

1. Meeting of the ERS Board of Trustees



May 23, 2018



Public Agenda Item # 1.1

Call Meeting of the ERS Board of Trustees to Order



May 23, 2018

Public Agenda Item # 2.1

*Review and Approval of the Minutes to the March 7, 2018
ERS Board of Trustees Meeting - (Action)*



May 23, 2018

Questions?
Action Item



Public Agenda Item # 3.1

Review and Consideration of Pension Funding Priorities and Guidelines Policy – (Action)



May 23, 2018

Catherine Terrell, Deputy Executive Director

Keith Yawn, Director of Strategic Initiatives

What Is a Funding Policy?



Funding Priorities and Guidelines Document:

A formally adopted policy outlining a systemic set of procedures used to identify the contributions that should be made to maintain fund solvency and preferences on how to finance any gains or losses experienced by the plan.

Drafting Considerations



A funding policy should **reflect the legal and practical realities** specific to a plan's funding, benefit design and sources of authority.

ERS plans have historically been funded as a fixed percent of payroll rather than as an actuarially determined contribution (ADC) adjusted each year.

The ERS position document will be used more as a **communication and educational tool to guide discussions with legislative stakeholders** than as a direct planning document to drive Board decisions on design.

Funding Components



Actuarial Cost Method: The adopted technique used to allocate the total present value of future benefits over an employee's working career **(individual entry age normal cost)**

Asset Smoothing Method: The adopted technique used to recognize gains or losses in pension assets over a period of time to reduce the effects of market volatility and stabilize contribution needs **(closed five-year smoothing with direct offset)**

Amortization (Funding) Period Policy: The length of time and structure selected for increasing or decreasing contribution revenue to systematically eliminate an unfunded actuarial accrued liability or a surplus **(not previously defined by ERS)**

Amortization (Funding) Period

- Purpose is to define a period goal for paying off unfunded liabilities.
Current industry guidelines are trending to less than 30 years.
- It is typically calculated as open (rolling) or closed period.
Closed periods can be difficult to manage, but if funding meets liabilities, a plan would eventually achieve 100% funded status.

Amortization (Funding) Period



Proposed Tiered Structure:

1. **Avoid depletion**
2. **31 years (statutory)**
3. **Average years of service**

Other Position Statements:

- Guidelines for consideration of supplemental payments (determined by the Board)
- Constitutional and statutory provisions impacting contribution rate determinations

Consideration of Proposed Draft Document

Questions?

(Action)



Public Agenda Item # 4.1

Review and Discussion of the Incentive Compensation Plan



May 23, 2018

DeeDee Sterns, Director of Human Resources

Incentive Compensation Plan (ICP)

ICP document



- The Board of Trustees reviews the ICP on an annual basis.
- During the May Board meeting:
 - staff will provide an overview of the plan that may or may not include any recommended plan change, and
 - a draft plan document is submitted to the Board for the upcoming fiscal year.
- During the August Board meeting, staff will present the final proposed plan document for consideration.
 - The plan must be adopted before the new fiscal year that begins September 1.

Incentive Compensation Plan



Objectives

- Communicate strategic performance priorities.
- Encourage sustained levels of high investment performance, without undue risk.
- Promote teamwork among employees.
- Support ERS' strategic and operational goals.
- Attract and retain key employees in a cost-effective manner.

Incentive Compensation Plan



Overview

- Eligibility for the ICP requires compliance with ERS policies/procedures and ERS Investment Policy.
 - All participants must be in good standing.
 - New hires must successfully complete their six-month probationary period.
- Metrics and calculations are tied to the Active Risk Budget approved by the Board.
- Benchmarks are set in the Investment Policy unless otherwise stated in the ICP document.

Incentive Compensation Plan



Overview

- Performance measures are based on one-, three- and five-year performance periods.
- Participants are evaluated on both quantitative and qualitative metrics.
 - 75% quantitative with minimum 25% total trust performance
 - 25% maximum qualitative
- Investments uses a discretionary matrix tool to evaluate participants' qualitative performance.

Incentive Compensation Plan



Overview

- Participants have individual and total trust performance benchmarks.
- Participants must meet their benchmarks to receive an incentive award.
- Any awarded incentive compensation is based on performance, net of fees.
- Payout of incentive award is done over a three-year period: 50/25/25
 - The awardee must remain an active and eligible ERS employee for all three years to receive full amount.
- Trust Fund must have positive performance to pay incentive compensation.

Incentive Compensation Plan



Overview

- Award payments shall be deferred during non-positive years.
- Unpaid incentive awards shall be forfeited after three years of deferrals.
- ICP awards are calculated based on a weighted average salary.
- There is a claw-back provision.
- Administrative oversight of the plan is managed by Human Resources.
- Finance performs the award calculations.
- Independent review is performed by third-party entity.
- Internal and external audits help ensure payments are in accordance to plan.

Incentive Compensation Plan

Fiscal Year 2019



At this time, staff have not identified any necessary changes for the upcoming fiscal year.

Staff will perform an additional review.

- Segal Waters Consulting will survey 10 peer employers.
- Compensation survey included questions about incentive compensation plans.
 - Copy of each respondent's plan was requested.
 - Staff will review survey results and key components of provided documents.

Questions?



Public Agenda Item # 5.1

Review and Discussion of the Sunset Implementation Project Updates



May 23, 2018

Keith Yawn, Director of Strategic Initiatives

Summary of Agency Sunset Progress

16 of 19 requirements fully or substantially completed



Management Actions (10)



8 Complete



2 Ongoing

Statutory Changes (9)



6 Complete



3 In Progress

Group Benefits Program (GBP) Administration



Recommendation 2.2: Establish an advisory committee to obtain regular stakeholder and expert input on benefits.

- Management action directive
- Staff research and development beginning July 2016
- Board implementation approval in August and December 2017
- First Group Benefits Advisory Committee meeting held March 26, 2018

Group Benefits Program (GBP) Administration



Recommendation 2.3: Develop a process and clear criteria for evaluating changes to the GBP.

- Management action directive
- Staff research and policy development beginning spring 2016
- Adoption of redesigned formal agency policies
 - Policy development process (January 2018)
 - Solution Session policy (February 2018)

GBP Participant Education Efforts



Recommendation 3.3: Effectively educate members about choices and decisions that can lead to unexpected health insurance charges.

