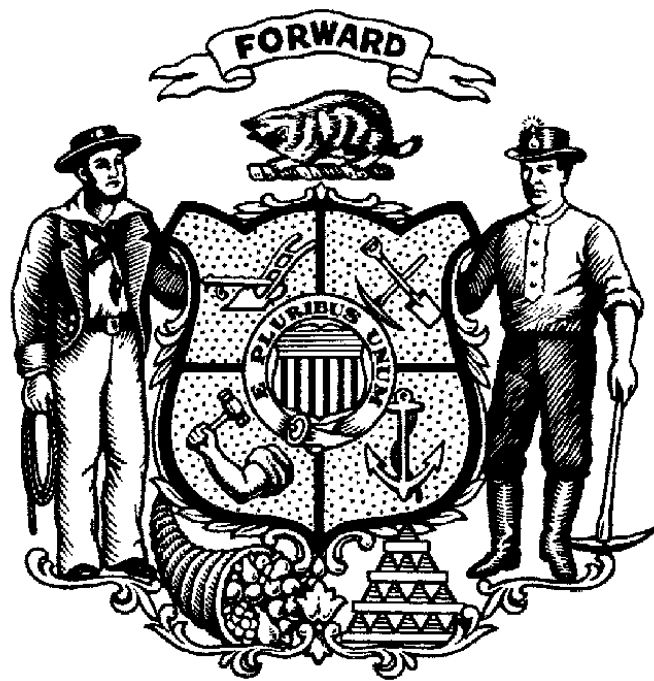


# State of Wisconsin

## Department of Employee Trust Funds



Agency Budget Request

2015 – 2017 Biennium

September 15, 2014

## Table of Contents

Cover Letter .....	4
<b>DESCRIPTION</b> .....	5
<b>MISSION</b> .....	6
Goals .....	7
Performance Measures.....	9
Organization Chart.....	10
Agency Total by Fund Source.....	11
Agency Total by Program.....	12
Agency Total by Decision Item (DIN) .....	14
Segregated Revenue and Balances Statement .....	15
Decision Items.....	22



**STATE OF WISCONSIN**  
**Department of Employee Trust Funds**

**Robert J. Conlin**  
SECRETARY

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

1-877-533-5020 (toll free)  
Fax (608) 267-4549  
<http://etf.wi.gov>

September 29, 2014

SECRETARY MIKE HUEBSCH  
DEPT OF ADMINISTRATION  
101 E WILSON ST 10<sup>TH</sup> FL  
P O BOX 7864  
MADISON WI 53707-7864

RE: 2015-17 Biennial Budget Request

Dear Secretary Huebsch:

I am pleased to submit the 2015-2017 biennial budget request for the Department of Employee Trust Funds (ETF). The Department's request has been prepared in accordance with your major budget policies for 2015-17. No general purpose revenue (GPR) is sought for operational purposes in this budget request. The ETF Board endorsed the attached budget request at its September 25, 2014 meeting.

This request includes funding for an innovative redesign of the way ETF uses cost and performance measures in its health care programs. It will help set the stage for how health care in the State employee health care program is organized, measured and purchased in the future. The initiative focuses on greater health care cost and quality transparency. While current tiering strategies are a foundation, this proposal would more aggressively advance the objective of value-based purchasing.

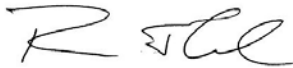
When complete, a more substantial structure will be possible, one that provides clear tiering information on cost and quality to steer members to high value plans, hospitals and physicians. It will drive people toward the higher quality/lower cost providers which, we believe, will ultimately help to reduce health care costs in the State employee health care program. By making this data publicly available, it may help to reduce health care costs across the state, as well.

This budget also includes 1) call center resources to strengthen ETF's ability to serve a growing population of retirees and to enhance customer service benchmark performance measures; 2) funding to complete a statutory actuarial audit and new financial reporting requirements; and 3) standard budget adjustments and technical items.

2015-17 Budget Request  
September 29, 2014  
Page 2

We look forward to working with you and your staff as the budget progresses. If you have any questions, please do not hesitate to contact me at (608) 266-0301 or Mike Bormett, Deputy Administrator for Division of Management Services, at (608) 266-3960.

Sincerely,

A handwritten signature in black ink, appearing to read "R Conlin". The signature is written in a cursive style with a large initial "R" and a stylized "Conlin".

Robert J Conlin  
Secretary

cc: Michael Heifetz, State Budget Director, Department of Administration  
Robert Lang, Director, Legislative Fiscal Bureau

## **AGENCY DESCRIPTION**

The department is headed by a secretary appointed by a 13-member Employee Trust Funds Board and is responsible for the state-administered retirement program; group insurance programs (health, life, income continuation, long-term disability and long-term care); employee reimbursement account program; commuter benefits program; deferred compensation trust funds for state and local government employees; state accumulated sick leave conversion credits program; and private health insurance for small businesses. The Group Insurance Board, Teachers Retirement Board, Wisconsin Retirement Board and Deferred Compensation Board are attached to the department.

The assets invested by the State of Wisconsin Investment Board are not assets of the state, but are held in trust pending disbursement to secure coverage for, or to pay benefits to, members or their beneficiaries.

## **MISSION**

The mission of the department is to develop and deliver quality benefits and services to customers while safeguarding the integrity of the trust.

## **PROGRAMS, GOALS, OBJECTIVES AND ACTIVITIES**

### **Program 1: Employee Benefit Plans**

Goal: Clearly communicate benefit details and options in a manner appropriate to customers and stakeholders.

Objective/Activity: Increase accessibility through telephony technology and face-to-face counseling with members.

Goal: Focus on the needs of customers and provide them with accurate, understandable and timely information.

Objective/Activity: Reduce the time to provide essential services to members.

Goal: Maintain sufficient resources to provide quality services and benefits and to meet essential customer needs in a timely manner.

Objective/Activity: Maintain costs of administration of benefit plans at or below the median of peer public retirement systems.

**Performance Measures**  
Biennial Budget 2015-2017

**Wisconsin Employee Trust Funds**

**2013 AND 2014 Goals and Outcomes**

Prog. No.	Performance Measure	Goal 2013	Actual 2013	Goal 2014	Actual 2014
1.	Number of Calls Received <sup>1</sup>	150,784	195,080	168,108	191,157
	Percent of calls answered	90%	93%	90%	94%
1.	Average speed of answer	1 minute	3 minutes	1 minute	3 minutes
1.	Number of eligible participants counseled.	11,971	9,203	12,037	8,335
1.	Percentage of active participants that receive counseling.	4.4%	3.6%	4.4%	3.3%
1.	Days to provide annuity retirement estimate from date of receipt to mailing, assuming requests from 25 percent of participants eligible to retire.	25	21	20	13
1.	Total administrative cost per active member and annuitant compared to the median of peer retirement systems. <sup>2</sup>	\$65 or <100%	\$59 WRS compared to \$81 peer median	\$65 or <100%	n/a

Note: Based on fiscal year.

<sup>1</sup> Descriptions changed to match the CEM benchmarking report

<sup>2</sup> Retirement and disability programs only – other benefit programs administered by the department are excluded.



**2015, 2016 AND 2017 GOALS**

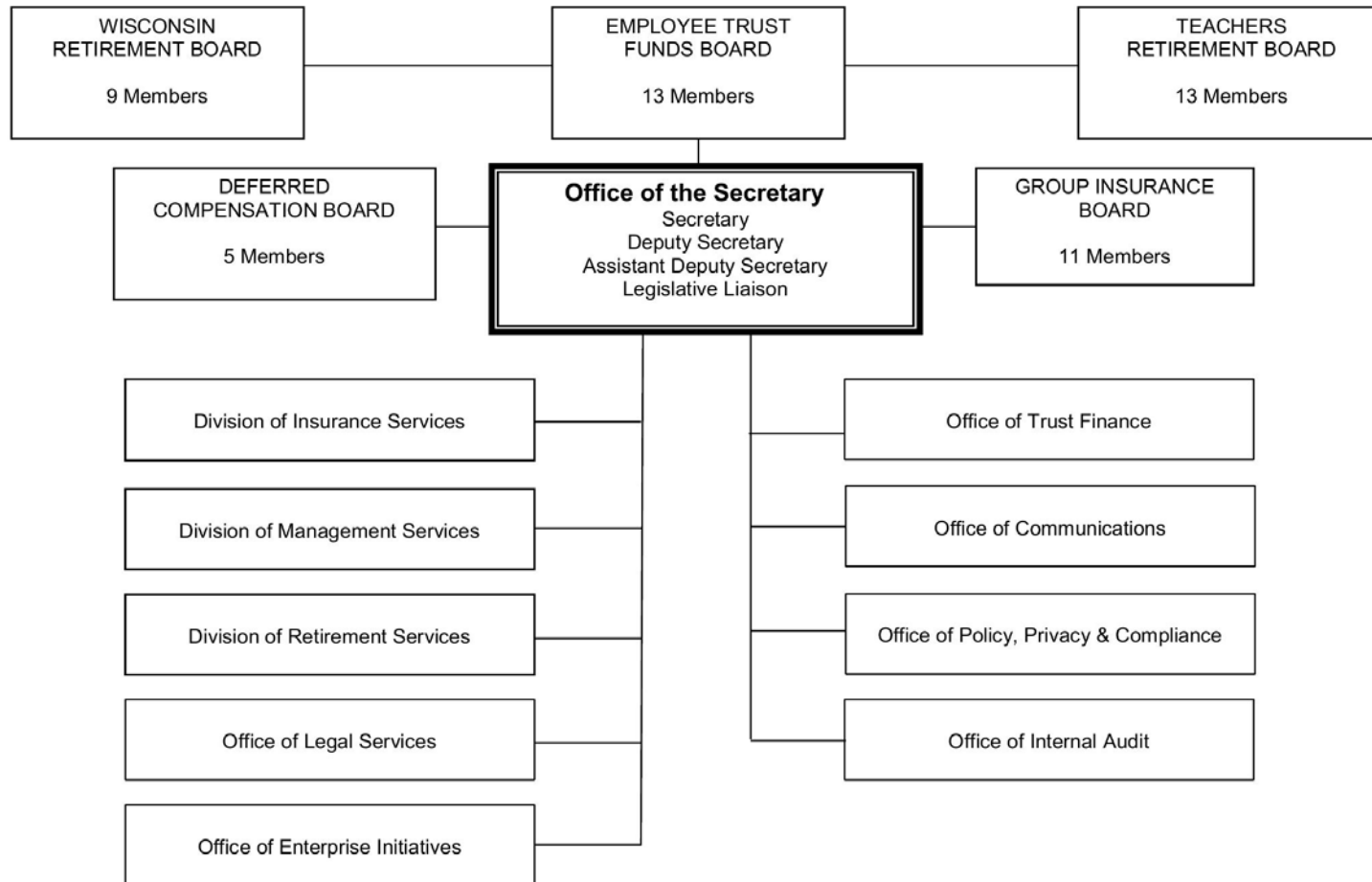
<b>Prog. No.</b>	<b>Performance Measure</b>	<b>Goal 2015</b>	<b>Goal 2016</b>	<b>Goal 2017</b>
1.	Number of Calls Received <sup>3</sup>	196,891	202,798	208,882
	Percent of calls answered	90%	90%	90%
1.	Average speed of calls answered	1 minute	1 minute	1 minute
1.	Number of eligible participants counseled.	9,000	9,900	10,890
1.	Percentage of active participants that receive counseling.	3.6%	3.9%	4.3%
1.	Days to provide annuity retirement estimate from date of receipt to mailing, assuming requests from 25 percent of participants eligible to retire.	20	20	20
1.	Total administrative cost per active member and annuitant compared to the median of peer retirement systems. <sup>4</sup>	\$65 or <100%	\$65 or <100%	\$65 or <100%

Note: Based on fiscal year.

<sup>3</sup> Descriptions changed to match the CEM benchmarking report

<sup>4</sup> Retirement and disability programs only – other benefit programs administered by the department are excluded.

