



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

June 23, 2010

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Employee Trust Funds: Section 13.10 Request for Funds and Position Authority to Support Customer Service and Infrastructure Functions -- Agenda Item XIII

### REQUEST

On June 2, 2010, the Department of Employee Trust Funds (ETF) requested a supplement of \$2,420,500 SEG and 14.5 SEG positions in 2010-11 to its administration appropriation account s. 20.515(1)(w). The Department administers the Wisconsin Retirement System (WRS) and various employee benefit programs. The additional funding and position authority is intended to address operational needs relating to the administration of these programs for state and local government employees. If approved, the funding would be provided from the Committee's supplemental appropriation for segregated funds under s. 20.865(4)(u). Supplements made from this appropriation account are drawn from the available balances of the appropriate segregated fund, in this case, the Public Employee Trust Fund.

The requested funding and positions would be allocated to a number of projects in two areas: (a) customer service and outreach; and (b) infrastructure and data security. These projects, as they relate to the request, are summarized below.

***Customer Service and Outreach.*** This component of the request totals \$689,700 SEG and 10.5 SEG positions in 2010-11 for the following activities.

1. ***Member and Employer Services.*** The Department's Member Services and Employer Assistance Bureaus would be provided \$258,400 and 4.0 FTE positions (2.0 positions for each Bureau) to improve member outreach and employer services. The resources provided to the Member Services Bureau would help assist members planning for retirement, reflecting increased workload in this area. Resources provided to the Employer Assistance Bureau would support

outreach efforts and the provision of additional training and technical services to participating WRS employers.

2. *Member ID Conversion.* The request also includes \$126,600 and 2.0 positions to improve on-line processes associated with the assignment of member identification numbers that are replacing the use of social security numbers in processing WRS transactions for its members. This changeover is being encouraged both within state government and nationally as a means to protect personal data.

3. *Health Insurance Services.* Further, the request includes \$267,100 and 4.0 FTE positions relating to health insurance services, including new web-based transactional processing capability and cost containment efforts conducted by the Department in the areas of wellness and disease management. The web-based tools will be available to participants across the state and are expected to generate an increase in member inquiries. Therefore, the request includes an additional position for the ETF help desk.

Finally, \$37,600 and a 0.5 FTE shipping and mail associate position is requested to support the services provided in the three areas discussed above and for travel and training expenses for the staffing requested under this component of the request.

***Infrastructure and Data Security.*** The second component of the request totals \$1,730,800 SEG and 4.0 SEG positions in 2010-11 for the following activities.

1. *Data Security.* The Department requests \$89,600 and 1.0 FTE position for security assurance work to improve the protection of sensitive and private information. This is an increasingly important priority for ETF as it implements more on-line services to be utilized by WRS participants. This activity is intended to increase the security of member-specific data entered by participants.

2. *Web Design.* The request also includes \$89,600 and 1.0 FTE position for web design and maintenance purposes associated with the implementation of on-line tools and services for members. This reflects the planned enhancement of the ETF website from its current status of providing information to a website that also allows secure transactions to be initiated and completed by WRS participants.

3. *IT Applications Development.* In addition, the Department requests \$89,500 and 1.0 FTE position for the in-house development and implementation of application tools specific to the Department's needs. The Department views the additional resources in this area as helping to ensure that the deployment of programs within the Department is consistent, integrated, and easy to maintain.

4. *Computer Support.* Further, \$63,300 and 1.0 FTE position is requested for help-desk support for employees to be located in a satellite facility to be occupied early in 2010-11.

5. *Operational IT Charges.* Finally, ETF requests \$1,398,800 for computer operation charges, primarily for payments to the Department of Administration (DOA) for mainframe usage time and storage. These charges, according to the Department, have increased because ETF has implemented several major new systems, including a lump-sum payment system, a benefit payment system, and a health insurance enrollment system that increasingly utilize the DOA mainframe systems.

