



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

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Correspondence Memorandum

Date: April 19, 2019

To: Group Insurance Board

From: Joanne Klaas, Contracts Specialist
Bureau of Budget, Contract Administration & Procurement

Subject: Clarification of Group Insurance Board delegation to the ETF Secretary for executing health insurance program actuarial contracts, including amendments.

ETF recommends the Board clarify its delegation of authority to the ETF Secretary for executing health insurance program actuarial services contracts, including contract amendments. This existing delegation of authority will remain in effect until September 25, 2022 but may be extended by the ETF Board (See Attachments 2 and 3).

ETF requests this clarification to confirm the delegation of authority to the ETF Secretary in light of the recent Legislative Audit Bureau audit of the Group Insurance Programs. The audit report suggests that the ETF Secretary does not have the authority to sign health insurance actuarial services contracts or amendments. ETF disagrees with that interpretation, as explained in the ETF response to the audit and based on the statutory provisions cited below.

The ETF Board, the Group Insurance Board and the ETF Secretary share the services of actuaries under Wis. Stat. § 40.03(5)(a). "The actuary or actuarial firm retained under sub. (1)(d): (a) Shall be the technical adviser of the board, the secretary and the group insurance board on any matters of an actuarial nature affecting the soundness of the fund or requiring any changes for more satisfactory operation."

Under Wis. Stat. § 40.03(1)(d), the ETF Board has the sole power to approve contracts for actuarial services. Under this paragraph, the ETF Board shall select and retain an actuary or an actuarial firm, under one or more contractual agreements which shall run to the Department for the purpose of performing all actuarial services which are necessary for the operation and control of the insurance and benefit programs under this chapter. Also, under this paragraph, the ETF Board shall direct the ETF Secretary to sign on behalf of the Department any contractual agreement approved by the Board. As such, this would include the health insurance actuarial services contracts.

Reviewed and approved by Bonnie Cyganek, Deputy
Administrator, Division of Management Services

Electronically Signed 4/23/19

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Under Wis. Stat. § 40.03(1)(L), the ETF Board “[m]ay delegate powers and duties as deemed necessary or desirable.” This provision allows the ETF Board to delegate authority to the Group Insurance Board or the ETF Secretary to sign any contract or amendment.

At its March 21, 2019 meeting, the ETF Board clarified its delegation to the ETF Secretary under Wis. Stat. § 40.03(1)(d) to execute actuarial contracts and amendments until withdrawn by the ETF Board. (See Attachment 1). However, on September 25, 2014 the ETF Board delegated to the Group Insurance Board authority to contract with the health insurance program actuary. (See Attachment 2 or Ref. ETF | 9.25.14 | 4B). Therefore, the ETF Board clarification on March 21, 2019 did not clearly include the health insurance actuarial services contract.

ETF is requesting the Group Insurance Board clarify that it has delegated the authority to the ETF Secretary to execute health insurance program actuarial contracts, including contract amendments. Under Wis. Stat. § 40.03(6)(d), the Group Insurance Board “[m]ay take any action as trustees which is deemed advisable and not specifically prohibited or delegated to some other governmental agency, *to carry out the purpose and intent of the group insurance plans provided under this chapter.*” (Emphasis added). When the ETF Board delegated authority to the Group Insurance Board on September 25, 2014, it also gave the Group Insurance Board the ability to “delegate as necessary to the ETF Secretary.” (See Attachment 2).

To ensure the Group Insurance Board stays apprised of all currently active contracts under its statutory or delegated authority, ETF will provide Operational Update memos titled, “Board Authority Contracts Update” (See Ref. GIB 2.20.2019) at future meetings. The health insurance program actuarial contract is “evergreen,” which means its term continues until cancelled. ETF will continue to present new procurements of services to the Board as they are planned and occur.

