



STATE OF WISCONSIN
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Correspondence Memorandum

Date: August 25, 2023

To: Employee Trust Funds Board

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

Subject: Procurement, Contract, and Program Appropriation Updates

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

Current Status of Active ETF Board Contracts

Identity Proofing Project

The Department of Employee Trust Funds (ETF) has moved into implementation with the selected and contracted vendor, Socure Inc. Establishing an identity proofing vendor will ensure ETF's planned expansion of online service offerings to members will be fully secure and is a critical component of ETF's modernization initiative.

Insurance Administration System

The ETF secretary signed contract amendments with Benefitfocus on February 24 and August 16, 2023, that modified the implementation strategy and deliverable due dates/payment points. The contract and these amendments are found on ETF's website here <https://etf.wi.gov/node/15551>. Implementation is progressing and is expected to go live by July 31, 2024, and within budget.

ETF Operational Financial Reporting

Administrative Appropriation Charges

Information on ETF administrative expenses through the Second Quarter (Q2) of Calendar Year (CY) 2023 are reported below. ETF spent \$15.6 million on administrative expenses in the Q2 of CY 2023, a 7.6% increase from Q1 of CY 2022, where ETF spent \$14.5 million. An increase in Contractual Services costs was the primary cause of the cost increase.

Pamela L Henning

Reviewed and approved by Pam Henning, Assistant Deputy Secretary
 Electronically Signed 08/30/2023

Board	Mtg Date	Item #
ETF	09.21.23	5G

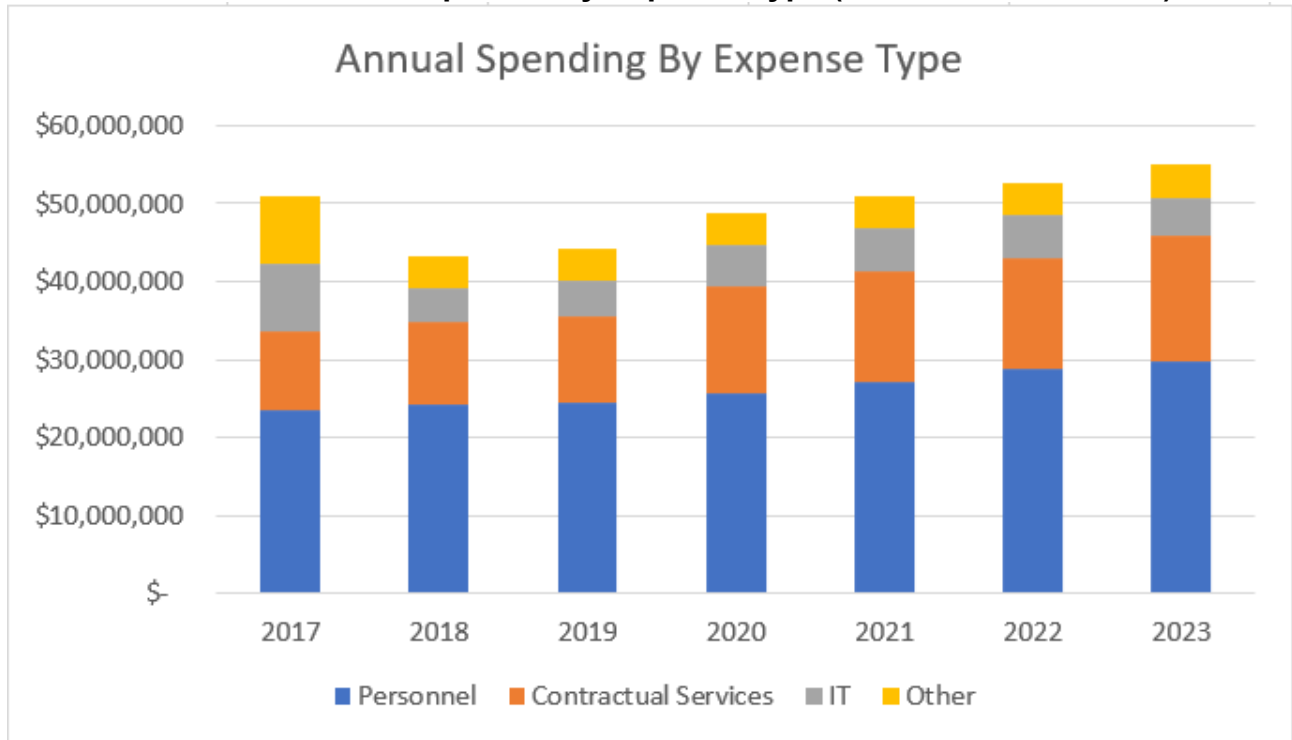
Table 1. Quarterly ETF Administrative Expenses (Q2 CY 2023)

