

**Committee Name:**  
**Joint Committee – Finance**  
**(JC–Fi)**

**Appointments**

99hr\_JC–Fi\_Appt\_pt00

**Committee Hearings**

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**Committee Reports**

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**Clearinghouse Rules**

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**Executive Sessions**

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**Hearing Records**

99hr\_ab0000

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**Misc.**

99hr\_JC–Fi\_\_Misc\_\_s.13.10\_pt07b1

**Record of Committee Proceedings**

99hr\_JC–Fi\_RCP\_pt00

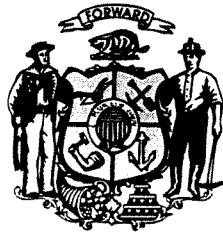
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S.13.10 Meeting  
July 15, 1999

I. The Department of Employee Trust Funds – Dave Stella, Administrator of the Division of Retirement Services

The department requests approval of its proposed plan for continuing the distribution of the settlement funds from the Special Investment Performance Dividend (SIPD) lawsuit as directed by the Joint Committee on Finance at its April 21, 1999 meeting under s. 13.10.


Governor's Recommendation

Approve the plan.



*Date:* July 12, 1999

*To:* Members, Joint Committee on Finance

*From:* Mark D. Bugher, Secretary  
Department of Administration 

*Subject:* Section 13.10 request from the Department of Employee Trust Funds to implement its plan for completion of the remedy ordered in the Special Investment Performance Dividend (SIPD) lawsuit.

### **Request**

The Department of Employee Trust Funds requests approval for its proposed plan for continuing the distribution of the settlement funds from the Special Investment Performance Dividend (SIPD) lawsuit as directed by the Joint Committee on Finance at its April 21, 1999 meeting under s. 13.10.

### **Background**

On April 21, 1999, the committee adopted a motion that required the department to submit a distribution plan for approval before any additional expenditures for the SIPD project would be authorized. The plan was to provide the following items:

- 1) Identify what specific activities need to be undertaken in order to locate any remaining uncontacted estates or beneficiaries regarding possible payments due under the SIPD project;
- 2) A statement from the ETF Board of an absolute deadline by which all claims must be filed;
- 3) A detailed procedure for reserving some settlement funds for payment of claims that may be filed with the department after the end of the current project; and,
- 4) A proposed budget for the next biennium to accomplish all remaining activities under the project to allow orderly termination.

The department developed a plan, based upon these guidelines, which was approved by the ETF Board at a special closed meeting on May 25, 1999. If this plan is approved, the department will continue the distribution project after July 19, 1999.

## Analysis

The analysis of the department's plan is complete in four sections.

### *1. Additional Activities to Locate Eligible Estates, Beneficiaries and Heirs*

In order to locate the remainder of potential claimants in an efficient and equitable manner and to exercise due diligence, the ETF Board determined that funding for professional locator services was required. The department intends to refer 10,659 claims valued at \$250 or more to a professional locator service. This \$250 threshold represents the approximate average total cost of processing a successful claim—the combination of locator service and ETF processing costs. The department notes that it will not attempt to locate potential claims valued at less than \$250, but it will pay any claim for which an inquiry is received.

The location efforts will be completed in three phases, beginning on July 19, 1999, and ending on March 31, 2000. The phases are approximately three months in length and are prioritized based upon claims amounts: \$2,000 or greater, \$1,000 or greater, and \$250 or greater, respectively. For the department this approach will spread out the arrival of new claims inquiries, enabling SIPD staff to continue to process its current backlog of 7,010 claims as well as manage the follow-up and subsequent processing of new claims. For potential claimants, this approach will streamline the claims process. In many cases estates must be reopened, a process that takes several months and involves some expense to the claimant. Since it is more cost-effective for estates to be reopened when claims' values are high, searching for higher valued claims first will provide more time for estate action. Once the three phases are complete, the department will consider other low cost options for notifying the remaining, unlocated claimants.

### *B. Deadline for Filing a Claim for the Settlement Funds*

The absolute deadline for completion of the SIPD equitable distribution is June 30, 2001. To arrive at this deadline, the department estimated the length of time it would take to process its current backlog of 7,010 claims inquiries. Given the department averages 1.3 payments per inquiry, it follows that 9,113 payments remain to be processed. Presently, the department issues approximately 165 claims payments per week. Assuming consistent staffing at the current budgeted levels, it will take 55 weeks or just over one year to issue these payments.

The department then proceeded to estimate the length of time it would take to issue payments for the claims activated through the locator services. In order to arrive at a reasonable estimate, the department assumed that (1) it will continue to process 165 payments per week; (2) it will continue to average 1.3 payments per inquiry; and (3) the locator service will experience a location rate of 50-percent. Applying these three assumptions, the department estimates that 5,330 new claimants will be located

resulting in 6,930 additional payments. At a rate of 165 payments processed per week, these new claims will be processed in 42 weeks.

Combined, the current backlog and the new claims represent nearly two years of work. Accordingly, the department recommended setting an absolute project end date of June 30, 2001, which appears to be reasonable.

The department forewarns that should the locator service's success rate exceed 50 percent, or a benefit improvement bill or other significant legislation result in activities that would create competing priorities with the SIPD distribution, the department may have to revise its scheduling, its deadline, and its projections accordingly.

*C. Procedure for Reserving Settlement Funds for Claims Submitted after Current Project Ends*

The department believes that under this plan most payments from the settlement funds will be issued prior to the June 30, 2001 deadline. However, there may be some claims inquiries received shortly before that date for which payment has not been issued. In those instances the department will issue a payment if it has received an initial claim inquiry by June 30, 2001, and all supporting documentation by that date or a 60-day deadline, whichever occurs later.

To ensure a sufficient funds reserve, the department will take an accounting of the number of pending claims and volume of incoming calls prior to project deadline. It will then ask the ETF Board to reserve sufficient funds within the annuity reserve for these anticipated claims payments. The Board will act on this matter at its regularly scheduled meeting in June 2001.

*D. Budget*

Total SIPD-related expenditures necessary to accomplish all remaining activities under the project are estimated to total \$1,020,300 SEG in FY00 and \$610,300 SEG in FY01.

<b>Expenditures</b>	<b>FY00</b>	<b>FY01</b>
Personal Services	\$22,500	\$22,500
Temporary Help Services	459,800	508,000
Locator Services	456,700	0
Other Supplies & Services	81,300	74,800
Space, Postage, Supplies, Records, Telephone, Equipment, and Messenger		
Actuarial Services	0	5,000
<b>Totals</b>	<b>1,020,300</b>	<b>610,300</b>

In both fiscal years, most SIPD-related costs will be incurred for contracted services. The department's statewide contract for temporary staff (15.5 FTE) is estimated to cost \$459,800 SEG in FY00 and \$508,000 SEG in FY01. The increased cost for temporary staff can be attributed to the department anticipating a new statewide contract that may include an increase in hourly wages of one dollar and a bonus of \$1,000 for those workers who complete the project. The department believes the salary increase and bonus will aid in reducing staff turnover rates, maintaining claims processing levels, and completing the equitable distribution as scheduled.

Higher expenditures in the first year of the biennium reflect the hiring of the professional locator service at an estimated cost of \$456,700 SEG. This cost estimate is based on the department's assumption that approximately 50 percent of the cases referred to the service would be successfully located at a total per case cost of \$77.85. The department's percentage of cases located appears reasonable, given the contractor found 8 of 15 randomly selected SIPD cases during a test-run. The DOA Bureau of Procurement recently approved the department's choice of contractor and the contract's pricing structure.

