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Correspondence Memorandum

Date: August 15, 2024

To: Employee Trust Funds Board

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

Subject: Procurement, Contract, and Program Appropriation Charging Updates

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

Current Status of Active Employee Trust Funds Board (Board) Contracts
The Department of Employee Trust Funds (ETF) conducted an annual staff and Employee Trust Funds Board (Board) survey regarding the 2024 performance of the Wisconsin Retirement System (WRS) and related programs actuary, Gabriel, Roeder, Smith and Company (GRS), and the Wisconsin Group Insurance and Disability Programs actuary, Milliman. These surveys are conducted to inform decisions on:

- Whether to extend the actuary contracts or initiate the 180-day termination notice.
- 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 one of these vendors in 2024 were asked to respond to the survey. All Board members were invited to take these surveys.

WRS and Related Programs Actuary:
Nine staff received the 2024 GRS survey and three responded. The overall performance rating was 4.33 out of 5. No comments regarding improvements were provided.

13 Board members received the 2024 GRS survey, and six responded. The overall performance rating was 4 out of 5. A Board member commented:

> *Overall, I think GRS has done a good job over many years and I would like to keep them as our actuary. However, I do not think they provided us with the information we need to do our jobs when setting the economic assumptions, particularly the assumed*

Reviewed and approved by Tarna Hunter, Director, Budget & Management
Electronically Signed 09/09/2024

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rate, during our most recent 3-year experience study. The Board was pretty much left on its own to set a reasonable assumed rate for the WRS. The WRS hires actuaries and financial advisors to help the Boards manage the WRS in a fiscally responsible manner. I think during our "robust discussion" of the assumed rate at our last Board meeting, we made our position clear. I trust this issue has been resolved.

Wisconsin Group Insurance and Disability Program Actuary:
18 staff received the 2024 Milliman survey, and five responded. The overall performance rating was 4.6 out of 5. No comments regarding improvements were provided.

13 Board members received the 2024 Milliman survey, and seven responded. The overall performance rating was 4.14 out of 5. No comments regarding improvements were provided.

ETF Operational Financial Reporting

Administrative Appropriation Charges
Information on ETF administrative expenses through the second quarter (Q2) of calendar year (CY) 2024 are reported in Attachment A. ETF spent $17.57 million on administrative expenses in the Q2 of CY 2024, a 12.5% increase from Q2 of CY 2023, where ETF spent $15.62 million. Costs increased in several areas; however, personnel-related expenses experienced the most significant growth. The increase in personnel-related expenses is largely attributable to the addition of 12.0 FTE positions authorized in the 23-25 Biennial Budget and a 4.0% General Wage Adjustment that occurred early in State Fiscal Year 2023-24. Growth to a lesser degree also occurred in the contractual services and IT expense categories.

Program Appropriation Charges
Information on non-benefit disbursements charged to ETF's benefit program appropriations for the one-year period ending on June 30, 2024, are reported in Attachment B. 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.

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

Attachment A: Quarterly ETF Administrative Expenses (Q2 CY 2024)

Attachment B: Quarterly Non-Benefit Disbursements Charged to Benefit Program Appropriations

Attachment A: Quarterly ETF Administrative Expenses (Q2 CY 2024)

Expense Summary	Q3 CY 2023	Q4 CY 2023	Q1 CY 2024	Q2 CY 2024	Year Ending 6/30/23	Year Ending 6/30/24
Salary and Fringe (FTE)	$6,927,685	$8,532,908	$7,594,073	$9,583,109	$29,568,295	$32,637,775
Limited Term Employees (LTEs)	$61,722	$60,820	$55,342	$90,406	$228,005	$268,290
Supplies and Services						
Contractual Services	$3,420,059	$4,021,046	$4,819,349	$5,684,982	$16,028,374	$17,945,436
IT	$918,216	$1,642,046	$1,243,508	$1,571,134	$4,790,210	$5,374,904
Rent	$381,719	$339,775	$339,651	$341,815	$1,867,437	$1,402,960
Mail	$94,606	$142,036	$333,574	$465,886	$1,250,713	$1,036,102
Travel/Training	$47,107	$61,107	$35,402	$51,316	$201,877	$194,933
Other/Misc.	$139,746	$770,513	$601,176	($218,414)	$1,068,162	$1,293,021
Subtotal	$5,001,453	$6,976,523	$7,372,659	$7,896,719	$25,206,771	$27,247,354
Total	**$11,990,859**	**$15,570,251**	**$15,022,074**	**$17,570,234**	**$55,003,071**	**$60,153,418**

Attachment B: Quarterly Non-Benefit Disbursements Charged to Benefit Program Appropriations[1]

Expense Summary	Q3 CY 2023	Q4 CY 2023	Q1 CY 2024	Q2 CY 2024	Year Ending 6/30/24
Third-Party Administration					
Health Insurance	$4,118,742	$5,391,612	$4,677,209	$5,826,800	$20,014,362
Life Insurance	$1,174,560	$1,149,539	$1,138,973	$1,284,476	$4,747,548
Income Continuation Insurance	$664,500	$664,500	$664,500	$664,500	$2,658,000
ERA and Commuter Benefits	$126,449	$126,655	$88,873	$75,452	$417,429
Wisconsin Deferred Compensation	$655,990	$655,990	$655,990	$655,990	$2,623,960
Other Administrative					
Health Data Warehouse	$314,633	$240,859	$151,562	$148,922	$855,976
Total	**$7,054,873**	**$8,229,154**	**$7,377,107**	**$8,656,140**	**$31,317,275**

[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.