- Management action directive
- Ongoing effort led by Benefits Communications Division, including:
 - Website assessment and redesign, September 2016 – August 2017
 - HealthSelect plan branding review, Fiscal Year 2017
 - Publications review, September 2017 – February 2018
 - Series on avoiding unexpected health costs, ongoing (began summer 2017)

GBP Participant Education Efforts



Example: 2017 Summer Enrollment Guide

It pays to stay in the network!

All health plans managed by ERS are network-based, which means you'll pay less – sometimes a lot less – if you see a provider in the network.

Here's an example of the difference in what you might pay for an in-network and out-of-network doctor visit for non-preventive care if you're in HealthSelect of Texas. This is an example and not a true estimate of costs you would pay by going out-of-network if you have not met your deductible. For more information see the Health Plan Comparison Chart on pages 8-9.

HealthSelect SM of Texas	In-Network PCP	Out-of-Network Provider You must first meet a \$500/person or \$1,500/family deductible before the plan begins to pay.
Amount billed by doctor	\$150	\$160
Allowable amount For out-of-network service, the allowable amount – not the billed charge – is the amount applied toward your deductible, and the amount used to calculate what the plan will pay after you've met the deductible (example: 60% of allowable amount for a PCP visit).	\$100	\$65
HealthSelect of Texas pays	\$75	\$0
Member owes	\$25 copay	<p style="text-align: center;">\$160</p> Because you have not met your out-of-network deductible, you owe the full amount billed by the doctor. Only \$65 of this amount will be applied to your deductible, because the plan does not cover the difference between the amount billed and the allowable amount.

Recommendation 3.5: Develop policies and procedures to govern reviews of Chapter 615 survivor benefit applications.

- Management action directive
- Customer Benefits Division completed revisions to program administrative policies, July 2016
- Process flow explanations revised for certain firefighter applications and those requiring Medical Board review

Recommendation 5.1: Apply standard across-the-board requirements to ERS related to Board member training.

- Statutory requirement (SB 301, 85th Regular Session)
- Training program and comprehensive manual both required
- New trustee orientation – existing program met requirements
- *Trustee Training Manual* (December 2017) – new document, to be updated and distributed to trustees annually

Experience Study Timing



Recommendation: Update and adopt an experience study and resulting actuarial assumptions once every four years.

- Added by Sunset Commission, not part of staff recommendations
- Statutory requirement (SB 301, 85th Regular Session)
- Current study adopted in August 2017
- Next study considered in 2021 (following a two-year review of the assumed rate of return in 2019)

Questions?



Public Agenda Item # 6.1

Executive Session – In accordance with Section 551.074, Texas Government Code, the Board of Trustees will meet in executive session to evaluate the duties, performance and compensation of the Executive Director of the Employees Retirement System of Texas. Thereafter, the Board may consider appropriate action in open session.



May 23, 2018

Public Agenda Item # 6.2

Executive Session – In accordance with Section 815.3016, Texas Government Code, the Board of Trustees will meet in executive session to consider and discuss an alternative investment or a potential alternative investment in a infrastructure funds. Thereafter, the Board may consider appropriate action in open session.



May 23, 2018

Public Agenda Item # 7.1

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

★

May 23, 2018

Public Agenda Item #8.2

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



May 23, 2018

Continuation of the Meeting of the ERS Board of Trustees



May 23, 2018



Public Agenda Item # 8.1

Review and Consideration of Group Benefits Program Update and Proposed Rates for HealthSelectSM of Texas and Consumer Directed HealthSelectSM Plans – (Action)



May 23, 2018

Diana Kongevick, Director of Benefit Contracts

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

Philip S. Dial, Rudd and Wisdom, Inc.

- HealthSelect plan costs are funded by contributions paid by employers and enrolled members.
- State contributions are determined based on legislative appropriation.
- The State currently pays 100% of contribution rate for eligible full-time employees and retirees, and 50% of contribution rate for eligible dependents.
- State contributions are the same for HealthSelect of Texas, Consumer Directed HealthSelect and HealthSelect Medicare Advantage.

HealthSelect Plans

Fiscal Year 2019 contribution rate analysis



- The consulting actuary and staff analyzed the following critical factors:
 - revenue requirements;
 - state funding;
 - historical enrollment;
 - claims experience and health benefit cost trends;
 - projected contingency fund balance;
 - cost containment practices;
 - anticipated savings due to changes in the third-party administrator (TPA) and the pharmacy benefit manager (PBM); and
 - the impact of participating HMOs and funding for basic life and AD&D coverages.

HealthSelect Plans



Fiscal Year 2019 contribution rate analysis (continued)

- FY18 medical benefit cost trend is anticipated to be approximately 4.4%.
- Following the favorable contracting terms resulting from a change in PBM effective January 2017, prescription drug cost “reset” to a significantly lower trend.
- Beginning January 2018, prescription drug trend is expected to continue at an estimated 13% through the remainder of the fiscal year. Based on current projections, this is estimated to result in a FY18 prescription drug trend of 6.3%.
- Total combined FY18 medical and prescription drug trend is estimated at 4.8%.
- A trend reduction resulting from the changes in PBM and TPA will not continue in FY19. As a result, trend is estimated to be approximately 8.6%.

HealthSelect Plans

Fiscal Year 2019 contribution rate analysis (continued)



- By statute, the Consumer Directed HealthSelect plan is required to be revenue neutral. Assumptions were developed to determine the plan design to meet this requirement.
- The original pricing assumptions were based on projected 3% enrollment. Current enrollment is at 0.4%. Therefore, to develop rates, ERS continued its original pricing assumptions.

HealthSelect Plans

Fiscal Year 2019 benefit changes



- Consistent with Internal Revenue Service (IRS) maximums, the out-of-pocket maximum is increasing from \$6,550 to \$6,650 for individuals and from \$13,100 to \$13,300 for families. The member out-of-pocket maximum includes costs for deductibles, coinsurance and copayments.
- Consistent with other GBP health plans, the member out-of-pocket annual maximum will not apply to out-of-network services in Consumer Directed HealthSelect.
- No other benefit changes are recommended.

