



STATE OF WISCONSIN
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Correspondence Memorandum

Date: May 21, 2021

To: Employee Trust Funds Board

From: Tim Steiner, Director
 Bureau of Budget, Contract Administration and Procurement

Subject: Operational Updates on Procurement, Contract Administration, 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 (WRS) and Related Programs

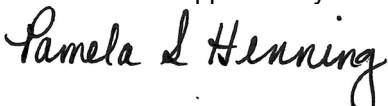
The ETF Secretary signed amendment #14 with GRS on April 7, 2021 that included:

- A three-year experience analysis for the Wisconsin Sick Leave Conversion Credit Programs, including the Accumulated Sick Leave Conversion Credit (ASLCC) program and the Supplemental Health Insurance Conversion Credit (SHICC) program for \$30,000. It is expected that this work will be performed every three years and future costs are capped at the lower of the rate of inflation or 3%;
- Clarification regarding the first \$10,000 worth of contractor consulting time responding to auditor inquiries to be included in the annual retainer fee; and
- Clarification regarding the first \$5,000 worth of contractor consulting time for WRS benefit calculations and limitations per Internal Revenue Code § 415(b) to be included in the annual retainer fee.

PillarRx Compliance Audit Services for Pharmacy Benefits Manager (PBM) Contract:
 Amendment #1 with PillarRx was signed by the ETF Secretary in March 2021 for compliance audits on the PBM contract for years 2021-2024 at a cost of \$113,000 per year.

Federal Tax Counsel

The ETF Secretary signed a contract with Ice Miller on April 9, 2021. The pricing terms will begin July 1, 2021 through June 30, 2022, with the option to review for five additional one-year periods.

Reviewed and approved by Pamela Henning, Assistant Deputy Secretary
 Electronically Signed 5/28/21

Board	Mtg Date	Item #
ETF	6.17.21	5F

Master Data Management (MDM) Software

Implementation of the MDM software continues with an expected launch of this system in September 2021.

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

Implementation of the API/EM software continues with an expected launch of this system in September 2021.

Insurance Administration System

After concluding proof of concept (POC) exercises with the two vendor finalists and presenting results to ETF's Strategic Council, ETF has selected Benefitfocus as the vendor for the Insurance Administration System (IAS). ETF has begun contract negotiations with Benefitfocus.

Segal (formerly LRWL) Contract for Transformation, Integration and Modernization (TIM) Consulting Services

The current contract term expires on December 31, 2021. Segal services are required to provide continued Project Management Oversight across the modernization projects, assist with the insurance administration system contracting and implementation without significant disruption and added risk to the efforts currently underway. Michelle Baxter is presenting a request to extend the contract for two additional years at the June 2021 ETF Board meeting.

JANUS Associates, Inc. Contract for Information Technology Audits and Consulting

The current contract term expires on June 30, 2021. JANUS services are necessary to complete several IT audits in FY22. After the ETF Board Audit Committee approves the proposed audit plan, a contract amendment extending the contract one year will be completed.

ETF Operational Financial Reporting

Administrative Appropriation Charges

Information on ETF administrative expenses through the first quarter of calendar year 2021 is reported below. Year to year, for the year ending on March 31, 2021, there was an approximately \$2.2 million increase in contractual services spending. This trend continues to be 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 (First Quarter CY 2021)

Expense Summary	2nd Qtr Calendar 2020	3rd Qtr Calendar 2020	4th Qtr Calendar 2020	1st Qtr Calendar 2021	Year Ending 03/31/20	Year Ending 03/31/21
Salary and Fringe (FTE)	\$6,837,316	\$6,096,503	\$6,944,384	\$6,414,725	\$25,189,918	\$26,292,928
Limited Term Employees (LTEs)	\$57,309	\$46,274	\$63,825	\$52,591	\$351,739	\$219,999
Supplies and Services						
Contractual Services	\$4,995,020	\$2,656,209	\$3,158,276	\$3,865,515	\$12,444,824	\$14,675,020
IT	1,612,278	842,844	1,762,750	1,075,016	5,460,885	5,292,888
Rent	489,899	503,663	502,168	501,103	1,963,985	1,996,833
Mail	335,682	245,927	35,965	337,718	711,669	955,292
Travel/Training	-4,415	17,996	11,247	12,031	271,915	36,859
Other/Misc.	77,321	211,477	481,638	321,155	1,511,585	1,091,591
Subtotal	\$7,505,785	\$4,478,115	\$5,952,044	\$6,112,538	\$22,364,863	\$24,048,483
Total	\$14,400,410	\$10,620,893	\$12,960,253	\$12,579,854	\$47,906,520	\$50,561,410

ETF Operating Budget vs. Actual Comparison (Using Quarter 3 Expense Data)

ETF began State Fiscal Year (SFY) 2021 with \$68.5 million in total spending authority, including \$50.6 million in new spending authority and \$17.9 million in continuing (carryover) spending authority. From its total spending authority, ETF approved a \$55.1 million operating budget.

- 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.

Third Quarter SFY 2021 budget projections estimate that ETF may overspend its \$55.1 million operating budget. Future spending will be impacted based on how ETF charges

an estimated \$1.1 million in program-related actuarial, contract compliance, and financial audit expenses. ETF had initially planned to charge these expenses directly to its program appropriations. If ETF charges these expenses to its administrative appropriations, the operating budget will incur an additional \$1.1 million in costs. (Please see the March 2020 ETF Board Memorandum, Item 6C, Program vs Administrative Cost Charging for additional background information on this topic.)

Program Appropriation Charges

Information on non-benefit disbursements charged to ETF’s benefit program appropriations for the one-year period ending on March 31, 2021 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	2nd Qtr Calendar 2020	3rd Qtr Calendar 2020	4th Qtr Calendar 2020	1st Qtr Calendar 2021	One-Year Ending 03/31/21
Third-Party Administration					
Health Insurance	\$5,094,475	\$4,396,014	\$4,705,813	\$2,787,985	\$16,984,287
Life Insurance	1,033,048	1,055,427	1,065,695	1,057,043	4,211,213
Income Continuation Insurance	776,258	384,269	576,404	649,551	2,386,482
ERA and Commuter Benefits	221,095	147,710	162,462	94,292	625,559
Wisconsin Retirement System	136,987	67,812	101,718	33,906	340,423
Other Administrative					
Health Data Warehouse	\$138,113	\$130,630	\$138,612	\$125,240	\$532,595
Total	\$7,399,976	\$6,181,862	\$6,750,705	\$4,748,017	\$25,080,560

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

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