The following table summarizes the Department's request:

**TABLE 1**  
**Department of Employee Trust Funds**  
**June 2, 2010, s. 13.10 Request**  
**SEG Funding**

<u>Project</u>	<u>2010-11</u>	<u>FTE</u>
<b>Customer Service and Outreach</b>		
Member and Employer Services	\$258,400	4.0
Member ID Conversion	126,600	2.0
Health Insurance Services	267,100	4.0
Service and Outreach Support	<u>37,600</u>	<u>0.5</u>
Subtotal	\$689,700	10.5
<b>Infrastructure and Data Security</b>		
IT Positions	\$332,000	4.0
Operational IT Charges	<u>1,398,800</u>	<u>0.0</u>
Subtotal	\$1,730,800	4.0
Total Request	\$2,420,500	14.5

## **BACKGROUND**

The WRS is administered by ETF under the supervision of a 13-member Employee Trust Funds Board. The WRS covers nearly all public employees in the state except employees of the City of Milwaukee and Milwaukee County, which maintain separate retirement systems. The WRS includes over 1,400 public employers including state agencies, counties, cities, towns, villages, school districts, technical college districts, cooperative educational service agencies, and special districts. Preliminary data indicates that, as of December 31, 2009, the system covered 566,317 participants: 267,293 active employees, 150,671 annuitants, and 148,353 inactive (past) employees who have maintained their WRS accounts (rather than taking a separation benefit). In addition, the Department administers a number of employee benefit programs, including health insurance plans available to all state employees and to some local governmental employees under the Wisconsin Public Employers' group health insurance program. The Department's operations are funded from the segregated revenues of the Public Employee Trust Fund.

Under 2009 Wisconsin Act 28, the 2009-11 biennial budget act, ETF was provided \$946,400 SEG and 6.0 SEG positions in 2009-10 and \$1,683,400 SEG and 12.0 SEG positions in 2010-11 for customer service functions relating to public employee benefit programs. In addition, \$798,600 SEG in 2009-10 and \$1,493,800 SEG in 2010-11 of public employee trust funds was placed in the Committee's appropriation account for segregated funds general program supplementation to address further agency funding and position authority needs in the 2009-11 biennium. Act 28 specified that a supplementation request under s. 13.10 of the statutes include a methodology, developed by the Secretary of ETF, for determining the number of authorized positions the Department needs to exercise its powers and perform its duties under law. In addition, if the Secretary intends to request an increase in authorized positions beyond the number derived from the methodology, the ETF Board would be required to approve the request to the Committee. Act 28 also provided that the Committee is not required to find that an emergency exists prior to making a supplementation in response to the request.

The request now before the Committee is the Department's second under the Act 28 provision. In its first request, submitted to the Committee on November 20, 2009, the Department requested a supplement of \$488,500 SEG in 2009-10 and \$671,500 SEG in 2010-11 and 4.0 SEG positions annually to address issues relating to customer service and outreach, federal tax law compliance, and audit and benchmarking contracts. This request was approved by the Committee at its December 17, 2009, meeting.

## ANALYSIS

Following the approval of the December, 2009, request, the Act 28 amounts for ETF remaining in the Committee's appropriation total \$310,100 in 2009-10 and \$822,300 in 2010-11. Therefore, the current request exceeds the funds placed in the Committee's supplemental appropriation for ETF customer service functions. Table 2 shows the current request in relation to the Committee's supplementation amounts for ETF.

**TABLE 2**

**2009 Act 28 Funding Provisions and ETF s. 13.10 Requests**

	<u>2009-10</u>	<u>2010-11</u>	<u>Biennium</u>
Act 28 Committee Appropriation	\$798,600	\$1,493,800	\$2,292,400
December 17, 2009 s. 13.10 Approval	<u>488,500</u>	<u>671,500</u>	<u>1,160,000</u>
Balance	\$310,100	\$822,300	\$1,132,400
June 2, 2010 s. 13.10 Request	<u>\$0</u>	<u>\$2,420,500</u>	<u>\$2,420,500</u>
Balance if Request is Approved	\$310,100	-\$1,598,200	-\$1,288,100

The Committee may approve the current request in-full, or it may want to consider whether to support a request that exceeds the supplementation amounts provided in Act 28. The Act 28

provision of funding and positions to ETF (\$946,400 SEG and 6.0 SEG positions in 2009-10 and \$1,683,400 SEG and 12.0 SEG positions in 2010-11) was intended to partially address workload projections in the 2009-11 biennium. The additional provision of \$798,600 SEG in 2009-10 and \$1,493,800 SEG in 2010-11 in the Committee's supplemental appropriation account reflected the Committee's view that it would be more appropriate to address the Department's resource and position needs at a later date. Act 28 also required that any position requests should be based on a methodology to demonstrate the need for additional positions. This was intended to assist the Committee in assessing future position requests.

