



STATE OF WISCONSIN
Department of Employee Trust Funds
 Robert J. Conlin
 SECRETARY

Wisconsin Department
 of Employee Trust Funds
 PO Box 7931
 Madison WI 53707-7931
 1-877-533-5020 (toll free)
 Fax 608-267-4549
 etf.wi.gov

Correspondence Memorandum

Date: November 13, 2020
To: Employee Trust Funds Board
From: Tim Steiner, Director
 Bureau of Budget, Contract Administration and Procurement
Subject: Operational Updates on Procurement, Contract, and Agency Spending

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

Current Status of Active ETF Board Contracts

Consulting Actuaries

The Department of Employee Trust Funds (ETF) conducted an annual staff and Board survey regarding the 2020 performance of actuaries Gabriel Roeder Smith (GRS) and Milliman. This survey is conducted to inform decisions on (1) whether to extend the [actuary's] contract or initiate the 180-day termination notice, and (2) if the contract is extended, what percentage of increase, if any, will be added to [the actuary's] current retainer fee for the following calendar year. Only staff who worked with each actuary in 2020 were asked to respond to the survey.

Eight staff received the GRS survey and three responded. All Board members received the GRS survey and eight responded.

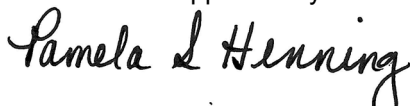
Sixteen staff received the Milliman survey and twelve responded. Both the ETF Board and the Group Insurance Board received the Milliman survey and thirteen responded.

Wisconsin Retirement System and Related Programs Actuary:

- 100% of staff who responded to the GRS survey were highly satisfied with their 2020 performance. No recommendations for improvement were noted.
- 50% of responding ETF Board members were satisfied and 50% were highly satisfied with GRS's 2020 performance. No recommendations for improvement were noted.

Wisconsin Group Insurance and Disability Program Actuary:

- 42% of responding staff were satisfied and 58% were highly satisfied with Milliman's 2020 performance. No recommendations for improvement were noted.

Reviewed and approved by Pamela Henning, Assistant Deputy Secretary

 Electronically Signed 11/20/20

Board	Mtg Date	Item #
ETF	12.10.20	5K

- 85% of respondents from the Group Insurance Board and the ETF Board were satisfied and 15% were highly satisfied with Milliman's 2020 performance. No recommendations for improvement were noted.

Professional Staffing Services

The goal was to award and negotiate a contract for hiring contractors for non-IT functions such as benefits specialists and accountants. As of November 2020, ETF concluded the procurement for professional staffing services, issued a Notice of Intent to Award, and signed contracts with the following staffing vendors:

- Solution Staffing Inc. d/b/a Celerity Staffing Solutions - Middleton, Wisconsin
- Kforce Inc. - Tampa, FL
- ManpowerGroup US Inc. - Milwaukee, WI
- Premier Staffing Source, Inc. - Lanham, Maryland
- DI & Associates, Inc., d/b/a Spherion Staffing LLC - Madison, WI
- Peoplelink LLC d/b/a TeamSoft - South Bend, Indiana

Current Status of Active ETF Procurements

Federal Tax Counsel

ETF has published a Request for Proposals for federal tax counsel. Proposals are due November 20, 2020. The evaluation committee will begin reviewing proposals shortly thereafter.

Insurance Administration System (IAS)

A notice of intent to award a contract, contingent on the best outcome of a proof of concept exercise for IAS was issued to two vendor finalists. Proof of concept exercises will begin in January 2021 and are expected to take nine weeks.

Master Data Management (MDM) Software

ETF purchased Semarchy's MDM software and began implementing with Viqtor Davis (VQD) in October 2020. The MDM software license and VQD implementation costs for the first year, November 1, 2020 through October 31, 2021 is \$289,166.

Application Programming Interface (API) and Event Management (EM) Software

ETF is in the process of purchasing MuleSoft/Salesforce API software, implementation services, and cloud hosting services.

ETF Operational Financial Reporting

Administrative Appropriation Charges

Information on ETF administrative expenses through the third quarter of calendar year 2020 are reported below. ETF spent \$10.6 million on administrative expenses in the 3rd quarter of calendar year 2020, a 4.0% increase from the third quarter of calendar year 2019, where ETF spent \$10.2 million.