HealthSelect of Texas

Proposed FY19 rates



HealthSelect of Texas Proposed Monthly Contribution Rates Fiscal Year 2019				
	Total Contribution	State Pays	Member Pays	Change in Member's Monthly Contribution
Member Only	\$ 622.60	\$ 622.60	\$ 0.00	\$ 0.00
Member & Spouse	1,338.60	980.60	358.00	1.68
Member & Child(ren)	1,102.00	862.30	239.70	1.12
Member & Family	1,818.00	1,220.30	597.70	2.80

Consumer Directed HealthSelect

Proposed FY19 rates



Consumer Directed HealthSelect FY19 Proposed Monthly Contribution Rates (effective September 1, 2018)

	Total Contribution	State Pays	Member Pays	Savings vs. HealthSelect of Texas
Member Only	\$ 622.60	\$ 622.60	\$ 0.00	\$ 0.00
Member & Spouse	1,302.80	980.60	322.20	35.80
Member & Child(ren)	1,078.02	862.30	215.72	23.98
Member & Family	1,758.22	1,220.30	537.92	59.78

Lower cost for virtual visits – a contributing factor

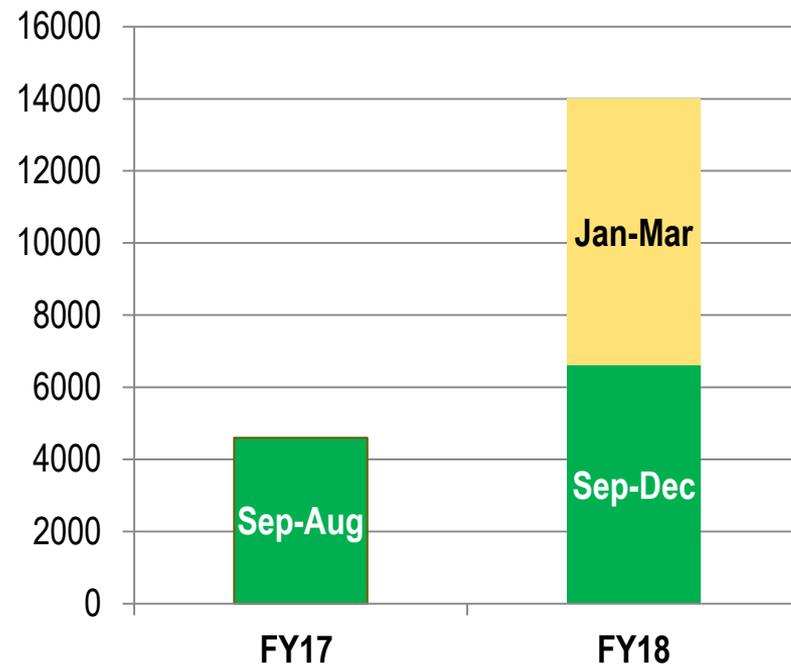
- Effective September 1, 2017, ERS waived the copay for participants utilizing virtual visit services.
- Virtual visits offer participants a great convenience, and utilization helps control costs for both the plan and its participants.
- There are two in-network providers: Doctor on Demand and MD Live.
- Services are available 24 hours/day, 365 days/year.
- Since this change, virtual visit utilization has increased significantly, especially during flu season.

HealthSelect



Virtual visit utilization continues to grow

- 4,600 visits in FY17
- 14,000 visits in first seven months of FY18
- Higher utilization Monday – Friday than on weekends
- Highest utilization 8 a.m. – 8 p.m.



HealthSelect Plans



Patient-centered medical homes – a contributing factor

- There are nine patient-centered medical homes (PCMHs) in FY18, covering much of Texas.
- Total PCMH enrollment on March 31, 2018 is 70,265, representing about 16% of the HealthSelect population.

Questions?
Action Item



Public Agenda Item # 8.2

Review and Consideration of Proposed Fees for TexFlexSM Program – (Action)



May 23, 2018

Diana Kongevick, Director of Benefit Contracts

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

TexFlex Program



- Flexible spending accounts:
 - Health care reimbursement account
 - Limited reimbursement account
 - Dependent care reimbursement account
- Commuter spending account
- Funded by pre-tax salary contributions from active employees
- Reimburses participants for qualified, eligible expenses

Administrative fee holiday

- In previous years, employees enrolled in a flexible spending account were responsible for a nominal account administrative fee of \$1 per account per month.
- The Employees Retirement System of Texas (ERS) waived the administrative fee for those enrolled in the plans during FY17 and FY18.
- The \$1 per account per month administrative fee was paid for through the previous year's forfeited funds balance.
- Staff recommends continuing the administrative fee holiday for FY19, allowing for administrative fees to be paid from the plan forfeiture account.
- Participants will not be charged the \$1 per account per month administrative fee in FY19.

	Enrollment (#)			Contribution Elections** (\$)		
	FY17	FY18	Change (%)	FY17	FY18	Change (%)
Health Care Reimbursement Plan	50,091	48,707	-2.8%	\$64,925,862	\$62,395,182	-3.9%
Dependent Care Reimbursement Plan	3,795	3,706	-2.4%	\$14,485,697	\$14,345,005	-1.0%
Participation in Both Plans	-2,499	-2,437	-2.5%			
Total Participant Enrollment*	51,387	49,976	-2.8%	\$79,411,559	\$76,740,187	-3.4%

*Total participant enrollment is not equal to the sum of health care and dependent care enrollment because some members are enrolled in both plans.

**Contribution elections are pledges into the program and are reported commitments for the applicable fiscal year.

Commuter spending account (CSA)

- In 2015, ERS received approval from the Board of Trustees for a Qualified Transportation Fringe Benefit to be offered to eligible, active employees effective FY16.
- Even with direct outreach to members living and working in cities utilizing mass transit, in the third year of the program, enrollment is minimal, with 166 unique participants as of March 2018.
- Several challenges exist that contribute to low enrollment.
 - ERS is not the employer and does not capture CSA payroll deductions.
 - Similar programs are offered by some employers (for example, higher education institutions).
- The program does contribute value to environmental and mobility values.
- Staff recommends continuing the program while we evaluate additional value considerations.

Questions?
Action Item



Public Agenda Item # 8.3

Review and Consideration of Proposed Rates for Basic and Optional Term Life, Accidental Death and Dismemberment Plans – (Action)



May 23, 2018

Diana Kongevick, Director of Benefit Contracts

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

Philip S. Dial, Rudd and Wisdom, Inc.