This plan appears to meet the criteria outlined by the committee at its April 21, 1999 meeting under s. 13.10. Moreover, it addresses the department's obligation to take all steps necessary to implement the court ordered equitable distribution, it is supported by documentation, and overall it appears reasonable.

**Recommendation**

Approve the plan.





STATE OF WISCONSIN

**Department of Employee Trust Funds**

I

**Eric O. Stanchfield**  
*Secretary*  
801 West Badger Road  
P.O. Box 7931  
Madison, WI 53707-7931

June 8, 1999

Honorable Brian Burke  
Honorable John Gard  
Co-Chairs, Joint Committee on Finance  
State Capitol  
Madison WI 53702

**Subject:** The Department of Employee Trust Fund's plan for continuing the distribution of the settlement funds from the Special Investment Performance Dividend (SIPD) lawsuit as directed by the Joint Committee on Finance on April 21, 1999

Dear Senator Burke and Representative Gard:

In March 1999 the Department of Employee Trust Funds requested that the Joint Committee on Finance (JFC) supplement the Department's fiscal year 1999-00 budget for costs associated with the SIPD distribution project (a copy of this request is attached). On April 21, 1999 the JFC adopted a motion that required the Department submit a distribution plan to the JFC and the Committee for approval before additional expenditures for this project in FY2000 and FY2001 would be authorized.

The following is the Department's plan for the distribution project. This plan was approved by the Employee Trust Funds (ETF) Board at a special meeting on May 25, 1999. If this plan is approved, the Department will continue the distribution project after June 30, 1999. In March 2000, the Department will request approval of the actual expenses incurred and will provide an estimated budget for further implementation during FY 2000-2001.

**A: Additional Activities to Locate the Eligible Estates, Beneficiaries and Heirs**

The Dane County Circuit Court ultimately maintains jurisdiction over the ETF Board's distribution of the settlement funds. In considering the proposed plan, the ETF Board and the Department consulted with legal staff to determine what measures would meet the standards of due diligence in locating the previously unlocated estates, heirs and beneficiaries who are eligible to claim a share of the settlement funds. The Board's trustee responsibility to exercise due diligence and to fulfill its duty of impartiality requires additional efforts to locate and pay the estates, heirs and beneficiaries of eligible former annuitants.

To date the Department has taken a number of steps to notify potential claimants of the eligibility criteria for a share of the settlement funds (see Attachment I). To meet the due diligence requirement, the plan requires funding for professional locator services, in addition to the funding for staff needed to process the currently pending claim inquiries and future claims projected to result from the locator service efforts.

A locator service has been selected from a state procurement bulletin. The Department will provide to this contractor with a list of eligible individuals and estates with potential claims of at least \$250 to the locator service. There is a total of approximately 10,659 potential claims



of \$250 or more that will be referred to the locator service; the remaining 5,764 potential claims of less than \$250 will not be referred.

The locator service and processing costs are paid from the trust fund and are essentially the same regardless of the amount payable. The \$250 threshold represents the approximate average total cost of processing a successful claim (locator service plus DETF processing costs). However, the Department will pay any claim for which an inquiry is received, regardless of the amount; the \$250 threshold applies only to the potential claims that will be referred to the professional locator service.

### **Location Project Phases**

The location efforts will be completed in three phases:

- Phase 1: The 1,942 potential claims over \$2,000 will be referred to the locator service. Scheduled for July 1, 1999 – September 30, 1999.
- Phase 2: The 2,664 potential claims between \$1,000 and \$2,000 will be referred to the locator service. Scheduled for October 1, 1999 – December 31, 1999.
- Phase 3: The 6,053 potential claims between \$250 and \$1,000 will be referred to the locator service. Scheduled for January 1, 2000 – March 31, 2000.

This approach will spread out the arrival of new claim inquiries and enable staff to better manage the follow-up and subsequent processing of claims. The three phases refer only to the periods during which the locator service will attempt to locate the eligible claimants, rather than when the claim inquiries generated by the location efforts will be processed. The SIPD distribution project contract staff will process the existing backlog of claims (see Attachment II for the current project status) and future claim inquiries through June 30, 2001.

The three phases for the location efforts are prioritized based on claim amounts, and premised on the following:

- Breaking the location efforts into three phases will spread out the incoming inquiries, which makes it easier for potential claimants to reach the SIPD office by telephone and enables staff to better manage the subsequent follow-up and claims processing.
- In many cases estates must be re-opened. The process can take several months and involve some expense to the potential claimant. It will be more cost-effective for estates to be re-opened when the claim is higher; searching for higher dollar claimants first provides more time for estate action.
- Under the Board's decision interest continues to accrue until the claim is paid. This approach reduces the interest that ultimately will be paid by the trust fund.

Once the three phases are complete, the Department will consider other means of mass notice for the remaining unlocated potential claimants. This could include issuing additional press releases explaining the eligibility criteria and the claim deadline to newspapers throughout the state, and could also include publishing a list of the remaining potential claimants in state newspapers and in the abandoned property list through the Office of the State Treasurer. These are low-cost options that would target all potential claimants, regardless of the amount of the potential claim. While the Department plans to take

advantage of low-cost mass notification opportunities throughout the project, it is necessary to proceed with the professional location phases as early as possible to effectively bring it to conclusion. Potential claimants do not necessarily contact the Department immediately once they have been located; inquiries from the mass mailing that was sent to the last known addresses of roughly 30,000 former annuitants in June of 1998 continue to arrive at the Department.

#### **B. Deadline for Filing a Claim for the Settlement Funds**

The Department will process and pay benefits on all claim inquiries received before June 30, 2001. However, the claim process is complex and may involve a number of steps (see Attachment III for a detailed summary of the claims process). Under this plan the completed claim form or affidavit plus all necessary supporting documentation must be received by the later of June 30, 2001, or within 60 days after the Department either provides the form or requests the supporting documentation. Failure to supply requested information or completed forms will result in the claim being closed without payment.

In summary, the plan requires an initial claim inquiry (or a claim itself) to be made by June 30, 2001, and that the supporting documentation be received by the later of that date or the 60-day deadline after requested, to retain eligibility for payment.

#### **C. Procedure for Reserving Settlement Funds for Claims Submitted After Current Project Ends**

The plan provides a 15-month window after the location efforts are initiated for potential claimants to contact the Department and for the Department to issue payment. Because the Department anticipates processing the estimated number of claims within this period, most of the payments from the settlement funds will have been issued prior to June 30, 2001. However, there may be some claim inquiries received shortly before that date for which payment has not been issued.

The entire settlement fund balance will remain earmarked and separately accounted for within the annuity reserve until June 30, 2001. Prior to that date, based on the number of pending claims and the volume of incoming claim inquiries at that time, the Department will ask the ETF Board to continue to reserve sufficient funds within the annuity reserve for future payment of any claims for which a claim inquiry was received by the deadline. This action will be considered by the Board at its regularly scheduled meeting in June 2001.

#### **D. Budget**

Attachment II describes the current status of the distribution project. The Department is currently issuing approximately 165 payments per week. Assuming reasonable stability in staff hired by the contracted vendor, this average should be achieved in the future as well. Experience to date further suggests an average of 1.3 payments per inquiry (often a payment to the deceased annuitant's estate, plus another supplemental payment paid directly to the beneficiary who received the WRS death benefit). Therefore, the pending 7,010 inquiries and claims in process represent approximately 9,113 payments. This would require over 55 weeks of work, assuming consistent staffing at the currently budgeted level.