**FUNCTIONAL ORGANIZATIONAL CHART**  
July 2014



(Updated 07/14)

# Agency Total by Fund Source

Department of Employee Trust Funds

1517 Biennial Budget

		ANNUAL SUMMARY					BIENNIAL SUMMARY				
Source of Funds		Prior Year Total	Adjusted Base	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE	Base Year Doubled (BYD)	Biennial Request	Change From (BYD)	Change From BYD %
GPR	A	\$293,735	\$216,600	\$205,400	\$173,200	0.00	0.00	\$433,200	\$378,600	(\$54,600)	-12.6%
<b>Total</b>		\$293,735	\$216,600	\$205,400	\$173,200	0.00	0.00	\$433,200	\$378,600	(\$54,600)	-12.6%
SEG	S	\$35,576,373	\$42,637,600	\$45,939,000	\$45,985,500	268.20	268.20	\$85,275,200	\$91,924,500	\$6,649,300	7.8%
<b>Total</b>		\$35,576,373	\$42,637,600	\$45,939,000	\$45,985,500	268.20	268.20	\$85,275,200	\$91,924,500	\$6,649,300	7.8%
<b>Grand Total</b>		\$35,870,108	\$42,854,200	\$46,144,400	\$46,158,700	268.20	268.20	\$85,708,400	\$92,303,100	\$6,594,700	7.7%

# Agency Total by Program

Department of Employee Trust Funds

1517 Biennial Budget

Source of Funds	ANNUAL SUMMARY						BIENNIAL SUMMARY			
	Prior Year Actual	Adjusted Base	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE	Base Year Doubled (BYD)	Biennial Request	Change From (BYD)	Change From BYD %
<b>01 EMPLOYEE BENEFIT PLANS</b>										
<b>Non Federal</b>										
<b>GPR</b>	<b>\$293,735</b>	<b>\$216,600</b>	<b>\$205,400</b>	<b>\$173,200</b>	<b>0.00</b>	<b>0.00</b>	<b>\$433,200</b>	<b>\$378,600</b>	<b>(\$54,600)</b>	<b>-12.60%</b>
A	\$293,735	\$216,600	\$205,400	\$173,200	0.00	0.00	\$433,200	\$378,600	(\$54,600)	-12.60%
<b>SEG</b>	<b>\$35,576,373</b>	<b>\$42,637,600</b>	<b>\$45,939,000</b>	<b>\$45,985,500</b>	<b>268.20</b>	<b>268.20</b>	<b>\$85,275,200</b>	<b>\$91,924,500</b>	<b>\$6,649,300</b>	<b>7.80%</b>
S	\$35,576,373	\$42,637,600	\$45,939,000	\$45,985,500	268.20	268.20	\$85,275,200	\$91,924,500	\$6,649,300	7.80%
<b>Total - Non Federal</b>	<b>\$35,870,108</b>	<b>\$42,854,200</b>	<b>\$46,144,400</b>	<b>\$46,158,700</b>	<b>268.20</b>	<b>268.20</b>	<b>\$85,708,400</b>	<b>\$92,303,100</b>	<b>\$6,594,700</b>	<b>7.69%</b>
A	\$293,735	\$216,600	\$205,400	\$173,200	0.00	0.00	\$433,200	\$378,600	(\$54,600)	-12.60%
S	\$35,576,373	\$42,637,600	\$45,939,000	\$45,985,500	268.20	268.20	\$85,275,200	\$91,924,500	\$6,649,300	7.80%
<b>PGM 01</b>	<b>\$35,870,108</b>	<b>\$42,854,200</b>	<b>\$46,144,400</b>	<b>\$46,158,700</b>	<b>268.20</b>	<b>268.20</b>	<b>\$85,708,400</b>	<b>\$92,303,100</b>	<b>\$6,594,700</b>	<b>7.69%</b>
<b>GPR</b>	<b>\$293,735</b>	<b>\$216,600</b>	<b>\$205,400</b>	<b>\$173,200</b>	<b>0.00</b>	<b>0.00</b>	<b>\$433,200</b>	<b>\$378,600</b>	<b>(\$54,600)</b>	<b>-12.60%</b>
A	\$293,735	\$216,600	\$205,400	\$173,200	0.00	0.00	\$433,200	\$378,600	(\$54,600)	-12.60%
<b>SEG</b>	<b>\$35,576,373</b>	<b>\$42,637,600</b>	<b>\$45,939,000</b>	<b>\$45,985,500</b>	<b>268.20</b>	<b>268.20</b>	<b>\$85,275,200</b>	<b>\$91,924,500</b>	<b>\$6,649,300</b>	<b>7.80%</b>
S	\$35,576,373	\$42,637,600	\$45,939,000	\$45,985,500	268.20	268.20	\$85,275,200	\$91,924,500	\$6,649,300	7.80%
<b>TOTAL 01</b>	<b>\$35,870,108</b>	<b>\$42,854,200</b>	<b>\$46,144,400</b>	<b>\$46,158,700</b>	<b>268.20</b>	<b>268.20</b>	<b>\$85,708,400</b>	<b>\$92,303,100</b>	<b>\$6,594,700</b>	<b>7.69%</b>
A	\$293,735	\$216,600	\$205,400	\$173,200	0.00	0.00	\$433,200	\$378,600	(\$54,600)	-12.60%
S	\$35,576,373	\$42,637,600	\$45,939,000	\$45,985,500	268.20	268.20	\$85,275,200	\$91,924,500	\$6,649,300	7.80%
<b>Agency Total</b>	<b>\$35,870,108</b>	<b>\$42,854,200</b>	<b>\$46,144,400</b>	<b>\$46,158,700</b>	<b>268.20</b>	<b>268.20</b>	<b>\$85,708,400</b>	<b>\$92,303,100</b>	<b>\$6,594,700</b>	<b>7.69%</b>

# Agency Total by Decision Item

Department of Employee Trust Funds

1517 Biennial Budget

Source of Funds	ANNUAL SUMMARY						BIENNIAL SUMMARY			
	Prior Year					2nd Year	Base Year	Biennial	Change From	Change From
	Actual	Adjusted Base	1st Year Total	2nd Year Total	1st Year FTE	FTE	Doubled (BYD)	Request	(BYD)	BYD %
<b>01 EMPLOYEE BENEFIT PLANS</b>										
<b>Non Federal</b>										
<b>GPR</b>	\$293,735	\$216,600	\$205,400	\$173,200	0.00	0.00	\$433,200	\$378,600	(\$54,600)	-12.60%
A	\$293,735	\$216,600	\$205,400	\$173,200	0.00	0.00	\$433,200	\$378,600	(\$54,600)	-12.60%
<b>SEG</b>	\$35,576,373	\$42,637,600	\$45,939,000	\$45,985,500	268.20	268.20	\$85,275,200	\$91,924,500	\$6,649,300	7.80%
S	\$35,576,373	\$42,637,600	\$45,939,000	\$45,985,500	268.20	268.20	\$85,275,200	\$91,924,500	\$6,649,300	7.80%
<b>Total - Non Federal</b>	\$35,870,108	\$42,854,200	\$46,144,400	\$46,158,700	268.20	268.20	\$85,708,400	\$92,303,100	\$6,594,700	7.69%
A	\$293,735	\$216,600	\$205,400	\$173,200	0.00	0.00	\$433,200	\$378,600	(\$54,600)	-12.60%
S	\$35,576,373	\$42,637,600	\$45,939,000	\$45,985,500	268.20	268.20	\$85,275,200	\$91,924,500	\$6,649,300	7.80%
<b>PGM 01 Total</b>	\$35,870,108	\$42,854,200	\$46,144,400	\$46,158,700	268.20	268.20	\$85,708,400	\$92,303,100	\$6,594,700	7.69%
<b>GPR</b>	\$293,735	\$216,600	\$205,400	\$173,200	0.00	0.00	\$433,200	\$378,600	(\$54,600)	-12.60%
A	\$293,735	\$216,600	\$205,400	\$173,200	0.00	0.00	\$433,200	\$378,600	(\$54,600)	-12.60%
<b>SEG</b>	\$35,576,373	\$42,637,600	\$45,939,000	\$45,985,500	268.20	268.20	\$85,275,200	\$91,924,500	\$6,649,300	7.80%
S	\$35,576,373	\$42,637,600	\$45,939,000	\$45,985,500	268.20	268.20	\$85,275,200	\$91,924,500	\$6,649,300	7.80%
<b>TOTAL 01</b>	\$35,870,108	\$42,854,200	\$46,144,400	\$46,158,700	268.20	268.20	\$85,708,400	\$92,303,100	\$6,594,700	7.69%
A	\$293,735	\$216,600	\$205,400	\$173,200	0.00	0.00	\$433,200	\$378,600	(\$54,600)	-12.60%
S	\$35,576,373	\$42,637,600	\$45,939,000	\$45,985,500	268.20	268.20	\$85,275,200	\$91,924,500	\$6,649,300	7.80%
<b>Agency Total</b>	\$35,870,108	\$42,854,200	\$46,144,400	\$46,158,700	268.20	268.20	\$85,708,400	\$92,303,100	\$6,594,700	7.69%

# Agency Total by Decision Item

Department of Employee Trust Funds

1517 Biennial Budget

Decision Item	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
2000 Adjusted Base Funding Level	\$42,854,200	\$42,854,200	266.20	266.20
3001 Turnover Reduction	(\$473,500)	(\$473,500)	0.00	0.00
3003 Full Funding of Continuing Position Salaries and Fringe Benefits	\$2,208,300	\$2,208,300	0.00	0.00
3007 Overtime	\$45,700	\$45,700	0.00	0.00
3008 Night and Weekend Differential Pay	\$72,400	\$72,400	0.00	0.00
3010 Full Funding of Lease and Directed Moves Costs	(\$61,700)	(\$20,900)	0.00	0.00
4005 Health Care Data Transparency: Cost and Quality	\$1,187,200	\$1,248,500	0.00	0.00
4505 Critical Customer Service Functions	\$108,000	\$117,400	2.00	2.00
5001 Annuity Supplements	(\$11,200)	(\$43,400)	0.00	0.00
6005 Mandatory LAB and GASB Audits and Financial Reporting	\$215,000	\$150,000	0.00	0.00
6505 Transfer positions from 1t alpha to 1w	\$0	\$0	0.00	0.00
<b>TOTAL</b>	<b>\$46,144,400</b>	<b>\$46,158,700</b>	<b>268.20</b>	<b>268.20</b>

# Segregated Funds Revenue and Balances Statement

1517 Biennial Budget

DEPARTMENT	CODES	TITLES
NUMERIC	515	Department of Employee Trust Funds
PROGRAM	01	Employee benefit plans
SUBPROGRAM		
WiSMART FUND	262	

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
<b>Opening Balance</b>	<b>\$25,860,000</b>	<b>\$25,282,000</b>	<b>\$26,613,000</b>	<b>\$27,244,000</b>
Investment Earnings	\$26,000	\$25,000	\$27,000	\$27,000
All Other	\$77,911,000	\$81,878,000	\$83,773,000	\$86,483,000
Administrative expense reimbursement	\$32,633,000	\$43,661,000	\$45,939,000	\$45,986,000
<b>Total Revenue</b>	<b>\$136,430,000</b>	<b>\$150,846,000</b>	<b>\$156,352,000</b>	<b>\$159,740,000</b>
<b>Expenditures</b>	<b>\$111,148,000</b>	<b>\$124,233,000</b>	<b>\$0</b>	<b>\$0</b>
3008 Night and Weekend Differential Pay	\$0	\$0	\$72,400	\$72,400
2000 Adjusted Base Funding Level	\$0	\$0	\$42,637,600	\$42,637,600
4005 Health Care Data Transparency: Cost and Quality	\$0	\$0	\$1,187,200	\$1,248,500
6005 Mandatory LAB and GASB Audits and Financial Reporting	\$0	\$0	\$215,000	\$150,000
3007 Overtime	\$0	\$0	\$45,700	\$45,700
6505 Transfer positions from 1t alpha to 1w	\$0	\$0	\$0	\$0
3003 Full Funding of Continuing Position Salaries and Fringe Benefits	\$0	\$0	\$2,208,300	\$2,208,300
3001 Turnover Reduction	\$0	\$0	(\$473,500)	(\$473,500)
3010 Full Funding of Lease and Directed Moves Costs	\$0	\$0	(\$61,700)	(\$20,900)

# Segregated Funds Revenue and Balances

## Statement

1517 Biennial Budget

4505 Critical Customer Service Functions	\$0	\$0	\$108,000	\$117,400
Benefits	\$0	\$0	\$83,169,000	\$85,849,000
<b>Total Expenditures</b>	<b>\$111,148,000</b>	<b>\$124,233,000</b>	<b>\$129,108,000</b>	<b>\$131,834,500</b>
<u>Closing Balance</u>	<b>\$25,282,000</b>	<b>\$26,613,000</b>	<b>\$27,244,000</b>	<b>\$27,905,500</b>



# Segregated Funds Revenue and Balances Statement

## 1517 Biennial Budget

	(in Thousands \$)		1st Year Estimate (FY 2015-16)	2nd Year Estimate (FY 2016-17)
	Prior Year Actual (FY 2013-14)	Base Year Estimate (FY 2014-15)		
	Department of Employee Trust Funds			
<b>Public Employee Trust Fund (262)</b>				
<b>Beginning Balance</b>	\$ 25,860	\$ 25,282	\$ 26,613	\$ 27,244
<b>Revenues</b>				
Administrative Reimbursement	32,633	43,661	45,939	45,986
Investment Income	26	25	27	27
Commuter Benefit Program - Employer Administrative Fee	197	207	217	228
Commuter Benefit Program - Employee Salary Reductions	1,516	1,564	1,614	1,666
Employee Reimbursement Accounts - Employer Administrative Fee	586	616	646	679
Employee Reimbursement Accounts - Employee Salary Reductions	25,203	26,009	26,841	27,700
Group Life Insurance - Administrative Reimbursement	-	1,459	766	805
Group Life Insurance - Employer Premiums	6,325	6,527	6,736	6,951
Group Life Insurance - Employee Premiums	30,925	31,914	32,935	33,989
Group Life Insurance - Annuitant Premiums	8,455	8,725	9,005	9,293
Group Life Insurance - Additional Coverage Premiums	3,969	4,096	4,227	4,362
Group Life Insurance - Spouse & Dependent Premiums	737	761	785	810
<b>Total Revenue</b>	<b>110,570</b>	<b>125,564</b>	<b>129,739</b>	<b>132,496</b>
<b>Expenditures</b>				
Agency Administration	33,090	43,661	45,939	45,986
Group Life Insurance - Insurer Premiums	50,410	52,023	53,688	55,406
Commuter Benefit Program - TPA Administration	93	98	103	108
Commuter Benefit Program - Claims Payment	1,630	1,683	1,737	1,792
Employee Reimbursement Accounts - Claims Payment	25,062	25,864	26,692	27,546
Employee Reimbursement Accounts - TPA Administration	862	905	950	998
<b>Total Expenditures</b>	<b>111,148</b>	<b>124,233</b>	<b>129,108</b>	<b>131,835</b>
<b>Ending Balance</b>	<b>\$ 25,282</b>	<b>\$ 26,613</b>	<b>\$ 27,244</b>	<b>\$ 27,905</b>

# Segregated Funds Revenue and Balances Statement

1517 Biennial Budget

	CODES	TITLES
DEPARTMENT	515	Department of Employee Trust Funds
NUMERIC		
PROGRAM	01	Employee benefit plans
SUBPROGRAM		
WISMART FUND	747	

