

Public Agenda Item #15b

Review, Discussion and Consideration of the
Texas Employees Group Benefits Program for Fiscal Year 2017:

Texas Income Protection Plan Proposed Rates

May 17, 2016

Robert P. Kukla, Director of Benefit Contracts

Blaise Duran, ASA, MAAA and Manager of Underwriting, Data Analysis and Reporting

Philip S. Dial, Rudd & Wisdom, Inc.

Texas Income Protection Plan

Funding and Plans



- Benefits are funded through member contributions.
- Contribution rates are set by the Board.
- GBP retains the risk for the self-funded plans.

GBP Disability Plans

As of March 31, 2016

Coverage	Plan Type	Funding	Enrolled Members	Covered Monthly Payroll
Disability	Short Term	Self Funded	117,075	\$460,038,734
Disability	Long Term	Self Funded	90,196	\$377,318,192

Texas Income Protection Plan

Contract Administrator



- Aon Hewitt Absence Management, LLC (Aon Hewitt) was awarded the contract to provide all administrative services for TIPP benefit at the February 2013 board meeting.
 - The initial four-year term began September 1, 2013 and goes through August 31, 2017.
- On January 5, 2016, Reed Group, Ltd. Announced its acquisition of the absence management administration business of Aon Hewitt and will serve as the TIPP administrator through the duration of the contract period.
 - The Reed Group, Ltd. is a wholly owned subsidiary of The Guardian Life Insurance Company of America.

Texas Income Protection Plan

Fiscal Year 2016 Rate Analysis



- Member contribution rates for the disability plans were developed based on:
 - Reasonable expectations of future claims
 - Anticipated claim patterns
 - Expected investment income
 - Administrative fees associated with the TIPP benefit administration
- Based on this analysis, current member contribution rates are adequate to provide for the cost of coverage and should be continued through FY 2017.

Texas Income Protection Plan

Financial Experience



Short Term Disability Experience

	FY 2015	FY 2016 YTD as of March 2016
Member Contributions	\$15,623,840	\$9,599,007
Incurred Claims	\$11,263,401	\$6,141,612
Administrative Fees	\$3,330,708	\$1,949,610
Total Expense	\$14,594,109	\$8,091,222
Contribution Gain/(Loss)	\$1,029,731	\$1,507,785

Texas Income Protection Plan

Financial Experience



Long Term Disability Experience	
	FY 2004 – FY 2015 Cumulative
Actual Member Contributions	\$262,579,995
Incurred Claims with Discounted Reserves	\$242,065,159
Administrative Fees	\$14,581,724
Total Expense	\$256,646,882
Contribution Gain/(Loss)	\$5,933,113

Staff Recommendation

Proposed FY 2017 Contribution Rates



- Benefits are funded through member contributions
- Contribution rates are set by the Board
- GBP retains the risk for the self-funded plans

GBP Disability Plans

**Proposed Monthly Member Contribution Rates for FY 2017
(effective September 1, 2016)**

Plan Description	FY 2017	Change from current rate
Short Term Disability	\$0.30/per \$100 of covered payroll	No Change
Long Term Disability	\$0.63/per \$100 of covered payroll	No Change

Questions?