being proposed.

Lump-sum payments are one-time payments that are made to certain WRS participants whose accounts are being closed for one of several reasons: (a) to pay a separation benefit when a participant leaves WRS service prior to being eligible for a retirement annuity and chooses to withdraw his or her employee contributions and investment earnings; (b) to pay a retirement benefit to a participant whose benefit is below the statutory threshold for a monthly annuity; or (c) to pay a death benefit when an active, inactive, or annuitant participant dies. Such payments require timely processing. Currently, the Department processes 12,000 to 15,000 lump-sum payments annually using a variety of information systems and paper processes. The requested funding and positions would provide resources to evaluate, plan, and implement a single IT system for lump-sum payments that would be integrated into the same technical systems platform utilized by other departmental IT applications.

The Department also administers group health insurance plans for state employees and the employees of local governmental employers enrolled in ETF's Wisconsin Public Employers program. The Department indicates that more than 80,000 employees and 24,000 retirees are currently covered under these health care coverage plans. ETF utilizes two separate systems to administer its health care plan responsibilities: one to manage participant information and one for the collection of premiums from employers. The requested funding and positions would provide resources to evaluate system needs and plan for (but not implement) a single IT system for health care administration that would allow integrated management of participant information and employer premium collection, including secure on-line access to health insurance coverage data for employers and carriers.

The Department's request indicates that upon completion of the evaluation and recommendations for a new health care management system additional resources would be needed to implement the project.

**4. VALUE-BASED HEALTH CARE PURCHASING INITIATIVES**

SEG	\$850,000
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Request \$425,000 annually for three value-based health care purchasing initiatives as follows: (a) \$125,000 annually for a contract with the University of Wisconsin Medical School to retain the services of a medical director to assist ETF and state's Group Insurance Board in establishing health care coverage and bidding requirements, negotiating with health plan providers, developing quality improvement initiatives, and enforcing standards for various types of programs operated by health plan providers; (b) \$150,000 annually to implement various cost containment pilot projects; and (c) \$150,000 annually for ETF's contribution to a joint contract that ETF and the Department of Health and Family Services (DHFS) have with the Wisconsin Health Information Organization to collect, analyze, and publicly report certain health care claims information from insurers and administrators, to develop and maintain a centralized data repository, and to provide to DHFS, without charge, health care claims information and reports requested by DHFS.

Under 2005 Wisconsin Act 25, ETF was provided one-time funding of \$150,000 annually to conduct ongoing evaluations of the long-term value, effectiveness, and quality of existing and

proposed health care cost-containment initiatives. Under 2005 Wisconsin Act 228, \$150,000 in one-time funding was provided to ETF for the costs of contracting (in conjunction with DHFS) for data collection, analysis, and reporting of health care claims information by a data organization. The request is for permanent funding to continue and expand these types of initiatives.

**5. RETIRED EMPLOYEES BENEFIT SUPPLEMENT REESTIMATE**

GPR	- \$768,000
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Request a reduction to base level funding of \$267,100 in 2007-08 and \$500,900 in 2008-09 to reflect decreased amounts necessary to pay benefit supplements for retirees who first began receiving annuities before October 1, 1974. These supplements were authorized primarily by Chapter 337, Laws of 1973, 1983 Wisconsin Act 394, and 1997 Wisconsin Act 26. The reestimate is due to a declining number of retirees eligible for these supplements due to deaths. Current base level funding for the appropriation is \$1,582,400.

**6. ETF BOARD OPERATIONAL FLEXIBILITY**

Request statutory changes to provide greater operational flexibility to the ETF Board and the Department in five areas: (a) the authorization of additional positions and expenditure authority; (b) the creation of continuing appropriations for certain operations; (c) independent contracting; (d) the authority of the ETF Board to appoint independent legal representation without the Governor's approval; and (e) compensation for unclassified ETF executives.

*Position and Expenditure Authority.* Request that, with the approval of the Secretary of the Department of Administration (DOA), the Secretary of ETF may create or abolish full- or part-time positions funded from the Public Employee Trust Fund subject to a 14 day passive review process by the Joint Committee on Finance (JFC). Request that, if a full- or part-time position is created under this process, the appropriation that is used to pay salary and fringe benefit costs for the position would be supplemented to cover the salary and fringe benefit costs for the position.

