



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May 25, 2023

Joint Committee on Finance

Paper #336

Resources for Service Support and Financial Functions (Employee Trust Funds)

[LFB 2023-25 Budget Summary: Page 166, #4 and #5]

CURRENT LAW

The Department of Employee Trust Funds (ETF) administers the Wisconsin Retirement System (WRS) 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 1,618 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, 2022, the system covered 673,071 participants: 260,504 active employees, 225,849 annuitants, and 186,718 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. This paper provides information relating to certain agency functions pertaining to employer and member service support, financial operations, and actuarial reporting, for which ETF requested 9.0 positions and associated funding in its 2023-25 agency budget request and which were also included in 2023 Assembly Bill 43/Senate Bill 70. The provisions include funding only for positions, as follows: (a) nine months of salaries in 2023-24 and 12 months of salaries in 2024-25, calculated at the minimum hourly rate of the pay range for each proposed position classification; (b)

fringe benefits calculated at the 2023-25 full fringe benefits rate for ETF, 39.31%; (c) reoccurring supplies and services funding of \$6,900 per position annually, pro-rated for nine months in 2023-24; and (d) additional one-time supplies and services funding of \$3,400 per position in 2023-24.

Service Support

2. The Department requested \$437,800 SEG in 2023-24, \$551,800 SEG in 2024-25 and 7.0 SEG positions annually (5.0 trust fund specialist-objective and 2.0 trust fund specialist-advanced) to expand the service capacity of ETF to meet growth in the number of employers and members over time (retirees and inactive members in particular). These positions would be assigned to the Division of Retirement Services within ETF.

3. The Division of Retirement Services is responsible for customer service to WRS employers and participants. The Division obtains necessary data from employers to determine benefits for employees, answers participant questions about benefits through its call center, offers outreach, appointments, and webinars to help employee prepare for retirement, and provides employees with benefit estimates, applications, and other information to assist them with retirement, health insurance, disability and other benefits administered by ETF. The Division additionally develops and implements policies, training, and support for employers that participate in ETF benefit programs.

4. From 2010 to 2022, more than 140 employers joined the WRS (an increase of 10%). While the number of active employees over the same period remained relatively stable, with increases in some years and decreases in other years, the number of inactive WRS participants grew by 28% over the 12-year period and the number of annuitants increased by 45%. Over the same period, the number of authorized positions in the trust fund specialist classification series increased by 29.4 full-time equivalent positions (42%).

5. Staff must provide training for new WRS employers to ensure that benefits are administered correctly. In addition, the number of retirements and retirees is expected to further increase with demographic trends. These trends have an impact on workload for staff, including answering more calls, providing retirement estimates, processing retirement benefit applications, and administering payroll functions for annuity payments. According to ETF, staffing is currently inadequate to provide quality customer service and meet the demands of employers, employees, and annuitants in a timely manner. As an example, ETF indicates it has not been able to meet its minimum service goal of answering 70% of calls in 3 minutes, and call center wait times range from 6 to 7 minutes. In addition, health insurance change requests and wait times for WRS participants to meet with a benefits specialist each take eight weeks on average. An addition of 7.0 positions would constitute a 7% increase in trust fund specialists.

6. The Department would assign the positions to the following areas of responsibility: (a) call center, 2.0 trust fund specialist-objective positions, to manage increase volume and length of calls; (b) member services, 2.0 trust fund specialist-advanced positions, to provide retirement estimates and appointments; (c) employer services, 2.0 trust fund specialist-objective positions, to support employers and retirees with matters relating to health insurance and supplemental programs; and (d) benefit services, 1.0 trust fund specialist-objective position, to address workload relating to

retirement services, such as processing retirement applications and transactions.

Financial and Actuarial Functions

7. The Department requested \$143,600 SEG in 2023-24, \$182,200 SEG in 2024-25, and 2.0 SEG positions annually to address increased workload in financial and actuarial duties relating to retirement and insurance programs administered by ETF for state and local employees. One position would have a job title of actuarial analyst, and the other would be an accountant. Both positions would be classified as accountant-advanced.

