

2. Meeting of the ERS Board of Trustees



March 7, 2018



Public Agenda Item #1.1

Call Meeting of the ERS Board of Trustees to Order



March 7, 2018

Public Agenda Item #2.1

*Review and Approval of the minutes to the December 13, 2017
ERS Board of Trustees meeting (**Action**)*



March 7, 2018

Questions?
Action Item



Public Agenda Item #3.1

Review and Consideration of Retirement Actuarial Factor Tables – (Action)

★
March 7, 2018

Jennifer Jones, Senior Retirement Policy Analyst
Robin Hardaway, Director of Customer Benefits
Christi Davis, Assistant Director of Customer Benefits

What Is an Actuarial Factor?

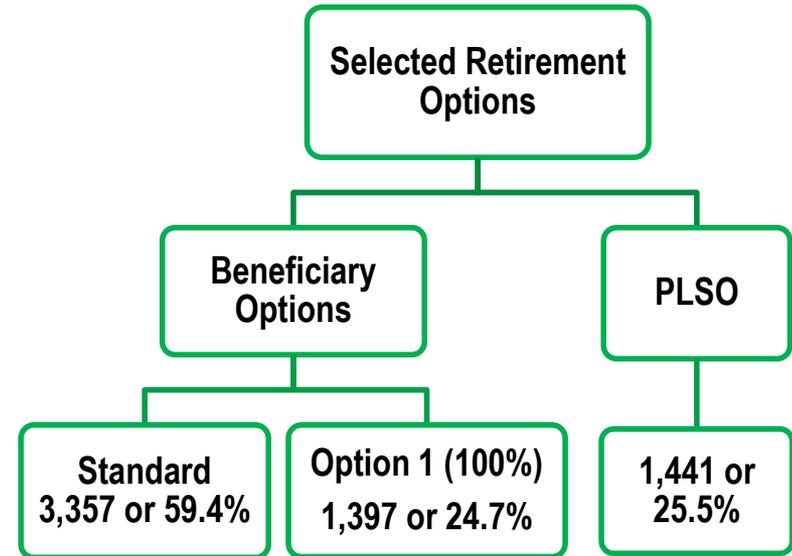
- Factors that are used to calculate **annuity reductions** (for non-standard retirement options) and **service purchases**. The factors should reflect:
 - **Actuarial assumptions** used to calculate the plan's liability
 - Demographic
 - Economic
 - **Plan benefits**
- New factors are adopted in the year following an experience study.
 - If the tables are adopted, the Board will also update related rules in Agenda Item #4.

Retirement and Death Benefit Actuarial Factors



- Factors are used to reduce annuities when members:
 - Select a beneficiary option
 - Option 1 – 100% payment to survivor
 - Option 2 – 50% payment to survivor
 - Option 3 – Five years of payments to survivor
 - Option 4 – 10 years of payments to survivor
 - Option 5 - 75% payment to survivor
 - Select a Partial Lump Sum Option
 - 1-36 months of standard annuity paid in a single payment that permanently reduces the monthly annuity for retiree's lifetime
 - Qualify for non-occupational disability retirement
 - Pass away as an active contributing employee
 - Retire under LECOS early retirement provisions (≥ 20 years of service and < 50 years of age)

5,649 Retirements in FY17



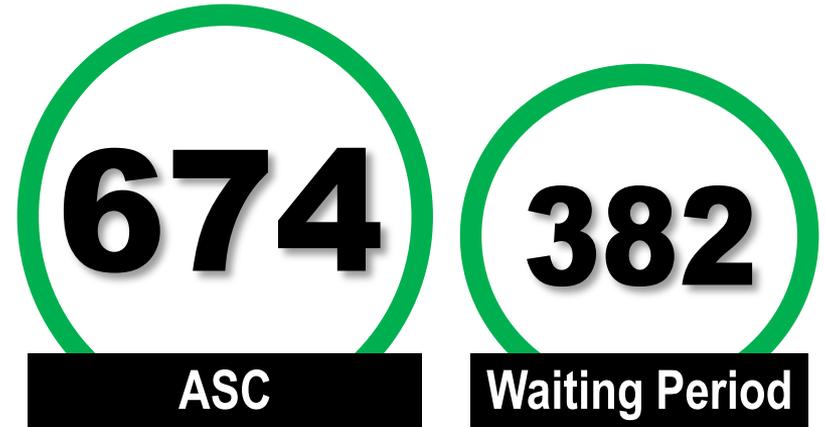
Service Purchase Actuarial Factors



Factors are used to calculate service purchases for:

- Additional Service Credit (ASC)
Up to three years, if member has ≥ 10 years' earned ERS service credit (not including military and unused sick/annual leave)
- Waiting Period Service Credit
The time a member had to wait to participate in ERS retirement, usually 90 days

FY17 Service Purchases



Proposed Changes to the Retirement Plan Factor Tables Effective September 1, 2018



- Adjustments to some demographic assumptions were adopted by the Board in 2017 to reflect the plan's recent experience, including:
 - longer life expectancy for retirees,
 - fewer retirements than expected,
 - more employees leaving state employment and
 - fewer disability retirements than expected.

Overall Impact of Factor Table Changes

- Annuity factors for survivor payment options
 - Updates were modest and overall favorable to the members.
 - Changes to payment options were mostly due to mortality.
 - Survivor benefits cost less under assumptions adopted in August 2017 because the member is expected to live longer.
- Service purchase factors
 - Factors have increased generally 5-12% for Regular Class employees.
 - Cost increased because interest rate assumptions and increased longevity outweighed reduction in salary expectations.

