



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: March 26, 2015
TO: Employee Trust Funds Board
Teachers Retirement Board
Wisconsin Retirement Board
FROM: Tarna Hunter, Legislative Liaison
SUBJECT: Legislative and Biennial Budget Update

On February 3, 2015, Governor Walker presented his 2015-17 State Budget to the Legislature. This memo summarizes the status of the biennial budget request for the Department of Employee Trust Funds. I will be available at the April 2, 2015, 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	February 3, 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 3/26/15

Board	Mtg Date	Item #
JM	4.2.15	4B

Department of Employee Trust Funds
Summary of Fiscal 2015-2017 Biennial Budget Request
 Updated March 26, 2015

	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 - SEG	1.0**	2,125,700	1.0**	2,114,700
Governor's Recommendations - GPR		-11,200		-43,400
Joint Committee on Finance				
Legislature				
Final Enacted Budget				

*Includes new initiatives and standard technical adjustments.

**ETF's original request was for two positions for the call center. After the Group Insurance Board elected to assume responsibility for contracting and overseeing optional insurance plans at their November 2014 board meeting, ETF asked for an additional two positions for the administration of the optional insurance plans. The Governor's recommendations provided one position for the call center, one position for the administration of the optional plans and transferred one position to DOA.

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

The Governor's 2015-17 budget request consist of an overall increase of 4.9% all funds, including a 5.0% 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
Optional Insurance Plans Position	\$65,500	\$74,000
Call Center Position	\$54,000	\$58,700
Mandatory LAB and GASB Financial Reporting	\$215,000	\$150,000
Total	\$44,968,700	\$44,925,500

The 2015 – 2017 Budget Bill, **2015 AB 21** and **2015 SB 21**, were introduced by the Joint Committee on Finance on February 3, 2015 at the request of the Governor. In its review of the budget bill, ETF has identified the following budget provisions that relate to the benefit programs that the ETF administers.

- **Full Funding of Salary and Fringe** – Continued full funding of ETF’s current operations, including funding for the Transformation, Integration and Modernization (TIM) initiative. The proposed ETF 2015-17 budget consists of an overall funding increase of 4.9%.
- **Customer Service Staffing** – Provides 1.0 FTE Benefits Specialist position for the Contact Management Section (call center). The position will be used to assist in meeting the escalating service requirements for members.
- **Administration of Optional Insurance Plans** – Provides 1.0 FTE position to assist in the administration of optional employee-paid insurance plans.
- **Audits and Financial Reporting** – Provides \$215,000 in FY16 and \$150,000 in FY17 so the department can contract for the audits and actuarial studies necessary for the proper administration of the Wisconsin Retirement System.
- **Group Insurance Board Terms** – Increases from two years to four years the terms of appointed members of the Group Insurance Board. The bill also staggers the terms to ensure continuity in the experience of the board.
- **Employee Incentive to Opt Out of the State Health Insurance Program** – Provides a \$2,000 annual incentive for employees who opt out of the state health insurance program.
- **Transfer of 1.0 FTE Procurement Position** – Transfers 1.0 FTE procurement position from the Department of Employee Trust Funds to DOA for purchasing related functions.
- **Health Insurance Savings** – Directs the Group Insurance Board to work with the benefits consultant to make appropriate changes in order to realize \$25 million GPR (\$54 million all funds) in efficiencies and savings over the biennium.

The Joint Committee on Finance (JCF) spent the last few weeks holding public hearings around the state to collect public input on the budget bill. The JCF is a 16-member standing committee of the Wisconsin Legislature. The Committee’s primary responsibility is the review of all state appropriations and revenues. In the coming weeks, the JCF is expected to begin deliberations on the budget. ETF will continue monitoring the budget bill as the JCF makes modifications. In late June, the Legislature will deliver an amended budget bill to Governor Walker for review, approval and/or partial veto of the budget to be effective July 1, 2015.

Other Proposed Legislation

2015 SB 45 and **2015 AB 70** create the Wisconsin Private Retirement Security Board, which must establish a private retirement security plan to provide retirement benefits for residents of the state who choose to participate in the plan. The board is created within the Department of Employee Trust Funds by Chapter 15.

The bill requires the Board, with the assistance of ETF, to conduct a study to determine the feasibility of establishing a plan, conduct at least 5 public hearings throughout the state, and design the plan.

Eighteen months after the effective date, the Board must submit a report to the legislature, the governor, and the Joint Committee on Finance with the following information:

- The conclusions of the feasibility study.
- A summary of the testimony received at public hearings.
- The proposed design of the plan.
- An estimate of the cost of the initial establishment and administration of the plan.
- An estimate of the amount of time necessary to make the plan viable.
- A recommendation for any legislation necessary to implement the plan.

ETF is required to provide staff and resources to assist the board. The bill creates new appropriations within ETF's Chapter 20 to fund ETF's and the Board's responsibilities. ETF shall submit a request to the Joint Committee on Finance for a supplement for the initial costs of funding activities required by this bill. The bill provides that no moneys from the public employee trust fund may be expended for activities required by this bill.

2015 SB 45 was introduced by Sen. Hansen and referred to the Senate Committee on Labor and Government Reform. 2015 AB 70 was introduced by Rep. Genrich and was referred to the Assembly Committee on Financial Institutions.