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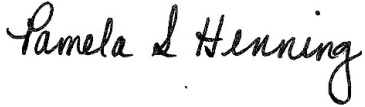
Correspondence Memorandum

Date: March 22, 2021
To: Employee Trust Funds Board
From: Tarna Hunter, Legislative Liaison
Subject: 2021-23 Biennial Budget

This memo is for informational purposes only. No Board action is required.

This memo summarizes the Department of Employee Trust Funds' (ETF) request for the 2021-2023 biennial budget submission to the Department of Administration. The period covered by the budget request is July 1, 2021 - June 30, 2023. The schedule for review and action by the Governor and Legislature is anticipated to be as follows:

<u>Stage</u>	<u>Anticipated Schedule</u>
Agency Budget Request Due	September 2020
Governor Issues Budget Recommendations	January/February 2021
Review and Action by the Joint Committee on Finance (JCF)	February – June 2021
Action by Full Legislature	June 2021
Final Enacted Budget	July 2021

Reviewed and approved by Pam Henning, Assistant Deputy Secretary

 Electronically Signed 03/22/21

Board	Mtg Date	Item #
ETF	03.25.21	6C
BUD	03.25.21	7

Department of Employee Trust Funds
Summary of Fiscal 2021-2023 Biennial Budget Request
 Updated March 22, 2021

	FY 2022		FY 2023	
	FTE	Funding	FTE	Funding
Adjusted Base – SEG	274.20	\$49,694,400	274.20	\$49,694,400
Adjusted Base – GPR	0.00	\$56,400	0.00	\$56,400
ETF Request Over Base* - SEG	3.00	\$1,508,200	3.00	\$1,679,200
ETF Request Over Base** - GPR	0.00	(\$14,400)	0.00	(\$23,300)
Governor’s Recommendations	0.00	\$1,770,500	0.00	\$1,368,500
Joint Committee on Finance				
Legislature				
Final Enacted Budget				

SEG = Segregated funding
 GPR = General Purpose Revenue funding
 *Includes new initiatives and standard technical adjustments.
 **GPR funding is a reduction from 2019-21 biennium.

ETF’s 2021-23 budget consists of an overall increase of 2.75% all funds, including a 2.75% increase in SEG funds and a 33.42% decrease in GPR funds. Below is a table detailing ETF’s funding for the 2021-23 biennium.

Funding Item	FY 2022 Funding	FY 2023 Funding
Adjusted Base	\$49,750,800	\$49,750,800
Full Funding of Positions and Operations	\$1,414,700	\$1,414,700
Turnover Reduction	(\$579,500)	(\$579,500)
Removal of Noncontinuing Elements from the Base	(\$38,000)	(\$228,500)
Annuity Supplements	(\$14,400)	(\$23,300)
Overtime + Night & Weekend	\$117,900	\$117,900
DOA Lease & Directed Moves	\$14,500	\$14,500
IT Modernization Operational Costs	\$317,300	\$424,200
Continuation of 3.0 FTE Project Positions	\$38,000	\$228,500
Data Management Positions – 1.0 FTE	\$0	\$0
Cybersecurity Positions – 2.0 FTE	\$0	\$0
School Districts Participation in GHIP Study	\$500,000	\$0
Total	\$51,521,300	\$51,119,300

On February 16, 2021, Governor Evers gave his 2021-2023 State Budget Address. The [budget bill](#) has been submitted to the Legislature, where both houses will spend the next few months analyzing the bill and making modifications. Usually, in summer, the Legislature will deliver an amended budget bill to the Governor for review, approval and/or partial veto.