Example of Impact – Annuity Factors



Option 1: 100% Payment to Survivor (Spouse)

Member Information – SER, Group 1

Age	Spouse Age	Service	Multiplier for Standard Annuity	Final Average Earnings (FAE)	Current Factor	New Factor
61	62	10 years, 2 months	23.383%	\$7,752.89	88.8%	89.7%

Difference: 0.9 percentage point increase

Calculation	Current Annuity	New Annuity
1. Calculate the standard annuity: FAE * multiplier for standard annuity = standard annuity	$\$7,752.89 * 0.23383 = \$1,812.86$	$\$7,752.89 * 0.23383 = \$1,812.86$
2. Calculate the Option 1 annuity: standard annuity * factor for Option 1 = annuity with Option 1	$\$1,812.86 * 0.888 = \$1,609.82$	$\$1,812.86 * 0.897 = \$1,626.13$

Difference: \$16.31 per month increase

Examples of Impact – Annuity Factors



Group	Member Age	Option	Beneficiary Age	Service and Multiplier	Final Average Earnings	Current Factor	New Factor	Current Annuity	New Annuity	Difference Per Month
SER Service Class										
1	85 years	5 (75%)	66 years spouse	12 years, 11 months 29.708%	\$3,998.67	55.8%	55.8%	\$662.86	\$662.86	\$0.00
2	60 years	2 (50%)	32 years non-spouse	25 years, 10 months 59.417%	\$5,410.84	89.7%	90.0%	\$2,883.82	\$2,893.46	\$9.64 increase
3	62 years	5 (75%)	58 years spouse	19 years, 9 months 45.425%	\$5,450.91	89.2%	89.9%	\$2,208.66	\$2,225.99	\$17.24 Increase
CPO Service Class										
1	55 years	1 (100%)	39 years non-spouse	18 years, 4 months 42.167%	\$3,715.06	87.9%	88.2%	\$1,376.98	\$1,381.68	\$4.70 increase
2	60 years	4 (10 years)	NA	13 years, 3 months 30.475%	\$3,582.20	97.7%	98.3%	\$1,066.57	\$1,073.12	\$6.55 increase
3	65 years	3 (5 years)	NA	12 years, 11 months 29.708%	\$3,998.67	98.8%	99.1%	\$1,173.67	\$1,177.23	\$3.56 increase

Examples of Impact – Service Purchase Factors



Member Info	Purchase Type	Current Factor	New Factor	Current Cost	New Cost	Difference
SER Service Class – Group 1						
25 years service, 60 years old, \$6,079.84 monthly salary	ASC – 1 year	22.287%	24.654%	\$16,260.17	\$17,987.09	\$1,726.92 increase
	ASC – 2 year	44.573%	49.308%	\$32,519.60	\$35,974.17	\$3,454.57 increase
	ASC – 3 year	66.860%	73.961%	\$48,779.77	\$53,960.53	\$5,180.76 increase
SER Service Class – Group 2						
10 years service, 40 years old, \$4,423.45 monthly salary	ASC – 1 year	13.532%	13.669%	\$7,182.98	\$7,255.70	\$72.72 increase
	ASC – 2 year	27.065%	27.659%	\$14,366.48	\$14,681.78	\$315.30 increase
	ASC – 3 year	40.597%	42.188%	\$21,549.46	\$22,393.98	\$844.52 increase
CPO Service Class – Group 1						
19 years service, 55 years old, \$3,440.66 monthly salary	ASC – 1 year	29.037%	31.177%	\$11,988.77	\$12,872.33	\$883.56 increase
	ASC – 2 year	58.074%	62.354%	\$23,977.55	\$25,744.67	\$1,767.12 increase
	ASC – 3 year	87.112%	93.531%	\$35,966.73	\$38,617.00	\$2,650.27 increase

System Implementation of Actuarial Factors



Retirement Annuity Options and Additional Optional Retirement Eligibilities (formula-based factors)