Expense Summary	Q3 CY 2022	Q4 CY 2022	Q1 CY 2023	Q2 CY 2023	Year Ending 6/30/22	Year Ending 6/30/23
Salary and Fringe (FTE)	\$6,616,666	\$7,948,310	\$7,076,370	\$7,926,949	\$28,579,416	\$29,568,295
Limited Term Employees (LTEs)	\$69,472	\$51,468	\$49,403	\$57,663	\$235,550	\$228,005
Supplies and Services						
Contractual Services	\$2,916,661	\$3,340,120	\$4,234,387	\$5,537,205	\$14,130,677	\$16,028,374
IT	\$766,232	\$1,710,425	\$981,481	\$1,332,072	\$5,571,118	\$4,905,771
Rent	\$466,431	\$466,850	\$466,473	\$467,682	\$1,996,605	\$1,866,727
Mail	\$61,360	\$133,453	\$620,418	\$435,482	992,955	\$1,250,713
Travel/Training	\$61,299	\$48,510	\$21,471	\$70,596	\$112,883	\$202,587
Other/Misc.	\$98,641	\$537,892	\$635,437	(\$203,808)	\$1,124,020	\$952,600
Subtotal	\$4,370,624	\$6,237,250	\$6,959,667	\$7,639,230	\$23,928,258	\$25,206,772
Total	\$11,056,762	\$14,237,028	\$14,085,440	\$15,623,842	\$52,743,224	\$55,003,072

The State Fiscal Year (SFY) 2023 closed on June 30, 2023. ETF spent \$55.0 million in SFY 2023, a \$2.3 million (4.3%) increase from SFY 2022.

- Though spending increased in SFY 2023, it was below ETF's approved \$61.0 million operating budget, which includes new budget authority and carryover encumbrances from the prior fiscal year. (Encumbrances represent the amount of money in the budget set-aside for future spending/obligations.) Total spending and encumbrances equaled \$56.9 million, which was \$4.1 million less than budgeted.
- Year-to-year spending increases were largely driven by increases in Contractual Services (\$1.9 million) and Salary and Fringe expenses (\$1.0 million). Contractual service expenses increased as ETF continues to modernize its IT systems, while salary and fringe expenses increased due to lower vacancy rates and general wage adjustments.

Chart 1. Annual ETF Expenses by Expense Type (SFY 2017 – SFY 2023)



Program Appropriation Charges

Information on non-benefit disbursements charged to ETF’s benefit program appropriations for the one-year period ending on 6/30/23 are reported in Table 2 (see page 4). 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.

Table 2. Quarterly Non-Benefit Disbursements Charged to Benefit Program Appropriations¹

Expense Summary	Q3 CY 2022	Q4 CY 2022	Q1 CY 2023	Q2 CY 2023	Year Ending 6/30/23
Third-Party Administration					
Health Insurance	\$4,082,729	\$5,168,104	\$4,626,770	\$5,879,538	\$19,757,140
Life Insurance	\$1,117,551	\$1,108,500	\$1,110,791	\$1,156,386	\$4,493,228
Income Continuation Insurance	\$664,500	\$664,500	\$664,500	\$664,500	\$2,658,000
ERA and Commuter Benefits	\$126,621	\$127,806	\$95,394	\$126,439	\$476,260
Other Administrative					
Health Data Warehouse	-	\$422,787 ²	\$144,585	\$144,585	\$711,957
Total	\$5,991,402	\$7,491,697	\$6,642,039	\$7,971,447	\$28,096,585

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 Fourth Quarter Health Data Warehouse administrative fees include a Benefits Mentor milestone charge of \$179,897 in addition to Third Quarter and Fourth Quarter monthly fees (\$40,500/month).

Staff will be at the Board meeting to answer any questions.