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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative John Nygren

Date: July 1, 2019

Re: ETF Report to JFC

Attached is a report from Employee Trust Funds regarding progress in modernizing its business process and integrating its IT systems, pursuant to s. 40.03(2)(vm), Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

AD:JN:jm



STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

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June 28, 2019

SECRETARY JOEL BRENNAN
WI DEPARTMENT OF ADMINISTRATION
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JUL 01 2019
J. Finance

THE HONORABLE ALBERTA DARLING
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THE HONORABLE JOHN NYGREN
CO-CHAIR, JOINT COMMITTEE ON FINANCE
309 E STATE CAPITOL
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Dear Secretary Brennan, Senator Darling, and Representative Nygren:

The Fiscal Year 2013-15 Biennial Budget Bill (Act 20) required the Department of Employee Trust Funds to submit an annual report on the Department's major initiative of modernizing its business processes and integrating its information technology systems. The report is due July 1, 2019. Attached is the report.

Please contact me or ETF's Government Relations Director, Tarna Hunter at 267-0908, if you have any questions or would like additional information.

Sincerely,

Robert J. Conlin
Secretary



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Correspondence Memorandum

Date: June 28, 2019

To: Secretary Joel Brennan
Department of Administration

Senator Alberta Darling
Representative John Nygren
Joint Committee on Finance

From: Department of Employee Trust Funds

Subject: 2013 WI Act 20 Informational Report — Transformation, Integration and Modernization (TIM) Project

2013 Act 20 created a statutory requirement (Wis. Stats. 40.03 (2) (vm) that directs ETF to submit an annual report by July 1 to the Department of Administration (DOA) Secretary and the Joint Committee on Finance regarding progress in modernizing its business processes and integrating its IT systems (Section 713). This report is submitted in compliance with that requirement.

The TIM project is an umbrella initiative consisting of a suite of projects that will transform, integrate and modernize ETF's administration of retirement and other benefits. This project will replace 17 dated and fragile legacy systems which will improve operational efficiency and enhance customer service. As with any project of this size and duration, parts of the project end and others are begun and updated to reflect changes in business, technology and other factors. Those changes are reflected in this annual update.

As noted in ETF's June 30, 2018 modernization report, ETF and the vendor ETF contracted with to provide a customized off-the-shelf benefits administration system was embroiled in a contract dispute. Because efforts to mutually resolve the dispute were not successful, the Wisconsin Department of Justice (DOJ), on behalf of ETF, filed a lawsuit in Dane County Circuit Court in March 2019. Among other things, the lawsuit asserts that the vendor breached its contract with ETF. ETF is seeking damages suffered as a result of the vendor's actions. The vendor also filed a claim with the State of Wisconsin Claims Board for breach of contract. A hearing was held before the Claims Board on May 13, 2019, with DOJ representing ETF's interests. The Claims Board denied the vendor's claim on May 30, the vendor subsequently filed a counterclaim in ETF's lawsuit on June 14. That lawsuit is pending.

Recognizing that modernizing ETF's processes and systems is essential for the proper administration of the Wisconsin Retirement System (WRS) and the other employee fringe

benefit programs ETF administers, ETF has continued moving forward on the modernization effort. This report provides information on the progress ETF has made in the past year, as well as future plans for the modernization effort. The goal of the TIM initiative remains unchanged – to implement modern, professional benefits administration technology along with business process improvements to more efficiently and effectively serve members and participating employers.

The Department of Employee Trust Funds

The Department of Employee Trust Funds administers the WRS, the group health insurance program for state employees, and a variety of other public employee fringe benefit programs. The WRS is the 8th largest pension system in the U.S. and ETF's largest program, providing retirement benefits for more than 632,000 current and former state and local government employees via more than 1,530 employers. Members include current and former employees of Wisconsin's state agencies, University of Wisconsin System, most local governments other than the City of Milwaukee and Milwaukee County, and school districts across the state. The agency is overseen by an independent governing board. WRS trust funds are held and invested on behalf of ETF benefit program members.

