



STATE OF WISCONSIN
Department of Employee Trust Funds
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Correspondence Memorandum

Date: November 10, 2022
To: Employee Trust Funds Board
From: Tim Steiner, Director
Bureau of Budget, Contract Administration and Procurement
Subject: 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

Carahsoft Contract for Master Data Management (MDM) Software

Amendment 2 to this contract extends ETF's subscription to Semarchy's MDM software from November 1, 2022 through October 31, 2023 for \$199,000. It was signed by the ETF secretary on September 26, 2022.

Carahsoft Contract for Application Programming Interface (API) Software

Amendment 2 to this contract extends ETF's subscription to Mulesoft's API software from December 1, 2022 through November 30, 2023 for \$319,160.36. It was signed by the ETF secretary on November 4, 2022.

Milliman Consulting Actuary for Wisconsin Group Insurance and Disability Programs

Amendment 17 with Milliman was signed by the ETF secretary on September 15, 2022

- Amendment 17A caps the decoupling sick leave from Income Continuation Insurance (ICI) work described under Amendment #16 at \$23,716.25 (out of the do not exceed \$40,000) and reallocates the remaining \$16,283.75 for analyzing the impact of increasing ICI basic covered payroll. This is a continuation of the work described under the first bullet point in Amendments 13 and 15. For clarity, Amendment 17A has a do not exceed limit of \$20,000 (\$16,283.75 remaining from Amendment #16 plus an additional \$3,716.25) to complete the list of tasks described under Amendment 17A.

Reviewed and approved by Pamela Henning, Assistant Deputy Secretary
Electronically Signed 11/28/22

Board	Mtg Date	Item #
ETF	12.08.22	5D

- Amendment 17B is for performing experience studies for the ICI and Duty Disability plans and updating the assumptions for performing the December 31, 2022 valuation as described in the letter dated September 7, 2022. Amendment 17B has a do not exceed limit of \$45,000.

Contract Administration

ETF conducted an annual staff and Board survey regarding the 2022 performance of the Wisconsin Retirement System and Related Programs actuary, Gabriel, Roeder, Smith (GRS), and the Wisconsin Group Insurance and Disability Programs actuary, Milliman. These surveys are conducted to inform decisions on (1) whether to extend the actuary contracts or initiate the 180-day termination notice and (2) if the contract is extended, what percent increase, if any, will be added to the actuary's current retainer fee for the following calendar year. Only staff who worked with these vendors in 2022 were asked to respond to the survey.

Wisconsin Retirement System and Related Programs Actuary:

Ten staff received the 2022 GRS survey and seven responded. Four respondents were highly satisfied and three were satisfied with GRS' performance.

Thirteen ETF Board members received the 2022 GRS survey, of which seven responded. Five respondents rated GRS' performance as excellent, one rated GRS above average, and one rated GRS average.

Wisconsin Group Insurance and Disability Program Actuary:

Sixteen ETF staff received the 2022 Milliman survey, of which eight responded. Six respondents were highly satisfied and two were satisfied with Milliman's performance.

Thirteen ETF Board members received the 2022 Milliman survey, of which eight responded. Four respondents rated Milliman's performance as excellent and four rated Milliman's performance as above average.

ETF Operational Financial ReportingAdministrative Appropriation Charges

Information on ETF administrative expenses through the third quarter of calendar year 2022 are reported below. ETF spent \$11.1 million on administrative expenses in the third quarter of calendar year 2022, a 4.7% decrease from the third quarter of calendar year 2021, where ETF spent \$11.6 million. A decrease in IT costs was the primary cause of the cost decrease.

Year-to-year, for the year ending 9/30, spending was equivalent, with only a \$239,000 increase from the year ending 9/30/21 to the year ending 9/30/22 (less than a 1% increase).

Quarterly ETF Administrative Expenses (Third Quarter 2022)

Expense Summary	4th Quarter CY 2021	1st Quarter CY 2022	2nd Quarter CY 2022	3rd Quarter CY 2022	Year Ending 9/30/21	Year Ending 9/30/22
Salary and Fringe (FTE)	\$7,499,590	\$6,973,955	\$7,658,785	\$6,616,666	\$27,227,791	\$28,748,996
Limited Term Employees (LTEs)	\$60,603	\$41,161	\$63,752	\$69,472	\$252,834	\$234,988
Supplies and Services						
Contractual Services	\$3,152,595	\$3,432,972	\$4,387,126	\$2,916,661	\$14,751,660	\$13,889,354
IT	1,503,905	1,432,544	1,445,819	766,232	5,902,968	5,148,500
Rent	493,918	510,269	490,065	466,431	2,006,919	1,960,683
Mail	159,550	284,403	424,689	61,360	860,686	930,002
Travel/Training	41,636	15,471	39,707	61,299	54,299	158,113
Other/Misc.	574,389	440,677	8,348	98,641	896,109	1,122,055
Subtotal	\$5,925,993	\$6,116,336	\$6,795,754	\$4,370,624	\$24,472,641	\$23,208,707
Total	\$13,486,186	\$13,131,452	\$14,518,291	\$11,056,762	\$51,953,266	\$52,192,691

Program Appropriation Charges

Information on non-benefit disbursements charged to ETF's benefit program appropriations for the one-year period ending on September 30, 2022 are reported below. Reported costs include third-party administration (TPA) 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 Quarter CY 2021	1st Quarter CY 2022	2nd Quarter CY 2022	3rd Quarter CY 2022	Year Ending 9/30/22
Third-Party Administration					
Health Insurance	\$4,746,502	\$4,191,639	\$5,104,312	\$4,082,729	\$18,125,183
Life Insurance	1,099,438	1,106,001	1,147,978	1,117,551	4,470,968
Income Continuation Insurance	686,124	450,208	1,107,500	664,500	2,908,332
ERA and Commuter Benefits	129,774	94,258	127,014	126,621	477,668
Other Administrative					
Health Data Warehouse/Benefits Interactive Tool	118,500	132,090	146,500	--- ²	397,090
Total	\$6,780,338	\$5,974,196	\$7,633,304	\$5,991,402	\$26,379,240

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.

² Expenses were not paid in Quarter 3 due to a delay in the vendor's invoicing process. These expenses will be paid in Quarter 4 of CY 2022.

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