Determining the final target date for ending the SIPD supplement-funded distribution project is based in part on reasonable assumptions of the Department's ability to retain trained

contract staff, which has been a significant problem throughout the project, and the projected success rate of the locator service's efforts to identify additional beneficiaries, estates and heirs. We estimate that up to 5,330 new claimants could be located through the locator service in Phases 1, 2 and 3. Assuming an ongoing average of 1.3 payments per claim, This would result in approximately 6,930 additional payments. These claims, plus the current backlog of over 6,000 claims, represent nearly two years of work.

Assuming that 165 payments are issued per week, the Department recommended and the ETF Board approved setting an absolute project end date of June 30, 2001. If the Department locates fewer potential claimants than projected, or the claims processing is accomplished more quickly than anticipated, the Department could, with the ETF Board's approval, end these efforts before the June 30, 2001 date.

Under this plan, the separate SIPD office, staffed by contract employees, would be scheduled to close June 30, 2001. If estimates are accurate, after that date it should be possible for internal DETF staff to complete any final processing of the claim inquiries received before the deadline.

Attachment IV provides an SIPD distribution project budget projection for the 1999-00 fiscal year, and a tentative budget projection for the 2000-01 fiscal year. The projected funding needed for Fiscal Year 2000 is \$1,020,300, and \$610,300 for Fiscal Year 2001. The lower amount needed for the second year of the biennium reflects the fact that the costs for the professional locator service will all be incurred in the first fiscal year.

There are factors that could affect the anticipated schedule for completing the distribution project:

- A benefit improvement bill or other significant legislation would result in activities that will create competing priorities with the SIPD distribution project, which could result in delays.
- The schedule and budget projections are based on the assumption that the professional locator service will have a 50% successful location rate. A significantly higher success rates would result in a higher volume of claims, and it would be necessary to revise the Department's projections accordingly.

Should estimates prove inaccurate, the Department will request any resources needed for subsequent claims processing as part of its 2001-2003 biennial budget request. Dave Stella, Administrator of the Division of Retirement Services, will be available at your meeting to answer any questions you may have.

Sincerely,



Eric O. Stanchfield  
Secretary  
(608) 266-0301  
TTY (608) 267-0676  
FAX (608) 267-0633

### **Past Efforts to Date to Locate Potential SIPD Claimants**

In October of 1997 the Department notified all (then) current WRS annuitants (approximately 95,000) by letter of the ETF Board's distribution decision, and of their rights to appeal the distribution decision to Dane County Circuit Court within 30 days. In December of 1997 and January and February of 1998 the Department issued payments (primarily through an automated payment process) to the approximately 43,000 living WRS annuitants who were entitled to SIPD payments based on annuities still in force.

There were also an estimated 30,000 former annuitants and their estates, heirs and/or beneficiaries who were potentially eligible for SIPD benefits through the claims process. To date the Department has taken the following additional steps to publicize the availability of these benefits and the eligibility criteria:

- 9/97 - press release on the ETF Board's SIPD distribution decision and the eligibility criteria for a share of the funds recovered through the SIPD lawsuit.
- Since 10/97 – DETF website articles explaining ETF Board's distribution decision, eligibility criteria and instructions for contacting the Department for further claim information.
- Since 10/97 - A recorded message explaining ETF Board's distribution decision, eligibility criteria and instructions for contacting the Department for further claim information has been available in the "General Topics of Interest" on the Department's Telephone Message Center.
- 12/98 and 3/98 - Articles drafted in conjunction with ETF Communications Office appeared in the Wisconsin Retired Educators Association newsletter that explained ETF Board's distribution decision, eligibility criteria, claims data and instructions for contacting the Department for further claim information. (Readership of 11,000-12,000)
- An article drafted in conjunction with ETF Communications Office appeared in the Wisconsin Educational Association Council's *News & Views* newsletter that explained ETF Board's distribution decision, eligibility criteria and instructions for contacting the Department for further claim information. (Readership of approximately 86,000)
- Trust Fund News (TFN) newsletter explaining ETF Board's distribution decision, eligibility criteria and instructions for contacting the Department for further claim information. The TFN is distributed each January, May and September to all active and annuitant WRS participants, and beginning in May of 1999, each May to inactive WRS participants.
- Spring 1998 – The Department's Communications Director and Legislative Liaison provided training to all interested legislators and their aides on the explaining ETF Board's distribution decision and eligibility criteria for an SIPD benefit.
- Since 1/98 - Average of two presentations per month by ETF Communications Office and Secretary's Office to retiree groups that explained ETF Board's distribution decision, eligibility criteria and providing instructions for contacting the Department for further claim information. (Average of 20-50 people per presentation)

- 6/98 - Letter explaining ETF Board's distribution decision and eligibility criteria was sent to the last-known address for approximately 30,000 former annuitants. The letter explained the ETF Board's distribution decision and eligibility criteria for an SIPD benefit, and provided instructions for contacting the Department for further claim information.
- Quarterly updates on SIPD project to Annuitant Round Table, which represents 24 retiree groups.
- 4/99 - Article in Capital Times newspaper on claims project.

**ATTACHMENT II**

**Current SIPD Project Status**

The following is the current status of pending claims and of payments made to eligible beneficiaries, estates and heirs:

Total claim inquiries received	12,680
Payments issued	6,970*
Claims in process	1,300
Inquiries not processed to date	5,710
Total SIPD claims paid to date	\$110,196,263
Average payment	\$1,581

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\* Prior to mid-June 1998 the payments for the SIPD claims were issued through the Department's regular WRS lump sum payment process, rather than through the separate SIPD payment process developed for the SIPD distribution. While the cumulative dollar amount of SIPD claims paid includes those payments issued before the separate SIPD payment process was implemented, data on the number of those payments is not available. The 6,970 number includes only the payments issued through the separate SIPD process.

### SIPD Claims Process

The ETF Board's distribution decision included the provision that the supplemental payments due to living annuitants whose annuities were still in force could be paid automatically, with no claim required. When SIPD monies are payable as a supplement to annuity or lump sum benefits paid to a former annuitant or beneficiary who is still living, but the annuity is no longer in force, the eligible former annuitant or beneficiary must file a claim. Payment is issued directly to the claimant, and the process is fairly simple and straightforward.

