EMPLOYEE TRUST FUNDS

Budget Summary

Fund	2020-21 Base Year Doubled	2021-23 Governor	2021-23 Jt. Finance	Joint Finance Change to: Governor Amount	Governor Percent	Base Amount	Base Percent
GPR	$112,800	$75,100	$75,100	$0	0.0%	- $37,700	- 33.4%
SEG	99,388,800	102,565,500	101,849,600	- 715,900	- 0.7	2,460,800	2.5
TOTAL	$99,501,600	$102,640,600	$101,924,700	- $715,900	- 0.7%	$2,423,100	2.4%

FTE Position Summary

Fund	2020-21 Base	2022-23 Governor	2022-23 Jt. Finance	Joint Finance Change to: Governor	2020-21 Base
SEG	274.20	274.20	275.20	1.00	1.00

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS [LFB Paper 101]

	Governor (Chg. to Base) Funding	Governor (Chg. to Base) Positions	Jt. Finance (Chg. to Gov) Funding	Jt. Finance (Chg. to Gov) Positions	Net Change Funding	Net Change Positions
SEG	$1,668,700	- 3.00	- $386,200	0.00	$1,282,500	- 3.00

Governor: Provide adjustments to the base totaling $929,600 and -3.0 positions in 2021-22 and $739,100 and -3.0 positions in 2022-23. Adjustments are for: (a) turnover reduction (-$579,500 annually); (b) removal of noncontinuing elements from the base (-$38,000 and -3.0 positions in 2021-22 and -$228,500 and -3.0 positions in 2022-23); (c) full funding of continuing position salaries and fringe benefits ($1,414,700 annually); (d) overtime ($45,600 annually); (e) night and weekend differential pay ($72,300 annually); and (f) full funding of lease and directed moves costs ($14,500 annually).

Joint Finance: Increase the rate used to calculate turnover reduction from 3% to 4% for all appropriations subject to a 3% turnover rate under the Governor's recommended budget. Reduce funding under the turnover reduction standard budget adjustment by $193,100 annually.

2. RETIRED EMPLOYEES BENEFIT SUPPLEMENT REESTIMATE [LFB Paper 102]

GPR	- $37,700

Governor/Joint Finance: Reduce estimated expenditures by $14,400 in 2021-22 and $23,300 in 2022-23 to reflect decreased amounts necessary to pay benefit supplements for retirees who first began receiving annuities before October 1, 1974. These supplements were authorized by Chapter 337, Laws of 1973, 1983 Wisconsin Act 394, and 1997 Wisconsin Act 26. The reestimate is due to a declining number of retirees eligible for these supplements due to deaths. Current base level funding for the appropriation is $56,400.

3. INFORMATION TECHNOLOGY COSTS FOR SYSTEMS MODERNIZATION [LFB Paper 280]

SEG	$741,500

Governor/Joint Finance: Provide $317,300 in 2021-22 and $424,200 in 2022-23 for supplies and services expenses for ongoing operational information technology (IT) costs related to systems modernization. Funding is based on ongoing costs for five recent IT upgrades, less the prior operational expenses for each (totaling $66,500 annually), as follows: (a) software for data extraction, transformation, and loading ($9,500 in 2021-22 and $116,400 in 2022-23); (b) website redesign ($110,900 annually); (c) project and work management software ($69,500 annually); (d) automated call distribution software ($64,100 annually); and (e) appointment scheduling software ($63,300 annually).

4. PROJECT POSITIONS FOR SERVICE SUPPORT [LFB Paper 280]

	Funding	Positions
SEG	$266,500	3.00

Governor: Provide $38,000 in 2021-22 and $228,500 in 2022-23 and 3.0 project positions annually (2.0 trust funds specialists and 1.0 accountant) with an end date of May 1, 2026, to replace project positions that expire in May, 2022. The trust funds specialist project positions would provide support services to employers participating in the health, life, and income continuation insurance programs. The accountant project position would support internal control and data integrity measures to provide accurate and timely financial services.