Life

- Life insurance is funded through a fully-insured minimum-premium arrangement with Minnesota Life (the insurer).
- ERS pays the insurer the contractual administrative fees on a monthly basis, and the amount required to provide for the actual life insurance claims paid by the insurers on a weekly basis.
- The minimum-premium arrangement includes maximum premium rates for each coverage that are guaranteed for the term of the contract.

Life and AD&D

Insurance funding (continued)



Accidental Death & Dismemberment (AD&D)

- Fully-insured by Minnesota Life
- Based on premium rates guaranteed for the term of the contract

ERS has agreed to a two-year contract extension for life and AD&D through August 31, 2020, with the same administrative fees and maximum premium rates currently in effect.

Basic and Optional Life

Contribution rates



Member contribution rates for the Life plan are developed based on the following factors:

- reasonable expectations of future claims determined through a review of the plan experience over the last five years;
- anticipated claim-payment patterns;
- expected investment income earned on funds held by ERS; and
- maximum claims rates and administrative fees included in the Minnesota Life contract.

Basic and Optional Life

Experience summary through March 31, 2018



Coverages	Average Volume (000)	Total Premium	Incurred Claims	Loss Ratio
Basic Life	\$1,343,237	\$46,128,930	\$45,580,971	98.8%
Optional Life	\$21,088,788	\$359,678,285	\$360,593,706	100.3%
Dependent Life	\$465,780	\$12,504,149	\$12,637,710	101.1%
Life Total	\$22,897,805	\$418,311,364	\$418,812,387	100.1%

Life and AD&D

Proposed FY19 rates



	Current FY18	Proposed FY19	Change from Current Rate
Active and Retiree Basic Term Life and AD&D	\$ 2.22	\$ 2.22	No change
Active and Retiree Optional Life and AD&D Range based on age from <25 to ≥90	\$ 0.05 to \$10.57	\$ 0.05 to \$10.57	No change
Active Dependent Life and AD&D	\$ 1.38	\$ 1.38	No change
Retiree Minimum Optional Life	\$ 2.34	\$ 2.34	No change
Retiree Dependent Life	\$ 3.05	\$ 3.05	No change
Voluntary AD&D			
Employee Only	\$ 0.02	\$ 0.02	No change
Employee & Family	0.04	0.04	No change

Questions?
Action Item



Public Agenda Item # 8.4

Review and Consideration of Proposed Rates for Texas Income Protection Plan – (Action)



May 23, 2018

Diana Kongevick, Director of Benefit Contracts

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

Philip S. Dial, Rudd and Wisdom, Inc.

Texas Income Protection Plan (TIPP)



Two self-funded plans

- Short-term disability – The plan provides five months of benefits after a one-month elimination period.
- Long-term disability – The maximum benefit period ranges from 12 months to Social Security Retirement Age, after a 12-month elimination period.
- Benefits are funded through member contributions.

- The member contribution rates for the disability plans are based on the following items:
 - reasonable expectations of future claims;
 - anticipated claim-payment patterns;
 - expected investment income on funds held by ERS; and
 - administrative fees associated with the TIPP benefit administration.

FY19 contribution rate analysis (continued)

- Different contribution rate approaches are used for short-term and long-term disability.
 - Short-term disability has short-term liabilities, and recent experience is used.
 - Long-term disability claims are longer in duration, and experience is evaluated over many years.

	FY17	FY18* (as of March 31, 2018)
Member Contributions	\$16,591,081	\$8,387,748
Incurred Claims	\$10,105,293	\$6,253,184
Administrative Fees	\$3,360,780	\$1,873,301
Total Expense	\$13,466,073	\$8,126,485
Contribution Gain / (Loss)	\$3,125,008	\$261,263

*Partial-year experience

FY07 – FY16 Cumulative		
	Actual	Adjusted Assumptions*
Actual Member Contributions	\$268,008,025	\$257,319,434
Incurred Claims with Discounted Reserves	\$231,384,318	\$231,384,318
Administrative Fees	\$16,858,459	\$30,919,361
Total Expense	\$248,242,777	\$262,303,679
Contribution Gain / (Loss)	\$19,765,248	(\$4,984,245)

*Adjusted assumptions represent previous years adjusted as necessary to reflect current contribution rates and administrative fees.

Texas Income Protection Plan Proposed Monthly Member Contribution Rates* Fiscal Year 2019			
	FY18	FY19	Change from Current Rate
Short-term Disability	\$0.26	\$0.26	No change
Long-term Disability	\$0.63	\$0.63	No Change

*Rates are per \$100 of monthly covered salary

Questions?
Action Item



Public Agenda Item # 8.5

*Review and Consideration of Proposed Rates for State of Texas Dental ChoiceSM, Dental Health Maintenance Organization and State of Texas Dental Discount PlanSM – (**Action**)*



May 23, 2018

Diana Kongevick, Director of Benefit Contracts

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

Philip S. Dial, Rudd and Wisdom, Inc.

State of Texas Dental Choice



Rate development

- Self-funded – The Texas Employees Group Benefits Program assumes risk for claims and administrative expenses.
- Contributions from members must be sufficient to support anticipated costs for upcoming year.
- Member contribution rates are based on:
 - claims experience through March 31, 2018;
 - estimated trends in per capita benefit costs;
 - projected provider reimbursement;
 - historical enrollment patterns;
 - contractually guaranteed administrative fees; and
 - proposed benefit changes.

State of Texas Dental Choice



Recommended plan changes

ERS staff is recommending the following benefit changes, effective September 1, 2018.

- Individual maximum plan limit increases:
 - Increase the individual *annual* plan limit for basic and major restorative services by \$500 (from \$1,500 to \$2000).
 - Increase the individual *lifetime* orthodontic benefit by \$500 (from \$1,500 to \$2000).

Comment

Between 2005 and 2017, dental services experienced an average inflation rate of 3.18% per year. That is, dental services costing \$1,500 in the year 2005 would cost \$2,185 in 2017 for an equivalent purchase. For plans that offer orthodontic benefits, the lifetime orthodontic benefit maximum is typically equal to the annual plan maximum.

State of Texas Dental Choice Plan

Recommended plan changes (continued)



- Additional plan enhancements:
 - Add orthodontic benefits for adults.
 - Remove the plan exclusion for missing tooth replacement.
 - Currently, the plan does not provide benefits for replacement of a tooth unless the tooth was extracted while the participant was covered under this plan.