However, if the SIPD distribution monies are payable as a supplement to payment(s) originally issued to an annuitant or beneficiary who is now deceased, per advice of legal counsel that supplemental benefit is now payable to the decedent's estate. SIPD distribution benefits payable to decedents' estates comprise the vast majority of claims. There are two distinct processes through which benefits payable to estates can be paid:

1. *Estate claims.* If there is an open estate and the court's appointment of a personal representative is still in force, the personal representative of the estate can file a claim and the check is issued payable to the estate. To issue a payment to the estate we require a copy of the court order appointing the applicant as personal representative, and the claim must include a federal estate identification number for tax reporting purposes.
2. *Transfer by affidavit.* If the decedent left solely owned property in Wisconsin (including the benefit now payable from the SIPD lawsuit settlement funds) not exceeding \$10,000, Wis. Stat. § 867.03 allows the transfer of the decedent's property to an heir based on an affidavit. This process avoids the requirement to open or re-open estate proceedings in probate court. However, the procedures for this process can be very complex because of several requirements:
  - a. The heir is determined under Wisconsin's intestacy statute, not by any Will the decedent may have left. This means to determine the heir, the Department must find the persons in the group having the closest degree of kinship to the deceased, as described in Wis. Stat. §§ 851.09 and 852.01. For example, surviving spouses and children of the deceased by another person have the same degree of kinship, and are the highest priority group of potential heirs. Once the surviving group with the closest degree of kinship is identified, the Department simultaneously sends each person in the group an affidavit form. The first completed affidavit received by the DETF is honored. *(Since each person in the kinship group is equally an heir under law, and the Department makes only one payment, the first-come, first-served approach was adopted after discussions with counsel as a neutral, objective method for processing payment when there are multiple potential heirs. The other heirs may seek shares of the payment from the recipient, but those discussions need not involve the Department.)*

Note: The affidavit procedures were recently streamlined for cases where the SIPD benefit is less than \$1,000. If we receive an inquiry from an heir or are able to locate one heir, and that heir certifies that the decedent had no other heirs with a closer degree of kinship, we pay that heir through the affidavit process without requesting information about other heirs who could "compete" for the benefit. However, a surviving spouse will never be bypassed under this abbreviated procedure. We have also adopted this "one-heir-only" procedure when the heirs with the closest degree of kinship are nieces/nephews, or have an even more distant relationship.



- b. Under Wis. Stat. § 867.03 (1m) (b), the legal guardian of the decedent at the time of death has a right equal to that of the heir(s) to file an affidavit to transfer property. The SIPD affidavit process includes requiring the heir(s) to specify whether the decedent had a legal guardian at the time of death, and if yes, the name and address of the guardian. That guardian is given the same opportunity to submit an affidavit as the heir(s) with the closest degree of kinship.
  
- c. Wis. Stat. § 867.03 (1m) (a) and (b) requires that if the decedent or the decedent's spouse ever received benefits in Wisconsin under certain medical assistance and/or community options programs, the affiant(s) must notify the state's Estate Recovery Program (ERP) by certified mail and provide proof of such notification with the affidavit. The SIPD affidavit process requires the heir(s) to indicate whether the decedent or spouse ever received such benefits, and if yes, to submit the certified mail return receipt with the affidavit. If the ERP is entitled to recover funds from the decedent's property they can either collect the monies from the heir who receives the SIPD payment or submit their own affidavit to DETF, and we will pay the SIPD benefit directly to the ERP.

Attachment IV

<b>Assumes 50% Successful Location Rate</b>	<b>Budget – FY 00</b>
<i>Limited Term Salaries</i>	
Limited Term employees needed to maintain Department participant, employer and correspondence filing systems for the SIPD project.	\$ 18,300
<i>Fringe Benefits</i>	
	\$4,200
<b>Total Personal Services</b>	
	<b>\$22,500</b>
<i>Messenger Service/Fleet Cars</i>	
Mileage to transport folders and supplies to SIPD Downtown Office	\$2,000
<i>Telephone</i>	
Local, Long Distance and Voice Mail for SIPD Downtown Office	\$8,900
<i>Space Rental</i>	
Office space for SIPD contractual staff	\$30,700
<i>Office Supplies</i>	
Office and Computer Supplies for SIPD staff	\$10,500
<i>Temporary Help Services</i>	
Contract with DI & Associates to provide staffing to implement the SIPD equitable distribution. Duties include answering questions concerning eligibility for SIPD distribution and processing the claim forms to calculate the lump sum payments.	\$459,800
<i>Postage</i>	
SIPD letters, claim packets and correspondence.	\$11,800
<i>Copier and Fax Rental for SIPD Downtown office</i>	
	\$3,200
<i>State of Wisconsin Records Center Charges</i>	
Charges to retrieve participant folders	\$14,200
<i>Locator Services</i>	
Contract for services to locate beneficiaries and/or heirs of deceased annuitants. Assumes 50% success rate.	
Cost for each name provided to locator service -	\$ 7.85
Additional charge for each successful location effort -	+ 70.00
Total maximum cost for one successful location -	<u>\$ 77.85</u>
	\$456,700
<b>Total Supplies &amp; Services</b>	
	<b>\$ 997,800</b>
<b>FY 00 - Grand Total Personal Services and Supplies &amp; Services</b>	
	<b>\$1,020,300</b>

<b>Assumes 50% Successful Location Rate</b>	<b>Budget – FY 01</b>
<i>Limited Term Salaries</i>	
Limited Term employees needed to maintain Department participant, employer and correspondence filing systems for the SIPD project.	\$18,300
<i>Fringe Benefits</i>	\$4,200
<b>Total Personal Services</b>	<b>\$22,500</b>
<i>Messenger Service/Fleet Cars</i>	
Mileage to transport folders and supplies to SIPD Downtown Office	\$2,000
<i>Telephone</i>	
Local, Long Distance and Voice Mail for SIPD Downtown Office	\$8,900
<i>Space Rental</i>	
Office space for SIPD contractual staff	\$31,300
<i>Office Supplies</i>	
Office and Computer Supplies for SIPD staff	\$10,500
<i>Temporary Help Services</i>	
Contract with DI & Associates to provide staffing to implement the SIPD equitable distribution. Duties include answering questions concerning eligibility for SIPD distribution and processing the claim forms to calculate the lump sum payments.	\$508,000
<i>Postage</i>	
SIPD letters, claim packets and correspondence.	\$11,800
<i>Copier and Fax Rental for SIPD Downtown office</i>	\$3,200
<i>State of Wisconsin Records Center Charges</i>	
Charges to retrieve participant folders	\$7,100
<i>Actuarial Services</i>	\$5,000
<b>Total Supplies &amp; Services</b>	<b>\$587,800</b>
<b>FY – 00 Grand Total Personal Services and Supplies &amp; Services</b>	<b>\$610,300</b>

II. Department of Corrections, Division of Juvenile Corrections – Jon Litscher, Secretary

The department requests a transfer of \$251,100 GPR in FY99 from the following appropriations: \$146,300 from s. 20.410(3)(a), General Program Operations, \$43,100 from s. 20.410(3)(c), Reimbursement Claim of Counties Containing Secured Correctional Facilities and \$61,700 from s. 20.410(3)(f), Community Intervention Program to s. 20.410(3)(cg), Serious Juvenile Offender (SJO) in order to correct a deficit in the appropriation.

Governor's Recommendation

Approve the request.



**Date:** July 12, 1999

**To:** Members, Joint Committee on Finance

**From:** Mark D. Bugher, Secretary  
Department of Administration

**Subject:** Section 13.10 request from the Department of Corrections for the Serious Juvenile Offender program.

**REQUEST:**

The Department of Corrections requests a transfer in FY99 of \$251,100 GPR to appropriation s. 20.410(3)(cg), Serious Juvenile Offenders from the following appropriations: s. 20.410(3)(a) General Program Operations (\$146,300 GPR), s. 20.410(3)(c), Reimbursement Claims of Counties Containing Secured Correctional Facilities (\$43,100 GPR), and s. 20.410 (3)(f), Community Intervention Program (\$61,700 GPR). The transfer would cover a deficit that has been incurred in the Division of Juvenile Corrections' Serious Juvenile Offender program.

