



STATE OF WISCONSIN
Department of Employee Trust Funds
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Correspondence Memorandum

Date: August 20, 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

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 (IAS)

The ETF Secretary signed a contract on July 30, 2021 with Benefitfocus for an insurance administration system for the term July 30, 2021 through December 31, 2031 with options to renew. The contract is found on ETF's website here

<https://etf.wi.gov/node/15551>. Implementation of IAS has begun and is expected to go through August 2023.

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

Amendment #13 with Milliman was signed by the ETF Secretary on August 16, 2021 for research and analysis on the impact of eliminating supplemental benefits from the State and local income continuation insurance (ICI) plans with costs not to exceed \$25,000.

Reviewed and approved by Pamela Henning, Assistant Deputy Secretary

Pamela L Henning

Electronically Signed 9/3/21

Board	Mtg Date	Item #
ETF	9.16.21	7H

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

On June 22, 2021, the ETF Deputy Secretary signed a contract amendment to extend the contract with Segal two years, through December 31, 2023, for the continuation of project management oversight services across the ETF modernization projects and assistance with the insurance administration system contracting and implementation.

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

On June 25, 2021, ETF's Director of the Office of Internal Audit signed a contract with JANUS to extend the contract by one year, through June 30, 2022, for continuation of services needed to complete several IT audits in FY22.

eSkillz Corporation

On August 8, 2021, the ETF Assistant Deputy Secretary signed a statement of work with eSkillz for services to support ETF's implementation of the Cornerstone OnDemand Talent Management System, which was purchased by ETF from the DOA-Cornerstone statewide contract in March 2021. Another statement of work is being discussed for the implementation of an ETF Welcome Page template for the Cornerstone OnDemand Talent Management System.

ETF Operational Financial ReportingAdministrative Appropriation Charges

Information on ETF administrative expenses through the second quarter of calendar year 2021 are reported below. ETF spent \$14.8 million on administrative expenses in the 2nd quarter of calendar year 2021, a 2.8% increase from the second quarter of calendar year 2020, where ETF spent \$14.4 million. Growth in salary and fringe costs were the primary cause of the cost increase.

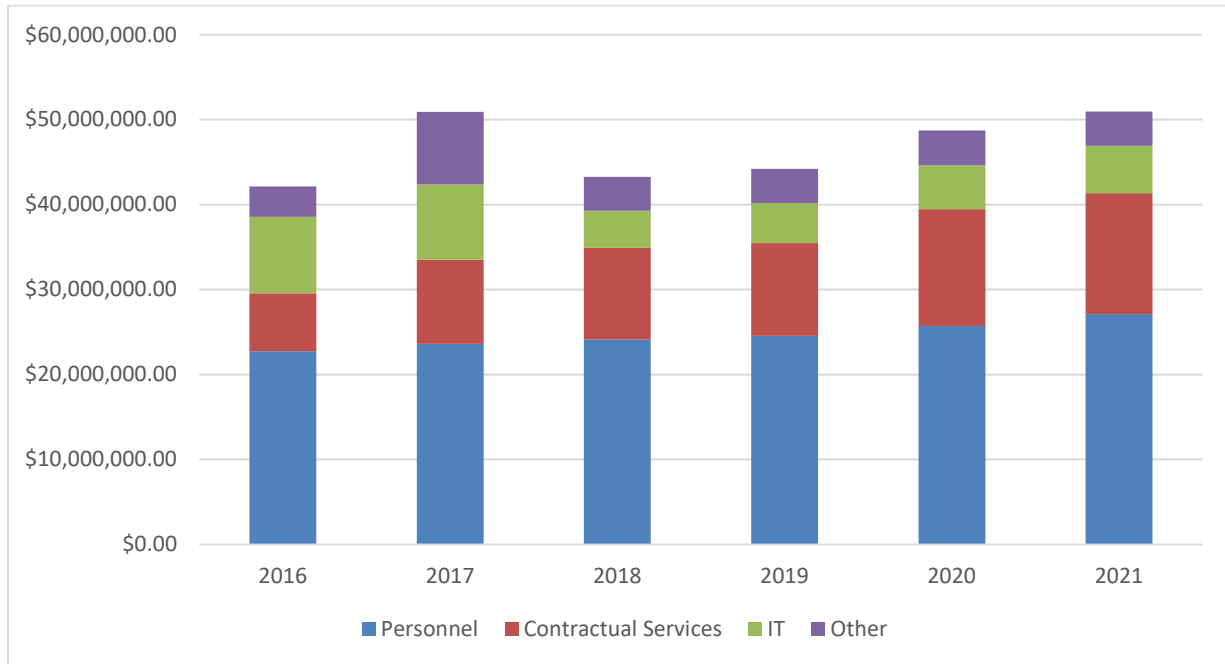
Quarterly ETF Administrative Expenses (Second Quarter 2021)