Annual renewals of the health insurance program actuarial contract are not automatic because they involve review of the vendor’s performance by ETF and the Group Insurance Board. Amendments to these contracts are routinely executed by the ETF Secretary for annual inflationary increases which are allowed per the original Request for Proposal (RFP). Amendments are sometimes executed for expanding the scope of services for additional actuarial work, such as assisting ETF on an RFP project, evaluating benefit design scenarios, or conducting actuarial audits of program valuations performed by other actuaries. In those instances, ETF has informed the Board about the details of the amendments.

If the Board approves the attached delegation of authority, the document will be maintained in the Board’s Governance Manual.

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

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Attachment 1: March 21, 2019 ETF Board Delegation of authority to ETF Secretary to execute actuarial contracts and contract amendments

Attachment 2: August 26, 2014 ETF Memo. ETF Board Delegation of Authority to Group Insurance Board to contract with actuary for health insurance programs approved September 25, 2014

Attachment 3: Group Insurance Board Clarification of Delegation

ATTACHMENT 1

Delegation of Authority to the ETF Secretary to execute actuarial and contract compliance audit contracts and amendments, until such delegation is withdrawn by the Board

The Employee Trust Funds (ETF) Board hereby delegates to the ETF Secretary authority under Wis. Stat. § 40.03(1)(d) to execute contracts and contract amendments with the Board's actuarial firms and under Wis. Stat. § 40.03(L) to execute contracts and contract amendments with the contract compliance audit firms.

Authority for Delegation

The ETF Board has authority under Wis. Stat. § 40.03 (1)(L), to “delegate powers and duties as deemed necessary or desirable.” Wis. Stat. §40.03(1)(d)(4) directs the secretary to sign on behalf of the Department any contractual agreement approved by the Board.

Character of Delegated Authority

The ETF Board intends this delegation to authorize the ETF Secretary to execute actuarial and contract compliance audit contracts, including contract amendments, until such delegation is withdrawn by the Board.

ETF staff intends to provide the Board with Operational Updates on contract activity at all future Board meetings.

Oversight

This delegation will continue until withdrawn by the Board.

ATTACHMENT 2



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CORRESPONDENCE MEMORANDUM

DATE: August 26, 2014

TO: Employee Trust Funds Board

FROM: Lucas Strelow, Policy Analyst, Office of Policy, Privacy and Compliance
Steve Hurley, Director, Office of Policy, Privacy and Compliance

SUBJECT: Delegation of Authority to Contract with Actuary for Health Insurance Programs.

Staff recommends the Employee Trust Funds Board (ETF Board) approve the attached draft delegation of authority to the Group Insurance Board (GIB). (See Attachment 1).

Under Wis. Stat. § 40.03(1)(d), the ETF Board has the sole power to approve contracts for actuarial services.¹ However, this Board is authorized under Wisconsin law to delegate its authority when desired² and has done so for other powers and duties. For example, this Board delegated to the ETF Secretary its duty under section 40.03(1)(a) to authorize and terminate the payment of annuities and death benefits.

For procurement of actuarial services, the ETF Board issues three separate Requests for Proposals:

¹ **40.03 Powers and duties. (1)** Employee trust funds board. The board:

(d) “Shall select and retain an actuary or an actuarial firm, under one or more contractual agreements which shall run to the department for the purpose of performing all actuarial services which are necessary for the operation and control of each of the insurance and benefit programs under this chapter. Under this paragraph, the board shall:

1. Determine the requirements for and qualifications of the actuary or the actuarial firms so retained.
2. Determine the terms and conditions of each contractual agreement, and the time any contractual agreement shall be in force.
3. Determine the procedure for the selection of an actuary or an actuarial firm.
4. Direct the secretary to sign on behalf of the department any contractual agreement approved by the board.

² **40.03 Powers and duties. (1)** Employee trust funds board. The board:

(L) May delegate powers and duties as deemed necessary or desirable.

