EMPLOYEE TRUST FUNDS

Budget Summary

Fund	2022-23 Base Year Doubled	2023-25 Governor	2023-25 Jt. Finance	2023-25 Legislature	2023-25 Act 19	Act 19 Change Over Base Year Doubled Amount	Percent
GPR	$65,000	$49,300	$49,300	$49,300	$49,300	- $15,700	- 24.2%
SEG	105,424,600	120,010,600	118,555,900	118,555,900	118,555,900	13,131,300	12.5
TOTAL	$105,489,600	$120,059,900	$118,605,200	$118,605,200	$118,605,200	$13,115,600	12.4%

FTE Position Summary

Fund	2022-23 Base	2024-25 Governor	2024-25 Jt. Finance	2024-25 Legislature	2024-25 Act 19	Act 19 Change Over 2022-23 Base
SEG	275.20	291.20	287.20	287.20	287.20	12.00

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS [LFB Paper 105]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	$1,342,800	- $846,000	$496,800

Governor: Provide adjustments to the base totaling $671,400 annually for: (a) turnover reduction, -$634,600 annually; (b) full funding of continuing position salaries and fringe benefits, $1,306,700 annually; (c) overtime, $45,600 annually; (d) night and weekend differential pay, $72,300 annually; and (e) full funding of lease and directed moves costs, -$118,600 annually.

Joint Finance/Legislature: Increase the rate used to calculate turnover reduction from 3% to 5% for all appropriations subject to a 3% turnover rate. Reduce funding under the turnover reduction standard budget adjustment by -$423,000 annually.

GPR	- $15,700

2. RETIRED EMPLOYEES BENEFIT SUPPLEMENT RE-ESTIMATE [LFB Paper 106]

Governor/Legislature: Reduce estimated expenditures by $4,600 in 2023-24 and $11,100 in 2024-25 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 $32,500.

	Funding	Positions
SEG	$11,736,800	7.00

3. INSURANCE ADMINISTRATION SYSTEM AND DATA MANAGEMENT [LFB Paper 335]

Governor: Provide $3,626,300 in 2023-24, $8,110,500 in 2024-25, and 7.0 positions annually (4.0 permanent and 3.0 project) for the following: (a) insurance administration system ongoing costs ($4,344,100 in 2024-25); (b) consulting services to assist with implementation of the pension administration system ($2,160,000 annually); (c) data management expenses ($950,400 annually); and (d) $515,900 in 2023-24 and $656,000 in 2024-25 for positions to assist with data management (2.0 permanent positions annually), IT development and quality assurance (2.0 permanent positions annually), and temporary trust fund specialist position coverage while existing subject matter experts participate in IT systems implementation and improvement (3.0 four-year project positions annually).

The insurance administration system, currently in development under contract, will replace the Department's current health insurance administration system as well as provide support for administration for other insurance programs, including life insurance, income continuation insurance, and supplemental benefits.

Funding for consulting services would be for planning and project oversight, business process reengineering, and organization change management. Data management expenses include costs for data integration, data quality improvement, and data governance.

Joint Finance: Include provision. In addition, specify that ETF may request that the Governor create or abolish a position that is funded from the Public Employee Trust Fund if the position would perform duties relating to modernizing business processes or integrating information technology systems of ETF. The Governor may approve or modify the request. If the Governor approves or modifies the request, require the Governor to notify the Joint Committee on Finance of his or her proposed action. Specify that the Committee would review the request under a 14-day passive review process. If a position is created, the salaries and fringe benefits of the position would be supported by monies from the trust fund.

Further, specify that, for the purpose of modernizing business processes or integrating information technology systems, EFT may request that the Governor supplement any sum certain appropriation funded from the trust fund. As with positions, specify that the Governor may request that the Committee approve the recommended supplement. The review would be conducted under a 14-day passive review process.

For both the recommended position and funding modifications, specify that if the Committee objects to the Governor's recommendation, the Committee would schedule a meeting to review the matter. Such meetings would be conducted under the provisions of s. 13.10 of the statutes.

The position and funding supplementation process would apply to requests submitted before July 1, 2029.

Senate/Legislature: Remove provisions specifying that ETF may request that the Governor create or abolish a position, or supplement any sum certain appropriation, that is funded from the Public Employee Trust Fund for the purpose of modernizing business processes or integrating IT systems of ETF, subject to approval by the Committee under passive review.