In analyzing the Department's first s.13.10 request, approved in December, 2009, this office summarized: (a) ETF position requests relating to customer service needs in prior years; (b) the Department's budget request for the 2009-11 biennium; (c) the approvals and conditions specified in Act 28 pertaining to customer service needs; and (d) the ETF position methodology required under Act 28. This material, which is pertinent to the position request now being made, is provided in an attachment to this memorandum.

In the context of this background, the ETF position request now before the Committee is appropriate and within the limits discussed in the Committee's budget deliberations in May, 2009 (which resulted in the Act 28 provisions). To recap, Act 28 provided authorization to ETF for 6.0 FTE positions in 2009-10 and 12.0 FTE positions in 2010-11 and provided supplemental funding in the Committee's appropriation to potentially support an additional 8.0 FTE in the first year and 23.0 FTE in the second year (for total additional position authority of 14.0 FTE in 2009-10 and 35.0 FTE in 2010-11).

Table 3 shows these Act 28 provisions and the status of position approvals and requests under Act 28 and subsequent s. 13.10 requests. The table shows that the current s. 13.10 request is within the position authority contemplated under these Act 28 provisions.

**TABLE 3**

**2009 Act 28 Position Provisions and ETF s. 13.10 Requests**

<u>2009 Act 28 Provisions</u>	<u>FTE Positions</u>	
	<u>2009-10</u>	<u>2010-11</u>
Authorized for ETF	6.00	12.00
JFC Supplement Calculated to Support	<u>8.00</u>	<u>23.00</u>
Projected Potential Total under Act 28	14.00	35.00
<u>2009 Act 28 and s. 13.10 Requests</u>		
Authorized for ETF (Act 28)	6.00	12.00
December, 2009, s. 13.10 Approval	4.00	4.00
June, 2010, s. 13.10 Request	<u>0.00</u>	<u>14.50</u>
Total, if June Request is Approved	10.00	30.50
Over/(Under) Projected Act 28 Total	-4.00	-4.50

The position request before the Committee (14.5 FTE positions) would require total funding of \$1,021,700. This is less than the balance of funds for ETF remaining in the Committee's appropriation (\$1,132,400, as shown in Table 2) following the December, 2009, approval of the Department's first s. 13.10 request. Given all these factors, the Committee may want to consider approving at least this portion of the ETF request (Alternative 2).

However, the total ETF request exceeds the supplemental funds provided under Act 28 for the 2009-11 biennium by \$1,288,100 (Table 2). This additional amount is largely due to the portion of the request that is unrelated to position needs: the Department is requesting \$1,398,800 for DOA computer operation charges (for mainframe usage and related storage). Additional DOA computer operation charges were not contemplated as a need when the Act 28 supplemental amounts were calculated. Further, the Department did not explicitly request funds for this purpose in their 2009-11 biennial budget request, although the general funding increase requested at the time (to achieve service levels that are above the median of those provided by peer public systems) implied that these types of expenditure needs would be addressed.

The Committee may wish to limit approval of additional funds for DOA computer operation charges to the amount of supplemental funds that would be available after meeting the position request. Under this alternative (Alternative 3), the position request would be approved (for \$1,021,700) and \$110,700 would be provided for DOA computer operation charges. This would fully utilize the supplementation funding provided under Act 28. If necessary, additional computer operational needs can be addressed in the Department's budget request for the 2011-13 biennium, or in a subsequent s. 13.10 request in 2010-11, if a funding emergency exists. Arguably, a separate s. 13.10 request for mainframe charges, submitted later in 2010-11, would be based on more complete information and could prove to be more precise than the current request.

On the other hand, the Committee may wish to approve the entire request. The supplemental funding was calculated primarily, but not exclusively, to support ETF position needs. In the Department's earlier s. 13.10 request, approved in December, 2009, several non-personnel initiatives were funded from the supplemental funding. Further, the Committee's supplemental appropriation account is a sum sufficient appropriation and the Committee is authorized to address needs as specified under s. 13.101 of the statutes. There is also sufficient revenue to cover these costs in the Public Employee Trust Fund, from which the funding would be drawn.