**BACKGROUND:**

1993 WI Act 16 created a Violent Offender appropriation which required the State to pay correctional costs for juveniles adjudicated as violent juvenile offenders. This act became effective on January 1, 1995. In 1995, WI Act 27 created the Serious Juvenile Offender (SJO) Program, which became effective on January 1, 1996. The SJO program is more encompassing than the previous Violent Offender program and pays for the institutional, alternate care, corrective sanctions and aftercare costs for juveniles who are given a SJO, Violent Offender, extended, or waived jurisdiction disposition.

**ANALYSIS:**

In June 1998, the Department of Corrections submitted a s. 13.10 request to transfer funds from an adult corrections GPR appropriation to the SJO appropriation. This request was to cover a deficit in the Serious Juvenile Offender appropriation. This deficit arose due to a higher than budgeted average daily population (ADP) for the SJO program. The FY98 budgeted ADP was 157, while the actual FY98 ADP was 177. The Joint Committee on Finance modified the request and directed the department to transfer the necessary funding from the FY99 Serious Juvenile Offender (20.410(3)(cg)) appropriation. Per this direction the department transferred \$1,377,800 from the FY99 SJO appropriation to the FY98 SJO appropriation.

Members, Joint Committee on Finance  
July 12, 1999  
Page 2

1997 WI Act 27 funded appropriation s. 20.410(3)(cg) at \$10,813,200. As a result of this transfer of funds to cover the FY98 deficit, the amount of funding for this appropriation in FY99 was reduced to \$9,435,400.

The Department of Corrections has expended \$7,958,137 in the SJO appropriation through April 1999 and is projecting an additional \$1,728,363 will be spent in May and June 1999. The total projected expenditures for FY99 are \$9,686,500. Total expenditure authority is \$9,435,400, leaving a deficit of \$251,100.

The deficit in FY99 is due to the transfer of funds from the FY99 appropriation to the FY98 appropriation. At this point in time it is not feasible to reduce FY99 budget expenditures, thus an appropriation transfer is appropriate.

Funds to cover the anticipated revenue deficit in s. 20.410(3)(cg) will come from s. 20.410(3)(a), s. 20.410(3)(c) and s. 20.410(3)(f). There are sufficient funds in these appropriations to cover the requested transfer

**RECOMMENDATION:**

Approve the request.

Tommy G. Thompson  
Governor

Jon E. Litscher  
Secretary



**State of Wisconsin  
Department of Corrections**

Mailing Address

149 East Wilson Street  
Post Office Box 7925  
Madison, WI 53707-7925  
Telephone (608) 266-2471  
Fax (608) 267-3661

June 16, 1999

**MEMORANDUM**

TO: The Honorable John Gard, Co-Chair  
Joint Committee on Finance

The Honorable Brian Burke, Co-Chair  
Joint Committee on Finance

FROM: Jon E. Litscher, Secretary  
Department of Corrections

SUBJECT: §13.10 Request – Serious Juvenile Offender

The Department of Corrections is requesting a transfer of \$251,100 GPR in FY99 to §20.410(3)(cg), Serious Juvenile Offender (SJO) from the following appropriations:

- \$146,300 GPR from §20.410(3)(a), General Program Operations
- \$ 43,100 GPR from §20.410(3)(c), Reimbursement Claims of Counties  
Containing Secured Correctional Facilities
- \$ 61,700 GPR from §20.410(3)(f), Community Intervention Program

**Background**

1993 WI Act 16 created a Violent Offender appropriation which required the State to pay correctional costs for juveniles adjudicated as violent juvenile offenders, effective January 1, 1995. 1995 WI Act 27 enacted the Serious Juvenile Offender (SJO) Program effective July 1, 1996. The SJO appropriation 20.410(3)(cg) pays all costs, institution, alternate care, corrective sanctions, and aftercare for juveniles who are given the following dispositions: SJOs, Violent Offenders, extended, and waived jurisdictions.

**Analysis**

In FY98, the budgeted Average Daily Population (ADP) to be funded from this appropriation was 157. The actual ADP for the year was 177. In June 1998, the Department of Corrections projected a deficit in this appropriation and submitted a



§13.10 request to transfer funds from an adult GPR appropriation. The Joint Committee on Finance directed the Department to transfer the amount necessary, from the FY99 appropriation under §20.410(3)(cg) to pay the actual costs of juvenile care in FY98 under §20.410(3)(cg). Per the Joint Committee on Finance directive, the Department transferred \$1,377,800 GPR from the FY99 SJO appropriation to the FY98 SJO appropriation so that FY98 costs would be covered.

The FY99 ADP for SJOs, Violent Offenders (VO), and Extended Jurisdiction (EJ) juveniles who would be placed in Juvenile Correctional Institutions, Aftercare, Corrective Sanctions, and Alternate Care was budgeted at 242. 1997 WI Act 27 funded appropriation 20.410(3)(cg) at \$10,813,200 for FY99. As a result of the deficit in FY98, the Department transferred \$1,377,800 from the FY99 appropriation. This left \$9,435,400 in this appropriation for FY99.

The Serious Juvenile Offender population has grown at a rate slower than that budgeted in 1997 WI Act 27. In July 1998, there were 118 SJO youth supported by this appropriation in the institutions and field. In the first seven months of FY99 there were 24 SJO youth admitted to the institutions and another 24 from February through April for a total of 166. The Department is projecting that an additional five SJOs will be admitted during both May and June for an endpoint of 176. The projected ADP for SJOs for FY99 is 154.

While the growth in the number of SJOs has increased slower than anticipated, the actual ADP for VOs and EJs has decreased slower than anticipated. The projected ADP for the VO and EJ youth in FY99 is 53 for a total projected ADP of 207 in this appropriation. While the ADP is lower than what was originally budgeted, a deficit is projected due to the transfer of funds to pay for the FY98 deficit.

The Department has expended \$7,955,600 in this appropriation through April 1999 and is projecting an additional \$1,730,900 to be spent in May and June 1999. The total projected expenditures for FY99 are \$9,686,500. Total funds available are \$9,435,400 leaving a deficit of \$251,100.

#### Availability of Funds in Other Appropriations

The Department has identified \$251,100 in various appropriations that can be transferred to offset the deficit. These funds are projected to lapse or are available for the following reasons:

§20.410(3)(a) funds general operations for the Division of Juvenile Corrections. The \$146,300 GPR is available because of salary and fringe savings related to vacancies and cancellation of proposed purchases.

§20.410(3)(c) funds claims to counties containing secured correctional facilities. The \$43,100 GPR lapse is generated because the actual claims from counties were less than

what was appropriated for FY98 and the remaining funds were accumulated unspent funds that were carried over into FY99.

§20.410(3)(f) funds Community Intervention Programs in counties for early intervention and certain repeat juvenile offenders. The \$61,700 GPR lapse is available because there were unspent funds in FY98 which were carried over into FY99.

Summary

The Department of Corrections requests a one-time transfer in FY99 of \$251,100 GPR to §20.410(3)(cg) from §20.410 (3)(a), (3)(c) and (3)(f) to eliminate the deficit in the Serious Juvenile Offender appropriation.

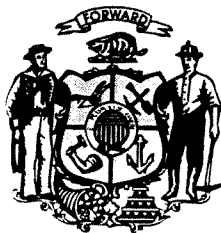
Prepared by: Dawn Woeshnick, DOC Bureau of Budget  
266-0569

III. Department of Health and Family Services – Joe Leean, Secretary

The department requests a supplement of \$16,600,000 GPR in FY99 from the reserved portion of the committee's supplemental appropriation (s. 20.865(4)(a)) to the BadgerCare benefits continuing appropriation (s. 20.435(5)(bc)) to be used for BadgerCare program expenditures beginning July 1, 1999, as required by Wisconsin statutes (s. 49.665(2)).