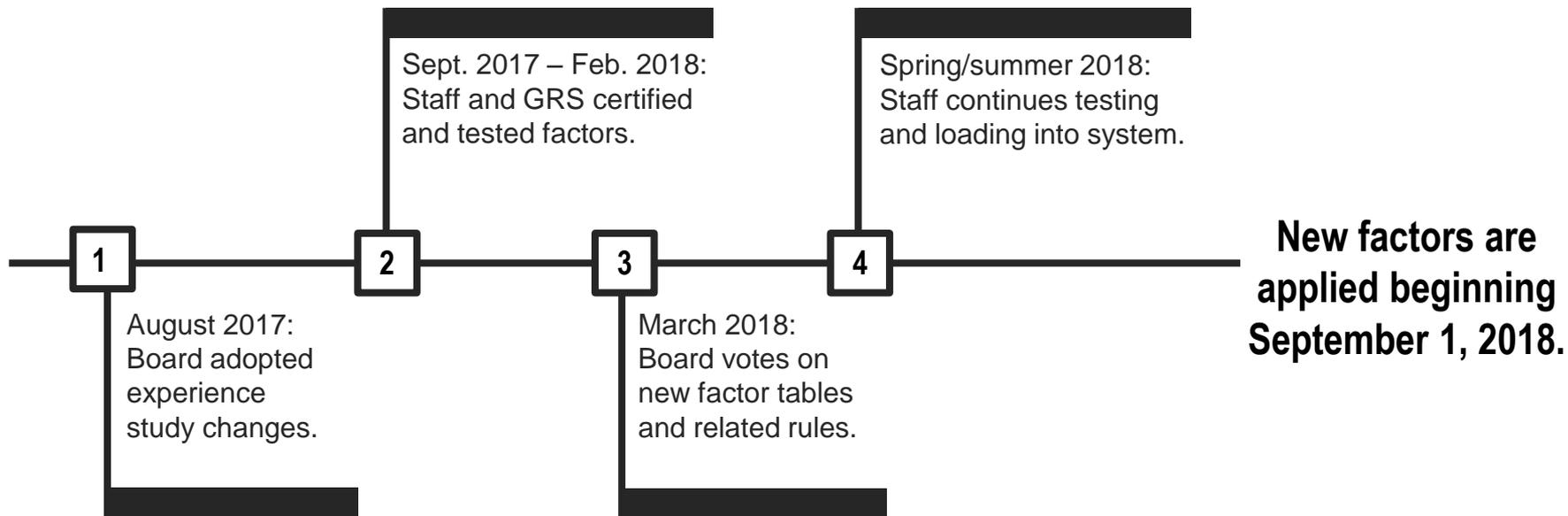
1. The formulas were provided by Gabriel Roeder Smith & Company (GRS), ERS' consulting actuary for retirement.
2. Formulas were loaded into ERS OnLine by ERS' Information Systems.
3. Annuity actuarial factor tables were produced internally from the programmed formulas.
4. GRS closely examined and validated ERS' system-generated factors and certified their accuracy and consistency with the actuarial assumptions adopted on August 23, 2017.
5. If adopted by the Board, the proposed annuity reduction factors will be ready June 1 for retirements beginning September 1, 2018.

Additional Service Credit (ASC) and Waiting Period (WP) Service Purchases

1. GRS developed the proposed actuarial factor tables for ASC and WPD purchases made on or after September 1, 2018.
2. If adopted, the factor tables will be loaded into ERS Online.

Factor Table Timeline

August 2017 - September 2018



Proposed Changes to the Retirement Plan Factor Tables Effective September 1, 2018



Staff Recommendation

Staff recommends the adoption of the factor tables presented in Exhibit A, effective September 1, 2018.

ERS plans will be administered using factors that are actuarially equivalent to the **actuarial assumptions** and **plan benefits**.

Questions?
Action Item



Public Agenda Item #4.1

*Review and Consideration of the Rules of the Board of Trustees,
Texas Administrative Code, Title 34, Part IV, Chapter 71
(Creditable Service), Chapter 73 (Benefits), and Chapter 77
(Judicial Retirement) – (Action)*



March 7, 2018

Robin Hardaway, Director of Customer Benefits
Christi Davis, Assistant Director of Customer Benefits

Proposed Amendments to Chapter 71, 73, and 77 as related to Actuarial Factors



- Reasons for proposed amendments to Chapter § 71.29, § 71.31, § 73.21, § 77.11 and § 77.21
 - Effective September 1, 2017, Chapter 530 (S.B. 301), Acts of the 85th Legislature, Regular Session, 2017, amended § 815.105, Texas Government Code, to require the ERS Board of Trustees to adopt new actuarial factor tables at least once every four years. This change in law was based on a recommendation from the Texas Sunset Advisory Commission following the Sunset review of ERS. On August 23, 2017, the ERS Board of Trustees (Board) adopted a new set of actuarial assumptions, which serve as the basis for new actuarial factor tables effective September 1, 2018.

Proposed Amendments to Chapter 71, 73, and 77 as related to Actuarial Factors



- §71.29 (Purchase of Additional Service Credit), §71.31 (Credit Purchase Option for Certain Waiting Period Service), and §77.21 (Purchase of Additional Service Credit).
 - Proposed to be amended to provide that actuarial factor tables concerning certain purchases of service credit by ERS members will be subject to the factor tables, as adjusted from time to time, and adopted under § 815.105, Texas Government Code.
- §73.21 (Reduction Factor for Age and Retirement Option) §77.11 (Reduction Factors for Age and Retirement Options--Judicial Retirement System of Texas Plan One (JRS-I) and Judicial Retirement System of Texas Plan Two (JRS-II))
 - Proposed to be amended to provide that actuarial assumptions, mortality tables, and reduction factors used for calculation of benefits will be subject to the factor tables, as adjusted from time to time, and adopted under § 815.105, Texas Government Code.
 - Section 73.21 and 77.11 are also amended to include the current street address of ERS.

Proposed Amendments to Chapter 71 and 77

Concerning Payments to Establish or Reestablish Service Credit



- §71.14 and §77.15 (Payments to Establish or Reestablish Service Credit)
 - Repeal subsections (c), (d) and (e) regarding purchasing service through payroll deduction. These subsections are obsolete since payroll deduction for this purpose is no longer permitted by the retirement system.

Proposed Amendments to Chapter 71, 73, and 77

- Notice of the proposed amendments were published in the January 19, 2018 Texas Register (43TexReg 327,329, and 331).
- The deadline to receive comments was Monday, February 19, 2018. No comments were received.

