



**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:** March 1, 2021  
**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**

Gabriel, Roeder, Smith & Company (GRS) Consulting Actuary for Wisconsin Retirement System and Related Programs

GRS satisfied its 2020 contract performance requirements and received satisfactory performance reviews by the Department of Employee Trust Funds (ETF) and the ETF Board. Consequently, the GRS contract was amended to increase the retainer fee by the inflationary rate of 1.18% to \$254,584 for calendar year 2021, up from \$251,615 for calendar year 2020 for services described under request for proposals ETD0011. This amendment (13) was signed by the ETF Secretary on January 6, 2021.

ETF also signed an amendment with GRS for GASB valuation reports for the Supplemental Health Insurance Conversion Credit (SHICC) program. The costs for this work in calendar year 2020 will not exceed \$25,000 and include implementation and reports covering 2017, 2018, and 2019. The costs for each subsequent year report will not exceed \$17,500. This amendment (12) was signed by the ETF Secretary on August 21, 2020.

Milliman, Inc. Consulting Actuary for Wisconsin Group Insurance and Disability Programs

Milliman satisfied its 2020 contract performance requirements and received satisfactory performance reviews by ETF and the ETF Board. Consequently, the Milliman contract was amended to increase the retainer fee by the inflationary rate of 1.18% to \$130,122 for calendar year 2021, up from \$128,604 for calendar year 2020 for services described under request for proposals ETD0013. This amendment also included:

- State and Local Retiree Life Insurance GASB 74 Implementation Services for \$25,000.
- Responding to audit inquiries, etc. invoiced at hourly rates and capped at \$3,000 or requiring prior ETF approval if hours will exceed \$3,000.

Reviewed and approved by Pamela Henning, Assistant Deputy Secretary

*Pamela L Henning*

Electronically signed 3/10/21

Board	Mtg Date	Item #
ETF	3.25.21	6H

This amendment #12 was signed by the ETF Secretary on January 25, 2021.

Contract Compliance Audit Services for the Income Continuation Insurance Program

A contract with Wipfli to perform a compliance audit on the income continuation insurance contract for years 2018, 2019, 2020 at a cost of \$22,300 was signed by the ETF Secretary in December 2020.

Master Data Management (MDM) Software

ETF purchased Semarchy's MDM software from the reseller Carahsoft through an existing NASPO Cloud contract to which the State of Wisconsin is a signatory on October 30, 2020. The software subscription was \$148,255. ETF purchased Victor Davis' implementation services from Carahsoft on October 22, 2020 for \$141,000. Implementation of Semarchy's MDM software continues with an expected completion date in June 2021 and expected launch of this system in September 2021.

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

ETF has purchased MuleSoft/Salesforce API/EM software, implementation services, and cloud hosting services from the reseller Carahsoft through an existing NASPO Cloud contract to which the State of Wisconsin is a signatory on November 24, 2020. The software subscription and implementation cost is \$371,039. On February 11, 2021, ETF signed a change request adding 200 hours of Mulesoft implementation services for an additional cost of \$56,042. Implementation of Mulesoft's API/EM software continues with an expected completion date in April 2021 and expected launch of this system in September 2021.

**Current Status of Active ETF Procurements**

Federal Tax Counsel

The ETF Secretary agreed with the evaluation committee's recommendation to issue a notice of intent to award a contract to Ice Miller. The Department is in contract negotiations with Ice Miller with an expected start date of July 1, 2021.

Insurance Administration System

Proof of concept exercises are underway with the two vendor finalists and are expected to be completed by end of April 2021 at which time contract negotiations will begin.

**ETF Operational Financial Reporting**Administrative Appropriation Charges

Information on ETF administrative expenses through the fourth quarter of calendar year 2020 is reported below. Year-to-year, for the year ending 12/31, there was an approximately \$3.1 million increase in contractual services spending. This is the result of additional spending to support ETF modernization efforts, including the purchase of IT software and hiring of additional contractors.

**Quarterly ETF Administrative Expenses (Fourth Quarter CY 2020)**

Expense Summary	1st Quarter Calendar Year 2020	2nd Quarter Calendar Year 2020	3rd Quarter Calendar Year 2020	4 <sup>th</sup> Quarter Calendar Year 2020	Year Ending 12/31/19	Year Ending 12/31/20
<b>Salary and Fringe (FTE)</b>	\$7,031,819	\$6,837,316	\$6,096,503	\$6,944,384	\$24,607,820	\$26,910,022
<b>Limited Term Employees (LTEs)</b>	\$65,943	\$57,309	\$46,274	\$63,825	\$352,555	\$233,351
<b>Supplies and Services</b>						
Contractual Services	\$3,554,701	\$4,995,020	\$2,656,209	\$3,158,276	\$11,287,001	\$14,364,206
IT	1,561,122	1,612,278	842,844	1,762,750	4,832,899	5,778,994
Rent	493,733	489,899	503,663	502,168	1,951,940	1,989,463
Mail	212,011	335,682	245,927	35,965	828,641	829,585
Travel/Training	52,009	-4,415	17,996	11,247	275,503	76,837
Other/Misc.	670,940	77,321	211,477	481,638	1,215,602	1,441,376
Subtotal	\$6,544,515	\$7,505,785	\$4,478,115	\$5,952,044	\$20,391,586	\$24,480,461
<b>Total</b>	<b>\$13,642,277</b>	<b>\$14,400,410</b>	<b>\$10,620,893</b>	<b>\$12,960,253</b>	<b>\$45,351,961</b>	<b>\$51,623,834</b>

ETF Operating Budget vs. Actual Comparison (Using Quarter 2 Expense Data)

For State Fiscal Year (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 second quarter budget projections estimate \$800,000 in underspending. This resulted from various factors including lower than estimated IT software expenses.

**Program Appropriation Charges**

Information on non-benefit disbursements charged to ETF’s benefit program appropriations for the one-year period ending on December 31, 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 Appropriations<sup>1</sup>**

Expense Summary	1st Qtr Calendar 2020	2nd Qtr Calendar 2020	3rd Qtr Calendar 2020	4th Qtr Calendar 2020	One-Year Ending 12/31/20
<b>Third-Party Administration</b>					
Health Insurance	\$4,612,298	\$5,094,475	\$4,396,014	\$4,705,813	\$18,808,600
Life Insurance	1,017,751	1,033,048	1,055,427	1,065,695	4,171,921
Income Continuation Insurance	564,825	776,258	384,269	576,404	2,301,756
ERA and Commuter Benefits	330,716	221,095	147,710	162,462	861,984
Wisconsin Retirement System	99,675	136,987	67,812	101,718	406,192
<b>Other Administrative</b>					
Health Data Warehouse	\$124,670	\$138,113	\$130,630	\$138,612	\$532,025
<b>Total Costs</b>	<b>\$6,749,935</b>	<b>\$7,399,976</b>	<b>\$6,181,862</b>	<b>\$6,750,705</b>	<b>\$27,082,478</b>

<sup>1</sup> Information is presented on a cash rather than accrual basis.

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