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
<b>Opening Balance</b>	<b>\$80,295,000,000</b>	<b>\$83,673,469,000</b>	<b>\$86,951,608,000</b>	<b>\$90,122,073,000</b>
Investment Earnings	\$5,781,240,000	\$6,024,490,000	\$6,260,516,000	\$6,488,789,000
Premiums and Contributions	\$3,447,819,000	\$3,496,734,000	\$3,585,524,000	\$3,678,604,000
<b>Total Revenue</b>	<b>\$89,524,059,000</b>	<b>\$93,194,693,000</b>	<b>\$96,797,648,000</b>	<b>\$100,289,466,000</b>
<b>Expenditures</b>	<b>\$5,850,590,000</b>	<b>\$6,243,085,000</b>	<b>\$0</b>	<b>\$0</b>
	\$0	\$0	\$6,675,575,000	\$7,139,195,000
<b>Total Expenditures</b>	<b>\$5,850,590,000</b>	<b>\$6,243,085,000</b>	<b>\$6,675,575,000</b>	<b>\$7,139,195,000</b>
<u><b>Closing Balance</b></u>	<b>\$83,673,469,000</b>	<b>\$86,951,608,000</b>	<b>\$90,122,073,000</b>	<b>\$93,150,271,000</b>

# Segregated Funds Revenue and Balances Statement

## 1517 Biennial Budget

Department of Employee Trust Funds					
Segregated Fund Revenue and Expenditure Summary					
(in Thousands \$)					
		Prior Year Actual (FY 2013-14)	Base Year Estimate (FY 2014-15)	1st Year Estimate (FY 2015-16)	2nd Year Estimate (FY 2016-17)
<b>Core Retirement Trust Fund (747)</b>					
<b>Beginning Balance</b>		\$ 80,295,000	\$ 83,673,469	\$ 86,951,607	\$ 90,122,071
<b>Revenues</b>					
Investment Income		5,781,240	6,024,490	6,260,516	6,488,789
ASLCC - Contributions		59,399	50,490	47,965	45,567
Duty Disability - Contributions		31,753	9,526	9,831	10,145
Health - Administrative Fee		5,054	5,307	5,572	5,851
Health - ASLCC Paid Premiums		102,133	107,240	112,602	118,232
Health - Annuitant Paid Premiums		61,067	64,120	67,326	70,692
Health - Employer/Employee Paid Premiums		1,369,796	1,438,286	1,510,200	1,585,710
Health - Medicare Part D Premiums		17,404	18,274	19,188	20,148
ICI - Employer/Employee Paid Premiums		15,279	15,768	16,273	16,794
Milwaukee Retirement - Contributions		7,000	-	-	-
Police and Firefighters - Employer Contributions		997	897	808	727
WRS - Employee Contributions		815,878	819,958	824,057	828,178
WRS - Employer Contributions		962,057	966,868	971,702	976,560
<b>Total Revenues</b>		<b>9,229,059</b>	<b>9,521,223</b>	<b>9,846,040</b>	<b>10,167,393</b>
<b>Expenditures</b>					
Accumulated Sick Leave - Regular - Health Insurance Premiums		138,640	149,038	160,216	172,232
MILWAUKEE RETIREMENT-Fixed - Deposits		11,000	-	-	-
State Health Insurance - TPA Administration		13,135	13,398	13,666	13,939
State Health Insurance - Medical Benefit Claims		27,509	29,573	31,791	34,175
State Health Insurance - Medical Insurance Premiums		1,294,024	1,358,725	1,426,661	1,497,995
State Health Insurance - Pharmacy Benefit Claims		256,857	282,543	310,797	341,877
Duty Disability - Benefit Payments		31,735	33,321	34,987	36,737
Wisconsin Retirement System - Beneficiary Annuities		16,936	17,782	18,671	19,605
Wisconsin Retirement System - Death Benefits		37,320	39,186	41,145	43,202
Wisconsin Retirement System - Disability Annuities		126,528	132,854	139,497	146,472
Wisconsin Retirement System - Retirement Annuities		3,796,264	4,080,983	4,387,057	4,716,086
Wisconsin Retirement System - Separation Benefits		34,899	36,644	38,476	40,400
State Supplemental ICI - Benefit Payments		19,312	19,930	20,568	21,226
State Supplemental ICI - TPA Administration		1,412	1,440	1,469	1,499
Police and Firefighters - Retirement Annuities		3,567	3,211	2,890	2,601
Long Term Disability Insurance - Benefit Payments		39,541	42,507	45,695	49,122
Long Term Disability Insurance - TPA Administration		1,911	1,949	1,988	2,028
<b>Total Expenditures</b>		<b>5,850,590</b>	<b>6,243,085</b>	<b>6,675,575</b>	<b>7,139,195</b>
<b>Ending Balance</b>		<b>\$ 83,673,469</b>	<b>\$ 86,951,607</b>	<b>\$ 90,122,071</b>	<b>\$ 93,150,269</b>

# Segregated Funds Revenue and Balances Statement

1517 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
<b>NUMERIC PROGRAM</b>	01	Employee benefit plans
<b>SUBPROGRAM</b>		
<b>WISMART FUND</b>	751	

<b>Revenue and Expenditures</b>	<b>Prior Year Actuals</b>	<b>Base Year Estimate</b>	<b>1st Year Estimate</b>	<b>2nd Year Estimate</b>
<b>Opening Balance</b>	<b>\$6,227,000,000</b>	<b>\$6,548,219,000</b>	<b>\$6,844,707,000</b>	<b>\$7,149,799,000</b>
Investment Earnings	\$448,344,000	\$471,472,000	\$492,819,000	\$514,785,000
Contributions	\$218,985,000	\$221,864,000	\$228,964,000	\$236,291,000
	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0
<b>Total Revenue</b>	<b>\$6,894,329,000</b>	<b>\$7,241,555,000</b>	<b>\$7,566,490,000</b>	<b>\$7,900,875,000</b>
<b>Expenditures</b>	<b>\$346,110,000</b>	<b>\$396,848,000</b>	<b>\$0</b>	<b>\$0</b>
WRS	\$0	\$0	\$416,691,000	\$437,525,000
<b>Total Expenditures</b>	<b>\$346,110,000</b>	<b>\$396,848,000</b>	<b>\$416,691,000</b>	<b>\$437,525,000</b>
<b>Closing Balance</b>	<b>\$6,548,219,000</b>	<b>\$6,844,707,000</b>	<b>\$7,149,799,000</b>	<b>\$7,463,350,000</b>

# Segregated Funds Revenue and Balances Statement

1517 Biennial Budget

Department of Employee Trust Funds				
Segregated Fund Revenue and Expenditure Summary				
(in Thousands \$)				
	Prior Year Actual	Base Year Estimate	1st Year Estimate	2nd Year Estimate
	(FY 2013-14)	(FY 2014-15)	(FY 2015-16)	(FY 2016-17)
<b>Variable Retirement Trust Fund (751)</b>				
<b>Beginning Balance</b>	\$ 6,227,000	\$ 6,548,219	\$ 6,844,706	\$ 7,149,798
<b>Revenues</b>				
Investment Income	448,344	471,472	492,819	514,785
Milwaukee Retirement - Deposits	4,000	-	-	-
Wisconsin Retirement System - Employee Contribution	108,303	111,768	115,345	119,036
Wisconsin Retirement System - Employer Contributions	106,682	110,096	113,619	117,255
<b>Total Revenues</b>	<b>667,329</b>	<b>693,336</b>	<b>721,783</b>	<b>751,076</b>
<b>Expenditures</b>				
Wisconsin Retirement System - Beneficiary Annuities	1,792	1,882	1,976	2,074
Wisconsin Retirement System - Death Benefits	1,739	1,826	1,917	2,013
Wisconsin Retirement System - Disability Annuities	6,086	6,390	6,710	7,045
Wisconsin Retirement System - Retirement Annuities	334,332	384,481	403,706	423,891
Wisconsin Retirement System - Separation Benefits	2,161	2,269	2,383	2,502
<b>Total Expenditures</b>	<b>346,110</b>	<b>396,848</b>	<b>416,691</b>	<b>437,525</b>
<b>Ending Balance</b>	<b>\$ 6,548,219</b>	<b>\$ 6,844,706</b>	<b>\$ 7,149,798</b>	<b>\$ 7,463,349</b>

**Department of Employee Trust Funds**

**Decision Item (DIN) - 2000**

**Decision Item (DIN) Title - Adjusted Base Funding Level**

**NARRATIVE**

Adjusted Base Funding Level

**Decision Item by Line**

**1517 Biennial Budget**

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	2000	Adjusted Base Funding Level

<b>Expenditure items</b>		<b>1st Year Cost</b>	<b>2nd Year Cost</b>
01	Permanent Position Salaries	\$14,936,100	\$14,936,100
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$121,700	\$121,700
05	Fringe Benefits	\$5,599,000	\$5,599,000
06	Supplies and Services	\$20,320,000	\$20,320,000
07	Permanent Property	\$1,660,800	\$1,660,800
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$216,600	\$216,600
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>\$42,854,200</b>	<b>\$42,854,200</b>
18	Project Positions Authorized	3.00	3.00
19	Classified Positions Authorized	260.20	260.20
20	Unclassified Positions Authorized	3.00	3.00

## Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year	2nd Year
	<b>2000</b>	<b>Adjusted Base Funding Level</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	01 Annuity supplements and payments	\$216,600	\$216,600	0.00	0.00
	61 Automated operating system	\$8,393,600	\$8,393,600	7.00	7.00
	62 Benefit administration	\$4,900	\$4,900	0.00	0.00
	64 Health insurance data collection and	\$968,100	\$968,100	0.00	0.00
	76 Administration	\$29,886,600	\$29,886,600	259.20	259.20
	88 Administration	\$3,384,400	\$3,384,400	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>\$42,854,200</b>	<b>\$42,854,200</b>	<b>266.20</b>	<b>266.20</b>
	<b>Adjusted Base Funding Level</b>	<b>\$42,854,200</b>	<b>\$42,854,200</b>	<b>266.20</b>	<b>266.20</b>
	<b>Agency Total</b>	<b>\$42,854,200</b>	<b>\$42,854,200</b>	<b>266.20</b>	<b>266.20</b>

	Source of Funds		1st Year Total	2nd Year Total	1st Year	2nd
<b>Decision Item</b>	<b>2000</b>	<b>Adjusted Base Funding Level</b>				
	GPR	A	\$216,600	\$216,600	0.00	0.00
	SEG	S	\$42,637,600	\$42,637,600	266.20	266.20
	<b>Total</b>		<b>\$42,854,200</b>	<b>\$42,854,200</b>	<b>266.20</b>	<b>266.20</b>
<b>Agency Total</b>			<b>\$42,854,200</b>	<b>\$42,854,200</b>	<b>266.20</b>	<b>266.20</b>

**Decision Item (DIN) - 3001**

**Decision Item (DIN) Title - Turnover Reduction**

**NARRATIVE**

Standard Budget Adjustment - Turnover Reduction

**Decision Item by Line**

**1517 Biennial Budget**

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	3001	Turnover Reduction

	<b>Expenditure items</b>	<b>1st Year Cost</b>	<b>2nd Year Cost</b>
01	Permanent Position Salaries	(\$473,500)	(\$473,500)
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>(\$473,500)</b>	<b>(\$473,500)</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00



# Decision Item by Fund Source

## Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year	2nd Year
	<b>3001</b>	<b>Turnover Reduction</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	76 Administration	(\$473,500)	(\$473,500)	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>(\$473,500)</b>	<b>(\$473,500)</b>	<b>0.00</b>	<b>0.00</b>
	<b>Turnover Reduction SubTotal</b>	<b>(\$473,500)</b>	<b>(\$473,500)</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>(\$473,500)</b>	<b>(\$473,500)</b>	<b>0.00</b>	<b>0.00</b>

	Source of Funds	1st Year Total	2nd Year Total	1st Year	2nd
<b>Decision Item</b>	<b>3001</b>	<b>Turnover Reduction</b>			
	SEG	S	(\$473,500)	(\$473,500)	0.00
	<b>Total</b>		<b>(\$473,500)</b>	<b>(\$473,500)</b>	<b>0.00</b>
<b>Agency Total</b>			<b>(\$473,500)</b>	<b>(\$473,500)</b>	<b>0.00</b>

**Decision Item (DIN) - 3003**

**Decision Item (DIN) Title - Full Funding of Continuing Position Salaries and Fringe Benefits**

**NARRATIVE**

Standard Budget Adjustment - Full Funding of Continuing Position Salaries and Fringe Benefits

**Decision Item by Line**

**1517 Biennial Budget**

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	3003	Full Funding of Continuing Position Salaries and Fringe

<b>Expenditure items</b>		<b>1st Year Cost</b>	<b>2nd Year Cost</b>
01	Permanent Position Salaries	\$1,298,700	\$1,298,700
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$909,600	\$909,600
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>\$2,208,300</b>	<b>\$2,208,300</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

# Decision Item by Fund Source

1517 Biennial Budget

## Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year	2nd Year
	<b>3003</b>	<b>Full Funding of Continuing Position Salaries and</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	61 Automated operating system	\$632,900	\$632,900	0.00	0.00
	76 Administration	\$1,575,400	\$1,575,400	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>\$2,208,300</b>	<b>\$2,208,300</b>	<b>0.00</b>	<b>0.00</b>
	<b>Full Funding of Continuing Position</b>	<b>\$2,208,300</b>	<b>\$2,208,300</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>\$2,208,300</b>	<b>\$2,208,300</b>	<b>0.00</b>	<b>0.00</b>

	Source of Funds		1st Year Total	2nd Year Total	1st Year	2nd
<b>Decision Item</b>	<b>3003</b>	<b>Full Funding of Continuing Position Salaries and Fringe Benefits</b>				
	SEG	S	\$2,208,300	\$2,208,300	0.00	0.00
	<b>Total</b>		<b>\$2,208,300</b>	<b>\$2,208,300</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>\$2,208,300</b>	<b>\$2,208,300</b>	<b>0.00</b>	<b>0.00</b>

**Decision Item (DIN) - 3007**

**Decision Item (DIN) Title - Overtime**

**NARRATIVE**

Standard Budget Adjustment – Overtime

**Decision Item by Line**

**1517 Biennial Budget**

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	3007	Overtime

	<b>Expenditure items</b>	<b>1st Year Cost</b>	<b>2nd Year Cost</b>
01	Permanent Position Salaries	\$39,500	\$39,500
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$6,200	\$6,200
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>\$45,700</b>	<b>\$45,700</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

