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Resources for Service Support, IT, and Data Management (Employee Trust Funds)

[LFB 2021-23 Budget Summary: Page 169, #3 and Page 170, #4]

CURRENT LAW

The Wisconsin Retirement System (WRS) is administered by the Department of Employee Trust Funds (ETF) under the supervision of a 13-member Employee Trust Funds Board. The WRS covers nearly all public employees in the state except employees of the City of Milwaukee and Milwaukee County, which maintain separate retirement systems. The WRS includes 1,566 public employers including state agencies, counties, cities, towns, villages, school districts, technical college districts, cooperative educational service agencies, and special districts. As of December 31, 2020, the system covered 643,506 participants: 258,110 active employees, 219,455 annuitants, and 165,941 inactive (past) employees who have maintained their WRS accounts (rather than taking a separation benefit). In addition, the Department administers a number of employee benefit programs, including health insurance plans available to all state employees and to some local governmental employees under the Wisconsin public employers' group health insurance program. The Department's operations are funded from the segregated revenues of the Public Employee Trust Fund.

DISCUSSION POINTS

1. The Department has been working over the course of several years to update its business processes and upgrade and integrate its information technology (IT) systems. Under 2013 Act 20 (the 2013-15 biennial budget act), ETF was provided authority to request that the Governor create or abolish any position or supplement any sum certain appropriation from the Public Employee Trust Fund for the purpose of modernizing business processes or integrating IT systems, subject to passive review by the Joint Committee on Finance. The act specified that the authority would sunset on July

1, 2019. Although the modernization initiative encompasses various IT systems, and business processes more generally, at the time of 2013-15 biennial budget deliberations it was estimated that the majority of work to implement a new benefits administration system in particular would be completed in 2018.

2. Act 20 additionally created an ongoing reporting requirement that ETF submit to the Secretary of Administration and the Committee an annual report before July 1 regarding the agency's progress in modernizing its business processes and integrating its IT systems. The Department noted in its 2019 report that it was involved in a contract dispute with the vendor it contracted with to provide a customized off-the-shelf benefits administration system. Efforts to mutually resolve the dispute were unsuccessful, and the Department of Justice filed a lawsuit on the matter in March, 2019, asserting that the vendor breached the contract, and seeking damages. In its most recent report submitted in 2020, ETF indicated that the case is expected to be set for a jury trial.

3. The Department has continued with efforts to improve its business processes and IT systems to more efficiently and effectively serve WRS and other benefit program participants and participating employers. The general goals of the modernization efforts are: to accommodate growth in ETF programs and services while minimizing the number of additional staff needed; meet the growing expectation and demand that services be available online; increase operational efficiency; improve customer service overall; and reduce long-term administrative costs for public employers.

4. This paper addresses four items relating to business process improvements and systems modernization which were included in ETF's 2021-23 budget request: (a) permanent positions to replace 3.0 expiring project positions; (b) funding for the ongoing costs of several completed IT upgrades; (c) 2.0 computer and internet security analyst positions to strengthen security protections; and (d) 1.0 data services specialist for data management. Funding for the items would total $578,600 SEG in 2021-22, $940,100 SEG in 2022-23, and 6.0 SEG positions annually, representing approximately 2% of adjusted base funding and position authority for administration of benefits in 2022-23. It should be noted, however, that funding and position authority to replace the expiring project positions in particular is included in the agency's adjusted base, and was removed as a standard budget adjustment.

Staff for Ongoing Support

5. In 2014, the Department requested 3.0 project positions (2.0 trust fund specialists and 1.0 accountant) under the passive review authority provided by 2013 Act 20, noted above. Under the 2014 request, which was approved, the accountant position was created to backfill certain duties of existing accountant positions that were assisting with the redesign of the benefits administration system in financial processing areas such as contributions, premium billing, collection functions, benefit payments, and participant account maintenance. Similarly, the trust fund specialist positions were created to backfill existing trust fund specialist positions that were assisting with the data integrity project relating to implementation of the benefits administration system. The positions expired in May, 2018.

6. The current project positions, which will expire in May, 2022, were created under 2017 Act 59 (the 2017-19 biennial budget) to replace the positions that expired in 2018. As noted

previously, the project positions and associated funding, which are included in adjusted base funding for ETF's administration appropriation, are removed as a non-continuing element under standard budget adjustments.