Departmental officials have indicated that if the Committee limited the approval of the request to the remaining supplementation amounts provided in Act 28 (\$1,132,400), ETF would view the request for the 14.5 positions as the highest priority. However, these officials argue that the Act 28 supplementation amounts were estimates based on information known at the time of budget deliberations, including ETF's ability to absorb additional resources in an efficient and effective manner. The officials do not view the supplementation amounts as ultimate limits on what could be requested and believe the Act 28 provisions only limit the funding request to amounts needed to effectively administer the programs under Chapter 40, subject to available funds in the Public Employee Trust Fund. During Act 28 budget deliberations, limitations such as the availability of office space were factors in determining the appropriate level of resources that could

be effectively deployed during the FY 2009-11 biennium. Departmental officials indicate that additional office space has now been secured and ETF is able to effectively deploy additional resources to meet workload demands.

With respect to the mainframe charges, the Department indicates that the base funding for DOA computer operation charges will not be adequate in 2010-11 due to the implementation of several new computer systems (benefit payment, lump-sum payment, and health insurance verification systems). The new systems have extensive capabilities of their own and also must interact with other ETF legacy systems (older computer systems) to exchange data. As a result, mainframe usage associated with both the new and the legacy systems has increased. Departmental officials indicate that, if ETF covers the increased costs with base budget funds, it will be at the expense of ongoing maintenance and improvements in the new and legacy systems.

Arguably, the implementation of on-line strategies under the agency's strategic plan requires the use of base funding for continued maintenance, development, and testing of the Department's systems. Without a supplement for the higher DOA computer operation charges, officials indicate there will be delays in planning and implementation of various components of the Department's on-line strategy. The Committee may, therefore, wish to provide the requested funds for mainframe charges so that base funding is not diverted from other high-priority technical needs.

In summary, the Department's s. 13.10 request, including the component for DOA computer operation charges, reflect ETF's strategic planning work and appears to be consistent with long-standing Departmental priorities. Also, the position request is consistent with the long-range needs projected by the Department's methodology for assessing personnel needs. In taking action on the request, the Committee will need to decide whether or not to support projected costs that go beyond the supplementation amounts provided in Act 28.

## **ALTERNATIVES**

1. Approve the Department of Employee Trust Funds request for a supplement of \$2,420,500 SEG and 14.5 SEG positions in 2010-11 to its administration appropriation account s. 20.515(1)(w). The supplement would be provided from the Committee's supplemental appropriation for segregated funds under s. 20.865(4)(u), with funds drawn from the available balances of the Public Employee Trust Fund.

2. Approve the provision of \$1,021,700 SEG and 14.5 SEG positions to the Department's administration appropriation account s. 20.515(1)(w) from the Committee's supplemental appropriation for segregated funds under s. 20.865(4)(u), with funds drawn from the available balances of the Public Employee Trust Fund. [Under this alternative, only the Department's requested resources for positions would be approved.]

3. Approve the provision of \$1,132,400 SEG and 14.5 SEG positions in 2010-11 to the Department's administration appropriation account s. 20.515(1)(w) from the Committee's supplemental appropriation for segregated funds under s. 20.865(4)(u), with funds drawn from the available balances of the Public Employee Trust Fund. [Under this alternative, the Department's

requested resources for positions (\$1,021,700) would be approved, and \$110,700 would be available for DOA computer operation charges. This alternative would fully allocate the Committee's supplementation funding for ETF in the 2009-11 biennium.]

4. Deny the request.

Prepared by: Art Zimmerman  
Attachment



## ATTACHMENT

### Position Authority Requests and ETF's Position Methodology

The Department of Employee Trust Funds (ETF) has consistently argued for and requested additional positions in recent years to address increasing workload and the need for improved customer service. With respect to staffing, ETF has experienced increases for participant services in recent biennia, but position authorizations have always been less than that requested by the Department. In the 2001-03 biennium, 19.5 FTE positions were requested and 14.5 FTE positions were provided. For the 2003-05 biennium, the Department requested 20.3 FTE positions and were provided 6.5 FTE positions. In the 2005-07 biennium, 4.0 FTE of 7.0 FTE requested positions were approved. In the 2007-09 biennial budget process, 14.5 of the 47.5 requested positions were approved.