1. Consulting Actuary for Health Insurance Programs
2. Consulting Actuary for Group Insurance and Disability Programs
3. Consulting Actuary for the Wisconsin Retirement System

However, the services provided by the actuary for the health insurance programs are focused on health insurance programs—which this Board does not oversee. One example: The actuary for health insurance programs conducts an annual review of the self-insured health and pharmacy benefit plans – programs that are sponsored by the GIB. Delegation of authority to contract with an actuary for health insurance programs recognizes that as the sponsor, the GIB is better-positioned to make determinations about actuarial services in relation to the health insurance programs, and will streamline the procurement process.

Under its terms, the attached delegation of authority must periodically be re-approved, and only relates to actuarial services in relation to health insurance programs sponsored by the GIB. This delegation does not affect procurements for actuarial services relating to group insurance and disability programs. If the Board approves the attached delegation of authority, staff will maintain the document in the Board's Governance Manual.

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

Attachment: Delegation of Authority to the Group Insurance Board to Contract for Actuarial Services for Health Insurance Programs

Delegation of Authority to the Group Insurance Board to Contract for Actuarial Services for Health Insurance Programs

The Employee Trust Funds (ETF) Board hereby delegates to the Group Insurance Board authority under Wis. Stat. § 40.03(1)(d) to select and retain a consulting actuary for the health insurance programs sponsored by the Group Insurance Board.

Authority for Delegation

The ETF Board is given authority under Wis. Stat. § 40.03(1)(L), to “delegate powers and duties as deemed necessary or desirable.” One of the powers listed in 40.03(1) is the selection and retention of actuarial services. Therefore, the ETF Board may choose to delegate aspects of this power.³

Character of Delegated Authority

The ETF Board intends this to be a broad delegation to the Group Insurance Board in regard to the procurement of the services of a consulting actuary for the health insurance programs sponsored by the Group Insurance Board. The delegation of authority includes the power to determine requirements and qualifications, solicit and negotiate contracts, approve vendors, and oversee any vendor appeals. The Group Insurance Board may delegate as necessary to the ETF Secretary.

Oversight

The ETF Board will periodically review the delegation and may retract delegation at any time. This delegation will expire on September 25, 2022 but may be extended or renewed by the ETF Board.

Date Approved:

³**40.03 Powers and duties. (1)** Employee trust funds board. The board:

(d) “Shall select and retain an actuary or an actuarial firm, under one or more contractual agreements which shall run to the department for the purpose of performing all actuarial services which are necessary for the operation and control of each of the insurance and benefit programs under this chapter. Under this paragraph, the board shall:

1. Determine the requirements for and qualifications of the actuary or the actuarial firms so retained.
2. Determine the terms and conditions of each contractual agreement, and the time any contractual agreement shall be in force.
3. Determine the procedure for the selection of an actuary or an actuarial firm.
4. Direct the secretary to sign on behalf of the department any contractual agreement approved by the board.

(L) May delegate powers and duties as deemed necessary or desirable.

ATTACHMENT 3

Delegation of Authority to the ETF Secretary to execute health insurance program actuarial contracts and amendments, until September 25, 2022, but may be extended or renewed by the ETF Board.

The Group Insurance Board hereby delegates to the ETF Secretary authority under Wis. Stat. Wis. Stat. § 40.03(6)(d) to execute contracts and contract amendments with the Board's health insurance program actuary.

Authority for Delegation

The Group Insurance Board has authority under Wis. Stat. § 40.03(6)(d) to “take any action as trustees which is deemed advisable and not specifically prohibited or delegated to some other governmental agency, *to carry out the purpose and intent of the group insurance plans provided under this chapter...*” (emphasis added). The Group Insurance Board also has authority to delegate as necessary to the ETF Secretary under the September 25, 2014 Delegation of Authority from the ETF Board.

Character of Delegated Authority

The Group Insurance Board intends this delegation to authorize the ETF Secretary to execute health insurance program actuarial contracts, including contract amendments, until September 25, 2022, but the delegation may be extended or renewed by the ETF Board.

ETF staff intend to provide the Board with Operational Updates on contract activity at future Board meetings.

Oversight

This delegation will continue until September 25, 2022 but may be extended or renewed by the ETF Board.