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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative John Nygren

Date: June 30, 2020

Re: ETF Report to JFC

Attached is a report regarding progress in modernizing its business processes and integrating its IT systems from the Department of Employee Trust, 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 30, 2020

SECRETARY JOEL BRENNAN
WI DEPARTMENT OF ADMINISTRATION
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THE HONORABLE ALBERTA DARLING
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THE HONORABLE JOHN NYGREN
CO-CHAIR, JOINT COMMITTEE ON FINANCE
309 E STATE CAPITOL
MADISON, WI 53707

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, 2020. 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

JUN 30 2020
J. Finance



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Correspondence Memorandum

Date: June 30, 2020

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 portfolio 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. Changes over the past year are reflected in this annual update.

As noted in ETF's June 28, 2019 modernization report, ETF and the vendor ETF contracted with to provide a customized off-the-shelf benefits administration system were involved in a contract dispute. In April 2018, ETF partially terminated its contract with the vendor. Because subsequent 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. ETF's lawsuit and the vendor's counterclaim survived the summary judgment process. Discovery is ongoing, and the case is expected to be set for a jury trial.

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 continues 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 9th largest pension system in the U.S. and ETF's largest program, providing retirement benefits for more than 645,000 current and former state and local government employees via more than 1,500 employers. The WRS funding ratio is estimated at over 100%. 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 Trust 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, ETF has continued analyzing its information technology and business process needs using the structured approach to organizational design called Enterprise Architecture (EA). EA is an established practice for conducting enterprise analysis, design, planning, and implementation. Using the EA framework, ETF has applied business capability modeling to ensure that business needs are shaping ETF's desired future state. Additionally, using EA and business capability modeling, ETF has implemented the following efforts to advance the TIM initiative:

- **Business Process Improvement** – Created a plan to categorize and prioritize business process improvement projects and planning activities to meet operational needs, evaluate enterprise risk, and conduct impact analyses. ETF has further developed its Business Process Management Program (BPM) by embracing the tenets of lean government and six sigma to improve, optimize, and manage business processes. A good example of the success of the BPM program, is the retirement estimates process improvement initiative that was implemented last

year. The improvement streamlined the process, reducing the amount of time, resources and effort that were needed to create a retirement estimate, while creating better customer service. The projected savings are \$13.30 per retirement estimate, in staff time, paper and printing costs, and mailing costs, which is a savings of about \$333,000 per year.

- **Strategic Planning** – ETF used the EA framework and business capability model as the basis for its strategic planning process. The TIM initiative is critical to ETF's 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. As part of ETF's strategic plan, ETF has initiated eight strategic projects to advance the above goals and has successfully implemented four of them.
- **Organizational Metrics** – The strategic planning team is currently working with a cross section of the organization to develop an ETF Balanced Scorecard to better align with ETF's Strategic Plan and measure progress toward meeting the four organizational goals.

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. The Bureau of Information Security Management (BISM), which is led by the ETF Chief Information Security Officer (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 International Organization for Standardization (ISO) information security standards. BISM continues to work very closely with ETF business programs to ensure security policies, standards and procedures cover the latest threat landscape.

A few highlights from recent efforts include:

- Continued 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. To date, ten projects of the twenty have been completed within the program.
- Completed a project to enhance ETF's ability to monitor and filter ETF internet traffic. This resulted in a significant improvement in the security and protection of ETF laptops, which is even more critical now that most employees working from home due to the pandemic.
- Decommissioned vulnerable software components utilized by the call center system after the legacy system was modernized.
- Completed a project to evaluate and strengthen the software firewalls on ETF workstations and laptops. The project resulted in improved protection against malware, ransomware and other threats to employee devices.
- Made improvements to the workstation and laptop vulnerability scanning program, resulting in an all-time low vulnerability count, with trendlines continuing to decline.

- Automated the creation of security incident tickets generated from ETF's monitoring tools. This allows for the collection of better notifications and metrics for security incident response.
- Created metrics to formally track fraudulent email attacks, also called "Phishing", aimed at ETF employees. Monitoring these metrics will assist ETF to formulate effective countermeasures.
- Began implementation of 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 following the ISO 27001 framework.

2019-2020 TIM Project Accomplishments

In the past year, ETF accomplished the following:

ACD Call Distribution Replacement

ETF's call center is one of the agency's main service delivery touchpoints. The legacy call routing system was outdated and no longer supported by the Department of Administration. In August 2019, ETF replaced the legacy 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 provides 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.

Status: Implemented

Eclipse Project and Work Management

ETF successfully implemented a project and work management system to provide portfolio management, project management and resource management capabilities across the organization. It enables ETF to provide real-time information in one place, better align projects with organizational goals, evaluate performance, and determine capability to pursue more or other work.

Status: Implemented

Appointment Scheduling System

Online scheduling of member appointments is a necessity in modern client management enterprises. In 2019, ETF had approximately 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 completed Phase 1 in Spring of 2020 and Phase 2 is expected to be completed in Fall of 2020.

Status: In Progress

Enterprise Content Management/Imaging System

This project will replace the existing imaging and workflow proprietary system developed by the previous vendor, 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. In the last year, ETF contracted with Naviant Inc. in Verona, WI, and the planning phase was completed. The ETF implementation phase of the project is currently proceeding.

Status: In Progress

Data Management Program

This program is a series of projects and workstreams to promote trust and accuracy in ETF's data and ensure that different systems are sharing data appropriately. This program will assess and implement data management best practices including the following:

- Creation of the architecture needed to enable all ETF technology systems and databases to communicate with each other while maintaining data integrity and security.
- Analyze and evaluate data to ensure effective and efficient use of resources.
- Creation of dashboards, reports and analytics using data from the new data warehouse.
- Establishment of a formal Data Governance structure and training for data stewards and owners.

- Identification and prioritization of data quality issues.

Status: In Progress

Insurance Administration System

This project will assess and implement insurance administration technologies. ETF recently began the vendor selection process by issuing a Request for Proposals. Vendor responses are currently being evaluated. The solution will provide a new, full-integrated, best-practices insurance administration system for benefits including Health, Life, Income Continuation Insurance and several Supplemental Benefits.

Status: In Progress

Technology Program

This program is a series of projects that will enable specific capabilities that will allow ETF to implement and support the new systems and data management functions. This will provide ETF the ability to effectively manage changes to the scope and direction of ETF's future requirements, which will ensure ETF is able to acquire the most value from the new systems.

The Technology Program will assess and implement best practices including the following:

- Creation and implementation of a new IT operating model to connect ETF's strategy to day-to-day operational activity.
- Implementation of additional process, structure, and automation to more effectively manage source code and application configuration.
- Implementation of an automated integration, development, and testing framework to drive accuracy and efficiency in the development and testing processes.
- Identification and implementation of authentication and authorization technologies, processes, and standards to better support the use of single sign on with the strategic security direction of the organization.
- Identification of approaches, processes, and tools that are needed to manage an expanding security perimeter in order to most effectively manage threats and risks to the organization.
- Development of security standards, procedures, and guidelines in alignment with the security policies that are being put in place to better secure the data, applications, and infrastructure the organization uses.

Status: In Progress

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