



STATE OF WISCONSIN
Department of Employee Trust Funds
 A. John Voelker
 SECRETARY

Wisconsin Department
 of Employee Trust Funds
 PO Box 7931
 Madison WI 53707-7931
 1-877-533-5020 (toll free)
 Fax 608-267-4549
 etf.wi.gov

Correspondence Memorandum

Date: May 12, 2023

To: Group Insurance Board

From: Tarna Hunter, Government Relations Director
 Office of the Secretary

Subject: 2023–2025 Biennial Budget and Legislative Update

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

This memo summarizes the Department of Employee Trust Funds' (ETF's) request for the 2023–2025 biennial budget submission to the Department of Administration (DOA). The period covered by the budget request is July 1, 2023–June 30, 2025. The schedule for review and action by the Governor and Legislature is anticipated to be as follows:

<u>Stage</u>	<u>Anticipated Schedule</u>
Agency Budget Request Due	September 2022
Governor Issues Budget Recommendations	February 2023
Review and Action by the Joint Committee on Finance (JCF)	February–June 2023
Action by Full Legislature	June 2023
Final Enacted Budget	July 2023

Pamela L. Henning

Reviewed and approved by Pam Henning, Assistant Deputy Secretary
 Electronically Signed 05/12/2023

Board	Mtg Date	Item #
GIB	05.17.23	8G

Department of Employee Trust Funds
Summary of Fiscal 2023–2025 Biennial Budget Request

(Updated May 12, 2023)

	FY 2024 FTE	FY 2024 Funding	FY 2025 FTE	FY 2025 Funding
Adjusted Base – Segregated funding (SEG)	275.20	\$52,712,300	275.20	\$52,712,300
Adjusted Base – General Purpose Revenue funding (GPR)	0.00	\$32,500	0.00	\$32,500
ETF Request Over Base* - SEG	16.00	\$16,490,200	16.00	\$21,284,000
ETF Request Over Base** - GPR	0.00	(\$4,600)	0.00	(\$11,100)
Governor’s Recommendations	16.00	\$4,891,500	16.00	\$9,678,800
Joint Committee on Finance				
Legislature				
Final Enacted Budget				

* Includes new initiatives and standard technical adjustments.

** GPR funding is a reduction from 2021–23 biennium.

ETF’s 2023–2025 budget request consists of an overall increase of 18.4% all funds, including a 18.4% increase in SEG funds and a 24.2% decrease in GPR funds. Below is a table detailing ETF’s funding request for the 2023-25 biennium.

ETF’s Budget Request (Funding Detail)

Funding Item	FY 2024 Funding	FY 2025 Funding
Adjusted Base	\$52,744,800	\$52,744,800
Full Funding of Positions and Operations	\$1,306,700	\$1,306,700
Turnover Reduction	(\$634,600)	(\$634,600)
Annuity Supplements	(\$4,600)	(\$11,100)
Overtime + Night & Weekend	\$117,900	\$117,900
Full Funding of Lease and Moves	(\$118,600)	(\$118,600)
Mandatory LAB Audit Costs	\$17,000	\$174,000
Legacy Systems Replacement Project Operations	\$3,110,400	\$7,454,500
Legacy Systems Replacement Project – 7.0 FTE	\$515,900	\$656,000
Financial and Actuarial Reporting – 2.0 FTE	\$143,600	\$182,200
Critical Customer Service – 7.0 FTE	\$437,800	\$551,800
Total	\$57,636,300	\$62,423,600

The 2023–2025 Budget Bill, [2023 AB 43](#) and [2023 SB 70](#), were introduced by the Joint Committee on Finance (JCF) on February 15, 2021 at the request of the Governor. Upon review of the budget bill, we have identified a number of provisions affecting the Department of Employee Trust Funds (ETF) and/or its benefit programs. Some of the highlights include:

ETF Administration and Oversight

- **General Wage Adjustments** – Provides general wage adjustments for most state employees of 5% on July 1, 2023, and an additional 3% on July 1, 2024.
- **Full Funding of Salary and Fringe Benefits** – Continues full funding of ETF's current operations. The proposed ETF 2023-25 budget consists of an overall funding increase of approximately 18%.
- **Modernization-Related Ongoing IT Expenses** – Provides 7.0 FTE and a permanent increase to base funding of \$3.6m in FY 2024 and \$8.1m in FY 2025 to support increases for ongoing operational IT expenses associated with the Insurance Administration System (IAS), data management and consulting/contractor costs related to replacing outdated legacy IT systems. The budget did not provide funding for the Pension Administration System (PAS) but includes non-statutory language directing ETF to include PAS funding in the 2025-2027 biennial budget request.
- **Critical Customer Service Functions** – Provides 7.0 FTE Trust Funds Specialists to maintain basic, critical customer service functions for members and employers related to significant increases in the member and employer populations that ETF serves.
- **Financial and Actuarial Compliance and Reporting** – Provides 1.0 FTE Accountant Advanced and 1.0 FTE Actuarial Analyst to fulfill its actuarial and accounting responsibilities related to actuarial valuations, financial reporting, and the proper implementation of accounting statements promulgated by the Governmental Accounting Standards Board (GASB).
- **Mandatory LAB Actuarial Audit** – Provides one-time funding of \$17,000 SEG in FY 2024 and \$174,000 SEG in FY 2025 to contract with the Legislative Audit Bureau (LAB) for the actuarial audit of the Wisconsin Retirement System that is statutorily required at least once every five years and for actuarial services related to performing a Governmental Accounting Standards Board valuation audit related to the retiree life insurance and sick leave programs.
- **Disability Program Redesign** – Decouples Sick Leave from the State Income Continuation Insurance (ICI) Plan Premium and Benefit Determinations. Premiums would be based on an elimination period and income instead of the

employee's sick leave balance. Additionally, the provision eliminates the requirement to use sick leave before receiving benefits. Finally, this provision transfers oversight of the ICI and Long-Term Disability Insurance programs from the GIB to the ETF Board.