# Decision Item by Fund Source

## Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year	2nd Year
	<b>3007</b>	<b>Overtime</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	76 Administration	\$45,700	\$45,700	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>\$45,700</b>	<b>\$45,700</b>	<b>0.00</b>	<b>0.00</b>
	<b>Overtime SubTotal</b>	<b>\$45,700</b>	<b>\$45,700</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>\$45,700</b>	<b>\$45,700</b>	<b>0.00</b>	<b>0.00</b>

Decision Item	Source of Funds		1st Year Total	2nd Year Total	1st Year	2nd
	<b>3007</b>	<b>Overtime</b>				
	SEG	S	\$45,700	\$45,700	0.00	0.00
	<b>Total</b>		<b>\$45,700</b>	<b>\$45,700</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>\$45,700</b>	<b>\$45,700</b>	<b>0.00</b>	<b>0.00</b>

**Decision Item (DIN) - 3008**

**Decision Item (DIN) Title - Night and Weekend Differential Pay**

**NARRATIVE**

Standard Budget Adjustment - Night and Weekend Differential Pay

**Decision Item by Line**

**1517 Biennial Budget**

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	3008	Night and Weekend Differential Pay

<b>Expenditure items</b>		<b>1st Year Cost</b>	<b>2nd Year Cost</b>
01	Permanent Position Salaries	\$62,600	\$62,600
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$9,800	\$9,800
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>\$72,400</b>	<b>\$72,400</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

# Decision Item by Fund Source

## Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year	2nd Year
	<b>3008</b>	<b>Night and Weekend Differential Pay</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	76 Administration	\$72,400	\$72,400	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>\$72,400</b>	<b>\$72,400</b>	<b>0.00</b>	<b>0.00</b>
	<b>Night and Weekend Differential Pay</b>	<b>\$72,400</b>	<b>\$72,400</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>\$72,400</b>	<b>\$72,400</b>	<b>0.00</b>	<b>0.00</b>

	Source of Funds		1st Year Total	2nd Year Total	1st Year	2nd
<b>Decision Item</b>	<b>3008</b>	<b>Night and Weekend Differential Pay</b>				
	SEG	S	\$72,400	\$72,400	0.00	0.00
	<b>Total</b>		<b>\$72,400</b>	<b>\$72,400</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>\$72,400</b>	<b>\$72,400</b>	<b>0.00</b>	<b>0.00</b>

**Decision Item (DIN) - 3010**

**Decision Item (DIN) Title - Full Funding of Lease and Directed Moves Costs**

**NARRATIVE**

Standard Budget Adjustment - Full Funding of Lease and Directed Moves Costs

**Decision Item by Line**

**1517 Biennial Budget**

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	3010	Full Funding of Lease and Directed Moves Costs

<b>Expenditure items</b>		<b>1st Year Cost</b>	<b>2nd Year Cost</b>
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	(\$61,700)	(\$20,900)
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>(\$61,700)</b>	<b>(\$20,900)</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00



# Decision Item by Fund Source

## Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year	2nd Year
	<b>3010</b>	<b>Full Funding of Lease and Directed Moves Costs</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	76 Administration	(\$61,700)	(\$20,900)	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>(\$61,700)</b>	<b>(\$20,900)</b>	<b>0.00</b>	<b>0.00</b>
	<b>Full Funding of Lease and Directed</b>	<b>(\$61,700)</b>	<b>(\$20,900)</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>(\$61,700)</b>	<b>(\$20,900)</b>	<b>0.00</b>	<b>0.00</b>

	Source of Funds	1st Year Total	2nd Year Total	1st Year	2nd	
<b>Decision Item</b>	<b>3010</b>	<b>Full Funding of Lease and Directed Moves Costs</b>				
	SEG	S	(\$61,700)	(\$20,900)	0.00	0.00
	<b>Total</b>		<b>(\$61,700)</b>	<b>(\$20,900)</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>(\$61,700)</b>	<b>(\$20,900)</b>	<b>0.00</b>	<b>0.00</b>

**Decision Item (DIN) - 4005**

**Decision Item (DIN) Title - Health Care Data Transparency: Cost and Quality**

**NARRATIVE**

The department requests \$1,187,200 SEG in FY16 and \$1,248,500 SEG FY17 in a new biennial appropriation to redesign the way it uses performance measures in its health care programs. It will restructure how health care delivery is organized, measured and purchased with greater transparency.

**ETF 2015-17 BIENNIAL BUDGET REQUEST**

**DECISION ITEM 4005 – HEALTH CARE DATA TRANSPARENCY: COST AND QUALITY**

179 (new) – s. 20.515 (1)(v)

FISCAL SUMMARY		
	2015-16 Request	2016-17 Request
<b>Total Funds</b>	<b>\$1,187,200 SEG 0 FTE</b>	<b>\$1,248,500 SEG 0 FTE</b>

**Request**

The department requests \$1,187,200 SEG in FY16 and \$1,248,500 SEG FY17 in a new biennial appropriation to redesign the way it uses performance measures in its health care programs. It will restructure how health care delivery is organized, measured and purchased with greater transparency. The new measurement structure will seek to measure the total value of the health care that a person receives. Value is defined as achieving the best outcomes at the lowest cost. This will provide both members of the state health plan and citizens of Wisconsin useful information on the value of Wisconsin’s health care system. It will drive people toward the higher quality/lower cost providers which will ultimately reduce health care costs in Wisconsin. The state will experience a reduction in health care premium increases in the long term.

The proposed consumer-driven approach promotes identifying and utilizing best practices in health care delivery to achieve the outcomes as specified by Employee Trust Funds (ETF). This initiative will enable ETF to draw on a data set to calculate relevant measures from health plans, health care systems, and providers on quality and cost throughout the state.

The intent will be for members to purchase health care based on value and reward the provider community for delivering value. The proposed structure will align the incentives for members to purchase health care based on value and for the provider community to deliver value. The following two strategies will be used to achieve this goal:

Tiering: Tier health plans and individual physicians based on value (quality and cost). Members are then provided with a financial incentive for choosing plans and physicians in high value tiers. Below is a tiering scenario, which draws on a recent Center for Medicare & Medicaid Services (CMS) example.

Reference value: Set a benchmark for both quality and cost for select elective/non-emergency inpatient procedures: a “value” benchmark. Members will be charged significantly less for choosing procedures and services delivered at higher value facilities.

	Low cost	Average cost	High cost
<b>High quality</b>	Tier 1	Tier 1	Tier 2
<b>Average quality</b>	Tier 1	Tier 2	Tier 3
<b>Low quality</b>	Tier 2	Tier 3	Tier 3

This initiative will take approximately five years to fully develop (FY15-FY19), with ETF laying the groundwork for the project in FY15. The project would be overseen by ETF managers with work conducted via contracted entities with no additional ETF positions requested at this time.

### **Background/Analysis of Need**

The State and Local health insurance programs administered by ETF cover over 240,000 lives. This includes 72,000 active state employees and 22,000 retired state employees and their dependents, and 12,000 active local employees and 2,000 retired local employees and their dependents. The program administers nearly \$1.5 billion in annual insurance premiums.

#### Public Reporting

ETF began annually reporting the quality of individual health plan performance in 2004. Since that time, the reporting has almost exclusively consisted of nationally recognized measures, such as the National Committee for Quality Assurance (NCQA) Healthcare Effectiveness Data and Information Set (HEDIS) and Consumer Assessment of Healthcare Providers and Systems (CAHPS). The aim of the plan's report card is to allow members to factor quality into their decision making when selecting a health plan.

While public reports in the health care sector are increasingly common, literature suggests that public reporting in and of itself does little to influence the selection of available choices. Purchasers are recognizing this fact that information alone is not moving their employees and dependents to high performing providers. Thus, more recently, we see purchasers providing a financial incentive to utilizing providers that are highly rated.<sup>5</sup>

Public reporting to date has also often failed to provide information that consumers find relevant, meaningful, and understandable.

#### Tiering and Pay for Performance

Beginning in 2004, ETF began tiering participating health plans based on cost and quality, with a primary focus on the cost aspect. Plans are placed into one of three tiers, and employee premium contributions are lowest for members selecting plans in the most cost-effective, high-quality tier.

Also starting in 2004, ETF gave health plans the opportunity to earn up to 1% of their health insurance premium based on their performance in the quality ratings that appeared in the aforementioned report card. The highest performing plan receives the full 1%, the next several highly rated plans receive a lesser amount. The 1% is used in two ways: a) financial incentive, and b) a factor in the tiering of health plans.

In early stages of value based purchasing, a 1% to 2% incentive was typical. Since then, research has emerged concluding the financial incentive typically needs to be much greater to create interest, and, more importantly, influence the health care community to make improvements based on the incentive.<sup>6,7</sup>

The context surrounding the level of the incentive needs to be considered as well. Any given purchaser is only a portion of the health plan's book of business. So for example, if ETF ties 1% to meeting quality target for "A" and we are a quarter of the health plans business, the payment based on quality is 0.25% of their payments.

#### Wisconsin Health Information Organization (WHIO)

One data resource available to the state employee health insurance program is from the Wisconsin Health Information Organization (WHIO), a database of health claims information. The data is a resource for improving health care transparency, quality and efficiency. The WHIO Health Analytics Data Mart

enables members to submit information and receive reports that analyze health system and physician performance based on hundreds of variables. The Data Mart can be used to identify gaps in care for treatment of chronic conditions, costs per episode of care, population health, preventable hospital readmissions and variations in generic prescribing. The Data Mart contains a volume and depth of data that spans multiple health care systems and settings including physician's offices, outpatient services, pharmacy claims, labs, radiology and hospitals. The data encompasses services provided by health systems across the state. In an effort to leverage the prior state investments in WHIO, ETF is in the process of investigating whether the Data Mart could serve as a foundation for this proposal's data needs. Effective January 1, 2015 all health plans participating in the state employee health insurance plan are required to participate in WHIO.

#### High Deductible Health Plan (HDHP)

As required by state statute, ETF will be implementing a high deductible health plan (HDHP) option for state employees in 2015. The benefit structure heightens the importance of making relevant cost and quality information available for our members, as they will be assuming greater financial responsibility for their health care expenditures.

#### Health Care Benefits Consultant

ETF is in the final stages of procuring consulting services to perform a full range of services related to the analysis, design, management, and communication of the State of Wisconsin health insurance program. The work of the benefit consultant will be fundamental to the longer-term vision of this budget proposal. The data/gap analysis that will be conducted by the benefits consultant will help to identify which data currently collected that will be useful in the future value purchasing structure, as well as identify new data needs to carry out that vision. The data analysis should also identify high cost/volume opportunities that could be addressed through the use of reference value. In other words, identify what we have that will help, what we don't have that we need, and areas we want to target.

#### Weakness of Current System

ETF's current health plan measurement system (NCQA HEDIS and CAHPS) fails to provide relevant information for consumers to make choices or to impact the cost of health care. And, while the tiering model has been successful in negotiating reasonable premium increases, it lacks an emphasis on quality and does not address variation at the individual provider level.

The plan performance measures/report cards fail as a purchaser/consumer model in several ways:

##### Purchaser

Payment of per-member per-month (PMPM) rates typically account for the health plan's case mix severity. The higher the severity of the health plan's case mix, the more we pay the health plan. Thus, the message sent by purchasers to plans is the managed care organization is not accountable for managing care in any meaningful sense. Care management has become secondary to the plan's role of managing the financial risk of health care. So the purchaser and the health plan dialogue becomes primarily financial.

##### Consumer

##### Failure to measure significant outcomes of care

Dr. Michael Porter, the Bishop William Lawrence University Professor at Harvard Business School, asserts<sup>8</sup> we need to measure outcomes of care (i.e. "quality") and cost - period.

Outcomes are preferable measures in that they focus on the end result of services provided. NCQA HEDIS and CAHPS measures are problematic in at least two ways:

- They use over 90 measures, but only one is for true outcomes (re-admission). This offers the consumer and employer little help as to what plan or provider is performing the best.
- Many NCQA measures can be manipulated. In other words, rather than measuring a plan's performance, we are measuring how well the plan reports performance measures.

#### Measuring fragments of care

The current measures are typically fragmented. Measuring a small part of a person's asthma treatment will not provide valuable information on the outcome of care, nor the cost. In addition, current health plan public reports rarely include information on the costs of procedures. Rates often vary substantially. For example, the cost of having a knee or hip replacement could be significantly higher at a one hospital compared to another.

Most measures of a health plan are fragmented pieces of care for narrow populations, e.g. a particular blood sugar level of diabetes, medication use by asthmatics, etc. So we end up with either:

- Copious pictures of these disjointed pieces, which makes it impossible to see and judge overall performance of the plan/hospital/provider, or
- Reporting a select few pieces and extrapolating conclusions about the overall performance of plan.

#### Disconnecting the person from value

Measuring and reporting on quality and cost will allow the market to steer a person or employer towards the low cost high quality providers. However, the lack of useful quality and cost information becomes more problematic when a member chooses an HDHP. The member should have relevant and comprehensible information to determine which plans and providers are going to offer the best value. Providers generally do not understand the costs of treatment and rarely relay this to the patient. Furthermore, the current health care delivery structure is fragmented. A person may see multiple doctors for the treatment of a condition. Care is overlapping and the costs are unknown to the person. This is problematic from both the cost perspective and the quality of care the person receives.

For the most part, health plan public reports share quality results and are void of reporting cost. Even if we report good severity-adjusted PMPM rates, the employee typically pays:

- The same amount for plan A and B, often where rates varies substantially.
- A small portion of the difference from high to low cost, which is insufficient to steer to higher value plans.
- An amount that does not factor in the severity of the disease state being treated.
- An amount disassociated from value. The PMPM fails to factor in value. The amount is not tied to quality and cost, but cost only.