Questions?
Action Item



Public Agenda Item #4.2

*Review and Consideration of the Rules of the Board of Trustees,
Texas Administrative Code, Title 34, Part IV, Chapter 81
(Insurance) – (Action)*



March 7, 2018

Robin Hardaway, Director of Customer Benefits
Christi Davis, Assistant Director of Customer Benefits

Proposed Amendments to Chapter 81 Concerning Insurance



- § 81.1 (Definitions)
 - Amended to clarify the amount of compensation used for non-salaried elected and appointed officials and members of the Legislature for purposes of determining optional term life insurance and disability income limitations.
- § 81.8 (Waiver of Health Coverage)
 - Amended to allow a member receiving an incentive credit to apply that credit toward the recently established State of Texas Vision plan within the Group Benefits Program (GBP).
- § 81.9 (Grievance Procedures)
 - Amended to reflect that the State of Texas Vision plan is a self-funded plan, and clarifies that the vision plan's grievance procedures are set forth in the Master Benefit Plan Document for that plan and are subject to applicable federal statutes and rules and §1551.356 of the Texas Employees Group Benefits Act, Insurance Code.

Proposed Amendments to Chapter 81 Concerning Insurance



- Notice of the proposed amendments were published in the January 19, 2018 Texas Register (43 TexReg 334).
- The deadline to receive comments was Monday, February 19, 2018. No comments were received.

Questions?
Action Item



Public Agenda Item #5.1

Review of Pension Funding Priorities and Guidelines Policy



March 7, 2018

Jennifer Jones, Senior Retirement Policy Analyst

Funding Policy Background



What is a Funding Policy?

- **Funding Policy**: A formally adopted policy that includes a systemic set of procedures used to determine the contributions that will be made in a specific year and over a series of years as well as how to finance any gains/losses as experience occurs
- Funding policies have existed for a number of years. However, the GASB 67/68 requirements have placed a renewed focus on funding policies, so more systems are developing customized, comprehensive policies
 - City of Austin ERS, TCDRS and TMRS have formal policies
 - A number of systems in other states have adopted formal policies in the last few years

Funding Policy Components

- Funding policies cover three key areas:
 - Actuarial cost method: The technique used to allocate the total present value of future benefits over an employee's working career (normal cost/service cost).
 - Asset smoothing method: The technique used to recognize gains or losses in pension assets over some period of time so as to reduce the effects of market volatility and stabilize contributions.
 - Amortization (funding) period policy: The length of time and the structure selected for increasing or decreasing contributions to systematically eliminate any unfunded actuarial accrued liability or surplus.

Why hasn't ERS adopted a policy before?



- ERS actuaries from GRS encouraged adoption of a funding policy in 2016 but the board discussion was to wait until the conclusion of the 2017 Experience Study
 - Overlapping decisions were be made in the Experience Study

Possible limitations of a funding policy



- Each policy needs to reflect the legal and practical realities for a plan's funding, benefit design, and where authority for each component lives.
 - ERS plans have historically been funded as a fixed percent of payroll rather than receiving an actuarially determined contribution (ADC) that is adjusted each year.
 - If ERS does not believe that can be changed, then the policy parameters need to acknowledge the fixed percent of payroll status in setting goals.

Project Goals



- Develop a formal policy that is tailored to ERS, accounting for funding, legal and practical realities
 - As much as possible, implement best practices, but only to the extent that they to contribute to ERS plans' success
 - Use this policy to guide future discussions with the plan sponsor (legislature)
 - Monitor progress and update policy as appropriate
 - Educate external stakeholders about funding policy purpose and practical implications