The current project positions (2.0 trust funds specialists and 1.0 accountant), which were created in 2014 and extended in the 2017-19 biennial budget, were provided to support the agency's transformation, integration, and modernization project. The project positions and associated funding are deleted as a standard budget adjustment.

Joint Finance: Specify that the 3.0 positions be permanent positions.

5. CYBERSECURITY [LFB Paper 280]

	Funding	Positions
SEG	$170,300	1.00

Joint Finance: Provide $74,500 in 2021-22 and $95,800 in

2022-23 and 1.0 position annually for cybersecurity.

6. POLICY AND OVERSIGHT OF DISABILITY PROGRAMS

Governor: Create statutory provisions establishing the long-term disability insurance (LTDI) program, which is currently authorized under administrative rule. Transfer oversight authority relating to the income continuation insurance (ICI) program and the LTDI program from the Group Insurance Board (GIB) to the Employee Trust Funds (ETF) Board. Specify that the transfer of oversight for these disability benefit programs would include tangible personal property, contracts, rules, and pending matters primarily related to the income continuation insurance program and long-term disability insurance program, as determined by the Secretary of ETF. Specify that the ETF Board may apportion excess moneys available through operation of the ICI and LTDI programs to reduce premium payments in following contract years or to establish reserves to stabilize costs in subsequent years.

Under current law, the GIB has authority over the ICI program (an optional plan with short- and long-term disability benefits) and the LTDI program, while the ETF Board has authority over the disability annuity program under s. 40.63 of the statutes and the duty disability program. Under the bill, the ETF Board would be responsible for overseeing all disability programs administered by ETF. In addition, under current law, the GIB is required to apportion excess moneys for all group insurance plans to reduce premium payments in following contract years or to establish reserves to stabilize costs in subsequent years. The bill would specify that this requirement regarding program reserves, which is currently applicable to the ICI and LTDI programs as overseen by the GIB, would be permissive rather than mandatory.

Joint Finance: Provision not included.

7. GIFTS AND GRANTS APPROPRIATION

Governor: Create a continuing PR appropriation for gifts and grants to receive all moneys from gifts, grants, and bequests to carry out the purposes for which they are made or received. Specify that a gift, grant, or bequest provided to the appropriation would not be subject to approval by the Joint Committee on Finance under s. 20.907(1) of the statutes.

The statutory provision related to Committee approval specifies that, "Unless otherwise provided by law, all gifts, grants, bequests, and devises to the state or to any state agency for the benefit or advantage of the state, whether made to trustees or otherwise, shall be legal and valid when approved" by the Committee. Because gifts and grants appropriations are provided by law, the proposed authorizing language relating to Committee approval would be redundant and have no legal effect. Under the bill, the appropriation would function in the same manner as gifts and grants appropriations of other agencies. In addition, under current law and under the bill, all state agencies are required to report to the Committee and to the Department of Administration by December 1 of each year regarding expenditures made by the agency during the preceding fiscal year from nonfederal funds received as gifts, grants, bequests, or devises.

Under 2019 Act 9 (the 2019-21 biennial budget act), the Department's appropriation for gifts and grants, which was not in use, was repealed. The intent of the provision is to recreate the appropriation that previously existed.

Joint Finance: Provision not included.

8. CONSOLIDATE RETIREMENT BOARDS

Governor: Eliminate the nine-member Wisconsin Retirement Board and 13-member Teachers Retirement Board and transfer the duties of the boards to the 13-member ETF Board. Specify that the transfer to the ETF Board would include the transfer of orders, pending matters, contracts, and property associated with the Wisconsin Retirement Board and Teachers Retirement Board.