### **Proposal and Fiscal Summary**

Engagement of members in the act of health care purchasing as discussed in these projects is key to buying smarter and receiving high quality health care. Given ETF's proximity between health care providers and its members, as well as ETF's position as one of the largest purchasers of health care in Wisconsin, ETF is best suited to both measure provider performance and create aligned incentives based

on measures to purchase on value and promote providers to increase the value of their service, where the provider's value is improving quality and containing cost.

Multiple organizations, such as the International Consortium for Health Outcomes Measurement and Harvard's Forum on Health Care Innovation, have been spearheading efforts focused on value-based purchasing. The Cleveland Clinic has implemented some value measurements, showing significant improvements in quality and savings in costs.

#### Benefits of Proposal

1. The ability to drive value in health care
2. The ability to thoughtfully educate members on health care options
3. The ability to make members aware of top performers
4. The ability to save taxpayers dollars on state employee health care costs

The state's health plan members will specifically benefit through:

1. Having meaningful quality and cost information to inform their decision in selecting providers
2. Experiencing a financial incentive and thus selecting higher value plans and providers
3. Experience higher quality care and avoiding less adverse health care events

Thus, the employer and the employee need to start at the same place: **measuring value**.

We begin with measuring each component of value: overall quality and overall cost.

#### Overall quality

Ultimately, the outcome measure of a health plan's quality is its ability to manage their members' health status over time.<sup>9</sup> While additional measures may be used to round out the picture of quality, the following briefly describes measuring the plan's ability to manage health status.

The status of health is measured longitudinally by grouping care into clinically coherent "episodes". These episodes occur over varying periods of time, such as years or indefinitely for chronic conditions. Selecting which episodes, conditions and diseases to include is based on:

- Evidence: Instances where evidence suggests quality of care can impact illness burden over time
- Areas of interest to the purchaser: For example, the purchaser may elect to focus on the top 10 or 20 high volume and cost conditions and diseases of their covered lives

In the end, we gauge how well a health plan manages the health status of its members. This can be measured in such a way to then compare the management of care among plans.

With some modifications, the above measure of the ability to manage health status can be applied to physicians as well. A number of considerations need to occur, such as methods to appropriately attribute cases to a physician.

#### Overall cost

Episodes used for the quality measurement can be used for cost as well. The health plan's expected case mix at point B (e.g. beginning of the forthcoming benefit year) is determined based on the attributes of their case mix at point A (e.g. 12-24 months prior). The expected point B case mix is used along with the plan's PMPM to produce a severity adjusted PMPM. By using this method of measuring cost while accounting for the case mix of each plan, we can compare PMPM costs among plans.

With some modifications, the above measure of the ability to manage health status can be applied to physicians as well.

**Overall value**

To design tiers and report value, quality and cost must both be factored in.

Proposed Activities, Deliverables and Estimated Budget FYs15-17 – cost estimates based on similar data analysis projects in other states

***FY15 -***

1. Identify uses for performance measurement and unit(s) of analysis
2. Determine a set of measures and prioritize them on importance to measure for each purpose and unit of analysis. This step also involves addressing how they are to be computed (e.g. composites)
3. Identify the data elements and sets needed to calculate each measure; includes the caveat that some measures may have pre-computed results
4. Strategy and design of data warehouse
5. Finalize a plan to: a) procure data and pre-computed results, b) test the data, c) calculate the measures, d) test the measure results

Estimated cost: \$91,500 (funded from ETF base)

***FY16 -***

1. Build data warehouse
2. Procure data and reference sets
3. Compute the measures and test the data
4. Analysis of drug and health care claims data

Estimated cost:

Data Warehouse -	\$ 775,000
Dataset Procurement -	\$ 137,200
Data Analysis/Analytics -	<u>\$ 275,000</u>
	\$1,187,200

***FY17 -***

1. Review consultant report on results of analysis and recommendations for next steps
2. If needed, complete round 2 of measure calculation and data testing
3. Complete evaluation of re-calculated measures (if needed)
4. Revise measures and data requirements
5. Update data and make revisions/corrections to data warehouse

Estimated cost:

Data Warehouse -	\$ 225,000
Data Analysis/Analytics -	<u>\$1,023,500</u>
	\$1,248,500



Anticipated Activities, Deliverables and Budget 2017-19 Biennium:

**FY18 -**

1. Complete provider data review and comment period
2. Finalize measures and data requirements as a result of provider review
3. "Dry run" results to providers; a report issued to providers for the purpose of reviewing results for potential errors

Estimated cost: \$1.2 million

**FY19 -**

1. Complete the dry run period and a catalog of errors identified by providers (if any)
2. Final report to providers for a private preview period (e.g. 30 days)
3. Public report released on the selected units of analysis
4. Tiering based on value (quality and cost) results implemented
5. Reference value (quality and pricing) results implemented

Estimated cost: \$1.2 million

**Examples from Other States/Entities**

The following states/entities have implemented a tiering and/or reference pricing model/strategy for health care costs:

- CalPERS (California Public Employees' Retirement System)
- Maine State Employee Health Commission
- Massachusetts Group Insurance Commission (GIC)
- Minnesota State Employee Group Insurance Plan (SEGIP)
- Oregon Public Employees Benefit Board (OPEBB)
- Aetna Aexcel
- Safeway Corporation
- Employers Center of Excellence Network (Lowes and Wal-Mart)
- Hotel Employees and Restaurant Employees International Union (HEREIU) Fund Las Vegas

See Appendix 1 for additional information on these examples.

As mentioned above, ETF is investigating the potential to use the WHIO Data Mart as the foundation for our data collection efforts. Several other states have also invested in comparable data warehouses, commonly referred to as an "All Payer Claims Database" (APCD), as documented by the APCD Council.<sup>10</sup> An APCD is essentially that: "APCDs are large-scale databases that systematically collect medical claims, pharmacy claims, dental claims (typically, but not always), and eligibility and provider files from private and public payers." Typically APCDs are mandated by the state and the state is responsible for creating and maintaining the APCD.

- Colorado, Kansas, Maine, Maryland, Massachusetts, Minnesota, New Hampshire, Oregon, Rhode Island, Tennessee, Utah, Vermont

In addition to the states that presently maintain an APCD, a number of additional states are in the process of implementing an APCD: West Virginia, Virginia, Nebraska, New York, Pennsylvania and Connecticut. Additionally, there are states that have a voluntary APCD, which includes a portion of all claims. These states include: California, Washington and Wisconsin (WHIO). There are also approximately 18 other states that have expressed a strong interest in pursuing the creation of an APCD.

## **Conclusion**

As noted above, ETF's present strategies to move members to high performing plans and incentives for plans to improve are public reporting and tiering of health plans. While the strategies are a foundation, they would benefit from being redesigned to more aggressively advance the objective of value based purchasing.

A more substantial tiering initiative is proposed along with the addition of reference value, containing these two key elements: A strong financial incentive to the member along with information on quality and cost to steer members to high value plans, hospitals and physicians.

The primary outcomes post-implementation of the proposal are as follows:

### Members choose value

The majority of the membership access health care from ETF-designated higher value providers by the end of the second year of implementation (i.e. tiering, reference value).

### Members receive higher quality care

Members experience less potentially preventable adverse health events compared to the trend. The types of adverse events will consist of the outcome measures used in gauging value in the given project.

### The state realizes savings

The state of Wisconsin experiences a reduction in its health care costs compared to the trend. Cost reduction is measured for each related given project. For example: In employing reference value for procedure X, the state realizes a cost reduction for procedure X.

### Data on health care value becomes a public utility

This will provide both members of the state health plan and citizens of Wisconsin useful information on the value of Wisconsin's health care system.

## **Statutory Language**

The department is not proposing statutory language related to this request.

---

## References

1. Fung CH, Lim YW, Mattke S, Damberg C, Shekelle P. Systematic review: the evidence that publishing patient care performance data improves quality of care. *Ann Intern Med.* 2008;148(2):111–23.
2. Lubalin JS, Harris-Kojetin LD. What do consumers want and need to know in making health care choices? *Med Care Res Rev.* 1999; 56(1 Suppl):67–102.
3. PricewaterhouseCoopers (PWC). Scoring healthcare: Navigating customer experience ratings. RWC Health Research Institute. April 2013. Accessed 9/3/14 online at: <http://www.pwc.com/us/en/health-industries/publications/scoring-patient-healthcare-experience.jhtml>
4. Hibbard JH, Greene J, Daniel D. What is quality anyway? Performance reports that clearly communicate to consumers the meaning of quality of care. *Med Care Res Rev.* 2010;67(3):275–93.
5. Robinson, JC. Payers test reference pricing and centers of excellence to steer patients to low price and high quality providers. *Health Aff.* 2012;31(9): 2028-2036.
6. Pearson SD, Schneider EC, Kleinman KP, Colin KL, Singer JA. The impact of pay-for-performance on health care quality in Massachusetts, 2001-2003. *Health Aff...* 2008;27(4):1167-1176.
7. DeBrantes, FS, D'Andrea, BG. Physicians respond to pay for performance incentives: Larger incentives yield greater participation. *American Journal of Managed Care.* 2009;15(5): 305-310.
8. Porter J, Love D, Peters A, Sachs J, Costell A. The Basics of All-Payer Claims Databases: A primer for States. Accessed 8/18/14 online at: [http://www.rwjf.org/content/dam/farm/reports/issue\\_briefs/2014/rwjf409988](http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2014/rwjf409988)
9. Fuller, R. et al> Adjusting Medicaid managed care payments for changes in health status. *Medical Care Research and Review.* Published online September 2012.
10. APCD Council interactive map of APCD accessed 8/18/14 online at: <http://apcdouncil.org/state/map>

**Appendix 1**

**Examples of Steerage Models:**

<b>State/Entity</b>	<b>Steerage Model</b>	<b>Notes</b>	<b>Results</b>
CalPERS	Reference Pricing	First Wave: Routine Knee and Hip Replacements Second Wave: Cataract Surgery, Arthroscopy, and Colonoscopy <sup>i</sup>	In 2011, saved \$2.8 million for CalPERS and \$300,000 for enrollees in cost-sharing; <sup>ii</sup> About 40 higher priced hospitals cut surgery prices in response <sup>iii</sup>
Maine State Employee Health Commission	Tiering at the hospital levels (2006) <sup>iv</sup> Tiering at the primary care practice level (2007) Value based purchasing, ACO	Original Design: Modest performance bar for hospitals based on public data, incentive of waiving \$200 deductible when using preferred hospital; <sup>v</sup> Tiering methodology change to weigh cost more heavily, with higher steering incentive for members <sup>vi</sup>	By 2009, over 50% of primary care practices were preferred; 4.3% average annual premium increases; Continuous improvement and expansion
Maine Health Management Coalition <sup>vii</sup>	Helping transition to ACO framework <sup>viii</sup>	Maine SEHC key founding member of this group; Major challenges around data	
Massachusetts Group Insurance Commission (GIC)	Tiered physician networks <sup>ix</sup>	Efficiency and quality score; FY2009: Office visit co-payment differences, \$10-15 for preferred tier, \$20-25 for middle tier, \$25-35 for worst-performing tier	Study 2004-2010: Low switching of providers, but new patients were affected by tiering
Minnesota State Employee Group Insurance Plan (SEGIP)	Tiering at provider group level	SEGIP self-insured in 2000 to maintain and own data (Deloitte provides data warehouse); <sup>x</sup> Provider groups assigned to tiers based on historical risk adjusted cost - Plan design structured accordingly	
Oregon Public Employees Benefit Board (OPEBB)	Tiering of low-value, overused treatments	"Added Cost Tier" of low-value or overused treatments with separate co-pays.	No formal results – signs of cost savings, zero percent increase in premiums 2014 for self-insured plan <sup>xi</sup>
Aetna Aexcel	Tiering at provider group level	Plan tiering varies in amount through cost-sharing levels;	Aetna reports that physicians in network typically perform 1-8% more efficiently than their peers and each client could save up to

		Process: 1) Meet volume for consideration, 2) Meet clinical performance measures, 3) Meet efficiency measures	4% of annual claims costs if all covered workers used the network <sup>xii</sup>
Safeway	Reference Pricing	2009 pilot colonoscopy benefit limit of \$1500, 2010 down to \$1250;  Extended to routine laboratory tests – of the 847 laboratory CPT codes covered by Safeway benefit, 451 have been subject to reference pricing	
Employers Center of Excellence Network (Lowe's and Wal-Mart)	Centers of Excellence for Hip and Knee Replacements	No cost-sharing if use one of four COEs; Quality screening and criteria for inclusion provided by Pacific Business Group on Health's Negotiating Alliance <sup>xiii</sup>	
Hotel Employees and Restaurant Employees International Union (HEREIU) Fund Las Vegas	Restructured network – tiering at the individual provider level	Profiled all 1,800 physicians in network for efficiency and terminated 50 doctors in 2004, restructured based on practice patterns, geography, language and culture, and sub-specialty; <sup>xiv</sup> 120,000 covered lives, total medical spend \$235 million annually; All physicians in same specialty paid same rates; <sup>xv</sup> Created gold star program for primary care physicians in newly restructured network – bonuses of up to 10% prior 6-month reimbursement for meeting quality indicators	Save \$26 million in year one, 72% attributed to savings from new MD network – from 12% projected cost increase to 1% in year one and 7.65% in year two; \$67 million two year savings

<sup>xiii</sup> <file:///Users/saraeskrich/Downloads/Brown%20-%20AcademyHealth%202014%20-%20Poster%2036x72%20060414.pdf>

<sup>xiv</sup> Center for Studying Health System Change, <http://www.hschange.org/CONTENT/1397/#top>

<sup>xv</sup> <http://articles.latimes.com/2013/jun/23/business/la-fi-mo-calpers-hospital-surgery-prices-20130623>

<sup>xvi</sup> 2/23/2011, Report to Governor, Division of Employee Health and Benefits

<sup>xvii</sup> [file:///Users/saraeskrich/Downloads/CVE\\_2012-07-09\\_Benefit%20Design%20-%20Johnson.pdf](file:///Users/saraeskrich/Downloads/CVE_2012-07-09_Benefit%20Design%20-%20Johnson.pdf)