Request that the Secretary of DOA be authorized to supplement any sum certain appropriation from the Public Employee Trust Fund that the Secretary of DOA determines is insufficient because of unforeseen emergencies or insufficient to accomplish the purpose for which made, if the Secretary finds that an emergency exists, no funds are available for such purposes, and the purposes for which a supplemental appropriation is requested have been authorized or directed by the Legislature, subject to the approval of JFC under a 14-day passive review process.

Request the creation of a SEG sum sufficient supplemental appropriation to supplement sum certain appropriations in ETF from the public employee trust fund for approved funding under these provisions.

Under a 14-day passive review process, JFC would be notified of any proposed change. If, within 14 working days after the date of the notification, the Cochairpersons of the Committee do not schedule a meeting for the purpose of reviewing the proposed action, the changes may be made. If, within 14 working days after the date of the notification, the Cochairpersons schedule a meeting for the purpose of reviewing the proposed action, the changes may be made only upon approval of the Committee.

Under current law, the Department's position authority is established through the biennial budget process or other legislation. Further, the Department may request, under certain circumstances, SEG position authorization and funding under s. 13.10 of the statutes, subject to the approval of JFC.

The Department indicates that the WRS workload growth in the next two years and beyond, as well as the unpredictable pace of this growth, requires a process to provide additional staff resources in a manner more timely than the legislative process or the s. 13.10 process allow.

*Continuing Appropriations.* Request that the Department's SEG appropriation for health insurance data collection and analysis contracts be converted from an annual appropriation to a sum certain continuing appropriation. Request that the Department's SEG administrative appropriation for general program operations be converted from an annual appropriation to an "all monies credited" continuing appropriation.

Under current law, these ETF appropriations are annual appropriations, which are expendable only up to the amount shown in the Chapter 20 appropriation schedule and only for the fiscal year for which made. Except for certain program revenue accounts, at the end of the fiscal year the unencumbered balances in an annual appropriation revert to the fund from which appropriated. For the two ETF annual appropriations affected by this request, the unencumbered balances currently revert to the public employee trust fund.

Continuing appropriations are expendable until fully depleted or repealed by subsequent action of the Legislature. The amount of a sum certain continuing appropriation for a given fiscal year consists of the unencumbered balance in the appropriation account at the end of the previous fiscal year, if any, together with any moneys appropriated for that fiscal year. Under the request, the Department's health insurance data collection and analysis contracts annual appropriation would be converted to a sum certain continuing appropriation.

The second type of continuing appropriation, which may be termed "all monies credited," is not a sum certain appropriation. The amount of a continuing appropriation other than a sum certain appropriation consists of the unencumbered balance in the appropriation account at the end of the previous fiscal year, if any, together with any revenues received during the fiscal year that are directed by law to be credited to the appropriation account. Dollar amounts shown in the Chapter 20 appropriations schedule for a continuing appropriation other than a sum certain appropriation represent the most reliable estimates of the amounts which will be expended during any fiscal year. With some exceptions, a continuing appropriation other than a sum certain appropriation is limited only by the available revenues from which the

appropriation is made. Under the request, the Department's administrative appropriation for general program operations appropriation would be converted to this type of "all monies credited" continuing appropriation.

The ETF budget request indicates that the Department, if provided with these continuing appropriations, would track administrative and management costs by participant category and by major benefit program to ensure that the Department remains a low-cost retirement system administrator in comparison to peer public retirement systems. The Department indicates that it could also report budget and expense data to the ETF Board, the Legislature, the Governor, and WRS participants on a periodic basis. However, no statutory provision is being proposed that would require specific tracking and reporting.

*Contracting Flexibility.* Request that the Department be exempt from certain procurement procedural requirements under current law and be provided the authority to procure services independently of the state process in situations deemed appropriate by the ETF Board. The authority would permit ETF to make purchases independently of DOA, with or without public notice or solicitation of bids or proposals. The procurement procedure and requirements requested by the Department are similar to those that apply to the legislative and judicial branches under current law.