Upon initial review, we have identified a number of provisions affecting ETF and/or Wisconsin Retirement System (WRS) benefit programs. Some of the highlights include:

ETF Administration and Oversight

- **General Wage Adjustments** – Provides general wage adjustments for most state employees of 2% on January 1, 2022, and an additional 2% on January 1, 2023.
- **Full Funding of Salary and Fringe Benefits** – Continues full funding of ETF's current operations. The proposed ETF 2021-23 budget consists of an overall funding increase of approximately 3%.
- **Project Positions** – Provides for the continuation of three 4-year project positions (2.0 FTE SEG Trust Funds Specialist and 1.0 FTE SEG Accountant positions). ETF requested that the current project positions be converted to permanent. Instead, the budget authorized the project positions.
- **Support for Modernization-Related Ongoing IT Expenses**– Provides a permanent increase to base funding of \$317,300 in FY 2022 and \$424,200 in FY 2023 to support increases for ongoing operational IT expenses related to recent ETF modernization efforts, including the re-designed ETF website, data management tools, project management software, appointment scheduling software, and automatic call distribution software.
- **Retirement Boards Consolidation** – Consolidates the Wisconsin Retirement Board and the Teachers Retirement Board into the Employee Trust Funds (ETF) Board. The proposed merger reduces the number of boards from three to one and the number of retirement board member positions from 35 to 13. The new ETF Board would include two ex officio members, five gubernatorial appointees, and six members elected by WRS constituents.
- **State of Wisconsin Investment Board (SWIB) Membership** – Provides the secretary of ETF or his or her designee and one WRS participant appointed by the ETF Board are members of the SWIB Board.

- **Oversight of Disability Programs** – Transfers oversight of the Income Continuation Insurance and Long-Term Disability Insurance programs from the Group Insurance Board (GIB) to the ETF Board.
- **Internal Auditor** – Creates the Office of Internal Audit attached to ETF. The bill requires the ETF Board to appoint an internal auditor and internal audit staff within the classified service who report directly to the ETF Board. ETF's internal auditor and staff shall continue to serve until the ETF Board makes an appointment under this provision.
- **Trust Fund Earnings Allocation** – Provides that ETF may distribute investment gains and losses of the core and variable trust funds accounts by calculating a simple average balance using the beginning and end of year balances. Current statutory language provides that investment gains and losses shall be distributed in a ratio of each participating account's average daily balance to the total average daily balance of all participating accounts. The change is needed to align statutory language with current administrative practices.

Retirement Services

- **Domestic Partnerships** – Reinstates domestic partnership benefits for all state and local government employee insurance programs administered by the Department of Employee Trust Funds.
- **Return to Work for Retiring Teachers** – Provides that school districts may rehire an annuitant teacher if: (a) at least 15 days have passed since the teacher left employment with a district; (b) at the time of retirement, the teacher does not have an agreement with any school district to return to employment; and (c) upon returning to work, the teacher elects to not become a participating employee and to continue receiving their annuity.
- **Urban Search and Rescue Task Force** – Includes a number of changes to Wisconsin's regional structural collapse team contracted with the Division of Emergency Management in the Department of Military Affairs (DMA). The bill allows DMA to reimburse a local employer for any increase in contributions for duty disability premiums because an employee incurred an injury while performing duties as a member of an urban search and rescue task force.

Health Insurance

- **Participation of School Districts in GHIP** – Requires GIB to conduct a study of the potential costs and savings to school districts and current participants of mandating participation by all school districts in the state in the Group Health Insurance Program. The bill also requires GIB to submit a written report of the

study to the governor and JCF by June 30, 2022. Additionally, the bill requires Office of Commissioner of Insurance (OCI) to create a task force (includes ETF Secretary) to develop and submit an implementation plan to the Governor and JCF no later than December 31, 2022. The bill provides one-time funding of \$500,000 SEG to complete the study.

- **Health Insurance** -- Changes the date that an employee is eligible for health insurance to the first day of the second month for most state employees other than limited-term appointments.
- **Telehealth** – Requires health insurance policies and self-insured governmental health plans to cover a treatment or service that is provided through telehealth if the treatment or service is covered by the policy or plan when provided in person. A policy or plan may limit its coverage to those treatments or services that are medically necessary.

The budget did not include 3.0 FTE positions that were requested to support ETF's cybersecurity and data management efforts. It also did not include ETF's disability redesign proposal. However, this is the beginning of the budget process and there will be many changes to the budget in the coming months. We will look for other opportunities to accomplish the needed changes.

I will be available at the March 25, 2021, Board meeting to answer any questions.