Year-to-year, for the year ending 9/30, there was an approximately \$3.1 million increase in contractual services spending. This is the result of several IT modernization projects that are underway within ETF, including the acquisition and ongoing implementation of a new Enterprise Content Management system.

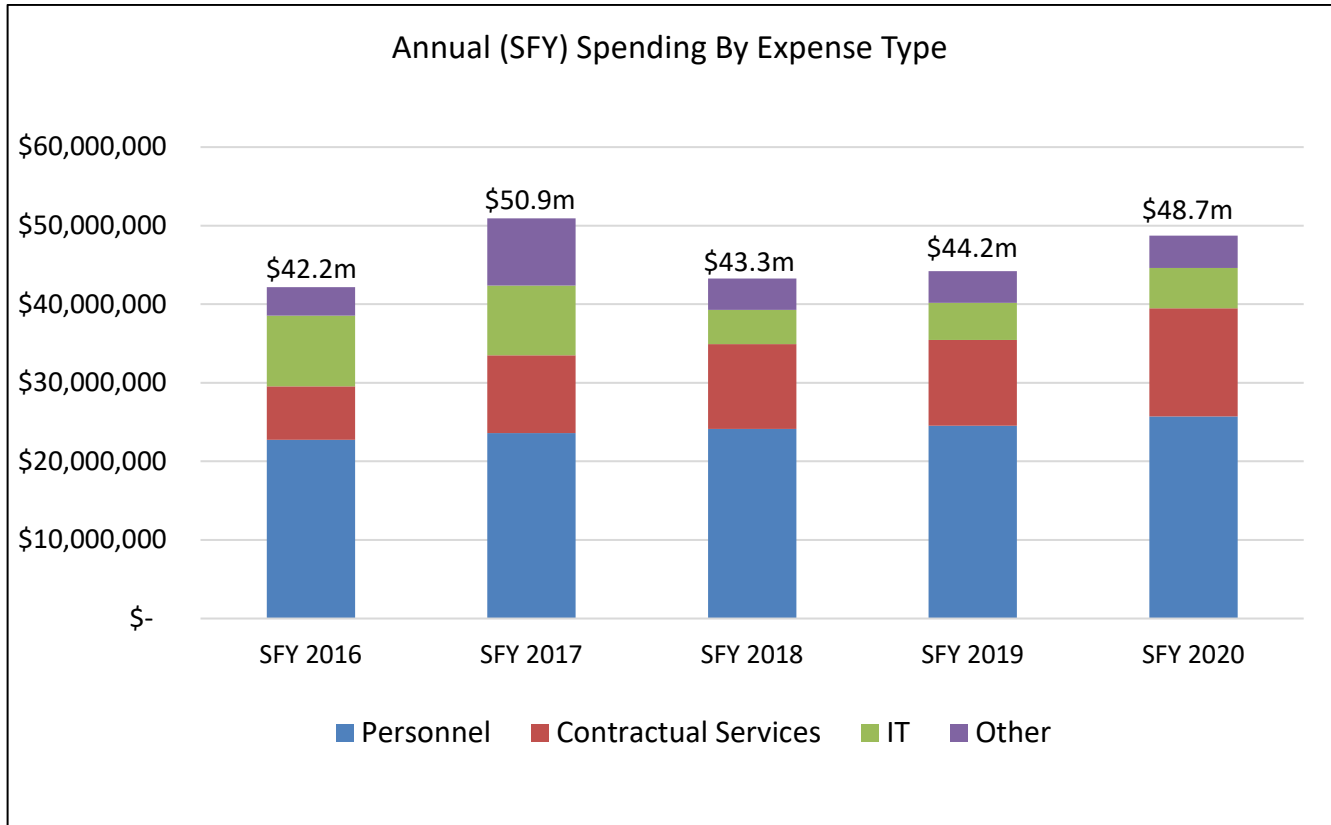
Quarterly ETF Administrative Expenses (Third Quarter 2020)