Specify that membership of the ETF Board include the current two ex officio members (the Governor or the Governor's designee on the GIB and the administrator of the Division of Personnel Management in the Department of Administration or his or her designee), in addition to the following 11 members, elected by the groups specified or appointed by the Governor:

a. Elected Members

- One Wisconsin Retirement System (WRS) participant who is a public school teacher, elected by employees meeting the same criteria;

- One WRS annuitant who retired from covered service, elected by annuitants meeting the same criteria;

- One WRS annuitant who retired from covered service as a public school teacher, elected by annuitants;

- One WRS protective occupation participant or protective occupation annuitant, elected by participants meeting the same criteria;

- One WRS participant who is an educational support personnel employee, elected by employees meeting the same criteria; and

- One public member who is not a WRS participant or beneficiary and who has experience with actuarial analysis, audit functions, or finance relating to employee benefit plans or experience with significant administrative responsibility for a major insurer, elected by participating employees. Specify that it is the intent of the Legislature that this elected member would represent the interests of taxpayers in the state and would not be representative of public employee or employer interests.

b. Appointed Members

- One WRS participant who is a UW System employee or state employee;

- One WRS participant who is an administrator of a public school in the state;

- One WRS participant who is an elected member of a participating local employer's governing body;

- One WRS participant who is an administrator for a participating local unit of government and who is not employed by a public school district; and

- One WRS participant who is a public school teacher in a county that is different from the county of the member who is elected as a public school teacher.

Specify that the members of the ETF Board who are elected or appointed would serve four-year terms and that the current members of the board would continue to serve until the following specified, staggered dates: (a) until April 30, 2022, the UW System teacher appointed by the Teachers Retirement Board and two of the members appointed by the Wisconsin Retirement Board (the member that must be either a state employee or the public member of the board and the member that must be a city or village chief executive or governing board member, a city or village finance officer, a town or county governing board chair or member, a clerk or deputy clerk, or the public member of the board); (b) until April 30, 2023, two of the members appointed by the Teachers Retirement Board (one Milwaukee public school teacher and one local school administrator or school board member); (c) until April 30, 2024, the member appointed by the Wisconsin Retirement Board with no specific membership requirements and the public representative appointed by the Governor; (d) until April 30, 2025, the remaining member appointed by the Teachers Retirement Board (public school teacher or technical college district teacher) and the remaining member appointed by the Wisconsin Retirement Board (an employee of a participating city or village, an employee of a participating local employer other than a city or village, or a state employee); and (e) until April 30, 2026, the annuitant member elected by retired WRS participants and the active WRS participant who is either a technical college or educational support personnel employee elected by employees who meet the same criteria.

Modify the composition of the State of Wisconsin Investment Board to: reduce the number of WRS participants appointed for a six-year term from two to one, to be appointed by the ETF Board rather than each of the two retirement boards; and specify that one member of the Investment Board would be the Secretary of ETF or the Secretary's designee.

Under current law, the Wisconsin Retirement Board and Teachers Retirement Board are advisory boards responsible for approving administrative rules, authorizing benefit payments, hearing appeals of disability determinations, and appointing members to the State of Wisconsin Investment Board. At meetings held in September, 2020, each of the retirement boards recommended merging the boards with the ETF Board.

Joint Finance: Provision not included.

9. OFFICE OF INTERNAL AUDIT

Governor: Create an Office of Internal Audit, administratively attached to ETF, under the direction and supervision of an internal auditor appointed by the ETF Board in the classified service, to provide independent assurance that the public employee trust fund assets under control of ETF are safeguarded for the purpose of ensuring the fulfillment of benefit commitments. Specify that the internal auditor and any staff appointed by the auditor would report directly to the ETF Board. Further, specify the following responsibilities for the internal auditor: (a) develop and implement policies, principles, and directives for the Office; (b) determine the qualifications of staff for the Office and appoint such staff in the classified service; (c) plan and conduct audit activities, including external audits, risk assessments, research projects, and management reviews under the direction of the ETF Board, in accordance with policies, principles, and directives determined by the Board; and (d) monitor ETF's compliance with applicable legal requirements and contracts entered into by ETF and the ETF Board. Specify that the internal auditor may review any activity, information, or record of ETF that relates to administration of the trust funds. Provide that the individual holding the position of internal auditor in ETF on the day before the effective date of the bill would continue to serve in that position until an internal auditor is appointed by the ETF Board, and that individuals holding positions as staff internal auditors would continue to serve in those positions until staff of the Office of Internal Audit are appointed by the internal auditor, in the manner specified in the bill.