Key Policy Components



Actuarial Cost Method

Individual Entry Age
Normal Cost

Asset Smoothing Method

Closed 5 yr method,
direct offsetting of
gains/losses

Funding Period

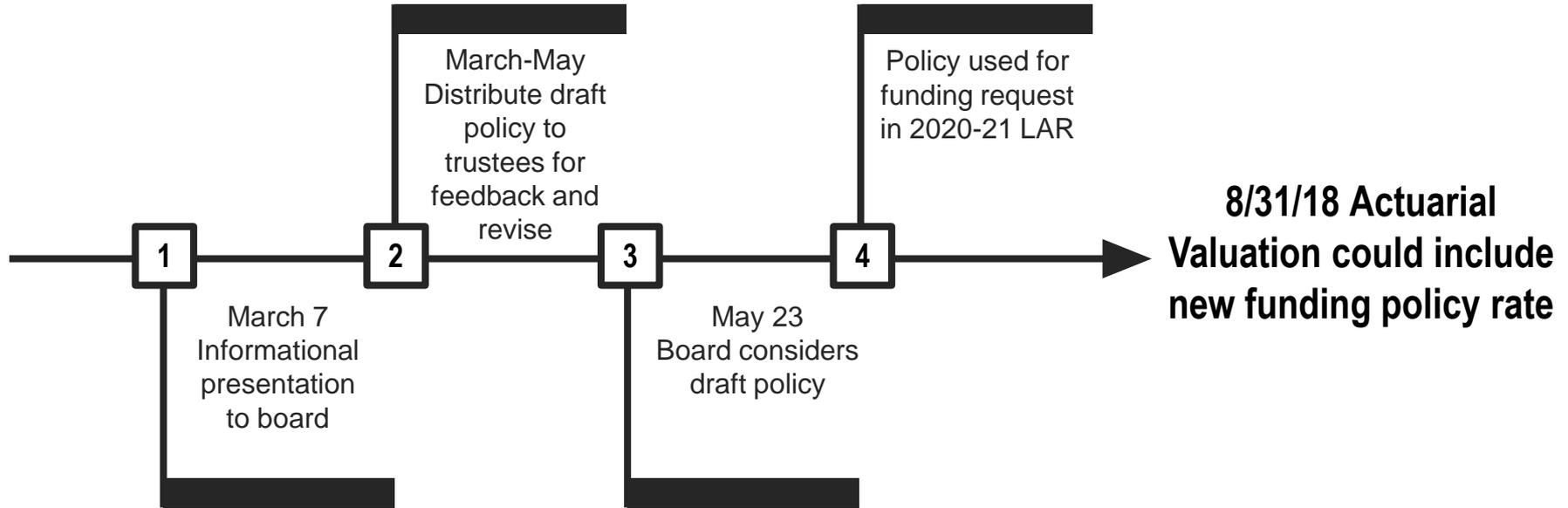
To be determined

Amortization (Funding) Period Policy



- Purpose is to define a period goal for paying off unfunded liabilities
 - Current best practice is no higher than 25 years
- Typically expressed as open (rolling) or closed
 - Closed periods can be difficult to manage, but if funding meets the need, a plan would eventually achieve 100% funded status
 - Ease of communication should be considered in setting goal

Next Steps – Policy timeline



Questions?



Public Agenda Item #6.1

Review and Discussion of the Sunset Implementation Project Update



March 7, 2018

Keith Yawn, Director of Strategic Initiatives

Sunset Commission Review Overview



- Sunset Staff Review conducted September 2015 – April 2016
- Sunset Staff Report released April 2016
- Sunset Commission adopted final recommendations November 10, 2016
 - 19 total recommendation requirements, across 5 issue areas
 - 10 management directives and 9 statutory changes
- **Senate Bill 301 effective September 1, 2017**

Summary of Agency Sunset Progress

15 of 19 Requirements Fully or Substantially Completed



Management Actions (10)



8 Complete



1 Ongoing



1 In Progress

Statutory Changes (9)



6 Complete



3 In Progress

3 Management Action recommendations adopted by the Commission

- Implementation began in August 2015
- **Projects were completed in February 2018**
- OPCO is charged with ongoing process improvement work related to contracting and procurement operations

Contract Management and Administration



Recommendation 1.1: Direct ERS to provide the contracting division clear authority over all of the agency's procurement and contracting functions, including contract oversight.

- Implemented in phases from August 2015 – February 2018
 - Appointment of Director of Procurement (August 2015)
 - Creation of OPCO Division (April 1, 2016)
 - Transfer of existing staff and hiring of new staff (September 2016)
 - Revisions and updates to agencywide contracting policies to ensure OPCO involvement in oversight, approval, and development processes (Feb 2018)

Contract Management and Administration



Recommendation 1.2: Direct ERS to further centralize and consolidate its procurement and contracting staff into OPCO.

- Completed September 1, 2016
 - Transfer of solicitation development staff from Benefit Contracts and Legal divisions (April 1, 2016)
 - Transfer of purchasing staff from Finance division (Sept 1, 2016)
 - Hiring of additional staff for contract monitoring/oversight (ongoing)

Recommendation 1.3: Direct ERS to implement contract term dates in agency contracts, except in limited circumstances.

- Implemented from July – August 2016
 - Term Review and Approval Process (July 22, 2016)
 - Sole Source Purchases Process (August 15, 2016)
 - Applicable to contract executions, renewals, and extensions from the implementation date forward

Group Benefits Program Reporting



2 statutory recommendations adopted by the Commission

- Implementation began in December 2016
- **Projects were completed on February 1, 2018**

Group Benefits Program Reporting



Recommendation 2.1: Require ERS to develop and regularly update a comprehensive annual report on the GBP.

- Implemented from December 2016 – February 2018
 - 2016 Cost Management and Fraud Report was renamed and updated to reflect some of the Sunset content requirements
 - 2017 GBP Annual Report addresses the statutory content requirements
 - Claims and administrative expense amounts by plan
 - Summary of benefit design and administrative changes evaluated
 - Recommendations for statutory changes (pushed to 2019)

Group Benefits Program Reporting



Recommendation 5.2: Change the due date for the Cost Management and Fraud Report and continue the agency's other reports.

- SB 301 changed the reporting due date from January 1 to February 1
 - 2017 GBP Comprehensive Annual Report was published Feb 1, 2018 and distributed to required state leadership offices
 - The change allows for enhanced analysis and inclusion of more accurate information, given the run-out lag in available expenditure data as claims are processed

Investment Operations and Reporting



One Management Action recommendation adopted by the Commission

- Implementation began in November 2016
- **Project was completed in February 2017**

Two Statutory recommendations adopted by the Commission

- Implementation began in June 2017
- **Projects were completed in December 2017**

Recommendation 4.1: Require ERS to track and report profit sharing related to alternative investments.

- Implemented in the 2017 CAFR (December 2017)
 - Statutory requirement (SB 301)
 - Previously reported management fees by individual investment
 - Now report management fees and profit share by asset class

Investment Operations and Reporting



Recommendation: Require the ERS Board of Trustees to approve any individual alternative investment that exceeds 0.6% of the trust's total market value.

- Active requirement and agency policy as of September 1, 2017
 - Statutory requirement (SB 301)
 - 2017 Trigger: \$152 million
 - 2018 Trigger: \$166 million
 - Work to update agency policy and procedure documents is ongoing

Investment Operations and Reporting



Recommendation: Direct ERS to consider best practices in investment decision-making processes and report findings to the Legislature.