The Department's statutory mission is to administer the Public Employee Trust Fund (Trust) in a manner that provides legislatively-created, employment-related benefits at the lowest reasonable cost. Chapter 40 effectively serves as the controlling document for the Trust. ETF is solely funded from the segregated fund.

Background: ETF's Modernization Initiative

ETF has dubbed this enterprise-wide initiative or "portfolio" of projects TIM, which stands for Transformation, Integration and Modernization. The goal of the TIM initiative is to implement modern, professional benefits administration technology along with business process improvements to more efficiently and effectively serve members and participating employers. Successful implementation will enable ETF to do the following: 1) meet the significant growth in demand for ETF services with limited need for additional staff; 2) meet the growing marketplace demand for online services; 3) increase operational efficiency; 4) achieve overall improvement in customer service; and 5) reduce long-term administrative costs for Wisconsin public employers.

TIM Project Foundation

In the past year since the benefits administration system project came to a halt, ETF focused on reanalyzing its information technology and business process needs. This analysis used a structured approach to organizational design called **Enterprise Architecture** (EA). EA is a well-defined practice for conducting enterprise analysis, design, planning, and implementation, using a comprehensive approach, for the successful development and execution of business strategy.

Using the EA framework, ETF developed a **Business Capability Model**, which represents a high-level view of ETF's ideal business capabilities. The business capability model has enabled ETF to break down organizational silos to increase collaboration, identify business opportunities, and understand the gaps between current and future states. ETF also conducted a maturity assessment of the entire business capability model to align business strategy with processes, to inform the selection of projects and resource allocation, and to ensure that management of initiatives is based on big picture needs.

After the business capability model was developed, ETF created a **Business Process Blueprint**. The blueprint deconstructs the business capability model to provide a more detailed view of end-to-end processes, data and systems. It is designed to provide a cross-functional view of business processes within the organization to help facilitate improvement through process management. The blueprint will be used to maintain an inventory of processes, prioritize processes for improvement and overall performance management. It will also provide a framework for prioritizing and planning activities, enterprise risk evaluation, and operational needs and impact analyses.

Additionally, ETF established a **Business Process Management (BPM)** program to formalize its ongoing efforts to streamline business processes. BPM is a toolkit that embraces the tenets of lean government and six sigma to improve, optimize, and manage business processes. Since 2018 ETF has increased its proficiency in this technique using it to improve and optimize business processes.

BPM is a multi-phased approach to develop the infrastructure and skills needed to execute process improvement projects, focus on business outcomes and improve the customer experience. Fifteen internal experts have been trained to lead BPM activities throughout the organization.

Furthermore, ETF created a unified project intake process and **Portfolio Project Committee** to evaluate initiatives of greater than 100 hours of effort to ensure staff are working on the right things at the right time to meet ETF's strategic goals.

Finally, ETF used the EA framework and business capability model as the basis for ETF's strategic planning process. The TIM initiative is the primary vehicle for ETF to attain four **Strategic Goals**: 1) create an effortless customer experience; 2) implement outcomes driven performance measurement and process management; 3) build a talented and agile workforce; and 4) implement modern, secure and resilient information technologies.

The strategic planning team is currently working with a cross section of the organization to develop specific initiatives to increase the maturity of prioritized business capability model areas over the next year. It is critical for projects and process improvement initiatives to align with ETF's Strategic Plan.

TIM Project Security

Information security continues to be front-and-center in the oversight and implementation of the TIM initiative and the administration of ETF programs. ETF continues to build its information security team, including the recruitment of an experienced, highly capable Chief Information Security Officer (CISO), who joined ETF in April 2019. The CISO directs ETF information security efforts to ensure that prioritization of security initiatives is driving the appropriate levels of security controls being put in place through operational and project efforts. The Bureau of Information Security Management (BISM), which is led by the ETF CISO, continues to complete projects that are designed to ensure that ETF is addressing the most critical security issues, implementing the most effective controls, and ensuring a solid foundation, through the use of industry standards like the National Institute of Standards and Technology (NIST) and the Center for Information Security (CIS) CSC Top 20. BISM continues to work very closely with ETF business programs to ensure that our security policies, standards and procedures cover the latest threat landscape.