7. According to ETF's 2021-23 budget request, it has become apparent over the course of time that the functions performed by the current project positions are needed on an ongoing basis. When positions were first provided in 2014, ETF had anticipated that much of its modernization efforts would be complete by 2018. As noted previously, while litigation associated with the contract to replace ETF's benefits administration system continues, other IT upgrades and business process improvements have been pursued, necessitating the ongoing involvement of ETF's other trust fund specialist and accountant permanent positions. In addition, ETF indicates that changes to its business processes and workload demands require the continuation of the positions on a permanent basis to maintain the current level of service provided.

8. The 2.0 trust funds specialist positions would continue to provide email and phone support to employers participating in the health, life, and income continuation insurance programs. Inquiries from employers include questions about program eligibility, loss of coverage, life event changes, COBRA eligibility, and coordination of health insurance benefits. The current project positions are two of four total trust funds specialists that serve as case managers for central payroll agencies (most agencies in the executive branch), UW Hospitals and Clinics, and UW System. In the case of health insurance alone, the four permanent and project positions work with 52 employers representing 164,100 covered employees. If the expiring project positions are not replaced, the workload for the remaining two permanent positions would double. The Department believes that the accuracy or timeliness of employer support services would be diminished, potentially resulting in employer violations of state and federal rules and regulations, and gaps in service quality for active employees.

9. The accountant position would continue to support internal control and data integrity measures to provide accurate and timely financial services in the Retirement Accounting Bureau of the Division of Trust Finance. Duties would include recording and reconciling receipts and employer payments; recording and auditing employee-paid additional contributions and late reported earnings and offsets; processing and reconciling member service purchases and other WRS member account adjustments; and annual processing tasks and functions. The Department notes that the ability to transfer some of these responsibilities from another existing permanent position to this position has created the capacity for the permanent accountant to participate in higher-level accounting and internal control processes, modernization efforts, and other value-added activities. The Department believes that, if the expiring project position is not replaced, WRS financial activities could be delayed and internal control improvements would likely regress to below currently expected and necessary levels, potentially having a negative impact on the accuracy of financial reporting and the integrity of financial statements.

Recent IT Upgrades

10. The Department recently completed five IT upgrades which incur ongoing expenses not included in ETF's base budget. Ongoing costs of the upgrades include expenses for hosting, license renewals, and routine maintenance. Funding in the agency's 2021-23 budget request is based on

ongoing costs for the upgrades, less the prior operational expenses for each (totaling $66,500 SEG annually), as follows: (a) software for data extraction, transformation, and loading ($9,500 SEG in 2021-22 and $116,400 SEG in 2022-23); (b) website redesign ($110,900 SEG annually); (c) project and work management software ($69,500 SEG annually); (d) automated call distribution software ($64,100 SEG annually); and (e) appointment scheduling software ($63,300 SEG annually).

Cybersecurity

11. In the course of administering benefit programs such as health insurance and the WRS, ETF is responsible for managing sensitive medical and financial information for current and former public employees and their beneficiaries and dependents. In 2015, ETF established a cybersecurity program with 1.0 reallocated position from another program area, and added 3.0 positions for cybersecurity in 2017 utilizing its 2013 Act 20 passive review authority.

12. In 2019-20, ETF contracted with AT&T to conduct a risk management evaluation. According to the Department, the results of the evaluation showed that, although ETF had made significant progress in developing its cybersecurity program over the course of the past three years, it could still use improvement. The Department believes additional permanent staff who are familiar with ETF's particular business operations are needed to ensure that systems are secured and sensitive information is protected. In addition, ETF indicates that the permanent positions would be less costly than engaging contractors on a regular basis.

13. In its 2021-23 budget request, ETF requested $148,900 SEG in 2021-22, $191,600 SEG in 2022-23, and 2.0 SEG computer and internet security analyst positions annually to mitigate the risk of cybersecurity threats by increasing the capacity of the agency's cybersecurity program. The positions would assist in implementing and recommending additional security controls; collaborate with the Department of Administration's Division of Enterprise Technology on security management; maintain and optimize security monitoring and alert software; improve vulnerability management processes; manage and improve network security; manage anti-malware software for user workstations and legacy application servers; routinely test vulnerabilities; conduct risk assessments; and deliver a security awareness program to prevent successful phishing attempts designed to acquire and misuse login credentials.

Data Management

14. Department staff work with data related to WRS employers and participants, benefit providers, third-party administrators, and other organizations such as federal agencies and industry groups. The Department indicates that the data in various legacy systems is sometimes inconsistent and unreliable. As a result, staff must devote time to reconciling discrepancies in data among different systems to minimize inconsistencies when inputting data or exchanging information with entities in the course of conducting business.