Expense Summary	3rd Quarter Calendar Year 2020	4th Quarter Calendar Year 2020	1st Quarter Calendar Year 2021	2nd Quarter Calendar Year 2021	Year Ending 6/30/20	Year Ending 6/30/21
Salary and Fringe (FTE)	\$6,096,503	\$6,944,380	\$6,414,725	\$7,421,600	\$25,436,124	\$26,877,208
Limited Term Employees (LTEs)	\$46,274	\$63,825	\$52,591	\$66,384	\$300,633	\$229,074
Supplies and Services						
Contractual Services	\$2,656,209	\$3,158,276	\$3,865,515	\$4,569,885	\$13,740,879	\$14,249,885
IT	842,844	1,762,870	1,075,016	1,876,231	5,142,247	5,556,961
Rent	503,663	501,103	501,103	501,297	1,969,554	2,007,166
Mail	245,927	35,965	337,718	362,689	754,836	982,299
Travel/Training	17,996	12,312	12,031	14,953	175,607	57,292
Other/Misc.	211,477	483,670	321,155	(9,321)	1,223,776	1,006,981
Subtotal	\$4,478,116	\$5,954,196	\$6,112,538	\$7,315,734	\$23,006,900	\$23,860,584
Total	\$10,620,893	\$12,962,401	\$12,579,854	\$14,803,718	\$48,743,656	\$50,966,866

The State Fiscal Year (SFY) 2021 closed on June 30, 2021. ETF spent \$50.9 million in SFY 2021, a \$2.2 million (4.6%) increase from SFY 2020.

- Though spending increased in SFY 2021, it was below ETF's approved \$55.1 million operating budget. Total spending and encumbrances (i.e., the amount of money in the budget set-aside for future spending/obligations) totaled \$52.7 million, which was \$2.4 million less than budgeted.
- Spending increases were largely driven by a \$1.4 million increase in salary and fringe expenses, which resulted from lower vacancy rates and general wage adjustments.

Annual ETF Expenses by Expense Type
(SFY 2016 – SFY 2021)



SFY 2022 - ETF Operating Budget

For SFY 2022, ETF approved a \$56.4 million operating budget, which includes \$51.1 million in new spending authority and \$5.3 million in continuing (carryover) spending authority (out of \$16.7 million total continuing spending authority at the start of SFY 2022).

- Agency spending is expected to increase in SFY 2022 as modernization efforts continue.
- Modernization-related IT expenses anticipated in SFY 2022 include (but are not limited to) implementation costs of an insurance administration system and several tools needed to build and enhance ETF's data management program.

Program Appropriation Charges

Information on non-benefit disbursements charged to ETF's benefit program appropriations for the one-year period ending on June 30, 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	3rd Qtr Calendar 2020	4th Qtr Calendar 2020	1st Qtr Calendar 2021	2nd Qtr Calendar 2021	Year Ending 6/30/21
Third-Party Administration					
Health Insurance	\$4,396,014	\$4,705,813	\$2,787,985	\$5,992,964	\$17,882,776
Life Insurance	1,055,427	1,065,695	1,057,043	1,192,041	4,370,206
Income Continuation Insurance	384,269	576,404	649,551	914,832	2,525,056
ERA and Commuter Benefits	147,710	162,462	94,292	126,059	530,523
Wisconsin Retirement System	67,812	101,718	33,906	-	203,436
Other Administrative					
Health Data Warehouse	130,630	138,612	125,240	305,067	699,550
Total Costs	\$6,181,862	\$6,750,705	\$4,748,017	\$8,530,963	\$26,211,547

¹ Information is presented on a cash rather than accrual basis, resulting in the potential for material disbursement differences between quarters based on cash transaction timing.

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