- Completed on February 22, 2017 (full distribution of report)
 - Management Action
 - Included within scope of planned ERS Internal Audit work on Investment Governance
 - Resulted in multiple governance improvements
 - Creation of Investment Compliance Officer position
 - Expansion of Internal Investment Committees to include IAC members
 - Adoption of governance charters for Asset Class Investment Committees

Questions?



Public Agenda Item #7.1

*Review and Consideration of Appointment of Group Benefits
Advisory Committee Member – (Action)*



March 7, 2018

Bernie Hajovsky, Director of Enterprise Planning

Group Benefits Advisory Committee

Recommendation to Appoint New Member



- Board appointed 10 inaugural committee members in December
- Benefit Consultant or Professional category was not filled in December
 - Staff recommends appointment of Tom Lussier to GBAC

Questions?
Action Item



Public Agenda Item #8.1

Review and Discussion of the Group Benefits Program Updates



March 7, 2018

Diana Kongevick, Director of Benefit Contracts

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

Phil Dial, FSA, Rudd and Wisdom, Inc.

First Year Pharmacy Benefit Manager (PBM)



CY17 Results OptumRx and United Healthcare

Savings Exceeded Expectations

Increased Generic Dispensing Rate

Rebates Increased

Ingredient Cost Decreased

First Year PBM Results

Savings Exceeded Expectations



- CY17 savings projected to be \$150 million. Actual CY savings now estimated at \$190 million exceeding expectations by \$40 million.
- CY17 incurred claims decreased by 6.3% on a per participant per month (PPPM) basis as compared to CY16.
- These factors contributed to a decrease in net plan cost (plan incurred claims less rebates, discount guarantees and Medicare Part D subsidies) of 20.8%.
 - Increased generic dispensing rate (GDR) due to formulary changes as a result of the transition. GDR increased by 2 percentage points in CY17 versus CY16.
 - Rebates increased and ingredient costs decreased under the new contracts due to improved guarantees.

Cost Control Initiatives

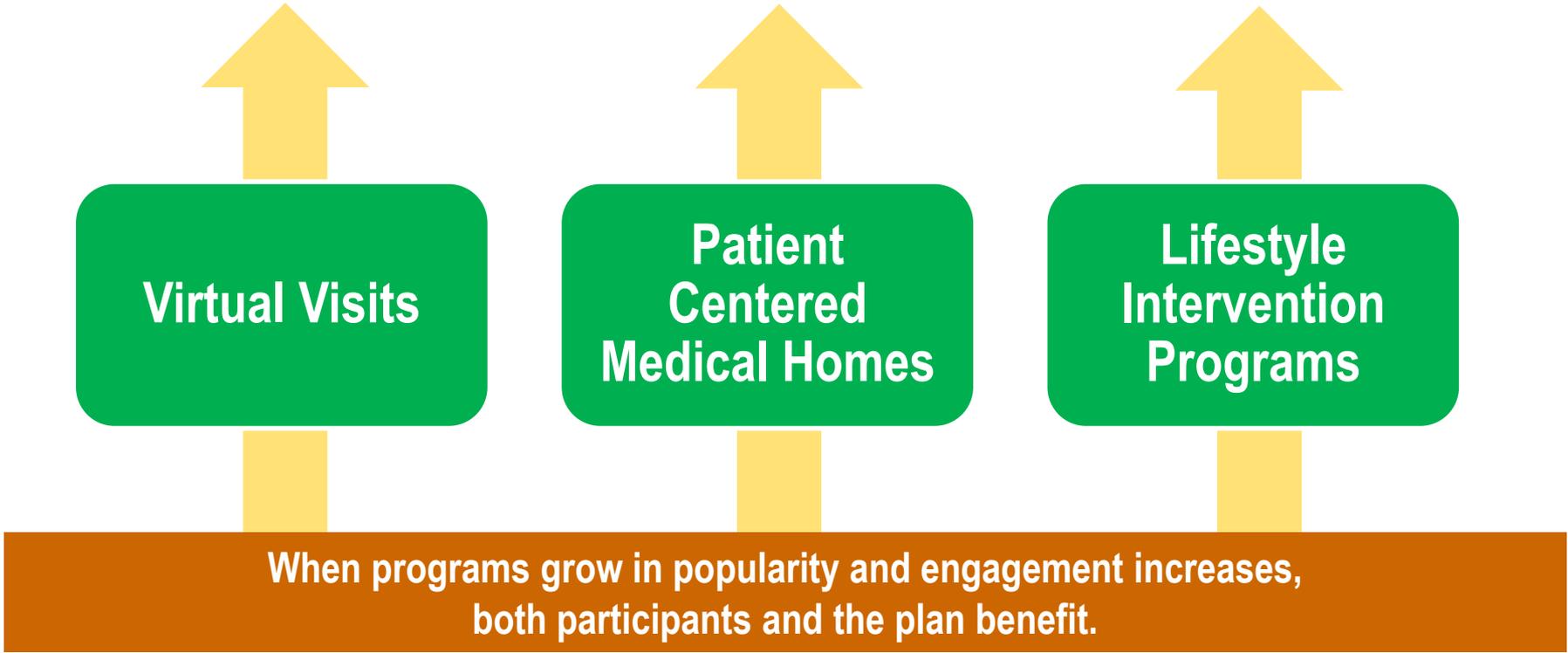
Annual Report FY17



Texas Employees Group Benefits Program

- A recap of cost savings and management activities undertaken in Plan Year 17.
- Filled with information and graphics describing routine management practices that reduce potential cost, including managed care discounts, care management, claims edits and coordination of benefits, cost sharing, refunds/rebates and federal revenue.
- As a result of these practices, the plan paid \$2.7 billion in net benefits, instead of \$10.5 billion in potential cost.
- Report was provided to state leaders on February 1, 2018 and is available at ers.texas.gov.

