



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #300

Benefits Payment System Redesign (ETF -- Departmentwide)

[LFB 2003-05 Budget Summary: Page 150, #2]

CURRENT LAW

The Department of Employee Trust Funds (ETF) has base level supplies and services funding of \$1,960,500 SEG annually to support the on-going IT-related maintenance, data entry, contract programming, software and user charge costs of the agency. In a separate appropriation that supports the development of automated operating systems, the Department has additional base level funding of \$272,000 SEG annually.

GOVERNOR

Provide \$1,275,300 SEG in 2003-04 and \$752,500 SEG in 2004-05 and 2.5 SEG two-year project positions annually to enable ETF to complete the redesign of its current Wisconsin Retirement System (WRS) benefits payment system.

DISCUSSION POINTS

1. The purpose of the redesign is to replace the agency's current annuity, lump sum, accumulated sick leave conversion credit and disability payment systems. The intended benefits of the redesign project are to increase the integration of agency data systems, improve data maintenance and updating capabilities, and enhance on-line access by WRS annuitants to annuity and other payment data.

2. Funding under the bill would include one-time financing of \$1,202,800 SEG in 2003-04 and \$656,000 SEG in 2004-05 for contractor costs, development charges by the Department of Electronic Government (DEG) or by DOA (under recommendations contained in the bill), and systems development and testing activities. Other costs would total \$72,500 SEG in 2003-

04 and \$96,500 SEG in 2004-05 for salaries and fringe benefits for 2.5 SEG two-year project positions for development and testing functions.

3. In its 2003-05 biennial budget request, ETF also requested \$80,200 SEG in 2003-04 and \$104,500 SEG in 2004-05 and 2.0 SEG positions annually to administer a new on-line access capability for WRS annuitants. In addition, ETF requested \$207,200 SEG in 2003-04 and \$714,200 SEG in 2004-05 for ongoing supplies and services to support: (a) \$44,700 in 2003-04 and \$49,200 in 2004-05 for benefits payment system software maintenance; (b) \$15,000 in 2004-05 for help desk toll-free line charges; and (c) \$162,500 in 2003-04 and \$650,000 in 2004-05 for benefits payment system production charges [charges assessed by DEG or, under the bill, by DOA]. The funding requested for these additional positions and supplies and services is not provided under the bill.

4. Part of the denied funding relates to the completion of the redesign of the primary benefits payment system, including the \$44,700 SEG in 2003-04 and \$49,200 SEG in 2004-05 for software maintenance and \$99,100 SEG in 2003-04 and \$396,500 SEG in 2004-05 for production charges by DEG (or DOA), for a total of \$143,800 SEG in 2003-04 and \$445,700 SEG in 2004-05.

5. A separate component of that redesign project related to providing secure on-line access to account information by WRS annuitants using a personal identification number (PIN). This latter component included funding of \$80,200 SEG in 2003-04 and \$106,900 SEG in 2004-05 and 2.0 SEG positions annually, \$15,000 SEG in 2004-05 for help desk toll-free line charges, and \$63,400 SEG in 2003-04 and \$253,500 SEG in 2004-05 for production charges by DEG (or DOA), for a total of \$143,600 SEG in 2003-04 and \$375,400 SEG in 2004-05.

6. DOA officials now indicate that it was the Governor's intent to deny position and supplies and services funding only for the implementation of the on-line access component and that supplies and services funding for the primary benefits payment system redesign should have been provided in the bill. Effecting this adjustment would require restoring \$143,800 SEG in 2003-04 and \$445,700 SEG in 2004-05. This modification has been identified in budget errata reported to this office by DOA and may be viewed as a change to conform the bill to the Governor's intent.

7. While funding for associated staff support and production charges relating to the on-line access component of the system would not be provided under the bill, the new system is still designed to accommodate such access by WRS annuitants. On-line access would allow secure access for WRS annuitants to review personal account information, print reports, and update records to reflect such changes as name, address, and tax withholding designations. ETF had initially planned to provide this access to annuitants during the 2003-05 biennium and then to active WRS employees and employers during the following biennium.

8. This on-line access capability is viewed by ETF as a means to provide an efficient alternative for WRS members who require information or need to make authorized modifications to their accounts. If these transactions may be accomplished on-line, ETF anticipates that member services and call center staffs would be freed to respond more quickly to other requests.

9. An ETF survey conducted in January, 2002, found that approximately 40% of annuitants were interested in accessing their account information on-line. ETF officials believe that annuitant usage of on-line access would increase significantly in future years due to increasing retirements of employees who are accustomed to using computers.

10. According to DOA officials, the denial of funding for the on-line access by WRS annuitants to account information was based on the view that this capability was not a high priority at this time and could be implemented at a later date with base funding. For example, DOA notes that more than half of the WRS annuitants surveyed did not indicate an interest in having on-line access. Finally, they argue that when the redesigned system is completed (April, 2004), ETF will achieve efficiencies and associated savings in base-level resources that could then be directed to developing the on-line access capability for both WRS annuitants and active participants in the future.

11. ETF officials indicate that 1.0 SEG permanent position is deleted under standard budget adjustments, effective July 1, 2003, to reflect savings resulting from the benefits payment system redesign [directed under the 2001-03 biennial budget act]. The agency also indicates that other efficiency increases relating to the benefits payment system redesign were factored into separate budget request items relating to member services staffing increases. As a result, ETF believes that no base funding would become available once the system redesign is implemented that could be reallocated to cover additional on-line access costs for annuitants.

12. It could be argued that the on-line access capability will already be built into the system at some cost; consequently, taking advantage of this capability would be a logical next step and would benefit the ability of both annuitants and ETF to improve member services in general. The Committee could consider restoring that portion of the budget request denied by the Governor. This action would require an additional \$143,600 SEG in 2003-04 and \$375,400 SEG in 2004-05 and 2.0 SEG positions annually.

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$1,275,300 SEG in 2003-04 and \$752,500 SEG in 2004-05 and 2.5 SEG two-year project positions annually to enable ETF to complete the redesign of its current Wisconsin Retirement System (WRS) benefits payment system.

2. Approve the Governor's provision, as adjusted to reflect intended additional supplies and services funding of \$143,800 SEG in 2003-04 and \$445,700 SEG in 2004-05, to provide total funding of \$1,419,100 SEG in 2003-04 and \$1,198,200 SEG in 2004-05 and 2.5 SEG two-year project positions annually to enable ETF to complete the redesign of its current Wisconsin Retirement System (WRS) benefits payment system.

<u>Alternative 2</u>	<u>SEG</u>
2003-05 FUNDING (Change to Bill)	\$589,500

3. In addition to Alternative 2, provide \$143,600 SEG in 2003-04 and \$375,400 SEG in 2004-05 and 2.0 SEG positions annually to implement secure on-line access to account information by WRS annuitants using a personal identification number.

<u>Alternative 3</u>	<u>SEG</u>
2003-05 FUNDING (Change to Bill)	\$1,108,500
2004-05 POSITIONS (Change to Bill)	2.00

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