Comment

It is now considered proactive care to provide orthodontic benefits to adults and to provide a replacement missing tooth benefit to prevent complications and expensive correctional care later.

State of Texas Dental Choice



Recommended plan changes (continued)

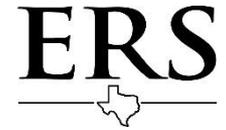
- Remove the extended annual maximum benefit for services performed at an *out-of-network* provider, maintaining the extended benefit for in-network providers only.
 - Currently, the plan covers 40% of the allowed amount for services after the individual annual benefit maximum has been reached, regardless of whether the provider is in-network or out-of-network.
 - This change encourages participants to seek in-network care.
 - The change is largely offset by the additional \$500 individual annual plan maximum increase (from \$1,500 to \$2,000).

Comment

It is unusual for both in-network and out-of-network provider benefits to be at the same level.

State of Texas Dental Choice

Proposed FY19 rates



ERS staff and Rudd and Wisdom recommend the FY19 member contribution rates increase by 4.5% (inclusive of recommended plan changes) beginning September 1, 2018.

State of Texas Dental Choice Monthly Contribution Rates			
	Current FY18	Proposed FY19	Change from Current Rate
Member Only	\$ 27.41	\$ 28.64	\$ 1.23
Member & Spouse	54.82	57.28	2.46
Member & Child(ren)	65.78	68.74	2.96
Member & Family	93.19	97.38	4.19

Dental Health Maintenance Organization



Proposed FY19 rates

- Staff negotiated a contract extension for FY19 at the current FY18 rates.
- Premiums are paid in full by member contributions; therefore, FY19 member contribution rates are set equal to the contractual premium rates.

Dental Health Maintenance Organization Monthly Contribution Rates			
	Current FY18	Proposed FY19	Change from Current Rate
Member Only	\$ 9.59	\$ 9.59	No Change
Member & Spouse	19.17	19.17	No Change
Member & Child(ren)	23.01	23.01	No Change
Member & Family	32.59	32.59	No Change

State of Texas Dental Discount Plan



Proposed FY19 Rates

ERS staff does not anticipate significant enrollment growth in the Dental Discount Plan. The plan is not expected to breach the required 25,000 enrolled participants to allow a decrease in rates. Therefore, FY19 rates are expected to remain the same as FY18.

State of Texas Dental Discount Plan Monthly Contribution Rates			
	Current FY18	Proposed FY19	Change from Current Rate
Member Only	\$ 2.25	\$ 2.25	No Change
Member & Spouse	4.50	4.50	No Change
Member & Child(ren)	5.40	5.40	No Change
Member & Family	7.65	7.65	No Change

Dental Plan Enrollment

FY18



GBP Dental Plan Enrollment as of March 31, 2018			
	State of Texas Dental Choice	Dental Health Maintenance Organization	State of Texas Dental Discount Plan
Member Only	98,566	41,617	3,633
Member & Spouse	32,448	11,854	909
Member & Child(ren)	24,038	8,973	650
Member & Family	21,205	7,626	654
Total	176,257	70,070	5,846

Questions?
Action Item



Public Agenda Item # 8.6

Review and Consideration of Proposed Rates for State of Texas Vision Plan – (Action)



May 23, 2018

Diana Kongevick, Director of Benefit Contracts

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

Philip S. Dial, Rudd and Wisdom, Inc.

State of Texas Vision

Rates



- The State of Texas Vision plan has been well received in its first two years under the Texas Employees Group Benefits Program (GBP).
- The plan is self-funded, and the GBP assumes all risk, paying all claims and administrative expenses in excess of contributions.
- Contributions must be sufficient to support the anticipated costs for the upcoming year.
- Member contributions rates are based on:
 - claims experience through January 31, 2018;
 - estimated trends in benefit costs;
 - projected provider reimbursement rates; and
 - contractually guaranteed administrative fees.

State of Texas Vision

Plan enrollment



	FY17	FY18 (as of March 31, 2018)
Actives	67,960	88,031
Dependents	56,546	72,959
Retirees	8,488	12,201
Dependents	4,313	6,172
Total	137,307	179,363

State of Texas Vision

Plan experience



State of Texas Vision Plan Experience Fiscal Year 2017		
Contributions Received	Claims	Administrative Cost
\$8,988,107	\$5,975,319	\$466,560

State of Texas Vision

Recommended plan changes



ERS staff recommends two plan changes effective September 1, 2018.

- Modify the annual frequency to receive services during the plan year *from* 12 months following last date of service *to* once each plan year.
 - This change will reduce claims denied based solely on the exact date a visit can be scheduled.
- Reduce the in-network annual eye exam copay from \$25 to \$15 to encourage an annual vision exam.

State of Texas Vision

Proposed FY19 rates



ERS staff and Rudd and Wisdom recommend the FY19 member contribution rates decrease by 10% (inclusive of recommended plan changes) beginning September 1, 2018.

State of Texas Vision Proposed Monthly Member Contribution Rates Fiscal Year 2019			
	FY18	FY19	Change from Current Rate
Member Only	\$ 6.69	\$ 6.02	\$ -0.67
Member & Spouse	13.38	12.04	-1.34
Member & Child(ren)	14.38	12.94	-1.44
Member & Family	21.07	18.96	-2.11

Questions?
Action Item



Public Agenda Item # 8.7

Review and Consideration of Proposed Rates for Health Maintenance Organization Plans – (Action)



May 23, 2018

Diana Kongevick, Director of Benefit Contracts

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

Philip S. Dial, Rudd and Wisdom, Inc.

Health Maintenance Organization (HMO) Plans



- Three HMOs are offered to participants:
 - Community First Health Plans, Inc. (Community First): Eight-county service area in San Antonio region
 - Baylor Scott & White Health Plan (Baylor Scott & White): 30-county service area in Austin-San Angelo-Temple-Waco region (a narrower service area effective September 1, 2018)
 - KelseyCare powered by Community Health Choice, Inc. (Kelsey-Care powered by CHC): Five-county service area in Houston region
- For FY19, ERS staff did not publish requests for applications (RFAs) for HMOs.
- Incumbent carriers were provided a renewal option, subject to due diligence.