In ETF's 2009-11 biennial budget request, the Department asked for the ability to modify the agency's position authority through a 14-day passive review process and to convert its sum certain program operations appropriation to a continuing appropriation with expenditure authority set through a 14-day passive review process. In the event these proposals were not approved during the budget process (which they were not), the Department also requested funding for 33.1 positions in 2009-10 and 57.1 positions in 2010-11 for customer service functions. According to ETF officials, the position request was intended to specify the staffing levels the Department believes are necessary to fully address the increasing workload projections for 2009-11 and beyond.

In addition, the Department requested the enumeration of the construction of a new office facility in the 2009-11 capital budget. According to ETF, the capital budget request was made to address immediate space concerns and to meet projected growth over the next 10 to 20 years. [The facility request was not approved for inclusion in the 2009-11 capital budget by the State Building Commission, and was deferred to allow further planning.]

In the 2009-11 budget deliberations, a Fiscal Bureau budget paper was developed indicating that an argument could be made that the requested level of new position authority (33.1 positions in 2009-10 and 57.1 positions in 2010-11) may not be practical. As noted above, the Department's capital budget request for a new facility was deferred. Current space limitations at the Department's headquarters did not allow the Department to readily absorb this many new positions. Finally, attempting to hire this many positions in a two-year period could also present challenges for the Department's human resources and training capacities. In discussions aimed at balancing the eventual needs of ETF and the immediate practicalities the Department faces in the 2009-11 biennium (space and other resource restrictions), a more limited staffing alternative was developed for the Committee's consideration: 20.0 FTE positions in 2009-10 and 35.0 FTE positions in 2010-11 for customer service functions. [The Department has now located satellite office space that will accommodate up to 100 staff and can be occupied early in 2010-11.]

Instead of providing this level of position authority, the Committee adopted the Governor's

recommendation (\$946,400 SEG and 6.0 SEG positions in 2009-10 and \$1,683,400 SEG and 12.0 SEG positions in 2010-11) and placed sufficient additional funds (\$798,600 SEG in 2009-10 and \$1,493,800 SEG in 2010-11) in the Committee's supplemental appropriation for segregated funds to fund an additional 14.0 FTE positions in 2009-10 and 23.0 FTE positions in 2010-11 (for a total of 20.0 FTE positions in 2009-10 and 35.0 FTE positions in 2010-11), if the need for these positions was demonstrated.

As noted above, Act 28 also specified that an ETF supplemental request demonstrate the need for additional positions on the basis of a methodology. The Department provided an overview of its methodology in its s. 13.10 request of November 20, 2009. The methodology incorporates workload metrics, projected changes in workload, and targeted customer service levels for WRS participants. Workload metrics are collected at the work-unit level (a basic function performed within a bureau or section of the Department) and, for each work unit, models have, or will be, developed to measure or account for the differences in the work performed. Future workload will be projected on the basis of historical trends and on actuarial data produced by the WRS consulting actuary. In addition, the Department will utilize a high-level model based on projected changes in the member population mix to provide an additional estimate of required staff resources. Differences between this high-level method will be compared to the more specific functional analysis described above. Differences between the two modeling approaches are to be analyzed by staff, with initial estimates of resource needs revised accordingly.

In addition, ETF intends to utilize a benchmarking study to compare its service levels and costs to similar peer public pension systems. [The costs associated with a benchmarking survey was approved by the Committee in its December, 2009, action on the Department's first s. 13.10 request.] The Department's goal is to achieve service levels that are above the median of those provided by peer public systems, while providing these services at a cost below the median cost of these same systems.

The Department indicates that, for the 2009-2011 biennium, this methodology suggests that the appropriate level of positions is approximately 1.0 full-time equivalent (FTE) position per 1,560 members. However, the ETF Secretary has directed that the position level be set at 90% of the above level to ensure that services are provided in a cost effective manner. As such, the adjusted position level under this methodology is 1.0 FTE per 1,730 members. This ratio is based primarily on the benchmarking goals with some adjustments to reflect ETF workload associated with other benefit programs administered by the Department, for example state employee health insurance coverage. Departmental officials also indicate that the current work metric modeling efforts support this ratio.

Based on the 1:1,730 staff-to-member ratio, the methodology would indicate a total staffing need of approximately 322 FTE. Under Act 28 and with the December, 2009, s. 13.10 approval, ETF has a total of 228.7 authorized positions in 2010-11. Therefore, the ETF methodology now implies a need for approximately 93 additional positions. Departmental officials emphasize that this is a long-term need to fully address staffing issues as the demographics of the WRS change in the coming years.