Engagement is Growing



Virtual Visits

Patient
Centered
Medical Homes

Lifestyle
Intervention
Programs

When programs grow in popularity and engagement increases,
both participants and the plan benefit.

Virtual Visits

Utilization



- ERS eliminated copays for virtual visits on September 1, 2017.
- Virtual visits continue to increase. Convenience is a key factor.
 - More than 4,600 visits in FY17
 - More than 6,600 visits in FY18 (first four months only)
- HealthSelect virtual visit providers are Doctor on Demand with MD Live added September 1, 2017.
- Doctor on Demand satisfaction rating shows 4.9 stars out of a 5 star system.
- Doctor on Demand most recent 6-month trend shows more people visit a virtual visit provider during the week (Monday-Friday) than on weekends and greatest usage is between 8 AM and 8 PM Monday-Friday. Monday-Friday utilization is closely divided.

Virtual Visits

Illustrative Plan Paid Cost – FY17



Three of the top reasons for a virtual visit

Diagnosis	Emergency Room	PCP	Urgent Care	Convenience Care	Virtual Visit*
Upper Respiratory Infection	\$1,015	\$83	\$67	\$64	\$30
Viral Infection	\$1,901	\$78	\$71	\$59	\$29
Urinary Tract Infection (UTI)	\$1,097	\$86	\$68	\$48	\$30

**Effective September 1, 2017, the virtual visit \$10 copay (FY17) changed to zero copay (FY18).*

Typical PCMH practices focus on ongoing relationship with a PCP, use evidence-based medical and clinical decision-support tools and provide enhanced access such as open scheduling and expanded hours.

- Seven PCMHs in FY17
- \$6.9 million total FY17 savings
- \$2.7 million paid to three of the seven FY17 clinics
- Kelsey-Seybold transitioned from a PCMH to a capitated payment arrangement and is expected to continue to generate savings for the program.
- Three new clinics added bringing total number of PCMHs to nine for FY18.

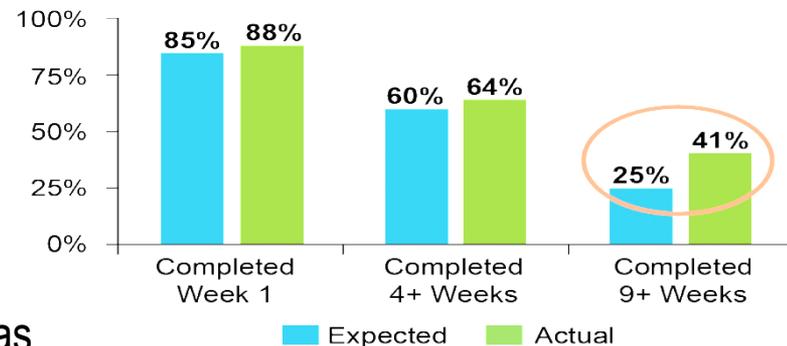
Lifestyle Intervention Programs



Two programs available

- On April 1, 2016, the Real Appeal program, an on-line pre-diabetes lifestyle intervention program, was implemented and has exceeded performance expectations.
 - 22,873 participants enrolled
 - 90% of participants medically at risk (obese or pre-diabetic)
 - 115,802 total pounds lost
 - 4.85 out of 5 average satisfaction rating
- On September 1, 2017, the Naturally Slim program was added. Now there are two lifestyle intervention programs from which to choose.

More HealthSelect participants stayed with the program than the Real Appeal benchmark expectation



ERS Opioid Project

Some quick statistics



The negative impact of opioid abuse is well-documented.

- Accidental deaths from drug overdose in the United States now exceed those caused by motor vehicle accidents and firearms.
- In 2016, 2,799 Texans died due to drug overdose.
- Opioid misuse affects Texas youth and young adults at alarming rates.
 - In 2016, 9% of Texas students in grades 7-12 misused codeine cough syrup and 4% misused other opioids.
 - Among Texas college students, 4% misused opioids (including codeine).

CDC (2017). Provisional counts of drug overdose deaths, as of 8/6/2017 . Texas School Survey of Drug and Alcohol Use, 2016; Texas College Survey, 2017

ERS Opioid Project

A unique approach



- ERS is working with all of our health related vendors to address the devastating impact of the opioid crisis on our membership and our state.
- We've asked our health related vendors to partner with ERS in driving a unique, collaborative health plan approach and all are on-board.
- ERS is uniquely positioned to address the challenge, and is bringing competing firms together to drive a comprehensive health plan solution on behalf of one plan.
- This unified benefit plan approach can serve as a model to other employer groups.