Health Maintenance Organization Plans

Compliance with statute



The State's appropriations act includes the following language in rider:

“In no event shall the total amount of state contributions allocated to fund coverage in an optional health plan exceed the actuarially determined total amount of state contributions required to fund basic health coverage for those active employees and retirees who have elected to participate in that optional health coverage.”

Health Maintenance Organization Plans



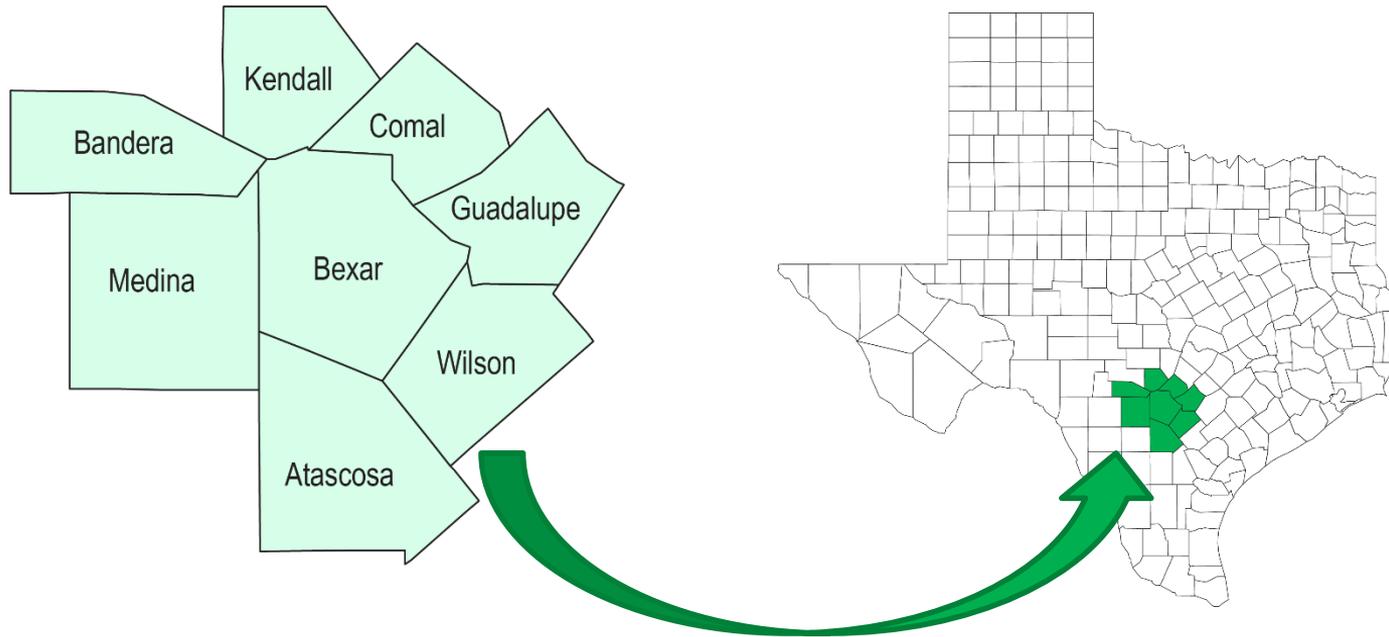
Rate analysis

Rates were subjected to review, including the following factors:

- appropriateness of the methodology used;
- GBP experience; and
- whether the rates met the theoretical cost index, to comply with statutory requirements.