<sup>xviii</sup> [file:///Users/saraeskrich/Downloads/CVE\\_2012-07-09\\_Benefit%20Design%20-%20Johnson.pdf](file:///Users/saraeskrich/Downloads/CVE_2012-07-09_Benefit%20Design%20-%20Johnson.pdf)

<sup>xix</sup> [file:///Users/saraeskrich/Downloads/CVE\\_2012-07-09\\_Benefit%20Design%20-%20Mitchell%201.pdf](file:///Users/saraeskrich/Downloads/CVE_2012-07-09_Benefit%20Design%20-%20Mitchell%201.pdf)

<sup>xx</sup> [file:///Users/saraeskrich/Downloads/CVE\\_2012-07-09\\_Benefit%20Design%20-%20Crowley.pdf](file:///Users/saraeskrich/Downloads/CVE_2012-07-09_Benefit%20Design%20-%20Crowley.pdf)

<sup>xxi</sup> Sinaiko and Rosenthal, "The Impact of Tiered Physician Networks on Patient Choices," *Health Sciences Research*

- 
- <sup>x</sup> Minnesota State Employee Group Insurance Plan (SEGI) Advantage Tiered Network Model, Deloitte Consulting LLP: Presentation to GIB, October 11, 2013, <http://efwi.gov/boards/agenda-items-2013/gibspw101113/item4a.pdf>
- <sup>xi</sup> [http://consumersunion.org/healthcosts/PrivatePurchaser\\_FINAL.pdf](http://consumersunion.org/healthcosts/PrivatePurchaser_FINAL.pdf)
- <sup>xii</sup> [http://www.amjorthopedics.com/fileadmin/content\\_pdf/imm/archive\\_pdf/vol41iss15/70875\\_main.pdf](http://www.amjorthopedics.com/fileadmin/content_pdf/imm/archive_pdf/vol41iss15/70875_main.pdf)
- <sup>xiii</sup> <http://www.pbgh.org/ccen>
- <sup>xiv</sup> 2006 Las Vegas Coalition Presentation, "Controlling Healthcare Costs: A New Approach," HEREIU Fund Las Vegas, Elizabeth B. Gilbertson
- <sup>xv</sup> HEREIU Fund Las Vegas Presentation, "The Value of Physician Network Restructuring," Elizabeth B. Gilbertson

# Decision Item by Line

1517 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	4005	Health Care Data Transparency: Cost and Quality

<b>Expenditure items</b>		<b>1st Year Cost</b>	<b>2nd Year Cost</b>
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$1,187,200	\$1,248,500
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>\$1,187,200</b>	<b>\$1,248,500</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

# Decision Item by Fund Source

## Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year	2nd Year
	<b>4005</b>	<b>Health Care Data Transparency: Cost and Quality</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	79 Value Based Health Care	\$1,187,200	\$1,248,500	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>\$1,187,200</b>	<b>\$1,248,500</b>	<b>0.00</b>	<b>0.00</b>
	<b>Health Care Data Transparency: Cost</b>	<b>\$1,187,200</b>	<b>\$1,248,500</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>\$1,187,200</b>	<b>\$1,248,500</b>	<b>0.00</b>	<b>0.00</b>

	Source of Funds		1st Year Total	2nd Year Total	1st Year	2nd
<b>Decision Item</b>	<b>4005</b>	<b>Health Care Data Transparency: Cost and Quality</b>				
	SEG	S	\$1,187,200	\$1,248,500	0.00	0.00
	<b>Total</b>		<b>\$1,187,200</b>	<b>\$1,248,500</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>\$1,187,200</b>	<b>\$1,248,500</b>	<b>0.00</b>	<b>0.00</b>



**Decision Item (DIN) - 4505**

**Decision Item (DIN) Title - Critical Customer Service Functions**

**NARRATIVE**

The Department of Employee Trust Funds 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 members and fend off future declines in customer service performance benchmark measures.

## ETF 2015-17 BIENNIAL BUDGET REQUEST

### DECISION ITEM 4505 – Critical Customer Service Functions

176 – s. 20.515 (1)(w)

FISCAL SUMMARY		
	2015-16	2016-17
<b>Total Funds</b>	<b>\$108,000</b>	<b>\$117,400</b>

#### Request

The Department of Employee Trust Funds 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 members and fend off future declines in customer service performance benchmark measures. They are also critical to accomplish ETF's effort to replace and integrate its information technology systems.

ETF recently began a multi-year project to replace all of its inefficient IT systems and modernize its business processes. This initiative requires extensive work over the next four years to ensure successful implementation. Among other things, the call center will be charged with collecting e-mail addresses and verifying the member's contact information to ensure that the new Benefits Administration System (BAS) has accurate data.

ETF's modernization effort will also require call center staff to assume responsibility for providing basic IT assistance to members calling in for help. In addition, the requested positions will provide the necessary resources to enable ETF to provide a satisfactory level of customer service to members. 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 were significantly lower than its peers. Members incur longer wait times that average just under 5 minutes. This leads many members to abandon their call in frustration and to seek other, less efficient ways to contact ETF. Members also encountered busy signals at a much higher rate than ETF's peer systems. Without additional resources, the service levels will continue to decline.

Finally, ETF's member population has been increasing and will continue to increase. Retirees are growing each year as a result of the baby boomers retiring and their positions are being filled with new employees. This creates additional workload to serve the needs of the new retirees and new employees. The Benefits Specialist positions are needed to meet the significant increase in workload, as well as undertake the new responsibilities required by ETF's major initiative of

replacing its out-of-date IT systems and modernizing its business practices. The positions will ensure that ETF is able to manage its resources efficiently and maximize effectiveness. Not obtaining these positions will cause service levels to continue its downward descent and will likely lead to more “walk-ins”, which are not an efficient use of ETF resources. Additionally, not investing in the call center now will have long-term negative impacts and result in higher long-term cost.

## **Background**

### **The Department of Employee Trust Funds**

The Department of Employee Trust Funds administers the Wisconsin Retirement System (WRS), the group health insurance program for state employees, and a variety of other public employee fringe benefit programs. The WRS is the 9<sup>th</sup> largest pension system in the nation and ETF’s largest program, providing retirement benefits for more than 590,000 current and former state and local government employees via more than 1,500 employers. Members include current and former employees of Wisconsin’s state agencies, University of Wisconsin System, most local governments other than the City of Milwaukee and Milwaukee County, and school districts across the state. The agency is overseen by an independent governing board, and WRS trust funds are held on behalf of ETF benefit program members.

The Department’s sole statutory mission is to administer the Public Employee Trust Fund (Trust) in a manner that provides legislatively-created, employment-related benefits at the lowest reasonable cost. Chapter 40 effectively serves as the controlling document for the Trust. Funds in the Trust are not state funds – they are funds held in trust by the state to fulfill the legislatively-created benefits under Chapter 40. Administrative expenses are funded entirely from the investment earnings of the Trust and are allocated to the individual benefit programs. ETF is well known for its commitment to its customers and dedication to its mission.

### **Employer and Contact Services Bureau – Contact Management Section (Call Center)**

The call center is the first point of contact within the agency for the majority of the WRS members. Employees in this section field questions and inquiries on virtually all aspects of the benefit programs administered by the Department. Phones are staffed from 7:00 AM to 5:00 PM on all working days. Inquiries can range from relatively simple information such as health insurance deduction questions to very complex questions regarding benefit structure. While some tasks such as requests for forms or brochures are handled in a semi-automated manner via the Interactive Voice Response (IVR) system, many inquiries can only be addressed via person to person contact. Employees in the call center respond to e-mail inquiries from members on a secure connection to the Department’s e-mail system. In addition, the work area has assumed responsibility for processing the agency’s beneficiary designation forms.

Both the annuitant population and the active/inactive population eligible to retire continue to increase at record rates. These populations constitute the majority of the calls received by the call center. Changes to health insurance has also sparked an increase in calls, which is expected to grow with the implementation of the new high deductible health plan option in 2015. Call volume continues to increase to the point where service levels remain well below industry accepted performance standards. While many callers experience busy signals or long wait times at certain peak calling periods (such as the days following the monthly annuity payroll and seasonal peaks such as the It's Your Choice open enrollment for health insurance), they are also experiencing longer than desired wait times during non-peak periods. The goal of this request is to increase staffing resources such that performance standards can be met during normal calling volumes. The Department continues to explore other means to address seasonal peaks and is not requesting resources to address this particular issue.

Using analysis by ETF and the CEM Study, the Department has identified the need for additional employees to: 1) provide IT help to members needing assistance with ETF's new online system; 2) meet implementation needs of the new BAS by collecting and verifying contact/e-mail information; 2); 3) provide timely customer service to retirees and active members calling with questions about their benefits; and 4) additional workload of the beneficiary designation forms. The Department is not meeting its performance goals now and will continue to decline without the necessary staff to provide the essential guidance to members who have questions about their benefits.

## **Needs Analysis**

### **Benefits Administration System (BAS) Requirements**

As noted above, the Department is in the beginning of implementing its major initiative of modernizing ETF's business processes and integrating its numerous soloed and out-of-date IT systems. Transformation, Integration and Modernization, or TIM for short, is an umbrella initiative consisting of a suite of projects that will transform, integrate and modernize ETF's benefit administration system and the functional applications that keep ETF operating. The TIM initiative, spanning from 2012 to 2018, will enable ETF to offer enhanced online member and employer services and help us handle the increasing demand for services due to a growing annuitant population. This major initiative is essential for the proper administration of the WRS. A key part of this initiative will be to compile and confirm contact information, including collecting e-mail addresses, for all of its 590,000 members.

The call center will be assuming the responsibility of collecting e-mails and verifying information for its members. It is estimated that collecting and verifying e-mail addresses will add approximately 30 seconds to each call, equaling 1.5 FTE. The BAS will also require the call center to take on the major task of providing front-line technical help desk assistance to members. Call center staff will need to be trained

on the technical aspects of the BAS and be prepared to help members with an array of online tasks, including accessing different applications, registering on the system, making payments, changing passwords, changing benefits programs, etc. Other organizations that have implemented similar systems note a significant and permanent increase in call center workload due to technical operating system questions.

## CEM Benchmarking

The Department contracts with CEM Benchmarking to provide an objective analyses on the detailed cost and performance data. CEM Benchmarking serves over 400 pension systems in the US, Europe, Canada, Australia, and Asia including 50 of the world's top 100 pension systems. The information on how ETF compares to its peers is invaluable as a tool to manage resources and service levels. The CEM analysis uses trend analysis based on systems that have participated in CEM for four consecutive years (13 peers and 37 world-wide systems). This ensures accurate and meaningful comparisons against peer systems. ETF's 2013 CEM Benchmarking service score for the call center was 40 out of 100. This was well below the peer group median score of 52. ETF is well below industry standards, with particularly low scores in call wait time and ETF's IVR.

On average, members calling the ETF call center reach a knowledgeable person in about 3 minutes. To achieve a perfect service score, members must reach a knowledgeable person in 20 seconds. The scores also shows that 13.2% of incoming calls resulted in undesired outcomes, which primarily consist of members reaching a busy signal. According to CEM, callers to ETF received twice as many busy signals than its peer systems. Overall, ETF was in the bottom quartile for service levels related to call wait times and members receiving busy signals. Without additional call center staff, the CEM service level scores will continue to fall, as the ETF call center is unable to keep up with demand and its new responsibilities relating to the new BAS.

## Performance Standards

The key service goals are to offer members phone service provided by staff trained in all major ETF benefit programs and without exceeding an average wait time of one minute or less (far longer than corporate phone centers). Below is a summary of key data related to these goals for the years 2009 through 2013.

	2013	2012	2011	2010	2009
Calls Received	195,080	190,214	186,116	171,164	122,645
Calls Answered	181,756	181,199	174,968	145,489	112,413
Calls Abandoned	13,324	9,015	11,148	25,675	10,232
Abandon %	6.8	4.7	6.0	15.0	8.3
Busy Signals	4,767	1,213	n/a	n/a	n/a
Average Speed of Answer	3:12	2:16	2:07	3:52	2:18

The above data indicates the following: 1) overall workload handled by the unit (as measured by total calls received) continues to increase annually; 2) the average wait time (average speed of answer) continues to increase; 3) calls abandoned continue to increase; and 4) unanswered calls as measured by the callers who enter the system but are unable to reach a specialist more than doubled between 2012 and 2013.

There were 13,324 member calls made available to the call center that went unanswered in FY 2013 (a 47.7% increase from FY 2012) – this excludes the numerous calls placed but not connected with the call center (due to reasons such as busy signals, which more than doubled since 2012). The Department believes that one-on-one voice contact is preferred and efficient for many of the more complex and technical issues handled by section staff. In many cases, it takes several e-mail inquiries to resolve issues that would be handled by a single phone contact.

Average wait time continues to increase. Phone calls are not received in a linear fashion either during the course of a day or a longer period of time (such as a week, month or fiscal year). In order to maintain the desired wait times, staff levels need to be adequate to handle normal peak periods. The increase in call volume in 2013 is equal to the amount of calls taken by approximately 0.5 FTE. During non-peak periods, staff also perform other duties such as responding to the increasing number of e-mail inquiries, fulfilling requests generated by the IVR system, and processing beneficiary forms. The call center assumed responsibility for processing beneficiary designation forms in September of 2013. The call center processes approximately 20,000 beneficiary designations per year. This was done as a way to manage workload across ETF and the call center did not receive an additional FTE. Processing designation forms requires approximately 1 FTE per year.

