



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #276

Member Services Bureau Staffing Increases (ETF)

[LFB 2005-07 Budget Summary: Page 152, #2 (part)]

CURRENT LAW

The Department of Employee Trust Funds (ETF) maintains a Member Services Bureau in its Division of Retirement Services to provide benefit counseling, prepare benefit estimates, and respond to general retirement-related inquiries for participants planning to retire under the Wisconsin Retirement System (WRS). Currently, 32.55 SEG positions are assigned to this function. Salaries, fringe benefits, and supplies and services funding of \$1,866,900 SEG is budgeted in 2004-05 for these positions.

GOVERNOR

Provide \$120,800 SEG in 2005-06 and \$116,300 SEG in 2006-07 and 2.5 SEG positions annually for the Member Services Bureau to reduce backlogs and improve response times relating to WRS participant requests.

DISCUSSION POINTS

1. A significant portion of the workload of ETF's Member Services Bureau is directly related to the growing number of WRS participants who become eligible to take an immediate retirement annuity by virtue of reaching the minimum age to qualify for the benefit (age 50 and older for protective category WRS participants and age 55 and older for all other categories of WRS participants). Table 1 shows the projected growth trends in the number of WRS participants who will be eligible to retire over the next several fiscal years.

TABLE 1

Projected Growth of WRS Participants Eligible to Retire

	<u>2003-04*</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
WRS Members						
Eligible to Retire	73,959	79,601	85,376	91,002	95,474	99,232
Percent Change	-	7.6%	7.3%	6.6%	4.9%	3.9%

*Actual member count. All other figures are estimates based on current participant counts and actuarial projections.

2. The growth shown in these fiscal years reflects the impact on the WRS of the aging of the "baby-boom" generation. Because the data is based on actual WRS participant counts in 2003-04, as adjusted to reflect current actuarial assumptions used by the system, these projections provide the basis for reasonably accurate estimates of future workload for the Department.

3. The Member Services Bureau provides assistance to WRS participants nearing retirement primarily in the following areas: (a) individual face-to-face pre-retirement benefits counseling; (b) retirement benefit estimates; (c) purchase of service estimates; and (d) death and duty disability benefit calculations for participants who die or become disabled prior to retirement. Each of these areas will be discussed briefly.

4. *Pre-Retirement Counseling.* Individual pre-retirement counseling for WRS participants is currently encouraged but is not required. Significant numbers of members request these counseling services but must typically wait anywhere from of three to eight weeks before a session can be scheduled with agency staff. In 2003-04, ETF provided counseling sessions in various formats to 15,777 individuals; in the first nine months of 2004-05, counseling sessions have been provided to approximately 13,700 individuals.

5. *Benefit Estimates.* The average turnaround period for a WRS participant's request for a retirement benefit estimate from the Bureau increased from three weeks as of on July 1, 2003, to 12 weeks on July 1, 2004. However, as of March 28, 2005, the average turnaround time had declined to seven weeks. These changes illustrate that the backlog of work in this area fluctuates during the year. ETF officials indicate that in 2003-04, the turnaround period ranged between nine and 12 weeks. The Department's standard or goal for processing retirement estimates is two weeks.

6. ETF currently estimates that it typically receives requests for pre-retirement benefit estimates from approximately 25% of the "eligible-to-retire" pool annually, and the agency uses this percentage to project workload in future years. In 2003-04, the 15,779 requests for retirement estimates comprised 21.3% of the eligible retirees among active employees. However, ETF maintains that yearly variations are typical and the Department believes that the 25% assumption will be met in future years due to the demographic trends shown in Table 1.

7. *Purchase of Prior Service Credits.* Based on data from July 1, 2004, WRS participants who request estimates for the cost of purchasing prior service credits must wait approximately 10 to 12 weeks for those estimates. As of March 28, 2005, this waiting period had been reduced to a three to five week range, again reflecting that the backlog of requests varies during any given year. The Department's standard for processing these requests is one week. The Department believes that more timely responses are essential, since current law requires that the purchase of prior service be completed before the participant terminates WRS-covered employment.

8. *Death and Disability Estimates.* The Bureau currently provides benefit estimates and information to participants who may be eligible for a disability benefit and to beneficiaries of deceased participants. Applications for the actual payment of such benefits currently require approximately one to three weeks to process (up slightly from the one to two weeks for such requests as of July 1, 2004). ETF places a high priority on these types of requests because of the financial hardship facing many of the individuals who make them.

9. The waiting periods that participants experience for pre-retirement benefits counseling and for receiving retirement benefit and purchase of service estimates consistently exceed the standards that ETF has established for these services. The standards developed by the Department for processing these types of requests assume that responses should be made within certain timeframes to allow participants to make informed decisions. The standards are also evaluated in comparison to average processing times for similar services at other public retirement systems. Based on these standards, the Department believes that the current service timelines are not acceptable.

10. The Department has developed a model to project year-end request backlogs and the average waiting periods for the requests handled by its Member Services Bureau. While the model does not project backlogs and waiting periods for each type of request, it does provide an aggregate projection for all the Bureau's workload, based on a standardized workload unit.

11. The model allows varying assumptions to be made about changing workload projections and staffing levels. In utilizing the model, ETF has: (a) projected caseload growth conservatively; (b) assumed that staffing would be in place for the entire first year of the biennium (although funding would only be for nine months in 2005-06); (c) not reduced its projection of completed work in 2005-06 and 2006-07 to reflect the training of new staff; and (d) not reduced its projection of completed work in 2005-06 and 2006-07 to reflect the anticipated loss of experienced Bureau staff due to retirement. As a result of this conservative approach, the model tends to minimize, rather than exaggerate, staffing needs.