The Department currently has an administrative Office of Internal Audit, which reports functionally and administratively to the Secretary of ETF. The Office is authorized 4.0 classified positions in 2020-21.

Joint Finance: Provision not included.

10. DISTRIBUTION OF TRUST FUND EARNINGS

Governor: Specify that the net gain or loss of the variable retirement investment trust of the WRS be distributed to each participating account in the same ratio as each account's average balance within the trust is out of the total average balance of all participating accounts in the trust. Further, specify that distributions from the market recognition account to each participating account in the core retirement investment trust of the WRS be made in the same ratio as each account's average balance is out of the total average balance of all participating accounts in the trust. Under current law, distributions are required to be made on the basis of the average daily balances of each participating account and the average daily balance of all participating accounts in each of the trusts. The administration indicates that the bill would align statutes with the current practice of calculating a simple average balance using beginning and end-of-year balances.

Joint Finance: Provision not included.

11. HEALTH INSURANCE WAITING PERIOD

Governor: Specify that state employers must pay the employer contribution toward health insurance premiums for an employee other than a limited-term employee beginning on the first day of the second month after the date on which the person begins employment with the state. Under current law, state employers begin paying the employer contribution on the first day of the third month after the date on which the person begins employment. The bill would not modify current law with respect to limited-term employees, requiring that employers begin to contribute toward health insurance premiums on the first day of the seventh month after the date on which the employee first becomes a WRS participant.

In relation to this provision, compensation reserves provided for the 2021-23 biennium for state employee salaries and fringe benefits assume increases of $2,462,700 GPR in 2021-22 and $2,526,100 GPR in 2022-23 associated with the reduced health insurance waiting period.

Joint Finance: Provision not included.

12. STUDY OF SCHOOL DISTRICT HEALTH INSURANCE

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
SEG	$500,000	- $500,000	$0

Governor: Create a biennial appropriation for a study of mandatory participation by school districts in a group health insurance plan offered by the GIB. Provide expenditure authority of $500,000 in 2021-22 to the newly-created appropriation. Specify that the source of funding for the appropriation would be moneys credited to the public employee trust fund administrative account under s. 40.04(2) of the statutes. The public employee trust fund administrative account is funded from: charges allocated to employers that participate in ETF programs based on the cost to administer those programs; and associated investment income.

Require the GIB, in consultation with the actuary that performs actuarial services for the group health program, to conduct a study of the potential costs and savings to school districts and current plan participants if all school districts were required to participate in a group health insurance plan offered by the GIB. Further, require the GIB to submit a written report of the study to the Governor and the Joint Committee on Finance no later than June 30, 2022. Require the Commissioner of Insurance to establish a committee called the "School District Group Health Insurance Task Force" consisting of the following members appointed by the Governor: (a) one representative from the Office of the Commissioner of Insurance, who would serve as the chairperson; (b) one representative from the Department of Administration; (c) one representative from the Department of Public Instruction; (d) one representative from ETF; (e) one administrator of a school district; (f) one member of a school board; (g) one official of a public employee union; (h) three employees of public schools; and (i) one representative of a health plan. Require the Commissioner of Insurance and the Secretary of ETF to develop an implementation plan based on consultation with the task force and review of the actuarial report which, if enacted, would require all school districts to participate in a group health insurance program offered by the GIB by January 1, 2024. Require the Commissioner of Insurance and the Secretary of ETF to submit the implementation plan to the Governor and the Joint Committee on Finance by December 31, 2022.

Under current law, a local public employer may offer to its employees a health plan offered by the GIB. If a local employer participates in a GIB health plan, the employer may not pay more than 88% of the average premium cost of plans offered. A local employer may determine the amount, if any, it chooses to contribute to employee health savings accounts (HSA). An HSA may be established for funding health care expenses for an individual if the individual participates in a high-deductible health plan (HDHP). Alternatively, a local employer may establish its own health plan for employees through a fully-insured arrangement with an insurer or by self-insuring for health care costs. If a local employer provides health care coverage separately from the GIB-offered plans, the employer may determine how much it contributes towards the cost of health plan premiums. An employer could also choose to make contributions to HSAs for employees participating in an HDHP offered by GIB. Under 2017 Act 59 (the 2017-19 biennial budget act), school districts were required to report annually to the Department of Administration regarding employee health care, including health care plan design, premium contributions, self-insurance contributions, deductibles, copayments, coinsurance, and other methods by which employees contribute to health care costs. As of January 1, 2021, seven of 421 school districts (less than 2%) participate in a group health plan offered by the GIB.