4. SERVICE LEVELS TO MEET EMPLOYER AND MEMBER GROWTH [LFB Paper 336]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
SEG	$989,600	7.00	-$282,900	-2.00	$706,700	5.00

Governor: Provide $437,800 in 2023-24 and $551,800 in 2024-25 and 7.0 trust fund specialist positions annually to expand the service capacity of ETF to meet growth over the past 10 years in the number of employers and members (retirees and inactive members in particular). The Department would assign the positions to the following areas of responsibility: (a) call center, 2.0 positions, to manage increase volume and length of calls; (b) member services, 2.0 positions, to provide retirement estimates and appointments; (c) employer services, 2.0 positions, to support employers and retirees with matters relating to health insurance and supplemental programs; and (d) benefit services, 1.0 position, to address workload relating to retirement services, such as processing retirement applications and transactions.

Joint Finance/Legislature: Modify funding and position authority by -$125,200 in 2023-24, -$157,700 in 2024-25, and -2.0 positions annually.

5. SUPPORT FOR FINANCIAL AND ACTUARIAL FUNCTIONS [LFB Paper 336]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
SEG	$325,800	2.00	- $325,800	- 2.00	$0	0.00

Governor: Provide $143,600 in 2023-24, $182,200 in 2024-25, and 2.0 positions annually (1.0 actuarial analyst and 1.0 accountant-advanced) to address increased workload in financial and actuarial duties relating to retirement and insurance programs administered by the Department for state and local employees. The actuarial analyst would be responsible for: ensuring accurate data is maintained and utilized for actuarial valuations; providing leadership in actuarial functions and projects; managing the work of consulting actuaries; providing support for actuarial research and analysis; and overseeing data quality of financial data in support of the Department's data management program. The accountant-advanced position would be responsible for: processing annuity payments, vendor payments, qualified domestic relations orders, service purchase requests, and additional retirement contributions; assisting employers with accounting compliance requirements; ensuring that financial reporting requirements and deadlines are met; and enforcing compliance with tax laws and regulations.

Joint Finance/Legislature: Provision not included.

6. EXPENDITURE AUTHORITY FOR AUDITS CONDUCTED BY LEGISLATIVE AUDIT BUREAU

SEG	$191,000

Governor/Legislature: Provide $17,000 in 2023-24 and $174,000 in 2024-25 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) an audit of Governmental Accounting Standards Board statements 74 and 75, pertaining to the supplemental health insurance conversion credit program and retiree life insurance. Funding would be one-time in nature and would not remain in the agency's base for the 2025-27 biennium.

7. INCOME CONTINUATION INSURANCE PREMIUMS AND BENEFITS

Governor: Specify that the following changes be made to the income continuation insurance (ICI) program for state employees, effective January 1, 2025.

Premium Determination. Require an employee to pay the difference, if any, between the premium for the waiting period selected by the employee and that of the premium for the longest waiting period available for the employee to select or, if different, an amount determined under a collective bargaining agreement. Eliminate references to ICI premium determination in Chapter 13 of the statutes, as it relates to sick leave accrued by members of the Legislature, and in Chapter 757 of the statutes, as it relates to sick leave accrued by Supreme Court justices and judges of the Court of Appeals and Circuit Courts.

Under current law, a teacher employed by the UW Board of Regents pays 100 percent of the premium if the teacher has less than one year of state service, and pays no premium for coverage subject to a 180-day waiting period if the teacher has at least one year of state service. For all other insured employees, current law specifies that the employer share of the premium would be determined by the number of days of sick leave the employee has accumulated as follows: (a) 10 days of sick leave, 67 percent; (b) 65 days of sick leave, 77 percent; (c) 91 days of sick leave, 85 percent; and (d) 130 days of sick leave, 100 percent. Current law specifies that any employee for whom an employer contribution of 77 percent or more was paid would continue to be eligible for that percentage of employer contribution until the employee is eligible for a higher level, even if the accumulation of sick leave is subsequently reduced.

Benefits. Eliminate the requirement that the ICI program include separate provisions for short-term insurance with a benefit duration of no more than one year, and long-term insurance covering injury or illness of indefinite duration. Specify that an employee is eligible for benefits upon completion of a waiting period selected by the employee from available options provided.

Under current law, the program must provide both short- and long-term benefits. Under the bill, the program would provide for full or partial payment of the financial loss or earnings incurred as a result of injury or illness, with no specific requirement regarding the duration of injury, illness, or related benefits. Current law provides that an employee is eligible for benefits upon exhaustion of no more than 130 days of accumulated sick leave and completion of the waiting period established under the program.