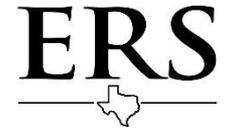
HMOs – Community First

Service area



HMOs – Community First

Proposed FY19 rates

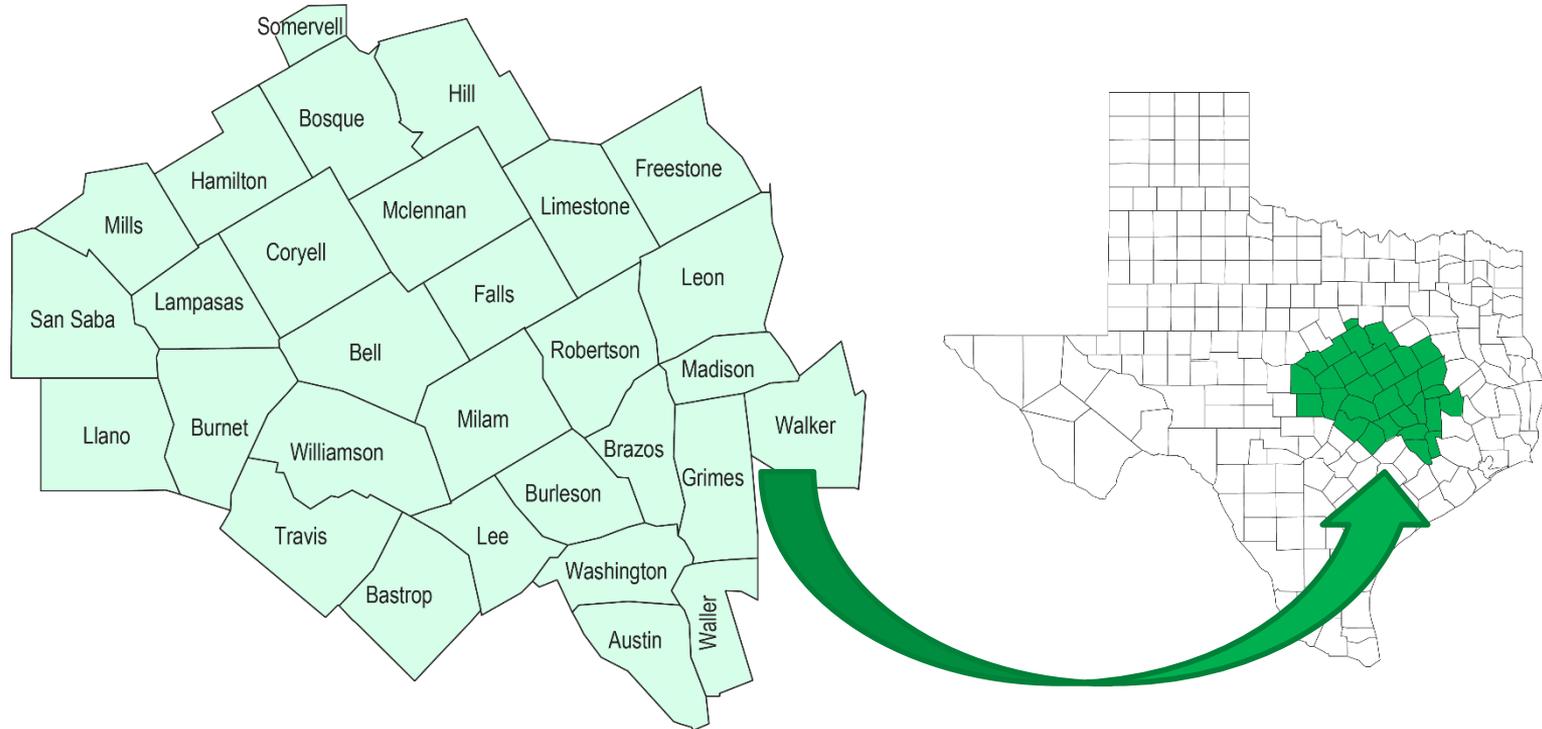


Community First Health Plans, Inc. Proposed Monthly HMO Rates Fiscal Year 2019

	Total Contribution	State Pays	Member Pays	Change in Member's Monthly Contribution
Member Only	\$ 547.40	\$ 547.40	\$ 0.00	\$ 0.00
Member & Spouse	1,176.92	862.16	314.76	21.92
Member & Child(ren)	968.88	758.14	210.74	14.66
Member & Family	1,598.40	1,072.90	525.50	36.58

HMOs – Baylor Scott & White

Service area



HMOs – Baylor Scott & White

Proposed FY19 rates

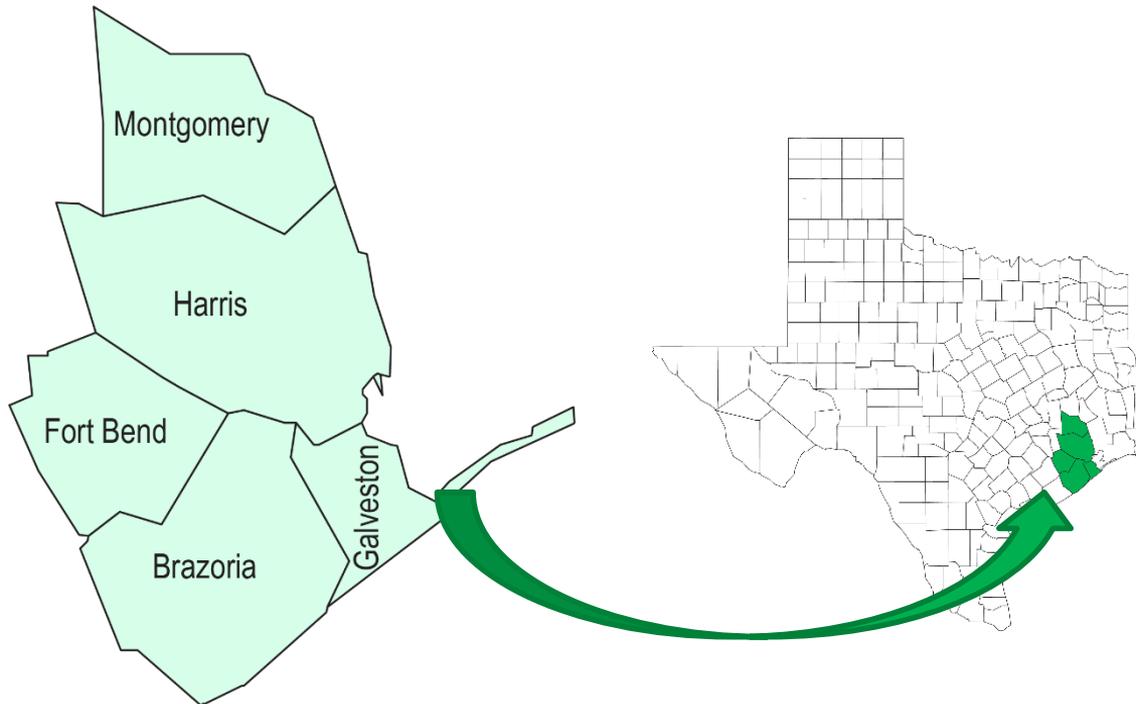


Baylor Scott & White Health Plan Proposed Monthly HMO Rates Fiscal Year 2019

	Total Contribution	State Pays	Member Pays	Change in Member's Monthly Contribution
Member Only	\$ 607.96	\$ 607.96	\$ 0.00	\$ 0.00
Member & Spouse	1,307.12	957.54	349.58	18.94
Member & Child(ren)	1,076.08	842.02	234.06	12.70
Member & Family	1,775.24	1,191.60	583.64	31.64

KelseyCare powered by CHC

Service area



HMOs - KelseyCare powered by CHC

Proposed FY19 rates



KelseyCare powered by CHC Proposed Monthly HMO Rates Fiscal Year 2019

	Total Contribution	State Pays	Member Pays	Change in Member's Monthly Contribution
Member Only	\$ 481.76	\$ 481.76	\$ 0.00	\$ 0.00
Member & Spouse	1,035.80	758.78	277.02	2.22
Member & Child(ren)	852.72	667.24	185.48	1.50
Member & Family	1,406.76	944.26	462.50	3.72

Questions?
Action Item



Public Agenda Item # 9.1

Executive Director Agency Update



May 23, 2018

Porter Wilson, Executive Director

Executive Director Agency Update



Legislative update

- **Senate Health and Human Services Committee (March 2018):**
 - On panel with TRS on the various value-based arrangements in the health care programs
 - Emphasized programs that help control costs and focus on quality of care
- **Senate State Affairs (April 2018):**
 - On panel with other statewide pension plans
 - Update on recent changes made by the ERS Board and best practices related to governance and investments
 - Chairman Doug Danzeiser and Trustee Craig Hester in attendance