Governor's Recommendation

Approve the department's request.



III

**Date:** July 12, 1999

**To:** Members, Joint Committee on Finance

**From:** Mark D. Bugher, Secretary  
Department of Administration

A handwritten signature in black ink, appearing to be "M. Bugher", written over the typed name and title.

**Subject:** Section 13.10 Request from the Department of Health and Family Services for a supplement to the BadgerCare benefits appropriation.

### **Request**

The department requests a supplement of \$16,600,000 GPR in FY99 from the committee's appropriation (s. 20.865(4)(a)) to the BadgerCare benefits appropriation (s. 20.435(5)(bc)) to be used for BadgerCare program expenditures beginning July 1, 1999, as required by Wisconsin statutes (s. 49.665(2)).

### **Background**

The 1997-1999 biennial budget directed the Department of Health and Family Services (DHFS) to create a health insurance program for low-income families with children called BadgerCare. The department was directed to obtain all necessary federal waivers and to implement the program no later than July 1, 1998 or the effective date of the waivers, whichever was later. Since the program could not be implemented without federal approval, the Legislature set aside \$16,600,000 GPR in the Joint Committee on Finance (JCF) supplemental appropriation (s. 20.865(4)(a)) to be released when DHFS received all necessary federal waivers.

On January 22, 1999, the federal government approved the BadgerCare waiver with a July 1, 1999 effective date. After making the necessary modifications to the Client Assistance for Reemployment and Economic Support (CARES) system and designing local and statewide implementation plans, DHFS officially began accepting BadgerCare applications on July 1, 1999.

During the same timeframe, the Legislature has debated what level of funding will be needed for the BadgerCare program during the 1999-01 biennium. In part based on a request from the Administration, JCF approved \$22,356,500 GPR in FY00 and \$34,218,300 GPR in FY01, for a total of \$56,574,800 GPR and \$161,226,000 all funds over the biennium.

Implicit in this request was the assumption that the \$16.6 million GPR reserved for BadgerCare in FY99 would lapse to the general fund.

### **Analysis**

DHFS has submitted this request to provide funding for the BadgerCare program because the biennial budget bill has not yet been signed. While an appropriation exists under current law for the BadgerCare program (s. 20.435(5)(bc)), it has no expenditure authority. However, consistent with the federal waiver and current state law, BadgerCare began enrolling qualified families on July 1, 1999. DHFS expects to record the expenditures for the benefits received under BadgerCare by the middle of July. To address this situation, the department is requesting that the \$16,600,000 GPR in the JCF appropriation be transferred to the BadgerCare benefit appropriation in FY99. This will allow the department to cover all costs now being incurred under the BadgerCare program prior to the passage of the 1999-01 biennial budget bill.

In addition, since the BadgerCare benefits appropriation is a continuing appropriation, any FY99 amount approved by the committee would carry forward to FY00. Therefore, assuming the committee transfers the full \$16,600,000 GPR from its appropriation to the BadgerCare appropriation, the Legislature will need to reduce the funding it approves in the final 1999-01 biennial budget by the same amount in FY00 to reflect the amount being provided to the BadgerCare appropriation via this supplement.

### **Recommendation**

Approve the department's request.

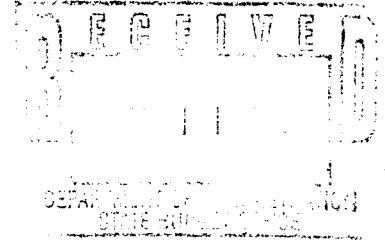


State of Wisconsin  
**Department of Health and Family Services**

Tommy G. Thompson, Governor  
Joe Leean, Secretary

R Mc JK  
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TH

June 10, 1999



The Honorable Brian Burke  
Senate Co-Chair, Joint Committee on Finance  
Room 316 South, State Capitol  
Madison, WI 53702

The Honorable John Gard  
Assembly Co-Chair, Joint Committee on Finance  
Room 315 North, State Capitol  
Madison, WI 53702

Dear Senator Burke and Representative Gard:

The Department of Health and Family Services (DHFS) requests that the Joint Finance Committee, acting under s. 13.10, transfer \$16,600,000 GPR from the Committee's appropriation s. 20.885(4)(a) to the DHFS BadgerCare benefits appropriation s. 20.435(5)(bc) to be used for BadgerCare program benefit expenditures beginning July 1, 1999.

Background

The 1997-99 biennial budget directed the Department to implement a health care program called BadgerCare for low-income families with children and obtain the necessary federal approvals and waivers to do so. The Department submitted its federal waiver request for BadgerCare in January 1998. On January 22, 1999 the federal government approved the Department's waiver with an effective date of July 1, 1999. Wisconsin statutes (s. 49.665(2)) require the Department to implement BadgerCare on the effective date of the waiver. The Department has completed the necessary preparatory work, including making changes to the automated eligibility system (CARES), training county eligibility workers, etc., to begin operation of BadgerCare on July 1.

The 1997-99 biennial budget placed \$16,600,000 GPR in the Committee's appropriation for use in expanding health care coverage for low-income individuals.

Request

On June 2, as part of its 1999-01 biennial budget deliberations, the Committee adopted Motion #997 which included funding for the BadgerCare program, as described in Legislative Fiscal Bureau Paper #476. The Committee approved GPR funding of \$22,356,500 GPR in FY 00 and \$34,218,300 GPR in FY 01 for BadgerCare benefits.

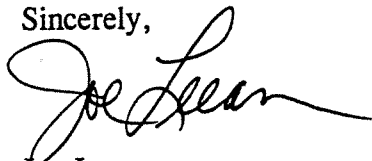
The Department's BadgerCare benefits appropriation, s. 20.435(5)(bc) has no expenditure authority in FY 99. BadgerCare is scheduled to begin on July 1, the beginning of FY 00. However, because the biennial budget bill will likely be signed sometime after July 1, there will be no funding in the BadgerCare benefits appropriation in the period between July 1 and the effective date of the 1999-01 biennial budget bill. Therefore, the Department is requesting that the Committee transfer the \$16,600,000 GPR that is reserved for BadgerCare in FY 99 to the DHFS BadgerCare appropriation. Since it is a continuing appropriation, the \$16,600,000 will carry forward and be available to the Department to begin funding program benefits under BadgerCare effective July 1. This will allow the program to begin as scheduled without needing to wait for the 1999-01 biennial budget bill to be signed.

If the Committee transfers the \$16,600,000 in FY 99, the legislature could then reduce the GPR funding it had approved in the 1999-01 biennial budget by an equal amount in each year to reflect the new base GPR funds.

The Department believes that this request is the most efficient and effective means to assure there is funding to implement BadgerCare on July 1, 1999. In the absence of Committee action, there will be a delay for a significant number of Wisconsin families in obtaining access to health care coverage.

Thank you for your consideration of this request. If you have further questions on this issue or you wish to discuss it, please contact me or Peggy Bartels, Administrator of the Division of Health Care Financing.

