



STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
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CORRESPONDENCE MEMORANDUM

DATE: June 9, 2010

TO: Employee Trust Funds Board
Budget and Operations Committee

FROM: Jon Kranz, Director
Office of Budget and Trust Finance

SUBJECT: Department Supplemental Funding Request (13.10)

This memorandum is for informational purposes only. No action is required.

Attached, please find the Department's Supplemental Funding Request (13.10) sent to the Joint Finance Committee on June 2, 2010. We will discuss this at the Budget and Operations Committee and Employee Trust Funds Board on June 24, 2010.

Attachment

Reviewed and approved by Robert Conlin, Deputy Secretary.	
_____ Signature	_____ Date

Board	Mtg Date	Item #
BUD	6.24.10	3A
ETF	6.24.10	4D



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June 2, 2010

The Honorable Mark Miller
Co-Chair, Joint Committee on Finance
317 East, State Capitol
Madison, WI 53707

The Honorable Mark Pocan
Co-Chair, Joint Committee on Finance
309 East, State Capitol
Madison, WI 53708

Dear Co-Chairs Miller and Pocan:

The Department of Employee Trust Funds (Department) requests \$2,420,500 SEG in fiscal year (FY) 2011 and 14.5 permanent SEG full-time equivalent (FTE) positions in the appropriation under s. 20.515 (1)(w) to address operational needs required to administer benefit programs for state and local government employees. Sufficient funding exists in the segregated Public Employee Trust Fund to cover the requested increase in expenditure authority. This request will have no impact on Wisconsin Retirement System (WRS) annuity adjustments for retirees or contribution rates for employers or active employees.

As part of the FY 2009-2011 biennial budget development process, the Joint Committee on Finance (JCF) reserved a total of \$2,292,400 SEG (\$798,600 in FY 2010 and \$1,493,800 in FY 2011) for the purpose of providing supplemental funding to the Department. At its December 17, 2009 meeting, the Committee provided the Department with \$1,160,000 in funding (\$488,500 in FY 2010 and \$671,500 in FY 2011) and an additional 4.0 permanent SEG FTE. The funding and the positions were used to address immediate workload needs and to begin infrastructure improvements to allow the Department to provide adequate service levels to WRS members and participating employers. At this time, \$1,132,400 remains in the Committee's SEG reserve appropriation and is available to support Department initiatives related to customer service and infrastructure improvements.

The Department administers retirement and other fringe benefit programs for over 550,000 members (retirees, active, and inactive) and nearly 1,500 public employers across Wisconsin. Roughly 75% of our active members are employed at the local government level (teachers, police officers, firefighters, etc).

Background of Request

This request responds to a provision in 2009 Wisconsin Act 28 (FY 2009-11 state biennial budget) authorizing the Department to request ongoing operating resources without the need to demonstrate that an emergency exists. Act 28 included non-statutory provisions that allow the Department to request additional funding and positions required to efficiently and effectively administer the provisions of Chapter 40 of the Wisconsin Statutes. These provisions require

that the Secretary of the Department develop a methodology for determining the FTE position level required to administer the various programs funded by the segregated Public Employee Trust Fund. The Department submitted the methodology with its December 2009 supplemental funding request.

The Department also developed, and the ETF Board approved, a five-year strategic business plan that will allow the agency to achieve the following goals:

- Offer more on-line and self-service options to WRS members and employers in addition to the traditional service model, which is more reliant on person-to-person interactions. This will provide members with better and expanded access to benefit information, account/member specific information, and the ability to apply for benefits without reliance on staff resources. Self-service options will allow the Department to provide services to a growing retiree population while increasing efficiencies.
- Expand outreach services to reach underserved areas of the state to allow for better retirement planning, problem solving, and general education regarding the benefits provided.
- Improve the infrastructure such as human resources, information technology, and facilities to ensure the Department has the capacity to effectively and efficiently serve current and future member needs.
- Incorporate industry best practices into agency activities by continually evaluating all work processes to ensure the Department is meeting member needs in a cost-effective manner.