- **Internal Auditor** – Creates the Office of Internal Audit attached to ETF. The bill requires the ETF Board to appoint an internal auditor and internal audit staff within the classified service who report directly to the ETF Board. ETF's internal auditor and staff shall continue to serve until the ETF Board makes an appointment under this provision.
- **Trust Fund Earnings Allocation** – Provides that ETF may distribute investment gains and losses of the core and variable trust funds accounts by calculating a simple average balance using the beginning and end of year balances. Current statutory language provides that investment gains and losses shall be distributed in a ratio of each participating account's average daily balance to the total average daily balance of all participating accounts. The change is needed to align statutory language with current administrative practices.

Retirement Services

- **Domestic Partnerships** – Reinstates domestic partnership benefits for all state and local government employee insurance programs administered by the Department of Employee Trust Funds.
- **Return to Work Law** – Provides that retirees can return to a WRS employer if: (a) at least 30 days have passed since the employee left employment with a participating employer; (b) the employee does not have an agreement to return to work; and (c) the employee elects to not become a participating employee in the WRS.

Health Insurance

- **Health Insurance** -- Changes the date that an employee is eligible for health insurance to the first day of the second month for most state employees other than limited-term appointments.
- **Infertility Treatment Coverage** – Requires health insurance policies and self-insured governmental health plans cover diagnosis of and treatment for infertility and standard fertility preservation services.
- **Low-Value Care Analysis** – Provides one-time GPR funding to DHS for a grant to conduct data analysis and identify low-value care in the Medicaid program and in health care coverage plans offered by the state.

Joint Committee on Finance (JCF) Action

The JCF took action on the budget during its first May 6 executive session. The JCF removed over 500 policy items that the governor included in his budget proposal from further consideration by the committee, including all provisions relating to ETF's benefit programs. The budget continues to fully fund ETF's current operations.

Other State Legislation

[2023 SB 63](#) and [2023 AB 62](#) allow insured individuals to choose whether they would like their insurer to pay their dental care provider directly or pay the bill themselves and be reimbursed by the insurer.

2023 SB 63 was introduced by Sen. Stroebel and referred to the Senate Committee on Insurance and Small Business. 2023 AB 62 was introduced by Rep. Brooks and referred to the Assembly Committee on Insurance.

[2023 SB 100](#) and [2023 AB 103](#) require health insurance policies that offer prescription drug benefits to apply amounts paid by or on behalf of an individual covered under the policy or plan for brand name prescription drugs to any cost-sharing requirement or to any calculation of an out-of-pocket maximum amount of the policy or plan.

2023 SB 100 was introduced by Sen. Jacque and referred to the Senate Committee on Insurance and Small Business. 2023 AB 103 was introduced by Rep. Tittl and referred to the Assembly Committee on Health, Aging and Long-Term Care.

[2023 SB 121](#) and [2023 AB 117](#) require health insurance policies to provide coverage for supplemental breast screening examinations or diagnostic breast examinations for an individual who is at increased risk of breast cancer. Additionally, health insurance policies may not charge a cost-sharing amount for a supplemental breast screening examination or diagnostic breast examination.

2023 SB 121 was introduced by Sen. Cabral-Guevara and referred to the Senate Committee on Health. 2023 AB 117 was introduced by Rep. Gustafson and referred to the Assembly Committee on Health, Aging and Long-Term Care.

[2023 SB 152](#) and [2023 AB 159](#) include the following requirements and limitations on health insurance coverage in the event the federal Patient Protection and Affordable Care Act no longer preempts state law on the topic:

- Health plans must accept every individual in this state who applies for coverage, regardless of whether any individual or employee has a preexisting condition.
- A health plan offered on the individual or small employer market or a self-insured governmental health plan may not vary premium rates for a specific plan on any basis except age, tobacco use, area in the state, and whether the plan covers an individual or a family.

- A health benefit plan or a self-insured governmental health plan may not impose a preexisting condition exclusion.
- A health benefit plan or a self-insured governmental health plan is prohibited from imposing an annual or lifetime limit on the dollar value of benefits under the plan.
- The Affordable Care Act exempts certain plans from complying with the act's provisions. Similarly, any health benefit plan that is exempt from a provision of the Affordable Care Act is exempt from complying with the corresponding provision of this bill.

2023 SB 152 was introduced by Sen. Jacque and referred to the Senate Committee on Insurance and Small Business. 2023 AB 159 was introduced by Rep. Magnafici and referred to the Assembly Committee on Insurance.

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