12. Further, in calculating the projected number of outstanding requests at the end of each fiscal year, the ETF model also excludes what might be termed an "acceptable" backlog. The acceptable backlog represents recent requests that are in the earliest stages of processing. Based on Bureau staffing levels, the acceptable backlog would total approximately 1,000 requests. This adjustment is made in order not to overstate the backlog that exceeds the agency's processing time standards.

13. Under the model, if the Department's standards for responding to requests were being met, the outstanding backlog at the end of each fiscal year (the number of requests in excess of the acceptable backlog of about 1,000 requests) would approach zero. If no additional staffing were provided for the Member Services Bureau in the 2005-07 biennium, the model projects that there would be an outstanding backlog of approximately 9,080 requests. With this magnitude of backlog, an average turnaround period of 106 days for all types of member requests would be required by the end of 2006-07.

14. In its 2005-07 budget request, the Department asked for \$253,800 SEG in 2005-06 and \$209,700 in 2006-07 and 4.5 SEG positions annually for the Member Services Bureau to reduce backlogs and improve response time relating to participant requests. Under the agency's model, the addition of 4.5 FTE positions would reduce the projected outstanding backlog to 624 requests with an average turnaround time of about 15 days by the end of 2006-07. According to the model, this level of staffing would result in ETF nearly achieving its workload standards for these requests by that fiscal year.

15. The provision of 2.5 FTE positions under the bill would reduce the outstanding backlog to 4,382 requests with an average turnaround time of 51 days by the end of 2006-07. While the Member Services Bureau workload indicates the need for additional positions, administration officials indicate that only 2.5 FTE positions were provided under the bill due to the Governor's general policy of limiting the number of state employees.

16. However, the Department has both a legal and a fiduciary responsibility to respond to WRS participant service needs in a timely matter, particularly given the financial consequences underlying these requests. For these reasons the Committee may wish to consider alternatives to the Governor's recommendation.

17. The growth in caseloads expected during the 2005-07 biennium appears to be inevitable given the demographics of the WRS participant population. With the current level of Member Services Bureau staffing, significant increases in participant services request backlogs and lengthening average waiting periods are a certainty. As discussed above, the ETF workload model indicates that the 4.5 positions originally requested by the Department would likely address the projected increases in requests during the next biennium and would provide a service level within the standard timeframes viewed as ideal by the agency. Finally, the 2.5 positions recommended under the bill, while reducing the rate of increase in current backlogs and turnaround times, would still be projected to result in backlog levels and turnaround times at the end of 2006-07 (4,382 requests and 51 days) that are substantially higher than those expected at the end of 2004-05 (2,709 requests and 38 days)

18. It could be argued that ETF should be provided with the resources to maintain at least its current (2004-05) backlog levels and turnaround times into the next biennium. The provision of an additional \$47,500 SEG in 2005-06 and \$46,600 SEG in 2006-07 and 1.0 SEG position annually would result in an outstanding backlog of approximately 2,503 requests with an average turnaround period of 32 days for all types of member requests by the end of 2006-07. This

backlog is generally comparable to the levels projected for the end of 2004-05. This alternative would provide ETF with a total change to base of \$168,300 SEG in 2005-06 and \$162,900 SEG in 2006-07 and 3.5 SEG positions annually.

19. The following comparisons show the projected outstanding backlog levels and average turnaround periods at the end of the current biennium (2004-05) and the end of the next biennium (2006-07) under each scenario discussed above. Each scenario corresponds to the alternatives provided for the Committee's consideration.

Year-End Estimates	Alternative 1 <u>AB 100 (2.5 FTE)</u>		Alternative 2 <u>(3.5 FTE)</u>		Alternative 3 <u>Budget Request (4.5 FTE)</u>		Alternative 4 <u>No Additional Staff</u>	
	<u>Backlog of Requests</u>	<u>Average Turnaround (in days)</u>	<u>Backlog of Requests</u>	<u>Average Turnaround (in days)</u>	<u>Backlog of Requests</u>	<u>Average Turnaround (in days)</u>	<u>Backlog of Requests</u>	<u>Average Turnaround (in days)</u>
2004-05	2,709	38	2,709	38	2,709	38	2,709	38
2006-07	4,382	51	2,503	32	624	15	9,080	106
Percent Change	62%	34%	-8%	-16%	-77%	-61%	235%	179%

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$120,800 SEG in 2005-06 and \$116,300 SEG in 2006-07 and 2.5 SEG positions annually for ETF's Member Services Bureau.

2. *In addition to the Governor's recommendation*, provide \$47,500 SEG in 2005-06 and \$46,600 SEG in 2006-07 and 1.0 SEG position annually for ETF's Member Services Bureau. [Under this alternative, a total of \$168,300 SEG in 2005-06 and \$162,900 SEG in 2006-07 and 3.5 SEG positions annually would be provided.]

<u>Alternative 2</u>	<u>SEG</u>
2005-07 FUNDING (Change to Bill)	\$94,100
2006-07 POSITIONS (Change to Bill)	1.00

3. *In addition to the Governor's recommendation*, provide \$133,000 SEG in 2005-06 and \$93,400 SEG in 2006-07 and 2.0 SEG positions annually for the Member Services Bureau. [Under this alternative, a total of \$253,800 SEG in 2005-06 and \$209,700 SEG in 2006-07 and 4.5 SEG positions annually would be provided.]

<u>Alternative 3</u>	<u>SEG</u>
2005-07 FUNDING (Change to Bill)	\$226,400
2006-07 POSITIONS (Change to Bill)	2.00

4. Delete the Governor's recommendation.

<u>Alternative 4</u>	<u>SEG</u>
2005-07 FUNDING (Change to Bill)	- \$237,100
2006-07 POSITIONS (Change to Bill)	- 2.50

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