As mentioned earlier, the Department requested and the Committee approved additional funding and positions under these Act 28 provisions in December 2009. While the methodology indicated a need for 97 positions, the Department requested only 4.0 permanent positions due to a lack of space in our current facility. Since the December meeting, the Department has worked with Department of Administration officials to identify additional space in an existing state office building to address our short-term facility needs. The additional space is expected to be ready for occupancy in September 2010.

The focus of this request is to obtain the resources necessary to address immediate workload needs and to continue the process of creating the infrastructure necessary to achieve the goals identified during the Department's strategic planning process. If this request is approved, the Department intends to deploy the resources as follows:

Customer Service and Outreach (10.5 FTE and \$689,700)

- Staffing and funding to improve outreach efforts with both members and employers. These efforts will allow the Department to increase efforts to reach members who live outside the Madison-area, as well as provide additional training and technical services to participating employers.

- Staffing and funding to fully implement the newly-created member identification number (ID) to be used in place of a member's social security number, which will enhance the protection of personal data. These resources will be used to streamline existing processes and develop business rules for ensuring efficient and secure processing of transactions.
- Staffing and funding to enhance transactional processing for the various insurance programs and cost containment efforts (wellness and disease management) in the health insurance programs. Included in this initiative are resources to provide technical support to members in the health insurance program who will be utilizing the recently completed web-based tool that provides on-line enrollment and change processing. The web-based tool will greatly reduce processing time and will improve the accuracy of health insurance information; however, we anticipate a heavy volume of contacts from members about this new tool as this is the Department's first foray into on-line self-service.

Infrastructure and Data Security (4.0 FTE and \$1,730,800)

- Staffing and funding to have a dedicated resource solely for ensuring current and future information technology systems have the appropriate controls to better protect sensitive and private information. As the Department creates new systems to allow members increased on-line services using member specific data, it is essential to have dedicated resources to ensure that the appropriate security controls are implemented and tested.
- Staffing and funding to provide in-house web design and maintenance services coincident with the implementation of on-line tools for members and employers. The web will be a major tool used by members and resources are needed to ensure that these tools provide members with easy-to-use services.
- Staffing and funding dedicated to developing and maintaining tools used for the creation, implementation, and maintenance of information technology applications developed in-house. This will allow the Department to deploy new and enhanced programs in a consistent and easy-to-maintain manner, reflecting industry best practices.
- Staffing and funding to increase in-house computer support needed by Department users to provide on-site support in the satellite facility that ETF will be occupy in September 2010.
- Increased funding to support the Department's automated operating systems. For example, the Department has successfully launched three major IT projects over the past year and a half; a lump sum payment system, a benefit payment system and a health insurance enrollment system. As a result, the Department's operational IT costs have increased.

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Conclusion

The Department is one of the lowest-cost providers of retirement services when compared to peer public retirement systems in the United States. Member demand for the Department's services is increasing along with the aging of the baby-boom generation. Meanwhile, the Department's administrative resource base has remained relatively constant. The resources requested are consistent with the methodology developed by the Department to determine the appropriate position level as required by Act 28. If this request is approved, the total staffing level of the Department will still be considerably below the level suggested by the submitted methodology and well below the staffing levels of peer public systems.

Approval of this request will allow the Department to continue developing the infrastructure required to provide additional on-line tools to enhance member services while allowing the Department to address current workload levels in a way that doesn't completely rely on positions. The Department's FY 2011-13 biennial budget request is expected to include initiatives that will build on those included in this request.

Your consideration of this request is greatly appreciated. I intend to be available at the Committee meeting to answer any questions you may have. However, please do not hesitate to contact me at (608) 266-0301 or Jon Kranz, Director of Budget and Trust Finance, at (608) 267-0908 if you have any questions prior to the meeting.

Sincerely,

David A. Stella
Secretary