ETF's information security plan was developed to provide security expectations for ETF's information technology-related policy, standards and procedures needed to minimize the likelihood of an information security breach. As ETF's modernization efforts continue, the information security plan will be updated to reflect improvements related to the latest best practices, evolving technology, and the latest cyber threats.

ETF continues to take steps to further reduce the risk and effect of an unauthorized disclosure of employer, member or staff personal information. A few highlights from recent efforts include:

- Began the ETF 20 Information Security Program – employs the industry's most recommended security controls, compares ETF's current maturity in these areas, and develops and executes the most appropriate projects to further enhance ETF's information security.
- Completed projects to ensure automated inventorying and system baseline configuration of our technology assets.
- Completed a project to improve vulnerability management, ensuring that risk is being continually addressed and reduced within our systems and applications.
- Completed a project to implement a system for inventorying and classifying data, which allows appropriate protections to be applied to data based on its sensitivity.
- Developed a plan to complete audits of ETF's IT systems and processes.
- Revamped ETF's security account management function, assessing our current people, processes and technologies that allow user authentication and authorization to key ETF computer systems.
- Developed and implemented ETF's Information Security Incident Response Plan based on industry standards that cover the most probable computer security incidents. Conducted a tabletop exercise in December 2018.
- Completed vendor selection and received approval to implement the ETF Information Risk Management Program (IRMP). The program will provide ETF a systematic approach to safeguard ETF's information assets through consistent and continuous mitigation of risk.

2018-2019 TIM Project Accomplishments

In the past year, ETF accomplished the following additional TIM initiatives:

Website Redesign

In June of 2019, ETF successfully launched its redesigned internet site, etf.wi.gov. The previous website was last redesigned in 2003. In addition to having an outdated design, the static website was not responsive for mobile devices, lacked a functioning search, not fully compliant with 508 accessibility requirements, and inefficient for content management. The website redesign creates a more effortless customer experience with one stop, fewer clicks and increased satisfaction.

Development of the new website was completed on time and on budget during 17, two-week agile sprints. Fact finding research began in September of 2018, with the launch of the new website in June of 2019. ETF customer service staff and employers were interviewed to learn about website pain points. More than 1,500 members and employers

voluntarily participated in website testing to determine how website content should be organized and how users navigate to find information, respectively. More than 6,000 web pages, PDF and other files were audited by subject matter experts for accuracy and value, and identified for migration, rewrite or obsolete. In addition, extensive quality assurance was conducted throughout the project to ensure website functionality was working properly and accessible.

This project included redesigning the information architecture with the user experience in mind to promote self-service and intuitive navigation for ETF's members, employers and stakeholders. In addition, the site now resides on a modern and robust content management system (CMS) that will significantly streamline the management and upkeep of content supporting ETF's mission, vision, and strategic plan by offering high-quality, valuable, accessible, secure and innovative self-service tools to engage and empower our customers.

Appointment Scheduling System

Online scheduling of member appointments is a necessity in modern client management enterprises. In 2018 ETF had nearly 200,000 direct contacts with members. The sheer volume of calls and other inquiries into the agency has elevated the need for ETF to improve the efficiency and effectiveness of its appointment scheduling operations. ETF's appointment scheduling solution project is aimed at creating an effective client management service that will increase capacity for serving members and allow customers 24/7 self-scheduling of appointments with ETF benefit specialists.

The enterprise appointments system will provide ETF the opportunity to receive real-time data about customer requests, identify peak usage times, and track user trends which will further empower ETF to provide the highest quality service to its customers. The appointments system should reduce duplicate efforts from dropped calls or repeated customer inquiries, consolidate fragmented processes by centralizing business processes in an online appointment processing service, and replace antiquated and manual appointment scheduling that can be prone to errors.