Sincerely,



Joe Leean  
Secretary

cc: Bob Lang, LFB  
Charlie Morgan, LFB  
Mark Bugher, DOA  
Rick Chandler, DOA  
Jennifer Kraus, DOA  
Dan Caucutt, DOA





## Legislative Fiscal Bureau

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

July 12, 1999

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Materials for the Committee's July 15 Meeting

Attached are papers, prepared by this office, on those items which are scheduled for the Committee's July 15 meeting under s. 13.10.

The meeting is scheduled for 9:30 a.m. in Room 411 South, State Capitol.

BL/sas  
Attachments



## Legislative Fiscal Bureau

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

July 15, 1999

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Employee Trust Funds: Plan Submitted for Committee Approval under Section 13.10  
Relating to Conclude the Distribution of SIPD Settlement Funds -- Agenda Item I

At the Committee's April 21, 1999, meeting under s. 13.10 of the statutes, the Department of Employee Trust Funds (ETF) sought one-time funding supplements of \$505,300 SEG for the 1998-99 fiscal year and \$541,700 SEG for the 1999-00 fiscal year for unbudgeted extraordinary costs associated with the agency's continuing implementation of the special investment performance dividend (SIPD) lawsuit settlement. The Committee approved ETF's supplementation request for the 1998-99 fiscal year but denied the agency's request for the 1999-00 fiscal year since the statutes do not authorize the Committee to make a supplementation for periods outside of the current fiscal biennium. However, the Committee also stipulated that before any further expenditure commitments (beyond fiscal year 1998-99) could be made by ETF for the project, the agency must first develop for the Committee's review and approval a plan for the orderly termination of the project. The Department has now submitted such a plan for the Committee's review and approval.

### BACKGROUND

In mid-1997 the parties involved in the SIPD lawsuit reached an agreement under which the state would be required to pay a settlement in the amount of \$215.0 million GPR, of which \$206.6 million GPR would be reserved for equitable distribution to WRS annuitants, beneficiaries and estates. Funding sufficient to pay this settlement was included in the 1997-99 biennial budget.

During late 1997, ETF began implementing Phase I of an anticipated three-phase project to distribute the SIPD settlement amounts. Activities during this initial phase included a notification of all WRS annuitants of the settlement and a description of the impact of the settlement on annuitants, former annuitants, alternate payees, joint survivors, beneficiaries and estates of eligible deceased annuitants who would have been eligible to receive the approved distribution. During this

period, ETF established special information lines, terminated payment of the previous SIPD distributions, adjusted the annuities of eligible annuitants (persons with WRS annuities first effective November 1, 1987, or earlier), made lump sum distributions to approximately 42,400 current and former annuitants, and instituted a new GPR-funded annuity supplement authorized by 1999 Wisconsin Act 27 to hold harmless any annuitant who would have been adversely affected by the termination of the SIPD payment.

Phase II of the project then began in early 1998, after the payments and distributions under Phase I were fully completed. The principal focus of Phase II activities has been to locate potential claimants for payments due an estimated 27,700 estates or beneficiaries of deceased annuitants who would have been eligible for the adjusted annuity payment if they were still living. The ETF Board initially directed that all claims under Phase II activities be submitted to the Department by March 31, 1999, or be barred, unless the Board acted prior to that date to extend the claims submission deadline for claims from estates and beneficiaries.

At that time, ETF anticipated that Phase III of the project would then run from March 31, 1999, the claims filing deadline date, through June 30, 1999. During Phase III activities, ETF expected that it would be processing final claims for payment, preparing final tax documents and submitting final reports to the ETF Board to conclude the project.

On June 4, 1998, the Committee provided ETF with a supplement of \$359,800 SEG (one-time funding) for 1997-98 to support the agency's unbudgeted SIPD settlement distribution costs associated with its Phase I and Phase II activities that had been undertaken up to that time. At the time this supplementation was granted, ETF was still completely involved in Phase II activities and, therefore, was unable to adhere to the original project timetable. The Department found, when it began to implement its Phase II efforts, that a much more extensive than anticipated process had to be employed to determine the names of the potential heirs for each estate for which a claims payment inquiry had been received. These procedures, plus substantial turnover of contract project staff, contributed to delays in the processing of estate payment claims, such that the ETF Board acted to extend the deadline date for filing a claim for an SIPD settlement payment from the original March 31, 1999, deadline to November 30, 1999. The cutoff date for final claims payments (anticipated to occur during Phase III) was also extended from June 30, 1999, to March 31, 2000.

Further, when ETF received a second funding supplement of \$505,300 SEG (one-time funding) at the Committee's April 21, 1999, s. 13.10 meeting for unbudgeted 1998-99 cost associated with SIPD lawsuit settlement implementation project, there was further indication given by ETF that one or more additional extensions of the deadlines for the filing of claims might ultimately be required. As a result, the question was raised as to what extent ETF should make additional, potentially substantial expenditures of retirement fund dollars to locate additional potential claimants, particularly where the potential individual claim amounts were expected to be small. Further, it was then apparent that ETF would likely incur substantial additional expenditures beyond the total of \$865,100 SEG already provided for implementing SIPD settlement payouts. In light of these concerns, the Committee directed ETF to submit a plan at the Committee's next regular meeting under s. 13.10 of the statutes addressing each of the following items:

- An identification by the ETF Board of the specific additional activities required to locate any remaining uncontacted eligible estates, beneficiaries and heirs regarding potential lump sum distributions due under the SIPD settlement agreement;
- A statement from the ETF Board of an absolute deadline by which all SIPD claims to be handled by this project would have to be filed;
- Details of a procedure for reserving settlement funds for claims after the current SIPD lawsuit settlement implementation project ends; and
- A proposed budget for the 1999-01 fiscal biennium to accomplish these remaining tasks under the project to allow its orderly termination.

The Committee further stipulated that Committee approval of the plan must occur before any future expenditure commitments for the continuing SIPD lawsuit implementation project could be made by ETF.

## **ANALYSIS**

The Department has now submitted the required plan for the completion of the SIPD project and the plan has been approved by the ETF Board. The plan, which addresses each of the four required elements identified by the Committee, is summarized below:

### **Additional Activities to Locate Eligible Estates, Beneficiaries and Heirs**

The Department's plan states that the ETF Board's trustee responsibility in managing the interests of all participants under the WRS requires the Board to exercise "due diligence" in finding all currently "unlocated" estates, heirs and beneficiaries that may be eligible for a share of the SIPD settlement funds. These currently unlocated estates, heirs and beneficiaries represent potential claimants who did not respond to a mass mailing sent to the last known address of such estates or individuals in June of 1998. In an effort to meet this due diligence requirement, ETF plans to retain a professional "locator service" to attempt to find heirs or estate administrators to whom a settlement payment might be made. The Department will provide the locator service with a list of potentially eligible individuals or estates for which ETF estimates a potential claim due of \$250 or more. The \$250 threshold was arrived at by ETF by calculating the estimated cost expected to be incurred in successfully locating an individual or estate through the use of the locator service and then processing and paying the resulting claim.

ETF estimates that of the remaining 16,423 potentially eligible estates, heirs or beneficiaries for which no contact has yet been made, 10,659 represent potential claims of \$250 or more. This list of potential claimants will be referred to the locator service. The remaining 5,764 represent potential claims of less than \$250 that will not be referred to the locator service.