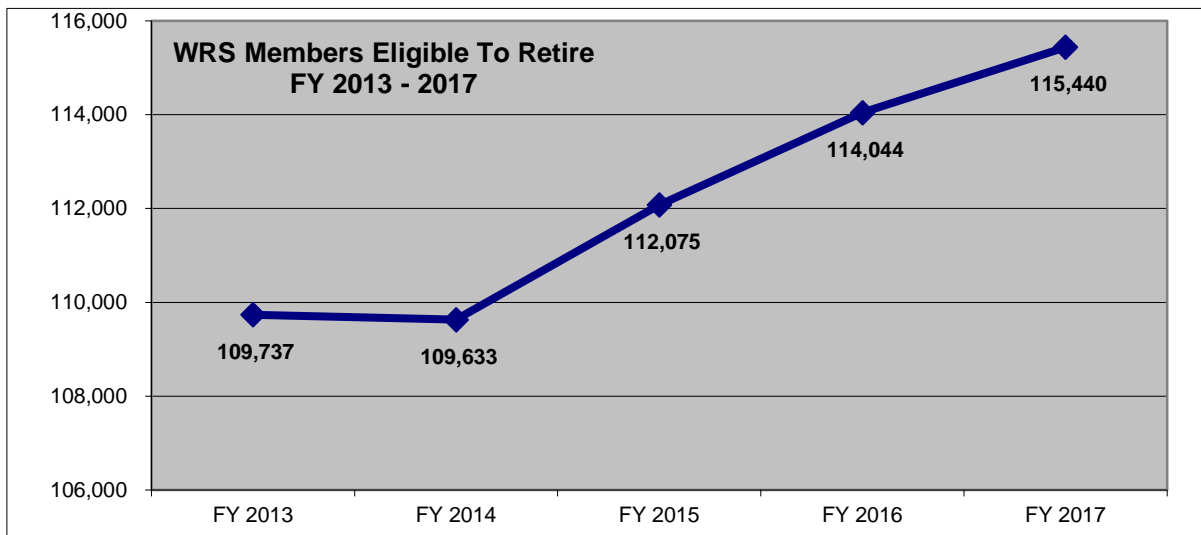
As shown above, both abandoned calls and calls where the member receives a busy signal has increased. It is imperative that the Department is able to answer member calls in a timely manner. This increases customer satisfaction along with decreasing e-mails, member calls to other departments, as well as members who “walk in” to get their question answered, all of which are much less efficient than a phone call.

### **Workload Metrics and the Anticipated Growth in Member Demand on Services**

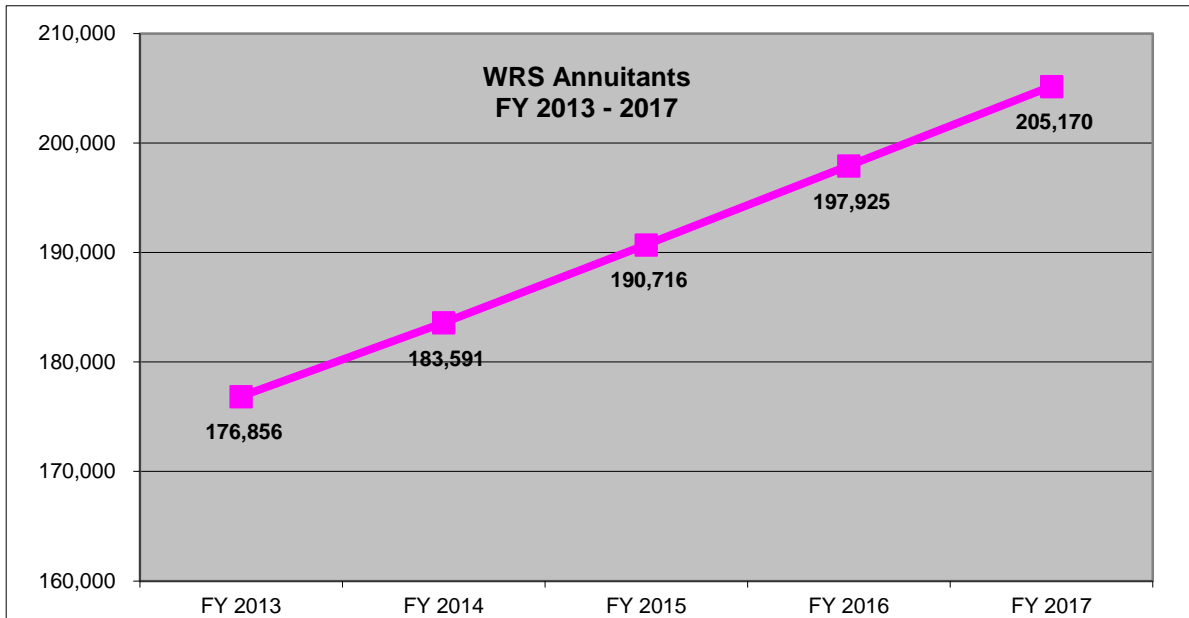
WRS members rely on the information and services provided by the Department to help them make informed and timely decisions regarding their benefits. Prior to submitting an application for retirement, members request and receive a detailed, personalized retirement estimate. The first place they start is the call center and may request information through them multiple times during this process. In order to better project resource needs, the Department reviews key indicators such as member growth projections stratified by member groups (active, inactive, and

annuitant). These projections are integrated into models that estimate the resources required to meet agency-defined and industry-accepted service standards for the anticipated caseload.

To project the resources required to continue critical customer service functions, the Department calculates the number of members who will be eligible to retire in a given fiscal year. The eligible-to-retire population is closely correlated to workload associated with the administration of the retirement benefits program. It is this population that requests information and services through the call center such as retirement estimates, individualized counseling sessions, and service credit purchases. Note that the population eligible to retire continually increases from FY 2014 through FY 2017. The graph below summarizes the anticipated growth in the eligible-to-retire population.



The increase in the annuitant population will also generate additional workload for the Department. The Department effectively serves as the payroll center for the annuitant population as well as the key communication link to an annuitant's benefits (retirement annuity, health insurance, life insurance, vision care, long-term care insurance, and the accumulated sick leave credit conversion programs) and any associated changes. The related processing tasks include annual dividend adjustments, annual health insurance enrollment, tax and other deduction adjustments, producing the required Internal Revenue Service 1099R forms, address changes, beneficiary changes, and related customer requested tasks. The call center is often the first phone call for retirees, and as this population grows, so does the workload of the call center. It is anticipated that the annuitant population will reach more than 205,000 by the end of FY 2017, representing a 16.0% increase over FY 2013. The graph below summarizes the expected changes in the annuitant population for the period FY 2013 – 2017.



Additional demands for service are expected coincident with the increase in the annuitant population not only due to the increase in volume but also due to increasing information and service expectations of the annuitant population. The “baby boom” generation differs from past retiree populations in that they expect information to be readily accessible in multiple formats.

**Conclusion**

ETF is requesting 2.0 FTE Benefits Specialist positions for the call center to answer calls, process beneficiary designation forms, and assume new responsibilities, like collecting e-mails and providing technical assistance to members, connected with the implementation of the new BAS. As noted above, ETF is well below industry standards for call center service levels. The increasing retiree and active member population will have a further negative effect on the CEM scores and member wait times. These positions will enable ETF to provide better customer service, be more efficient, and meet the needs of ETF’s major initiative of replacing its IT systems and modernizing its business processes.



# Decision Item by Line

1517 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	4505	Critical Customer Service Functions

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$54,000	\$72,000
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$21,600	\$28,800
06	Supplies and Services	\$12,400	\$16,600
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$20,000	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>\$108,000</b>	<b>\$117,400</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	2.00	2.00
20	Unclassified Positions Authorized	0.00	0.00

# Decision Item by Fund Source

## Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year	2nd Year
	<b>4505</b>	<b>Critical Customer Service Functions</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	76 Administration	\$108,000	\$117,400	2.00	2.00
	<b>Employee benefit plans SubTotal</b>	<b>\$108,000</b>	<b>\$117,400</b>	<b>2.00</b>	<b>2.00</b>
	<b>Critical Customer Service Functions</b>	<b>\$108,000</b>	<b>\$117,400</b>	<b>2.00</b>	<b>2.00</b>
	<b>Agency Total</b>	<b>\$108,000</b>	<b>\$117,400</b>	<b>2.00</b>	<b>2.00</b>

	Source of Funds		1st Year Total	2nd Year Total	1st Year	2nd
<b>Decision Item</b>	<b>4505</b>	<b>Critical Customer Service Functions</b>				
	SEG	S	\$108,000	\$117,400	2.00	2.00
	<b>Total</b>		<b>\$108,000</b>	<b>\$117,400</b>	<b>2.00</b>	<b>2.00</b>
<b>Agency Total</b>			<b>\$108,000</b>	<b>\$117,400</b>	<b>2.00</b>	<b>2.00</b>

**Decision Item (DIN) - 5001**

**Decision Item (DIN) Title - Annuity Supplements**

**NARRATIVE**

ETF recommends adjusting the department's base budget to reflect a reestimate of annuity supplements.

**Decision Item by Line**

**1517 Biennial Budget**

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	5001	Annuity Supplements

<b>Expenditure items</b>		<b>1st Year Cost</b>	<b>2nd Year Cost</b>
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	(\$11,200)	(\$43,400)
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>(\$11,200)</b>	<b>(\$43,400)</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

# Decision Item by Fund Source

## Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year	2nd Year
	<b>5001</b>	<b>Annuity Supplements</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	01 Annuity supplements and payments	(\$11,200)	(\$43,400)	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>(\$11,200)</b>	<b>(\$43,400)</b>	<b>0.00</b>	<b>0.00</b>
	<b>Annuity Supplements SubTotal</b>	<b>(\$11,200)</b>	<b>(\$43,400)</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>(\$11,200)</b>	<b>(\$43,400)</b>	<b>0.00</b>	<b>0.00</b>

	Source of Funds	1st Year Total	2nd Year Total	1st Year	2nd	
<b>Decision Item</b>	<b>5001</b>	<b>Annuity Supplements</b>				
	GPR	A	(\$11,200)	(\$43,400)	0.00	0.00
	<b>Total</b>		<b>(\$11,200)</b>	<b>(\$43,400)</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>(\$11,200)</b>	<b>(\$43,400)</b>	<b>0.00</b>	<b>0.00</b>

**Decision Item (DIN) - 6005**

**Decision Item (DIN) Title - Mandatory LAB and GASB Audits and Financial Reporting**

**NARRATIVE**

The department 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.

**ETF 2015-17 BIENNIAL BUDGET REQUEST**

**DECISION ITEM 6005 – Mandatory LAB and GASB Audits/Financial Reporting**

176 – s. 20.515 (1)(w)

<b>FISCAL SUMMARY</b>		
	<b>2015-16 Request</b>	<b>2016-17 Request</b>
<b>Total Request</b>	<b>\$215,000 0 FTE</b>	<b>\$150,000 0 FTE</b>

**Request/Objective**

The department 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.

Costs are broken out as follows:

	<b>One-time</b>	<b>Annual</b>
LAB Actuarial Audit	\$65,000	
GASB 67 Actuarial Services		\$50,000
GASB 67 Audit Services		\$70,000
GASB 68 Census Validation		\$30,000

**Background/Analysis of Need**

**Actuarial Audit** - An actuarial audit involves engaging the services of an outside actuary to review the work of the plan's consulting actuary. The Government Finance Officers Association considers it a "Best Practice" to perform an actuarial audit at least every five years. They identify five benefits:

- Enhance the credibility of the actuarial valuation process by providing independent assurance that it was performed in accordance with actuarial standards of practice;
- Increase public trust in how the pension plan is being governed;
- Help plan fiduciaries to assess whether the pension plan is meeting its funding objectives;
- Lead to the remediation of errors that might otherwise go undiscovered; and
- Provide recommendations for improving the actuarial valuation process, including how information is presented in the actuarial valuation report and in other communications

In 1989 the legislature recognized the value of actuarial audits, and assigned the LAB responsibility for overseeing the audits. Section 13.94(1)(dc) of the statutes requires the LAB to "At least once every 5 years, contract for the performance of an actuarial audit of the Wisconsin retirement system."

The most recent actuarial audit was conducted in 2010 by the Segal Company. The next audit is scheduled for 2015. While the audit is coordinated by the LAB, the cost is billed to ETF. The LAB has established a one-time budget of \$65,000 for the completion of this audit.

**Implementation of New Accounting Standards** – In June, 2012 the GASB issued new standards for accounting and financial reporting for pensions by public pension plans and employers. These new standards, effective beginning in 2015, require that the pension liability and annual pension expense be actuarially determined using specific methods and assumptions set by the standard. It further requires that the pension liability and expense be allocated to and reported by every government entity participating in the pension plan. Failure to comply with these new standards would result in governments receiving adverse audit opinions on their financial statements. The Employee Trust Fund Board is required under s. 40.03, Wis. Stats. to contract for the performance of all actuarial services which are necessary for management of the benefit programs. ETF, as the plan administrator, must provide the information to local governments to allow them to meet their reporting requirements.

*Actuarial Services* –The Net Pension Liability, Pension Expense and Deferred Inflows/Outflows under GASB Statement 67 must be actuarially calculated using methods and assumptions established by the standard. The required methods are different from the actuarial methods used in funding the WRS in several key ways:

	<b>WRS Funding Methodology</b>	<b>GASB Methodology</b>
Actuarial Cost Method	Frozen Initial Liability	Entry Age Normal
Asset Valuation Method	5 Year Smoothed	Fair (market) value
Amortization Period	Considerable Flexibility	Shorter Periods
Discount Rate	Long-term investment return	Long-term investment return blended with municipal bond rate

A separate actuarial valuation conforming to GASB 67 standards is needed to provide the information required by local governments to meet their financial reporting requirements. This valuation will be performed by the WRS' consulting actuary but is outside the scope of work of the original contract. The estimated cost of this valuation is \$50,000 annually.

*Audit Services* – Up to 1,500 local employers will be incorporating the results of the GASB 67 actuarial valuation into their financial statements. The local government auditors reviewing these financial statements will be required to perform audit procedures to assure the reasonableness of the pension disclosures included in the financial statements. While it would be possible to leave it to the 1,500 auditors to individually audit the pension disclosures, it will be more efficient for ETF to have the data audited before it is distributed to employers, and provide an audit certification that the local auditors can rely upon.