The Appointment Scheduling System project is expected to be completed in fall of 2019.

ACD Call Distribution Replacement

ETF's call center is one of the agency's main service delivery touchpoints. The current call routing system is outdated and no longer supported by the Department of Administration. Over the summer of 2019, ETF will replace the existing system with a modern, flexible and scalable solution that fully integrates with the already updated interactive voice response system (IVR).

The Automated Call Distribution (ACD) system will provide additional functionality that supports ETF's strategic goals. Some of the added functions include:

- More efficient call routing with IVR & ACD integration.
- Call back option: Members waiting in queue may choose to be called back and maintain their spot in queue or request a specific call back time.

- Employer CRM (Customer Relationship Management) tool: Provides the ability to document and report on employer interactions.
- Specialist screen monitoring: Supervisors can give more specific performance feedback to specialists with the ability to view their work habits and system navigation.
- Ease in creating/updating surveys for members and employers.
- Improved reporting.

Retirement Estimate Business Process Reengineering

The business process management team examined and redesigned the retirement estimate process from the point a retirement *request is submitted (phone, mail, and online)* to *point of delivery (mail and customer relations management system)*. The team recently implemented the first of four significant process changes that have already yielded double the average weekly output of retirement estimates – estimates completed increased from 400-450 to 866 during the first full week of the new process by eliminating a paper worksheet. In the future, the document management group estimates a one-third reduction in time spent imaging retirement estimates due to fewer worksheets. More performance metrics are expected as the remaining three improvements are implemented.

Modernization of Current Benefit Administration Systems

ETF is taking a phased approach to modernizing legacy applications and eliminating technical debt. At the same time, ETF has made several enhancements to legacy systems to extend the useful life of those applications, including implementing a new Medicare Advantage Plan within the health insurance administration system to provide a comprehensive and cost-effective Medicare option for members, and a redesigned Learning Management System home page to provide a more intuitive experience for staff.

Planning for Future Modernization of Benefits Administration System

At the end of 2018, ETF and LRWL, ETF's strategic partner, conducted an analysis to determine solution options and considerations for potential next steps for ETF's modernization. The analysis provided background and educational information regarding various approaches and options and ultimately provided a recommendation for ETF Leadership to consider.

The recommendation consisted of a series of projects and sequencing of those projects that are highlighted below. The new approach allows ETF to purchase the best product for each business area that best supports ETF's business requirements.

- **Enterprise Content Management/Imaging System**

This project is to replace the existing imaging system with a commercial enterprise content management/document imaging (ECM) solution that will effectively integrate with a future pension administration system as well as other systems as needed.

ETF has begun its selection process for a new enterprise content management system. This effort will position ETF to replace the current proprietary system that

was developed by the BAS vendor. The current system is not supported, and ETF is unable to integrate with any new vendors as modernization efforts continue.

Status: In Progress

- **Evaluate Customer Relationship Management (CRM) solutions:**

This project was to determine if ETF would benefit from a commercial customer relationship management (CRM) solution. It was determined that a future core pension administration system could provide a CRM that will sufficiently meet ETF's needs. CRM functionality will be reevaluated as ETF assesses a core pension administration system.

Status: Completed

- **Insurance Administration System:**

This project will assess and implement insurance administration technologies. During the path forward assessment, it was determined that while some pension administration solutions provide health administration software, it is not an area that they excel at and ETF's business requirements may not be met if insurance and pension administration are required together. The BPM program and Process Blueprint will inform the RFP development.

Status: Not started (TBD)

- **Core Pension Administration System:**

This project will assess and implement pension administration technologies. The number of commercially available pension solutions has increased over the last several years and during the path forward assessment, it was determined that one or more solutions will likely meet ETF's business requirements.

Status: Not started (TBD)

It is anticipated that the insurance administration system project will begin with the procurement of a vendor in late 2019 with the pension administration to follow.

In the next year, ETF will continue to develop and implement the plan for the modernization effort.

If you have any questions on this report, please contact Tarna Hunter at 608-267-0908.