8. The Division of Trust Finance within ETF is responsible for accounting and financial reporting of benefit programs. The Division administers collection of retirement contributions and insurance premiums, payment of insurance claims, disbursement of WRS benefit payments, maintenance of WRS participant accounts, and the production of ETF's annual comprehensive financial report. Division staff additionally work with ETF's consulting actuaries to set contribution rates and annuity adjustments.

9. According to ETF, due to increased reporting requirements, new accounting standards, and audit recommendations, the need for Division of Trust Finance staff to review data has increased and has contributed to a high workload that is difficult to sustain. In addition, a portion of staff time is devoted to planning and implementation efforts for the insurance and pension administration systems. The Department believes that an addition of 2.0 accountants, including an accountant with actuarial experience, would alleviate workload issues and improve the agency's ability to support reliable financial operations, ensure compliance with state and federal regulations, provide high quality data to consulting actuaries, complete valuations in a more timely manner, assess reasonableness of actuarial methodology and assumptions, and provide support in actuarial research.

10. 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.

11. The accountant 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

12. The Committee could provide \$581,400 SEG in 2023-24, \$734,000 SEG in 2024-25, and 9.0 SEG positions annually to: (a) reduce workload for Division of Retirement Services staff and improve customer service support for WRS employers and participants; and (b) reduce workload for Division of Trust Finance staff and improve accounting and financial functions, including the addition of staff with actuarial experience. [Alternative 1]

13. If the Committee wished to provide some additional resources, but less than what ETF requested and AB 43/SB 70 would provide, it could choose to provide some combination of: (a) 7.0, 5.0, or 3.0 trust fund specialists; and (b) 2.0 accountants or 1.0 accountant. [Alternatives 2a, 2b, 2c,

3a, and 3b] Under these alternatives, ETF would determine how to allocate the provided funding and position authority for the stated objectives, based on agency priorities.

14. If no additional funding or position authority is provided, ETF is concerned that customer service may deteriorate beyond current levels and the agency will be limited in its ability to provide reliable financial support, compliance with state and federal regulations, and accurate information for actuarial purposes. [Alternative 4]

ALTERNATIVES

1. Provide \$581,400 SEG in 2023-24, \$734,000 SEG in 2024-25, and 9.0 SEG positions annually to: (a) reduce workload for Division of Retirement Services staff and improve customer service support for WRS employers and participants; and (b) reduce workload for Division of Trust Finance staff and improve accounting and financial functions, including the addition of staff with actuarial experience.

ALT 1	Change to Base	
	Funding	Positions
SEG	\$1,315,400	9.00

2. Provide funding and position authority in the following amounts for Division of Retirement Services customer service support to WRS employers and participants. [Each alternative listed may be selected in combination with Alternatives 3a or 3b.]

a. \$437,800 SEG in 2023-24, \$551,800 SEG in 2024-25 and 7.0 SEG positions annually

ALT 2a	Change to Base	
	Funding	Positions
SEG	\$989,600	7.00

b. \$312,600 SEG in 2023-24, \$394,100 SEG in 2024-25, and 5.0 SEG positions annually

ALT 2b	Change to Base	
	Funding	Positions
SEG	\$706,700	5.00

c. \$187,600 SEG in 2023-24, \$236,500 SEG in 2024-25, and 3.0 SEG positions annually

ALT 2c	Change to Base	
	Funding	Positions
SEG	\$424,100	3.00

3. Provide funding and position authority in the following amounts for 1.0 or 2.0 Division of Trust Finance accountant-advanced positions. [Each alternative listed may be selected in combination with Alternatives 2a, 2b, or 2c.]

- a. \$143,600 SEG in 2023-24, \$182,200 SEG in 2024-25, and 2.0 SEG positions annually

ALT 3a	Change to Base	
	Funding	Positions
SEG	\$325,800	2.00

- b. \$71,700 SEG in 2023-24, \$91,000 SEG in 2024-25, and 1.0 SEG position annually

ALT 3b	Change to Base	
	Funding	Positions
SEG	\$162,700	1.00

- 4. Take no action.

Prepared by: Rachel Janke