



STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax 608-267-4549
etf.wi.gov

Correspondence Memorandum

Date: November 9, 2017
To: Group Insurance Board
From: Tarna Hunter, Legislative Liaison
Subject: Legislative and Biennial Budget Update

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

2017 – 2019 Biennial Budget

On September 21, 2017, Governor Walker signed the 2017-19 biennial budget into law (2017 Act 59). The Department of Employee Trust Funds (ETF) has reviewed the law and prepared a summary of the provisions that relate to the benefit programs that the board oversees.

- **Domestic Partnership Program** – Eliminates the Chapter 40 domestic partnership program on the effective date of the bill. The law does not allow the formation of any new Chapter 40 domestic partnerships after September 22, 2017.
 - Grandfathers existing domestic partnerships for purposes of Wisconsin Retirement System benefits.
 - On January 1, 2018, domestic partners and their dependent children will no longer be eligible for health insurance under the State or Local Group Health Insurance Program.
 - Provides that a surviving domestic partner of a member be allowed to purchase group health insurance coverage at full price, if the surviving domestic partner was covered by a state group health plan at the time of the member's death.

Reviewed and approved by Pam Henning, Assistant Deputy
Secretary

Electronically Signed 11/9/17

Board	Mtg Date	Item #
GIB	11.15.17	8B

- Domestic partners of duty disability recipients may be eligible for a death benefit if the protective occupation employee's duty disability qualifying date is prior to the act's effective date of January 1, 2018. This is regardless of the protective occupation employee's date of the death. The domestic partnership must have occurred before the protective occupation employee's duty disability qualifying date.
- Specifies that if a domestic partner, who was in a domestic partnership with a protective occupation employee when the employee qualified for duty disability, subsequently marries their partner, the surviving spouse will continue to be eligible for a duty disability death benefit. The date the employee qualified for duty disability must be before January 1, 2018.
- Duty disability death benefits will not be payable to the domestic partner of an employee whose duty disability qualifying date is on or after January 1, 2018.
- Provides that a surviving domestic partner is not a default beneficiary for purposes of a deferred compensation plan.
- Domestic partners will no longer be able to participate in the ETF-associated long term care product.

ETF Budget

- **Full Funding of Salary and Fringe Benefits** – Continued full funding of ETF's current operations, including funding for the Transformation, Integration and Modernization (TIM) initiative. The proposed ETF 2017-19 budget consists of an overall funding increase of 1.6%.
- **Positions for Benefits Administration System** – Provides 2.0 FTE Trust Fund Specialist four-year project positions in the Employer Services Section. These positions are essential to support employers and the implementation of BAS rollout 2, which is focused on employer reporting and administration. Provides 1.0 FTE Accountant four-year project position. This position will ensure that ETF has the necessary financial expertise to complete the TIM project and assist with post-implementation.
- **Audits and Financial Reporting** – Provides \$90,000 annually for contracts necessary for the implementation of Governmental Accounting Standards Board (GASB) Statements 74 and 75. Additionally, provides 2.0 FTE Accountant Advanced permanent positions. These positions are essential for ETF to meet its financial reporting obligations, maintain compliance with GASB standards, and to comply with tax laws and regulations.
- **General Wage Adjustments** – Provides funding for general wage adjustments of two percent on both July 1, 2018, and January 1, 2019, for state employees in the compensation reserve.

The following provisions in the biennial budget were vetoed:

- Directs GIB to find \$63.9 million general purpose revenue savings for the 2017-19 biennium, including:
 - \$22.7m GPR savings from negotiations
 - \$25.8m GPR draw from the reserves (which translates to \$68.8m All Funds)
 - \$15.4m GPR from aggressive tiering, and/or additional reserve draw down, and/or plan design changes (subject to the 10% employee cost increase limitation).
- The group health insurance program would maintain its current program structure.
- Moves the group health insurance program from a 3-tier to a 5-tier structure.
- Requires that ETF conduct a consumer-driven health plan educational campaign.
- Increases legislative input and oversight authority over the Group Health Insurance Program:
 1. Addition of four GIB members appointed by legislative leadership of each party in both houses;
 2. Senate confirmation of GIB appointees;
 3. Provides that GIB submit a plan by March 1, 2018, to JCF for approval under a 21-working day passive review regarding state program reserves;
 4. Provides for an annual April 1 JCF 21-working day passive review of all proposed benefit changes; and
 5. Requests that the Legislative Audit Committee direct the Legislative Audit Bureau to conduct an audit of the state's group health insurance programs and reserves.

Other Proposed State Legislation

2017 AB 128 and **2017 SB 81** prohibit the Group Insurance Board from contracting for or providing abortion services, except in certain situations such as medical emergencies, danger to the long-term health of the pregnant woman, or in cases of sexual assault or incest.

2017 AB 128 was introduced by Rep. Jacque and referred to the Assembly Committee on Health. 2017 SB 81 was introduced by Sen. Craig and referred to the Senate Committee on Insurance Housing and Trade.

In early November, the Assembly passed AB 128 (61-34). The bill was referred to the Senate Committee on Insurance, Housing and Trade.

2017 SB 456 and **2017 AB 548** make changes to the resolution of claims against the state for wrongful imprisonment of innocent persons. One of the changes would permit individuals who receive compensation from the state for wrongful imprisonment and are not eligible to obtain health care coverage from an employer to elect, for up to five years, health care coverage under plans offered by the Group Insurance Board to state employees beginning on January 1, 2019. Under the bill, these individuals would be required to pay the same health insurance premium amounts that state employees are required to pay, with the balance of the premiums cost paid by the state. The bill exempts the value of the portion of health insurance premiums paid by the state to such individuals from state income taxes. The bill also creates an appropriation to pay the state's portion of the health premiums.

2017 AB 548 was introduced by Rep. Kooyenga and referred to the Assembly Committee on State Affairs. 2017 SB 456 was introduced by Sen. Wanggaard and referred to the Senate Committee on Judiciary and Public Safety.

Staff will be available at the November 15, 2017, board meeting to answer questions.