Request that ETF be authorized to use revenues deposited in the public employee trust fund to purchase any materials, supplies, equipment, or services required by the Department. Under the request, the Department would be required to maintain copies of all purchasing requisitions and contracts, and to permit inspection and copying of these requisitions and contracts. The requisitions or contracts would not be required to be filed with DOA. However, ETF would be required to file all bills and statements for purchases and engagements with the Secretary of DOA, who would be required to audit and authorize payment of all lawful bills and statements.

Further, the proposal specifies that DOA, upon request, would be required to make recommendations and furnish assistance to ETF regarding purchasing procedures. Upon request, DOA would be required to process requisitions for purchases submitted by ETF and to procure materials, supplies, equipment, and services for ETF in accordance with the purchasing procedure prescribed for executive branch agencies. All stationery and printing purchased by ETF would be required to be procured from the lowest responsible bidder.

Under the request, ETF would be required to continue to adhere to certain current law requirements to: (a) ensure that at least five percent of the amount that spent on purchases each year is paid to minority-owned businesses; (b) procure certain materials, supplies, equipment, or services from work centers that employ handicapped individuals; (c) require contractors not to practice discrimination in employment and to take affirmative action to ensure equal employment opportunities; (d) use specifications developed by DOA that are designed to ensure maximum use of recycled and recovered materials and products made from materials that are recyclable or recoverable and to ensure that purchased paper has at least 40% recycled or recovered content; (e) ensure that energy-consuming equipment generally meet standards

developed by DOA; and (f) ensure that whenever all other factors are substantially equal, to make purchases from Wisconsin-based businesses and purchase products made from American-made materials.

Under current law, state agencies, with some exceptions, must make all purchases of materials, supplies, equipment, or services through DOA, although DOA may delegate authority to state agencies to make purchases independently of DOA. If DOA delegates this purchasing authority, the agency must adhere to all statutory requirements that would apply if DOA made the purchases. With some exceptions, purchases must be made by solicitation of bids or competitive sealed proposals preceded by public notice. Agencies are also required to purchase available computer services from DOA, unless DOA permits otherwise.

Under current law, with certain exceptions, ETF must make procurements in accordance with the DOA procurement process. ETF indicates that the procurement of services under the DOA statutory process is not always cost-effective for ETF and, in certain circumstances, should be conducted by ETF itself. The Department indicates that, under the proposal, most procurements would continue to be obtained under the DOA process.

*Appointment of Legal Counsel.* Request that the ETF Board be authorized, at its discretion, to appoint legal counsel to represent the ETF Board without the prior approval of the Governor. While the ETF Board is currently authorized to employ or contract for legal services, no agency, including ETF, may employ legal counsel without the approval of the Governor. The Department indicates that it believes that it is essential for the ETF Board to independently appoint legal counsel in cases where the interests of the public employee trust fund may conflict with the interests of the state.

*Compensation for Unclassified Executives.* Request authority for the ETF Board to create and administer a compensation plan for 3.0 SEG unclassified executive positions in the Department. The positions include the ETF secretary, the deputy secretary, and the executive assistant. The plan would be developed by the Board with the assistance of departmental human resources staff and outside consultants. The request indicates that the Board believes that compensation levels for these employees need to be increased to conform with peer public retirement systems in order to attract qualified executive management.

Under current law, the ETF unclassified positions are paid under rates established for executive salary groups (ESG). The Secretary is assigned to ESG 7, with a current annual salary range between \$89,494 to \$138,716, under the pay schedules of the 2005-2007 state compensation plan. The actual salary of the Secretary is established by the ETF Board within the salary range associated with the position's assigned ESG level.

The Deputy Secretary of ETF is currently assigned to the executive salary group one group below that of the Secretary, and the Department's Executive Assistant is currently assigned to the executive salary group two groups below that of the Secretary. The Deputy Secretary is compensated at the ESG 6 level (with an annual salary range of \$82,864 to \$128,441), and the Executive Assistant is compensated at the ESG 5 level (\$76,726 to \$118,926).