EMPLOYEE TRUST FUNDS

Budget Summary							
						Act 9 Change Over Base Year Doubled	
Fund	2018-19 Base Year Doubled	2019-21 Governor	2019-21 Jt. Finance	2019-21 Legislature	2019-21 Act 9	Amount	Percent
GPR	$136,000	$79,500	$79,500	$79,500	$79,500	- $56,500	- 41.5%
SEG	95,803,400	96,749,300	96,749,300	96,749,300	96,749,300	945,900	1.0
TOTAL	$95,939,400	$96,828,800	$96,828,800	$96,828,800	$96,828,800	$889,400	0.9%

FTE Position Summary						
Fund	2018-19 Base	2020-21 Governor	2020-21 Jt. Finance	2020-21 Legislature	2020-21 Act 9	Act 9 Change Over 2018-19 Base
SEG	272.20	274.20	274.20	274.20	274.20	2.00

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

SEG	$714,900

Governor/Legislature: Provide standard budget adjustments to the base totaling $333,000 in 2019-20 and $381,900 in 2020-21. Adjustments are for: (a) turnover reduction (-$537,400 annually); (b) full funding of continuing position salaries and fringe benefits ($633,700 annually); (c) overtime ($45,600 annually); (d) night and weekend differential pay ($72,200 annually); (e) full funding of lease and directed moves costs ($118,900 in 2019-20 and $167,800 in 2020-21); and (f) minor transfers within the same alpha appropriation ($0 annually within ETF's administration appropriation associated with a transfer of $3,384,400 annually from an appropriation account for information technology administration to the agency's main appropriation account for administration).

2. RETIRED EMPLOYEES BENEFIT SUPPLEMENT RE-ESTIMATE

GPR	- $56,500

Governor/Legislature: Reduce base level funding by $20,100 in 2019-20 and $36,400 in 2020-21 to reflect decreased amounts necessary to pay benefit supplements for retirees who first began receiving annuities before October 1, 1974. These supplements were authorized by Chapter

337, Laws of 1973, 1983 Wisconsin Act 394, and 1997 Wisconsin Act 26. The reestimate is due to a declining number of retirees eligible for these supplements due to deaths. Current base level funding for the appropriation is $68,000.

3. REHIRED ANNUITANT TEACHERS

Governor: Specify that a Wisconsin Retirement System (WRS) participant who is employed as a teacher by a school district, and who retires on or after the effective date of the bill, would have a break-in-service requirement of 30 days between termination of employment as a teacher and again becoming a WRS participant teacher (as an employee or contractor) with any school district to qualify for an annuity or lump sum payment. Further, specify that a rehired annuitant meeting these conditions could provide employee services as a teacher without suspending annuity payments and without resuming participation in the WRS if: (a) at the time of terminating employment, the individual does not have an agreement to return to employment or enter into a contract as a teacher with any school district that is a WRS employer; and (b) the individual elects on a form provided by ETF to not become a participating WRS employee.

Under current law, any WRS participant who retires on or after July 2, 2013, has a break-in-service requirement of 75 days between termination of employment and becoming a participating employee with a WRS employer. This separation from WRS employment must occur for an individual who applied for an annuity or lump sum payment to continue to qualify for an annuity or to retain the lump sum payment. Also under current law, any WRS participant who retires on or after July 2, 2013, must suspend their annuity and become a participating WRS employee if they are employed in covered employment, or enter into a contract with a WRS employer, and are expected to work at least two-thirds of what is considered full-time employment by ETF. Under the bill, teachers who retired between July 2, 2013, and the day before the effective date of the bill would continue to have a 75 day break in service requirement and would continue to be required to suspend their annuity and become a participating WRS employee if they are employed in any covered employment, or enter into any contract with a WRS employer, for which they are expected to work at least two-thirds of what is considered full-time employment by ETF.

Joint Finance/Legislature: Delete provision.

4. MODIFY 2015 OPT-OUT STIPEND EXCLUSION [LFB Paper 285]

Governor: Specify that a state employee is not eligible to receive a $2,000 stipend in lieu of health care coverage if the employee was eligible for an employer contribution and elected not to receive health care coverage in 2015 or any succeeding calendar year. Amounts allocated in the bill to compensation reserves include assumed savings of -$102,600 GPR (-$234,300 all funds) in 2019-20 and -$205,000 GPR (-$468,200 all funds) in 2020-21 associated with additional health insurance opt-outs that could result from this modification to current law. [See "Budget Management and Compensation Reserves."]

Under current law, an employee who elected not to receive health care coverage in 2015 is not eligible to receive the opt-out stipend at any time. Under the bill, an individual in this group could receive the stipend if: (a) they had elected to receive coverage in 2016 or any succeeding year; and (b) they again elected not to receive coverage in the year for which they apply for the stipend under this provision. The provision would not provide for retrospective payments for previous years.

Joint Finance/Legislature: Delete provision.

5. EXPENDITURE AUTHORITY FOR AUDITS CONDUCTED BY LEGISLATIVE AUDIT BUREAU

SEG	$231,000

Governor/Legislature: Provide $183,000 in 2019-20 and $48,000 in 2020-21 to ETF's administration appropriation, allotted to one-time financing, to fund two statutorily-required audits performed or contracted for by the Legislative Audit Bureau: (a) an actuarial audit of the Wisconsin Retirement System, performed once every five years; and (b) annual financial audits of ETF, which in 2020 and 2021 will include a review of new accounting standards issued by the Government Accounting Standards Board for accounting and financial reporting for pensions by public pension plans and employers. Funding would be one-time in nature and would not remain in the agency's base for the 2021-23 biennium.