Joint Finance: Provision not included.

13. DOMESTIC PARTNER BENEFITS ADMINISTERED BY ETF

Governor: Specify that, under Chapter 40 of the statutes (Public Employee Trust Fund), a WRS participant may register a domestic partnership with ETF, defined as a relationship between two individuals that satisfies all of the following: (a) each individual is at least 18 years old and otherwise competent to enter into a contract; (b) neither is married to, or in a domestic partnership with, another individual; (c) they are not biologically more closely related than would be allowed by law in the case of marriage; (d) they consider themselves to be members of each other's immediate family; (e) they agree to be responsible for each other's basic living expenses; and (f) they share a common residence. [Domestic partnerships are not defined in terms of the gender or sex of the partners and may, therefore, be between members of the opposite sex or members of the same sex.] Repeal the statutory provision excluding domestic partners from the standard sequence for deferred compensation survivorship benefits. Repeal statutory provisions excluding domestic partners and children of domestic partners from health insurance coverage; duty disability benefits; and domestic relations orders issued by a court assigning all or part of a participant's accumulated assets held in a deferred compensation plan to a domestic partner or former domestic partner to satisfy a family support obligation. Specify that the provisions relating to the standard sequence for deferred compensation survivorship benefits and the treatment of duty disability death benefits would first apply to a surviving domestic partner of a participant who dies on July 1, 2021, or the effective date of the bill, whichever is later.

Under 2017 Act 59, Chapter 40 domestic partnership registrations were closed to new applications, effective September 23, 2017, and the following Chapter 40 benefits that had been extended to domestic partners were discontinued: health insurance coverage for domestic partners and their dependent children (health insurance coverage was continued for domestic partner survivors of employees or retirees whose date of death occurred prior to January 1, 2018); inclusion in the standard sequence for deferred compensation survivorship benefits; authority for a court to issue a domestic relations order assigning all or part of a participant's accumulated assets held in a deferred compensation plan to a domestic partner or former domestic partner to satisfy a family support obligation; option to purchase long-term care insurance policies through the GIB; and duty disability survivorship benefits (unless the date of the disability occurred prior to January 1, 2018).

Joint Finance: Provision not included.

14. REHIRED ANNUITANT TEACHERS

Governor: Specify that the requirement to suspend an annuity and become an active participant in the WRS would not apply to an annuitant who is a teacher if the following conditions are met: (a) at the time the person terminates employment with a school district, the person does not have an agreement with any school district that is a participating WRS employer to return to employment as a teacher or enter into a contract to provide employee services as a teacher; and (b) the person elects on a form provided by ETF to not become a participating WRS employee. Specify that the current break-in-service requirement of 75 days would not apply to a participant who is a teacher if at least 15 days have elapsed between the termination of employment and becoming a teacher as an employee or contractor. Further, specify that the provisions relating to rehired annuitant teachers would apply prospectively to participants who terminate employment on or after the effective date of the bill.

Under current law, any WRS participant (including a teacher) who retires on or after July 2, 2013, must suspend their annuity and become a participating WRS employee if they are employed in covered employment, or enter into a contract with a WRS employer, and are expected to work at least two-thirds of what is considered full-time employment by ETF. Also under current law, any WRS participant who retires on or after July 2, 2013, has a break-in-service requirement of 75 days between termination of employment and becoming a participating employee with a WRS employer. This separation from WRS employment must occur for an individual who applied for an annuity or lump sum payment to continue to qualify for an annuity or to retain the lump sum payment.

Joint Finance: Provision not included.