Electing Coverage. Specify that an eligible employee may become covered by the ICI program by electing coverage within 30 days of initial eligibility, to be effective as of the first day of the month that first occurs during the 30-day period. Under the bill, an employee who does not elect coverage within 30 days of initial eligibility, or who subsequently cancels the insurance, may not later become insured unless the employee furnishes evidence of insurability.

Under current law, an eligible employee may become covered by the ICI program by electing coverage within 30 days of initial eligibility or by electing coverage within 60 days of initially becoming eligible for a higher level of employer contribution towards the premium cost. Current law specifies that an employee who does not elect coverage at one of these times, or who subsequently cancels the insurance, may not later become insured unless the employee furnishes evidence of insurability.

The bill would maintain statutory provisions that allow an employer other than the state to offer to its employees an ICI plan through ETF, and which permit ETF to establish by rule different eligibility standards or contribution requirements for those employees and employers.

Joint Finance/Legislature: Provision not included. (Removed from budget consideration pursuant to Joint Finance Motion #10.)

8. POLICY AND OVERSIGHT OF DISABILITY PROGRAMS

Governor: Create statutory provisions establishing the long-term disability insurance (LTDI) program, which is currently authorized under administrative rule. Transfer oversight authority relating to the income continuation insurance (ICI) program and the LTDI program from the Group Insurance Board (GIB) to the Employee Trust Funds (ETF) Board. Specify that the transfer of oversight for these disability benefit programs would include tangible personal property, contracts, rules, and pending matters primarily related to the income continuation insurance program and long-term disability insurance program, as determined by the Secretary of ETF. 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 GIB has authority over the ICI program (an optional plan with short- and long-term disability benefits) and the LTDI program, while the ETF Board has authority over the disability annuity program under s. 40.63 of the statutes and the duty disability program. Under the bill, the ETF Board would be responsible for overseeing all disability programs administered by ETF. In addition, under current law, the GIB is required to apportion excess moneys for all group insurance plans to reduce premium payments in following contract years or to establish reserves to stabilize costs in subsequent years. The bill would specify that this requirement regarding program reserves, which is currently applicable to the ICI and LTDI programs as overseen by the GIB, would be permissive rather than mandatory.

Joint Finance/Legislature: Provision not included. (Removed from budget consideration pursuant to Joint Finance Motion #10.)

9. OFFICE OF INTERNAL AUDIT

Governor: Create an Office of Internal Audit, administratively attached to ETF, under the direction and supervision of an internal auditor appointed by the ETF Board in the classified service, to provide independent assurance that the public employee trust fund assets under control of ETF are safeguarded for the purpose of ensuring the fulfillment of benefit commitments. Specify that the internal auditor and any staff appointed by the auditor would report directly to the ETF Board. Further, specify the following responsibilities for the internal auditor: (a) develop and implement policies, principles, and directives for the Office; (b) determine the qualifications of staff for the Office and appoint such staff in the classified service; (c) plan and conduct audit activities, including external audits, risk assessments, research projects, and management reviews under the direction of the ETF Board, in accordance with policies, principles, and directives determined by the Board; and (d) monitor ETF's compliance with applicable legal requirements and contracts entered into by ETF and the ETF Board. Specify that the internal auditor may review any activity, information, or record of ETF that relates to administration of the trust funds. Provide that the individual holding the position of internal auditor in ETF on the day before the effective date of the bill would continue to serve in that position until an internal auditor is appointed by the ETF Board, and that individuals holding positions as staff internal auditors would continue to serve in those positions until staff of the Office of Internal Audit are appointed by the internal auditor, in the manner specified in the bill.

The Department currently has an administrative Office of Internal Audit, which reports functionally and administratively to the Secretary of ETF. The Office is authorized 4.0 classified positions in 2022-23.

Joint Finance/Legislature: Provision not included. (Removed from budget consideration pursuant to Joint Finance Motion #10.)

10. DISTRIBUTION OF TRUST FUND EARNINGS

Governor: Specify that the net gain or loss of the variable retirement investment trust of the WRS be distributed to each participating account in the same ratio as each account's average balance within the trust is out of the total average balance of all participating accounts in the trust. Further, specify that distributions from the market recognition account to each participating account in the core retirement investment trust of the WRS be made in the same ratio as each account's average balance is out of the total average balance of all participating accounts in the trust. Under current law, distributions are required to be made on the basis of the average daily balances of each participating account and the average daily balance of all participating accounts in each of the trusts. The administration indicates that the bill would align statutes with the current practice of calculating a simple average balance using beginning and end-of-year balances.

Joint Finance/Legislature: Provision not included. (Removed from budget consideration pursuant to Joint Finance Motion #10.)