15. In July, 2020, ETF established a Data Management Bureau within the Division of Management Services to oversee data management functions, including data strategy, architecture, integration, quality, and governance. The Bureau was staffed with three permanent positions, reallocated from other program areas, and seven contractors. The Department requested $74,400 SEG

in 2021-22, $95,800 SEG in 2022-23, and 1.0 SEG information systems data services specialist position annually for the Data Management Bureau to facilitate more comprehensive data management efforts, including data integration between systems and data quality improvement. The position would primarily be responsible for ETF's "master data management" program, with an end goal of creating master records that combine isolated data elements relating to individuals and businesses into unified, secure records that the agency's various systems can reference, knowing that the information is reliable. The Department believes that implementing a master data management program will create consistent and reliable data output and reduce inefficiencies associated with data reconciliation.

16. Assembly Bill 68/Senate Bill 111 included ETF's request for ongoing costs associated with its five recent IT upgrades. In addition, the bill proposed that the expiring project positions be replaced with 3.0 project positions with an end date of May 1, 2026. Under statute, a project position is defined as a position funded for six or more consecutive months for 600 hours or more per 26 consecutive biweekly pay periods, either for a temporary workload increase or for a planned undertaking which is not a regular function of the employing agency and which has an established probable date of termination. Statute also specifies that no project position may exist for more than four years. As noted previously, the 3.0 positions requested by ETF would be performing ongoing, regular functions. The duties of the positions would not be temporary in nature and would not have an established probable date of termination. Based on the statutory definition of project position, it could be argued that the more appropriate course of action in this circumstance would be to create permanent positions.

17. To maintain ETF's current level of employer services, financial and accounting services, and IT, the Committee could provide funding and position authority as follows: (a) $38,000 SEG in 2021-22 and $228,500 SEG in 2022-23 and 3.0 permanent SEG positions annually for ongoing service support [Alternative 1]; and (b) $317,300 SEG in 2021-22 and $424,200 SEG in 2022-23 for ongoing operational IT costs associated with five recently completed upgrades. [Alternative 2]

18. Although the bill did not include provisions relating to cybersecurity or data management, the Committee could consider them for inclusion. The Department has indicated that the cybersecurity positions are still a high priority for the agency, given that an external evaluation of its security found room for improvement and ETF manages sensitive, personally identifiable medical and financial information for more than 600,000 individuals. In addition, ETF believes that providing a position for data management could reduce the amount of staff time spent on data reconciliation and could improve data quality. The Committee could adopt one or both items by providing: (a) $148,900 SEG in 2021-22, $191,600 SEG in 2022-23, and 2.0 SEG positions annually for cybersecurity [Alternative 3]; or (b) $74,400 SEG in 2021-22, $95,800 SEG in 2022-23, and 1.0 SEG position annually for data management. [Alternative 4]

19. If the Committee takes no action, ETF will likely need to reduce the level of services it currently performs. In 2019-20, the entirety of ETF's administration appropriation was either expended or encumbered. The agency does not have funding in its budget for the identified expenses for IT services, which it must pay, and the current 3.0 project positions currently performing ongoing functions will expire in May, 2022. [Alternative 5]

ALTERNATIVES

1. Provide $38,000 SEG in 2021-22 and $228,500 SEG in 2022-23 and 3.0 SEG positions annually for ongoing service support. [This alternative may be selected in combination with Alternatives 2, 3, and 4.]

ALT 1	Change to Base	
	Funding	Positions
SEG	$266,500	3.00

2. Provide supplies and services funding of $317,300 SEG in 2021-22 and $424,200 SEG in 2022-23 for current ongoing operational IT costs related to five IT upgrades that have occurred, less the prior operational expenses for each. [This alternative may be selected in combination with Alternatives 1, 3, and 4.]

ALT 2	Change to Base
SEG	$741,500

3. Provide $148,900 SEG in 2021-22, $191,600 SEG in 2022-23, and 2.0 SEG positions annually for cybersecurity. [This alternative may be selected in combination with Alternatives 1, 2, and 4.]

ALT 3	Change to Base	
	Funding	Positions
SEG	$340,500	2.00

4. Provide 74,400 SEG in 2021-22, $95,800 SEG in 2022-23, and 1.0 SEG position annually for data management. [This alternative may be selected in combination with Alternatives 1, 2, and 3.]

ALT 4	Change to Base	
	Funding	Positions
SEG	$170,200	1.00

5. Take no action.

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