Expense Summary	4th Quarter Calendar Year 2019	1st Quarter Calendar Year 2020	2nd Quarter Calendar Year 2020	3rd Quarter Calendar Year 2020	Year Ending 9/30/19	Year Ending 9/30/20
Salary and Fringe (FTE)	\$5,785,004	\$7,031,819	\$6,837,316	\$6,096,503	\$23,967,423	\$25,750,643
Limited Term Employees (LTEs)	\$69,910	\$65,943	\$57,309	\$46,274	\$418,355	\$239,437
Supplies and Services						
Contractual Services	\$2,906,610	\$3,554,701	\$4,995,020	\$2,656,209	\$10,944,931	\$14,112,540
IT	962,644	1,561,122	1,612,278	842,844	4,413,398	4,978,888
Rent	493,815	493,733	489,899	503,663	1,917,813	1,981,108
Mail	-24	212,011	335,682	245,927	778,398	793,597
Travel/Training	66,319	52,009	-4,415	17,996	258,765	131,909
Other/Misc.	189,907	670,940	77,321	211,477	1,165,494	1,223,776
Subtotal	\$4,619,271	\$6,544,515	\$7,505,785	\$4,478,115	\$19,478,799	\$23,221,817
Total	\$10,474,185	\$13,642,277	\$14,400,410	\$10,620,893	\$43,864,578	\$49,211,897

The State Fiscal Year (SFY) 2020 closed on June 30, 2020. ETF spent \$48.7 million in SFY 2020, a \$4.5 million (10.2%) increase from SFY 2019.

- Though spending increased in SFY 2020, it was below ETF's approved \$53.5 million operating budget. Total spending and encumbrances (i.e. the amount of money in the budget set-aside for future spending/obligations) totaled \$51.0 million, which was \$2.5 million less than budgeted.
- Spending increases were largely driven by a \$2.8 million increase in contracted service expenses, which resulted from ETF embarking on several projects designed to modernize outdated and inefficient IT systems.

Annual ETF Expenses (SFY 2016 – SFY 2020)



ETF Operating Budget vs. Actual Comparison (Using Quarter 1 Expense Data)

For SFY 2021, ETF approved a \$55.1 million operating budget based on \$50.6 million in new spending authority and \$17.9 million in continuing (carryover) spending authority.

- Agency spending is expected to increase in SFY 2021 as modernization efforts continue.
- Modernization-related IT expenses anticipated in SFY 2021 include (but are not limited to) acquisition of an insurance administration system and several tools needed to build and enhance ETF’s data management program.

SFY 2021 first quarter projections estimate a \$200,000 increase over the approved operating budget. This was due to slightly higher salary and fringe benefit costs than initially estimated. It is not uncommon for additional savings to be realized as the fiscal year progresses, which sometimes help offset increases in other categories.

Program Appropriation Charges

Information on non-benefit disbursements charged to ETF’s benefit program appropriations for the one-year period ending on September 30, 2020 are reported below. Reported costs include third-party administration expenses, as well as data warehouse and analytical service expenses. Costs reported do not include:

- indirect expenses that are charged to ETF’s operational appropriations, such as: staff salaries and fringe benefits, travel/training, rent, contract staff, and other contractual services; or
- benefit disbursements made to participants.

Quarterly Non-Benefit Disbursements Charged to Benefit Program Appropriations¹

Expense Summary	4th Qtr Calendar 2019	1st Qtr Calendar 2020	2nd Qtr Calendar 2020	3rd Qtr Calendar 2020	Year Ending 9/30/20
Third-Party Administration					
Health Insurance	\$4,400,138	\$4,612,298	\$5,094,475	\$4,396,014	\$18,502,925
Life Insurance	1,026,879	1,017,751	1,033,048	1,055,427	4,133,105
Income Continuation Insurance	564,825	564,825	776,258	384,269	2,290,177
ERA and Commuter Benefits	220,737	330,716	221,095	147,710	920,258
Wisconsin Retirement System	99,675	99,675	136,987	67,812	404,149
Other Administrative					
Health Data Warehouse	\$103,370	\$124,670	\$138,113	\$130,630	\$496,783
Total Costs	\$6,415,624	\$6,749,935	\$7,399,976	\$6,181,862	\$26,747,397

¹ Information is presented on a cash rather than accrual basis.

Staff will be available at the meeting to address any questions.