6. POSITION AUTHORITY FOR DISABILITY PROGRAM

	Positions
SEG	2.00

Governor/Legislature: Provide 2.0 trust funds specialist-advanced positions annually, to be funded with existing expenditure authority, associated with increased workload resulting from the closure of the long-term disability insurance (LTDI) program and reopening of the disability retirement annuity program to all eligible participants under s. 40.63 of the statutes. The LTDI program was previously managed by a third-party administrator, while the disability retirement annuity program is administered by ETF.

7. CONSOLIDATE ADMINISTRATIVE APPROPRIATIONS AND REPEAL OTHER APPROPRIATIONS

Governor/Legislature: Transfer $973,000 SEG annually in total from the following appropriations to the administration appropriation: (a) health insurance data collection and analysis contracts ($968,100 annually); and (b) benefit administration ($4,900 annually). The purpose of the benefit administration appropriation, which is not currently utilized, is to fund independent medical evaluations for recipients of disability benefits. Payments for independent medical evaluations are made from ETF's administration appropriation. Repeal the following appropriations: gifts and grants (PR); federal aid (FED); gifts and grants to the public employee trust fund (SEG); benefit administration (SEG); and health insurance data collection and analysis contracts (SEG). The Department does not use its appropriations for gifts and grants and federal aid. The appropriation changes are intended "to better reflect current department practice and administration."

[Act 9 Sections: 283 thru 287, 393, 406, 407, and 1776]

8. BOARD OVERSIGHT OF DISABILITY PROGRAMS AND RESERVE POLICY

Governor: Modify statutory provisions relating to the income continuation insurance (ICI) and long-term disability insurance (LTDI) programs as follows:

a. Create statutory provisions establishing the LTDI program, which is currently authorized under administrative rule;

b. Transfer oversight for the ICI and LTDI programs from the Group Insurance Board to the Employee Trust Funds (ETF) Board; and

c. Modify current law requirements regarding program reserves from being mandatory to permissive. Specify that the ETF Board may apportion excess moneys available through operation of the ICI and LTDI programs to reduce premium payments in following contract years or to establish reserves to stabilize costs in subsequent years. Under current law, the Group Insurance Board is required to apportion excess moneys for all group insurance plans in this manner.

Joint Finance/Legislature: Delete provision.

9. ON-SITE EMPLOYEE HEALTH CLINICS

Governor: Specify that the Group Insurance Board may contract with any entity to provide health and wellness services at health clinics established within state facilities to any individual who is covered under a group health insurance plan. Specify that the current law oversight authority of the Joint Committee on Finance regarding self-insured group health plans would not apply to the Board's authority to contract for the provision of health and wellness services at health clinics established within state facilities.

Joint Finance/Legislature: Delete provision.

10. INTERNAL AUDITOR

Governor: Require the Employee Trust Funds Board to appoint an internal auditor in the classified service, who would report directly to the Board.

The Department indicated in its agency budget request that an external quality assessment of ETF's internal audit function resulted in a report that recommended ETF revise its policy and structure to ensure that "administrative reporting relationships are properly defined, and clearly provide the appropriate appearance of organizational independence and objectivity. The standards provide that organizational independence is effectively achieved when the chief audit executive reports functionally to the Board." Currently, the internal auditor is appointed by the Secretary of ETF.

Joint Finance/Legislature: Delete provision.

11. FIXED-DOLLAR EMPLOYEE PREMIUM SUBSIDY STUDY

Governor: Require the Group Insurance Board, in consultation with the group health plan actuary, to conduct a study of the feasibility and potential cost savings associated with including a fixed-dollar employee premium subsidy program in the group health insurance plan for active state employees. Specify that the Board must submit a report of the study no later than June 30, 2020, to the Governor and the Joint Committee on Finance.

Joint Finance/Legislature: Delete provision.

12. PRESCRIPTION DRUG POOLING STUDY

Governor: Require the Department of Employee Trust Funds, in consultation with the Departments of Corrections, Health Services, and Veterans Affairs, to study the options and opportunities for cost savings to state agencies through prescription drug pooling. Specify that ETF must submit a report of the study no later than January 1, 2020, to the Governor and the appropriate standing committees of the Legislature, as determined by the Speaker of the Assembly and the President of the Senate.

Joint Finance/Legislature: Delete provision.

13. PRIVATE SECTOR RETIREMENT SECURITY PLAN COMMITTEE AND STUDY

Governor: Require the Secretary of the Department of Employee Trust Funds (ETF) to establish a 10-member private sector retirement security plan committee consisting of the following individuals: (a) the State Treasurer; (b) a member of the Employee Trust Funds Board appointed by the Governor; (c) a member of the Investment Board appointed by the Governor; (d) three members of the public appointed by the Governor; (e) one member appointed by the Speaker of the Assembly; (f) one member appointed by the Minority Leader of the Assembly; (g) one member appointed by the Majority Leader of the Senate; and (h) one member appointed by the Minority Leader of the Senate. Specify that at least three of the members of the committee must have at least 10 years of experience in making investments. Specify that the committee must conduct a study to determine the feasibility of establishing a private retirement security plan administered by ETF to provide retirement benefits for residents of the state who choose to participate in the plan. The committee would be required to submit a report no later than September 30, 2020, to the Governor and the Joint Survey Committee on Retirement Systems that includes recommendations regarding the creation of a private sector retirement security plan administered by ETF. The committee would terminate upon submission of the report.

Joint Finance/Legislature: Delete provision.