The Department anticipates that approximately one-half of the potential claims referred to the locator service (representing 5,330 potential claimants) will be successfully located by the service and will result in a follow-up claim. ETF plans to make the actual referrals to the locator service in three separate phases: (1) the names of 1,942 potential claimants for claims of over \$2,000 each will be turned over to the locator service between approximately July 1, 1999, and September 30, 1999; (2) the names of 2,664 potential claimants for claims of between \$1,000 and \$2,000 each will be turned over to the locator service between October 1, 1999, and December 31, 1999; and (3) the names of 6,053 potential claimants for claims of between \$250 and \$1,000 each will be turned over to the locator service between January 1, 2000, and March 31, 2000. The Department's expectation is that this phased referral approach will: (1) serve to spread the arrival of new claim inquiries over the entire 1999-00 fiscal year; (2) accord claimants sufficient time to reopen estates, if required; and (3) enable project contract staff to better manage the processing and payment of claims over the remaining life of the project. This is particularly important since, as of the date of the submittal of the plan, the project still had some 7,000 previously submitted claims inquiries remaining to be processed.

Finally, ETF indicates that once all of the referrals have been made to the locator service, the Department will consider other low cost means of providing yet additional notice to any remaining unlocated potential claimants. ETF's plan indicates that these efforts could include such approaches as additional press releases, advertisements in general circulation newspapers and publishing the names of such individuals in the biennial unclaimed property legal notice prepared by the Office of the State Treasurer. The Department's plan does not specifically indicate when such action would be taken or if the Committee would be informed of the specific plan.

### **Deadline by Which All SIPD Claims Must Be Filed**

Under the submittal, as approved by the ETF Board, the Department has stated that it will process and pay all claim inquiries received no later than June 30, 2001, or within 60 days after ETF provides a claim form and has requested supporting documentation for the claim. Failure to file a completed claim form or to supply all required information by one of these deadlines will result in the claim file being closed without payment.

### **Procedure for Reserving Settlement Funds for Subsequent Claims**

The Department's plan states that through June 30, 2001, SIPD settlement funds sufficient to pay all claims will be reserved and separately accounted for in the WRS annuity reserve. Then, prior to the June 30, 2001, deadline date for claim payments, ETF will review the number and amount of pending claims and gauge the volume of remaining likely claim inquiries. Based on this review, the Department will then ask the ETF Board to continue to reserve sufficient funds within the annuity reserve for the estimated amount of all such final payments. ETF anticipates that it will ask the Board to establish the final amounts to be reserved at the Board's June, 2001, quarterly meeting. Any remaining SIPD settlement funds not needed for this final reserve would then revert to fund balance of the annuity reserve.

## **Proposed Project Budgets for the 1999-01 Biennium**

ETF was also directed by the Committee to include in its plan a projected budget for the 1999-01 biennium to accomplish all remaining activities under the SIPD settlement project.

The Department has developed a tentative budget for the 1999-00 and 2000-01 fiscal years, based on: (1) retaining the proposed locator service in 1999-00; and (2) continuing a contract project staffing, totalling some 15-18 FTE, to handle the estimated workload associated with processing a current backlog of 7,010 pending claims and a projected total of 5,330 new claims expected to be generated by the locator service. Based on a current expectation that each claim inquiry generates an average of 1.3 claim payments and that contract staff can process approximately 165 claim payments per week, ETF believes that nearly two years (98 weeks) of claims processing activities will be required under the plan. ETF further indicates that, assuming the processing of claims proceeds according to this schedule, it would then close its separate contract employee-staffed SIPD office by June 30, 2001, and any residual claims payment activity after that date would then be handled by permanent ETF staff.

ETF indicates that if it actually locates fewer potential claimants than projected through the locator service, or if claims processing proceeds more quickly than anticipated, the Department could, with ETF Board approval, terminate its claims settlement activities prior to the current June 30, 2001, end date. However, the plan submitted by the Department also lists the following factors that could potentially slow the schedule for completing the SIPD distributions: (1) a significantly higher success rate than 50% in locating estate, beneficiary and heir contacts that, in turn, would file settlement claims in greater numbers than anticipated; and (2) unexpected other work priorities, such as a WRS benefit improvement bill or other significant retirement legislation, that could result in activities that would create competing priorities with the SIPD distribution project.

Based on the Department's current estimates, the following proposed budgets have been submitted for the 1999-00 and the 2000-01 fiscal years. These represent only the proposed budgets as requested by the Committee and do not constitute a supplementation request at this time. Rather, ETF indicates in the plan that in March, 2000, it would submit a supplementation request to the Committee for approval for the actual expenses incurred or expected to be incurred for fiscal year 1999-00. At that time, ETF indicates that it would also submit a revised estimated budget for 2000-01, with an actual supplementation request likely not to be presented until the spring of 2001. Finally, ETF indicates that any resources needed for residual claims payment activities after June 30, 2001, that could not be funded from base level resources would be included in the agency's 2001-03 biennial budget request.

The proposed project budgets for 1999-00 and 2000-01 are detailed in the following tables.

### Proposed Budget for 1999-00 SIPD Claims Settlement Costs

<u>Cost Category</u>	<u>Proposed Amount</u>
ETF Personal Services	
Additional LTE Assistance	\$22,500
Locator Service Costs	
Services to Locate Heirs and Beneficiaries (est. 5,330 claims)	456,700
Special SIPD Services Center Operations	
Contractual Staff	459,800
Space Rental	30,700
Office and Computer Supplies	10,500
Telephone and Fax Services	12,100
Postage Expenses	11,800
Annuitant Files Retrieval and Storage	<u>16,200</u>
 Total	 \$1,020,300

### Proposed Budget for 2000-01 SIPD Claims Settlement Costs

<u>Cost Category</u>	<u>Proposed Amount</u>
ETF Personal Services	
Additional LTE Assistance	\$22,500
Special SIPD Services Center Operations	
Contractual Staff	508,000
Space Rental	31,300
Office and Computer Supplies	10,500
Telephone and Fax Services	12,100
Postage Expenses	11,800
Annuitant Files Retrieval and Storage	9,100
Actuarial Services	<u>5,000</u>
 Total	 \$610,300

### CONSIDERATIONS FOR THE COMMITTEE

As required by the Committee at its April 21, 1999, s. 13.10 meeting, the Department of Employee Trust Funds has submitted a plan, which has been approved by the ETF Board, detailing the manner by which remaining SIPD settlement funds will be distributed during the 1999-01 biennium to eligible estates, beneficiaries and heirs and how the project will be brought to an orderly termination. This plan addresses each of the elements specified by the Committee: (1) the



additional activities that ETF will pursue during the 1999-01 biennium to locate eligible claimants; (2) a final deadline for filing a claim for SIPD settlement funds under the project; (3) a procedure for reserving settlement funds for claims submitted after the project ends; and (4) a tentative project budget for the 1999-00 and 2000-01 fiscal years.

Since the cost elements for the proposed budgets will be sensitive to the number of additional potential claimants located, the Department's ability to efficiently process claims payments and the size of the pending claims backlog, the Committee may wish to require ETF, as a part of any approval of the plan, to submit quarterly progress reports on the status of these activities.

## **CONCLUSION**

Approval of this plan by the Joint Committee on Finance is required before any future expenditure commitments may be made by ETF for the SIPD claims settlement project. Since the plan has been approved by the ETF Board and addresses the required items, the Committee may wish to approve the plan. However, the Committee could consider adding a condition to require that ETF submit quarterly progress reports on project activities including the number of additional potential claimants located, the number of claims actually paid and the current claims payment backlog.

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