Executive Director Agency Update



Legislative update

- **House Select Committee on Opioid and Substance Abuse (April 2018):**
 - Diana Kongevick testified, along with representatives from TRS, UT and TAMU systems
 - Overview of current policies and best practices used by our PBM
 - Highlighted the more targeted ERS opioid project that will bring all ERS health care administrators together to best address the issue
- **Article IX, Sec. 10.06 Report submitted on a health data-sharing system with HHSC, TRS and TDCJ**
 - ERS transferred three years of HealthSelect data to UTHSC Houston as a proof of concept
 - Three options were evaluated, with the UTHSC option as the preferred solution
 - Project will require \$5M appropriation by the legislature for a system for all four agencies

Executive Director Agency Update

GBAC's initial meeting, March 26



- Agenda items included:
 - Overview of GBP programs
 - Training on health care privacy laws
 - Discussion of topics for future meetings
- Next meeting set for October 3, 2018



Executive Director Agency Update

Plan Year 2019 Summer Enrollment



For employees and non-Medicare retirees*

Annual Enrollment for Plan Year 2019 June 25 - July 27, 2018						
	Monday, June 25	Sunday, July 1	Sunday, July 8	Sunday, July 15	Sunday, July 22	Friday, July 27
Phase 1 (June 25 - July 7)	Green					
Phase 2 (July 2-14)		Brown				
Phase 3 (July 9-21)			Pink			
Phase 4 (July 16-27)				Yellow		

*Retirees enrolled in Medicare make benefits changes during Fall Enrollment in November.

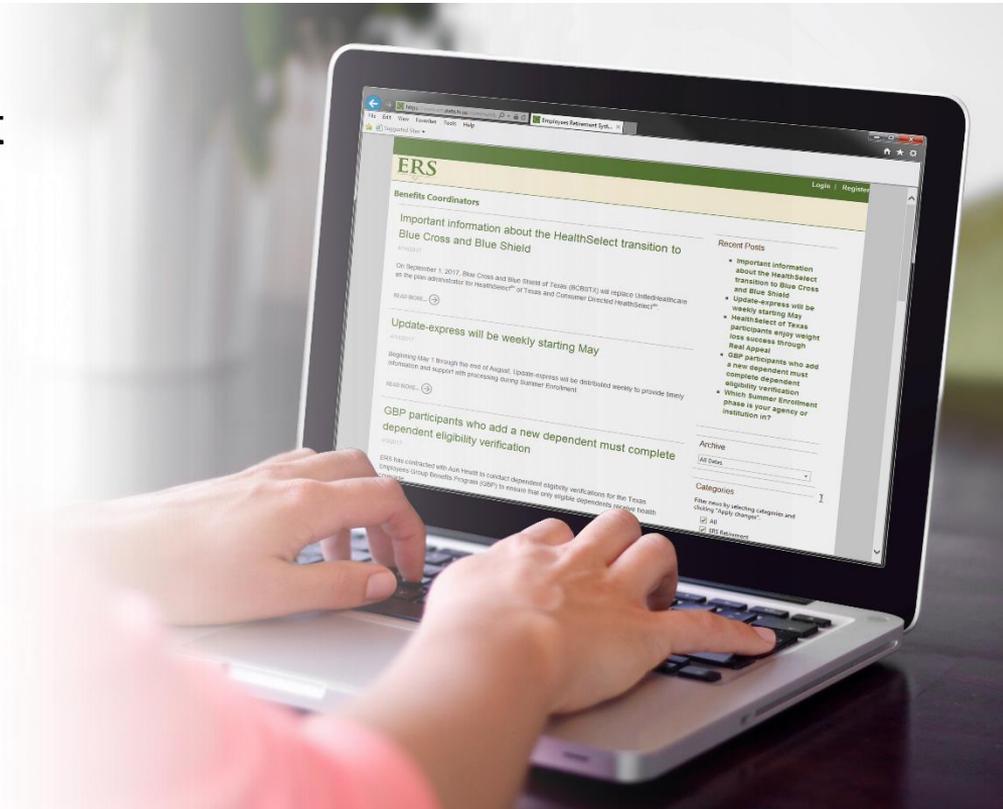
Executive Director Agency Update

Plan Year 2019 Summer Enrollment



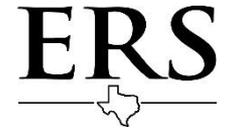
Enrollment resources

- Personal Benefits Enrollment Statement packets, mailed to all eligible members
- Customer Benefits' support by phone, email and in-person appointments
- 32 enrollment fairs and 11 webinars
- Online guide, webinars and regular updates for HR professionals
- Support and information from program administrators



Executive Director Agency Update

External review of ERS publications



Objective: Provide ERS' Benefits Communications Division with tactical guidelines, practical tips and a clear overview of what is working, what can be improved and how others are achieving similar objectives.

Publications reviewed by external firm:

- *Coordinator's Update-express*
- *News About Your Benefits*
- *Your ERS Connection*
- *New Employee Benefits Guide*
- *Annual enrollment guides*



Executive Director Agency Update

External review of ERS publications



What's Working

Newsletters

- All three newsletters have improved over time and are very effective.
- Recipients enjoy and appreciate them.
- Design and content are excellent, with:
 - useful information,
 - strong writing and
 - excellent look and feel.

Benefits guides

- The guides are well-written and easy to use.
- Navigation aids help find information quickly.
- Plan comparison charts and lists of action items provide quick references.
- The use of images and icons is good.
- “Up-close” stories help make information personally relevant.

Executive Director Agency Update

External review of ERS publications



Considerations for Improvement

Newsletters

- Run more articles on retirement planning and preparation.
- Use catchier color schemes and layout.
- Add tables of contents, for easier navigation.

Benefits guides

- Provide more navigation aids: clear icons and tables of contents.
- Possibly reduce overlapping information by surveying active employees about the content.

The Benefits Communications team will work to implement these suggestions over the next few months, and will continue to look for other ways to improve member publications.

Executive Director Agency Update

200 B design-build project



- DB firm selected for the new building
 - Design phase
- RFQ for independent architect or engineer firm
 - Subchapter G of Texas Government Code, Chapter 2269.305



Executive Director Agency Update

2018 Get Fit Texas State Agency Challenge results



ERS came in 1st Place in the mid-size category!



Thanks to all the ERS employees who participated in the challenge and to all those who made it a success!

Questions?



Public Agenda Item # 10.1

Recess of the ERS Board of Trustees. Following a temporary recess, the Board of Trustees will reconvene as a committee of the whole to consider Audit Committee agenda items.



May 23, 2018