11. HEALTH INSURANCE WAITING PERIOD

Governor: Specify that state employers must pay the employer contribution toward health insurance premiums for an employee other than a limited-term employee beginning on the first day of the second month after the date on which the person begins employment with the state. Under current law, state employers begin paying the employer contribution on the first day of the third month after the date on which the person begins employment. The bill would not modify current law with respect to limited-term employees, requiring that employers begin to contribute toward health insurance premiums on the first day of the seventh month after the date on which the employee first becomes a WRS participant.

In relation to this provision, compensation reserves for the 2023-25 biennium for state employee salaries and fringe benefits assume increases of $5,216,900 GPR in 2023-24 and $5,351,400 GPR in 2024-25 associated with the reduced health insurance waiting period.

Joint Finance/Legislature: Provision not included. (Removed from budget consideration pursuant to Joint Finance Motion #10.)

12. DOMESTIC PARTNER BENEFITS ADMINISTERED BY ETF

Governor: Specify that, under Chapter 40 of the statutes (Public Employee Trust Fund), a WRS participant may register a domestic partnership with ETF, defined as a relationship between two individuals that satisfies all of the following: (a) each individual is at least 18 years old and otherwise competent to enter into a contract; (b) neither is married to, or in a domestic partnership with, another individual; (c) they are not biologically more closely related than would be allowed by law in the case of marriage; (d) they consider themselves to be members of each other's immediate family; (e) they agree to be responsible for each other's basic living expenses; and (f) they share a common residence. [Domestic partnerships are not defined in terms of the gender or sex of the partners and may, therefore, be between members of the opposite sex or members of the same sex.] Repeal the statutory provision excluding domestic partners from the standard sequence for deferred compensation survivorship benefits. Repeal statutory provisions excluding domestic partners and children of domestic partners from health insurance coverage; duty disability benefits; and domestic relations orders issued by a court assigning all or part of a participant's accumulated assets held in a deferred compensation plan to a domestic partner or former domestic partner to satisfy a family support obligation. Specify that the provisions relating to the standard sequence for deferred compensation survivorship benefits and the treatment of duty disability death benefits would first apply to a surviving domestic partner of a participant who dies on the effective date of the bill.

Under 2017 Act 59, statutory Chapter 40 domestic partnership registrations were closed to new applications, effective September 23, 2017, and the following Chapter 40 benefits that had been extended to domestic partners were discontinued: health insurance coverage for domestic partners and their dependent children (health insurance coverage was continued for domestic partner survivors of employees or retirees whose date of death occurred prior to January 1, 2018); inclusion in the standard sequence for deferred compensation survivorship benefits; authority for a court to issue a domestic relations order assigning all or part of a participant's accumulated assets held in a deferred compensation plan to a domestic partner or former domestic partner to satisfy a family support obligation; option to purchase long-term care insurance policies through the GIB; and duty disability survivorship benefits (unless the date of the disability occurred prior to January 1, 2018).

Joint Finance/Legislature: Provision not included. (Removed from budget consideration pursuant to Joint Finance Motion #10.)

13. REHIRED ANNUITANTS

Governor: Specify that a Wisconsin Retirement System (WRS) participant 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 and again working for a WRS employer (as an employee or contractor) to qualify for an annuity or lump sum payment. Further, specify that a rehired annuitant, including an annuitant who retired between July 2, 2013, and the effective date of the bill, could provide employee services 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 with a WRS employer; and (b) the individual elects on a form provided by ETF to not become a participating WRS employee. Specify that, no later than 60 days after the effective date of the bill, a WRS participant who already has a suspended annuity could make an irrevocable election to continue the suspension by notifying ETF on a form provided by the agency. In addition, eliminate obsolete statutory provisions relating to rehired annuitants hired in critical positions, which applied only during the public health emergency declared by the Governor on March 12, 2020.

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.

Joint Finance/Legislature: Provision not included. (Removed from budget consideration pursuant to Joint Finance Motion #10.)

14. 2025-27 REQUEST FOR PENSION ADMINISTRATION SYSTEM FUNDING

Governor: Require the Department to include a request for funding for the modernization of the pension administration system in its September, 2024, agency budget request for the 2025-27 biennium. The pension administration system would replace several legacy systems, including systems for issuing benefit payments, administering disability and duty disability benefits, storing retirement account information, calculating retirement benefits, and producing retirement system statistics.

Joint Finance/Legislature: Provision not included. (Removed from budget consideration pursuant to Joint Finance Motion #10.)