



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: October 17, 2014
TO: Group Insurance Board
FROM: Tarna Hunter, Legislative Liaison
SUBJECT: 2015-17 Biennial Budget

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

This memo summarizes the biennial budget request for the Department of Employee Trust Funds. On September 25, 2014, the ETF Board voted to support the request and on September 30, 2014, it was submitted to the Department of Administration and the Legislative Fiscal Bureau. I will be available at the November 18, 2014, board meeting to answer questions.

The period covered by the budget request is July 1, 2015 - June 30, 2017. The schedule for review and action by the Governor and Legislature is anticipated to be as follows:

Stage	Anticipated Schedule
Agency Budget Request Due	September 2014
Governor Issues Budget Recommendations	January/February 2015
Review and Action by the Joint Committee on Finance (JCF)	February – June 2015
Action by Full Legislature	June 2015
Final Enacted Budget	July 2015

Reviewed and approved by Pam Henning, Assistant Deputy Secretary

Pamela L. Henning

Electronically Signed: 11/5/14

Board	Mtg Date	Item #
GIB	11.18.14	8B

Department of Employee Trust Funds Summary of Fiscal 2015-2017 Biennial Budget Request

	FY 2016		FY 2017	
	FTE	Funding	FTE	Funding
Base Budget (FY 2015) - SEG	266.2	42,637,600	266.2	42,637,600
Base Budget (FY 2015) - GPR		216,600		216,600
ETF Request Over Base* - SEG	2.0	3,301,400	2.0	3,347,900
ETF Request Over Base** - GPR		-11,200		-43,400
Governor's Recommendations				
Joint Committee on Finance				
Legislature				
Final Enacted Budget				

Updated October 17, 2014

*Includes new initiatives and standard technical adjustments.

**GPR funding is a reduction from 2013-15 biennium.

ETF's 2015-17 budget request consists of an overall increase of 7.7% all funds, including a 7.8% increase in SEG funds and a 12.6% decrease in GPR funds. Below is a table detailing ETF's funding for the 2015-17 biennium.

Funding Item	FY 16 Funding	FY 17 Funding
Adjusted Base	\$42,854,200	\$42,854,200
Full Funding of Positions and Operations	\$1,791,200	\$1,832,000
Annuity supplements	-\$11,200	-\$43,400
Health Care Transparency Initiative	\$1,187,200	\$1,248,500
Call Center Positions	\$108,000	\$117,400
Mandatory LAB and GASB Financial Reporting	\$215,000	\$150,000
Total	\$46,144,400	\$46,158,700

The Department included the following initiatives in its 2015-17 biennial budget request:

- 1. Health Care Data Transparency: Cost and Quality** — Requests \$1,187,200 SEG in FY16 and \$1,248,500 SEG in FY17 in a new biennial appropriation to redesign the way ETF uses cost and quality measures in its health care programs. The proposed consumer-driven approach promotes identifying and utilizing best practices in health care delivery. It will enable ETF to draw on a data set to calculate relevant measures from health plans, health care systems, and providers on quality and costs throughout the state. The new data set will help streamline how health care delivery is organized, measured and purchased. This initiative will build upon current tiering strategies to advance the goal of value-based purchasing. It will provide members with critical information on health plans, physicians and select elective/non-emergency inpatient procedures, enabling them to choose higher quality/lower cost providers which should ultimately help to reduce health care costs in the State employee health care program. The data will also be publicly available, which may help to reduce health care costs across the state, as well. This initiative is expected to require approximately 5 years to implement.
- 2. Critical Customer Service Functions: Call Center** — Requests 2.0 FTE Benefits Specialist positions for the Contact Management Section (call center). These positions are essential for ETF to meet the escalating service demands of a growing population of retirees and circumvent future declines in customer service performance benchmark measures. The 2013 Cost Effective Management (CEM) report, an independent benchmarking report that compares ETF's service levels to peer retirement systems, illustrated the need for additional call center staff. ETF service scores for the call center have declined significantly since 2011 and were considerably lower than its peers. The positions are also critical to accomplish ETF's effort to replace and integrate its information technology systems. The call center will take on the additional responsibilities of collecting and verifying member's e-mail addresses, as well as provide basic IT assistance to members calling ETF for assistance.
- 3. Mandatory LAB and GASB Audits/Financial Reporting** — Requests \$215,000 SEG in FY16 and \$150,000 SEG in FY17 to contract with the Legislative Audit Bureau (LAB) for the statutorily-required actuarial audit of the Wisconsin Retirement System (WRS) and for various contracts necessary for the implementation of Governmental Accounting Standards Board (GASB) Statements 67 and 68. Of the amounts requested, \$65,000 in FY16 is one-time funding for the LAB audit. The annual amount of \$150,000 is for GASB 67 Actuarial Services, GASB 67 Audit Services and GASB 68 Census Validation.

4. **Technical Changes** — Requests limited technical changes to align state law with federal law, streamline operations, and reflect changes in related statutes and rules. A list of the technical changes follows.

ETF 2015-17 BIENNIAL BUDGET REQUEST

Technical Changes

The following technical changes are needed to align state law with federal law, streamline operations, and reflect changes in related statutes and rules:

1. **Return to Work Changes (Cleanup from 2013 Act 20)**
 - Conforms the 30-day requirement for receiving an annuity to the 75-day requirement for reemployment with a covered employer.
 - Clarifies methodology used for memo account.
 - Makes technical changes to remove reference to 40.04 interest crediting.
2. **Eligibility Language Change (Cleanup from 2011 Act 32)**
 - ETF uses the date that a member becomes a “participating employee” to assess eligibility, not the date the member is initially hired.
 - Change will mirror language in 40.23 making the statutes more consistent.
3. **Electronic Annuity Payment**
 - This request creates statutory language that provides ETF flexibility to require members to receive annuity payments in a mechanism determined by the department (ACH, debit card, etc.).
4. **Group Insurance Board Terms**
 - This request staggers and increases the terms of appointed members of the Group Insurance Board from two years to four years. The terms expire on May 1 of the odd-numbered years.
5. **Income Continuation Insurance (ICI) – Time to Elect Coverage**
 - This request extends from 30 to 60 days of initial eligibility the period during which employees, who qualify for a higher level of employer contributions toward premiums, may elect income continuation insurance coverage.