ERS Opioid Project

A meaningful strategy



- A comprehensive health plan strategy with pharmacy, medical and behavioral health focus to:
 - Help prevent dependency before it starts
 - Stop progression to opioid misuse, abuse and addiction
 - Treat and support chronic utilizers on path to recovery
 - Promote savings and quality of care
- ERS participant may be the addicted individual, a family member trying to help, or even the employer
- Demonstrates our support of our participants, their loved ones, and our communities
- Requires a shared passion, dedication and unbiased perspective to work in this arena and for sustained impact

Questions?



Public Agenda Item #9.1

Executive Director Agency Update



March 7, 2018

Porter Wilson, Executive Director

Executive Director Agency Update



Federal Tax Bill Update: Unrelated Business Income Tax

- Final Federal Tax Bill did not extend the Unrelated Business Income Tax (UBIT) to state pension plans
- Originally in the House version, but the final Tax Bill used the UBIT provisions from the Senate version
- Continuing to watch for any technical tax corrections bills that could include UBIT provisions relating to state governmental pension plans

Executive Director Agency Update



Federal Tax Bill Update: 401(k)/457 Plan Issues

- Early drafts contained various provisions relating to 457 plan and 401(k) plan features
- Included eliminations or reductions to “catch-up” contributions, extending the 10% early withdrawal excise tax penalty to the 457 plans, lowering or coordinating the various contribution limits to elective defined contribution plans, and treating some percentage of the plan contributions as Roth contributions rather than pre-tax contributions
- All initially proposed changes were dropped
- Continue to watch any technical tax corrections bills

Executive Director's Report

Initial GBAC Meeting - March 26



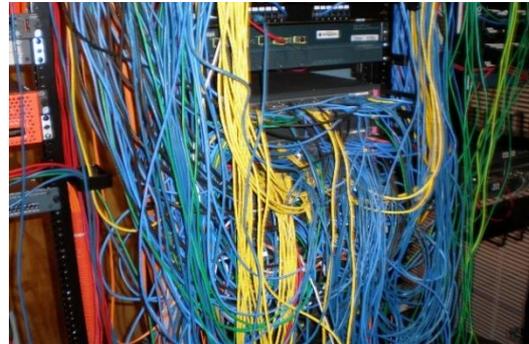
- Board appointed 10 inaugural committee members in December 2017
- First GBAC meeting set for March 26, 2018
 - Overview of GBP structure and programs
 - HIPAA training
 - Discussion of topics of interest for future meetings
 - Determine committee member initial term lengths (2, 3, or 4 years)

First Agency Data Center

2004 – 2009 – *Entire east side of 3rd floor*



- Primarily supported PeopleSoft
- Some file shares
- Some servers
 - Virtualization hadn't been widely adopted



Second Agency Data Center

2009 – 2017 - 1,620 Sq Ft. data center Tier II DC



- Highly virtualized (300+ servers / 16 hosts)
- IBM P8 AIX for PeopleSoft & Oracle
- IBM LTO5 tape unit, NAS backup
- 6500-E 1Ge Cores
- Security equipment
- Pure Storage
- . . . Much more



Colocation Data Center Project

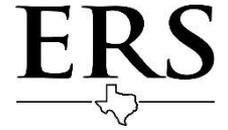


- Planning began August, 2015
- August 1, 2016 Colocation bid request from vendors w/in 230 mi. of Austin
 - 10 year contract signed 3/10/17 with FiberTown/Bryan -- Tier III DC
 - Circuit orders required nine additional months to complete
- Pre-move – all new racks and cabling; all cables labelled – easy to move afterwards
- December 15 – physically moved all equipment @ 12:00 noon
 - Moving & Racking - Friday 8:00 AM – 1:30 AM Saturday
 - Saturday 8:00 AM – 2:00 PM configuration (most applications available on Saturday)
 - Saturday afternoon – Sunday testing
- No internal business or external customer impact on Monday, December 18!

Photos of the move – Moving Out



Photos of the move – Moving In



Secure Data Center with ERS monitoring



Your Data Center Move Team



- Kent – AIX, tape
- Steve – Network
- Trey – Project Manager
- Frank – Servers & Storage, Planning and logistics
- Juan – ISO
- Charles – ISO (Austin)
- Anthony – Network (Austin)
- Kathleen – Testing (Austin)
- Michael – Servers/Storage
- Dennis – AIX, tape
- Stephen - Vmware (not in picture)
- Nile – Network, Bloomberg (not in picture)



Executive Director's Report

200 B Project RFQ



- Received responses from 11 design build service firms for the redevelopment of the annex
- Services to include:
 - Architectural design
 - Pre-construction logistics and pricing
- Shortlisted to 3 respondents
- Staff will present GMP for future Board consideration

Executive Director's Report

2018 Get Fit Texas State Agency Challenge



The Challenge launched on January 22 and concludes on April 1.

ERS RANKINGS

2013 – 1st Place

2014 – 1st Place

2015 – 2nd Place

2016 – 1st Place

2017 – 2nd Place



2018 – we are going for gold!

Questions?



Public Agenda Item #10.1

Executive Session – In accordance with Sections 551.072 and 551.076 Texas Government Code, the ERS Board of Trustees will meet in executive Session to deliberate (1) the purchase, exchange, lease, or value of Real property and the ERS building; and (2) the deployment, or specific occasions for implementation of security personnel or devices or a security audit. Thereafter, the Board may consider appropriate action in open session



March 7, 2018

Public Agenda Item #11.1

Recess of the Board of Trustees. Following a temporary recess, the Board of Trustees will reconvene with the Investment Advisory Committee to take up the remaining agenda items.



March 7, 2018