ETF intends to contract with the LAB to audit the pension disclosures prior to distributing the data to local governments. The LAB will perform the audit, subcontracting as needed with actuarial specialists to verify the actuarial calculations. The estimated cost to audit all pension disclosures prior to distributing to local employers is \$70,000 annually.

*Census Data Validation* – The American Institute of Certified Public Accountants (AICPA), the body responsible for establishing auditing standards, responded to GASB pension accounting standards with a "White Paper" in February, 2014 detailing the audit procedures that are required when auditing GASB 68 statements. A significant new requirement is that the auditor must confirm that the plan has procedures in place to "verify the underlying payroll records of the participating employer to determine that the information provided is accurate and complete."

ETF applies a number of analytical tests to participant earnings and service as reported by employers, but has not historically performed any verification of the reported data against actual employer payroll records.

A new Employer Compliance program is being developed in an effort to improve the accuracy of participant data reported by employers. A team of benefits specialists will evaluate an employer's policies, procedures and controls in determining WRS eligibility, employment category classification, and reportable income. This team can be supplemented with contracted auditors who could perform actual audit testing of payroll records and WRS reports as anticipated in the AICPA White Paper.

The estimated annual cost to include payroll testing in the Employer Compliance program would be:

Contract Auditor Hourly Rate	\$150 / hour
Average Hours per Audit	10 hours
Average Cost per Audit	\$1,500
Employer Reviews per Year	20
Annual Audit Cost	\$30,000

**Statutory Language**

The department is not proposing statutory language related to this request.



# Decision Item by Line

1517 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	6005	Mandatory LAB and GASB Audits and Financial Reporting

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$150,000	\$150,000
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$65,000	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>\$215,000</b>	<b>\$150,000</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

# Decision Item by Fund Source

## Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year	2nd Year
	<b>6005</b>	<b>Mandatory LAB and GASB Audits and Financial</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	76 Administration	\$215,000	\$150,000	0.00	0.00
	<b>Employee benefit plans SubTotal</b>	<b>\$215,000</b>	<b>\$150,000</b>	<b>0.00</b>	<b>0.00</b>
	<b>Mandatory LAB and GASB Audits and</b>	<b>\$215,000</b>	<b>\$150,000</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>\$215,000</b>	<b>\$150,000</b>	<b>0.00</b>	<b>0.00</b>

	Source of Funds	1st Year Total	2nd Year Total	1st Year	2nd
<b>Decision Item</b>	<b>6005</b>	<b>Mandatory LAB and GASB Audits and Financial Reporting</b>			
	SEG	S	\$215,000	\$150,000	0.00 0.00
	<b>Total</b>		<b>\$215,000</b>	<b>\$150,000</b>	<b>0.00 0.00</b>
<b>Agency Total</b>		<b>\$215,000</b>	<b>\$150,000</b>	<b>0.00 0.00</b>	

**Decision Item (DIN) - 6505**

**Decision Item (DIN) Title - Transfer positions from 1t alpha to 1w**

**NARRATIVE**

Transfer of 7 FTE positions between appropriations. This transfer consolidates all ETF positions into one appropriation.

**Decision Item by Line**

**1517 Biennial Budget**

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	515	Department of Employee Trust Funds
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	6505	Transfer positions from 1t alpha to 1w

<b>Expenditure items</b>		<b>1st Year Cost</b>	<b>2nd Year Cost</b>
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Annuity Supplements	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>\$0</b>	<b>\$0</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

# Decision Item by Fund Source

## Department of Employee Trust Funds

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year	2nd Year
	<b>6505</b>	<b>Transfer positions from 1t alpha to 1w</b>			
<b>01</b>	<b>Employee benefit plans</b>				
	61 Automated operating system	(\$632,900)	(\$632,900)	(7.00)	(7.00)
	76 Administration	\$632,900	\$632,900	7.00	7.00
	<b>Employee benefit plans SubTotal</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>
	<b>Transfer positions from 1t alpha to</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>

	Source of Funds	1st Year Total	2nd Year Total	1st Year	2nd
<b>Decision Item</b>	<b>6505</b>	<b>Transfer positions from 1t alpha to 1w</b>			
	SEG	S	\$0	\$0	0.00
	<b>Total</b>		<b>\$0</b>	<b>\$0</b>	<b>0.00</b>
<b>Agency Total</b>			<b>\$0</b>	<b>\$0</b>	<b>0.00</b>

## **Decision Item (DIN) - 7505**

### **Decision Item (DIN) Title - Statutory Changes**

#### **NARRATIVE**

ETF 2015-17 BIENNIAL BUDGET REQUEST DECISION ITEM 7505 – 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) 2. Eligibility Language Change (Cleanup from 2011 Act 32) 3. Electronic Annuity Payment 4. Group Insurance Board Terms 5. Income Continuation Insurance (ICI) – Time to Elect Coverage

**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.



State of Wisconsin  
2015 - 2016 LEGISLATURE



LRB-0065/3  
RAC:kjf:jf

## 2015 BILL

1     **AN ACT to amend** 40.23 (1) (a) 1., 40.26 (2) (b), 40.26 (2) (c) and 40.26 (3) of the  
2             statutes; **relating to:** separation of service for establishing eligibility for an  
3             annuity and suspension of annuity under the Wisconsin Retirement System.

---

### *Analysis by the Legislative Reference Bureau*

Currently, among the conditions that a participant in the Wisconsin Retirement System (WRS) must meet in order to qualify for an annuity is one that requires the individual to have separated from WRS-covered employment for at least 30 days. Other WRS provisions prohibit a participant from receiving an annuity if the individual returns to covered employment for a period of 75 days after terminating employment. This bill conforms the 30-day requirement for receiving an annuity to the 75-day requirement for reemployment with a covered employer.

In addition, the bill clarifies the treatment and uses of moneys credited to memorandum accounts of WRS participants who suspend their annuities in order to return to covered employment.

---

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

4             **SECTION 1.** 40.23 (1) (a) 1. of the statutes is amended to read:  
5             40.23 (1) (a) 1. The participant is separated, regardless of cause, and continues  
6             to be separated until the annuity effective date, the date ~~30~~ 75 days after the

**BILL**

1 application is received by the department or the date ~~30~~ 75 days after separation,  
2 whichever is later, from all employment meeting the qualifications for inclusion  
3 specified in s. 40.22 for any participating employer.

4 **SECTION 2.** 40.26 (2) (b) of the statutes is amended to read:

5 40.26 (2) (b) *Crediting of amounts under suspended annuity.* The amount of  
6 the annuity payments which would have been paid under the suspended annuity,  
7 from the original annuity suspension date to the subsequent retirement date, shall  
8 be credited to a memorandum account ~~which is subject to ss. 40.04 (4) (a) 2., 2g. and~~  
9 ~~2m. and 40.08 (1m).~~

10 **SECTION 3.** 40.26 (2) (c) of the statutes is amended to read:

11 40.26 (2) (c) *Establishment of subsequent retirement account.* Upon becoming  
12 a participating employee, a subsequent retirement account shall be established,  
13 ~~including any amounts in a memorandum account under par. (b), which includes~~  
14 crediting of interest, and any contributions made and creditable service earned  
15 during the subsequent participating employment.

16 **SECTION 4.** 40.26 (3) of the statutes is amended to read:

17 40.26 (3) Upon subsequent retirement ~~and application for an annuity,~~ the  
18 suspended annuity shall be reinstated ~~and the, including any amounts in a~~  
19 memorandum account under sub. (2) (b). Upon application, the subsequent annuity  
20 of a former annuitant shall be computed as an original annuity, based upon the  
21 participant's attained age on the effective date of the subsequent annuity, in an  
22 optional form as elected by the participant under s. 40.24. ~~The subsequent annuity~~  
23 ~~shall be initiated at the same time the suspended annuity is reinstated.~~

24 (END)



**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.



State of Wisconsin  
2015 - 2016 LEGISLATURE



LRB-0066/1  
RAC:kjf:jf

## 2015 BILL

1     **AN ACT** *to amend* 40.22 (2r) (intro.) of the statutes; **relating to:** determination  
2     of participating employee status under the Wisconsin Retirement System.

---

***Analysis by the Legislative Reference Bureau***

Current law provides that an employee who was *initially employed* by a participating employer under the Wisconsin Retirement System (WRS) on or after July 1, 2011, and who is not expected to work at least two-thirds of what is considered full-time employment by the Department of Employee Trust Funds must become a WRS participating employee if he or she is subsequently employed by a participating employer for two-thirds or more of what is considered full-time employment or if he or she has worked 1,200 hours or more in the preceding 12-month period. As a WRS participating employee, the employee must suspend his or her WRS annuity if he or she is an annuitant. This bill applies this provision to an employee who first becomes a WRS *participating employee* on or after July 1, 2011.

---

***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

3     **SECTION 1.** 40.22 (2r) (intro.) of the statutes is amended to read:  
4     40.22 (2r) (intro.) An employee who was initially employed by first becomes a  
5     participating employer employee on or after July 1, 2011, who is not expected to work

**BILL**

1 at least two-thirds of what is considered full-time employment by the department,  
2 as determined by rule, and who is not otherwise excluded under sub. (2) from  
3 becoming a participating employee shall become a participating employee if he or she  
4 is subsequently employed by the state agency or other participating employer for  
5 either of the following periods:

6 (END)

### **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.).



State of Wisconsin  
2015 - 2016 LEGISLATURE



LRB-0068/1  
RAC:wlj:jf

## 2015 BILL

1 **AN ACT to create** 40.03 (2) (cm) of the statutes; **relating to:** payment of benefits  
2 under plans administered by the Department of Employee Trust Funds.

---

### *Analysis by the Legislative Reference Bureau*

This bill specifically authorizes the secretary of employee trust funds to implement any payment processing system to pay moneys owing to any person under benefit plans administered by the Department of Employee Trust Funds, including payment by direct deposit, electronic benefit transfer cards or other prepaid cards, electronic funds transfer, and automated clearinghouse procedures.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

---

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

3 **SECTION 1.** 40.03 (2) (cm) of the statutes is created to read:  
4 40.03 (2) (cm) May implement any payment processing system to pay moneys  
5 owing to any person under benefit plans administered by the department, including

**BILL**

1 payment by direct deposit, electronic benefit transfer cards or other prepaid cards,  
2 electronic funds transfer, and automated clearinghouse procedures.

3 (END)

#### **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.



State of Wisconsin  
2015 - 2016 LEGISLATURE



LRB-0069/1  
RAC:jld:rs

## 2015 BILL

1     **AN ACT to amend** 15.165 (2) of the statutes; **relating to:** terms of appointed  
2           members of the Group Insurance Board.

---

*Analysis by the Legislative Reference Bureau*

This bill 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.

---

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

3           **SECTION 1.** 15.165 (2) of the statutes is amended to read:  
4           15.165 (2) GROUP INSURANCE BOARD. There is created in the department of  
5           employee trust funds a group insurance board. The board shall consist of the  
6           governor, the attorney general, the secretary of administration, the director of the  
7           office of state employment relations, and the commissioner of insurance or their  
8           designees, and 6 persons appointed for ~~2-year~~ 4-year terms, of whom one shall be  
9           an insured participant in the Wisconsin Retirement System who is not a teacher, one



**BILL**

1 shall be an insured participant in the Wisconsin Retirement System who is a teacher,  
2 one shall be an insured participant in the Wisconsin Retirement System who is a  
3 retired employee, one shall be an insured employee of a local unit of government, and  
4 one shall be the chief executive or a member of the governing body of a local unit of  
5 government that is a participating employer in the Wisconsin Retirement System.

**SECTION 2. Nonstatutory provisions.****(1) TERMS OF APPOINTED MEMBERS OF THE GROUP INSURANCE BOARD.**

6  
7 Notwithstanding section 15.165 (2) of the statutes, as affected by this act, the  
8 following members of the group insurance board shall be appointed for 2-year terms,  
9 expiring on May 1 of the next succeeding odd-numbered year, and their successors  
10 shall be appointed for 4-year terms as provided under section 15.165 (2) of the  
11 statutes, as affected by this act:  
12

13 (a) The insured participant in the Wisconsin Retirement System who is not a  
14 teacher.

15 (b) The insured participant in the Wisconsin Retirement System who is a  
16 teacher.

17 (c) The insured participant in the Wisconsin Retirement System who is a  
18 retired employee.

19 (END)

## **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.



State of Wisconsin  
2015 - 2016 LEGISLATURE



LRB-0103/2  
RAC:kjf:jm

## 2015 BILL

1     **AN ACT to amend** 40.61 (2) of the statutes; **relating to:** election period for income  
2             continuation insurance under plans established by the Group Insurance Board.

---

*Analysis by the Legislative Reference Bureau*

This bill 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 from plans established by the Group Insurance Board without providing evidence of insurability.

---

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

3             **SECTION 1.** 40.61 (2) of the statutes is amended to read:  
4             40.61 (2) Except as provided in sub. (4), any eligible employee may become  
5             covered by income continuation insurance by electing coverage within 30 days of  
6             initial eligibility, to be effective as of the first day of the month which begins on or  
7             after the date the application is received by the employer, or by electing coverage  
8             within 30 60 days of initially becoming eligible for a higher level of employer

**BILL**

1 contribution towards the premium cost to be effective as of the first day of the month  
2 following the date the application is received by the employer for teachers employed  
3 by the university and effective as of the following April 1 for all other employees. Any  
4 employee who does not so elect at one of these times, or who subsequently cancels the  
5 insurance, may not thereafter become insured unless the employee furnishes  
6 evidence of insurability under the terms of the contract, or as otherwise provided by  
7 rule for employees under sub. (3), at the employee's own expense or obtains coverage  
8 subject to contractual waiting periods if contractual waiting periods are provided for  
9 by the contract or by rule for employees under sub. (3). An employee who furnishes  
10 satisfactory evidence of insurability under the terms of the contract shall become  
11 insured as of the first day of the month following the date of approval of evidence.  
12 The method to be used shall be determined by the group insurance board under sub.  
13 (1).

14

(END)

This page intentionally left blank.