

3. Meeting of the ERS Board of Trustees

August 21, 2019



Public Agenda Item #1.1

Call Meeting of the ERS Board of Trustees to Order

August 21, 2019

Public Agenda Item #2.1

*Review and Approval of the Minutes to the
May 22, 2019 ERS Board of Trustees Meeting – (Action)*

August 21, 2019

Questions?
Action Item

Public Agenda Item #3.1

Texas Employees Group Benefits Program (GBP) Update

August 21, 2019

Diana Kongevick, Director of Group Benefits

Blaise Duran, Actuarial and Reporting Services, Group Benefits

Philip S. Dial, Rudd and Wisdom, Inc.

GBP Update

HealthSelect of Texas Network Update



- TPA network transition to Blue Cross and Blue Shield of Texas effective September 1, 2017
- HealthSelect network continues to grow with initial focus on Primary Care Physicians (PCPs)
- Formal network update to Board of Trustees December 13, 2017
- With a change of this magnitude, transition was very successful
- Significant savings continue

GBP Update

HealthSelect of Texas PCP Update



PCP Status	12-2017	% of POP	07-2019	% of POP
Participants who select a PCP	347,762	86.0%	351,603	88.0%
Participants who do not select a PCP	56,576	14.0%	48,172	12.0%
Total Population	404,338	100%	399,775	100%

PCP Status	12-2017	% of POP	07-2019	% of POP
Participants with PCP Disruption	5,313	1.3%	648	.2%

- **2.0%** improvement in participants who typically select a PCP
- Of those who typically do not select a PCP, 8,404 more selected a PCP
- **88%** drop in PCP disruption
- To help participants, PCP contingency plan in place through December 31, 2017

GBP Update

HealthSelect of Texas Compared to BCBSTX PPO



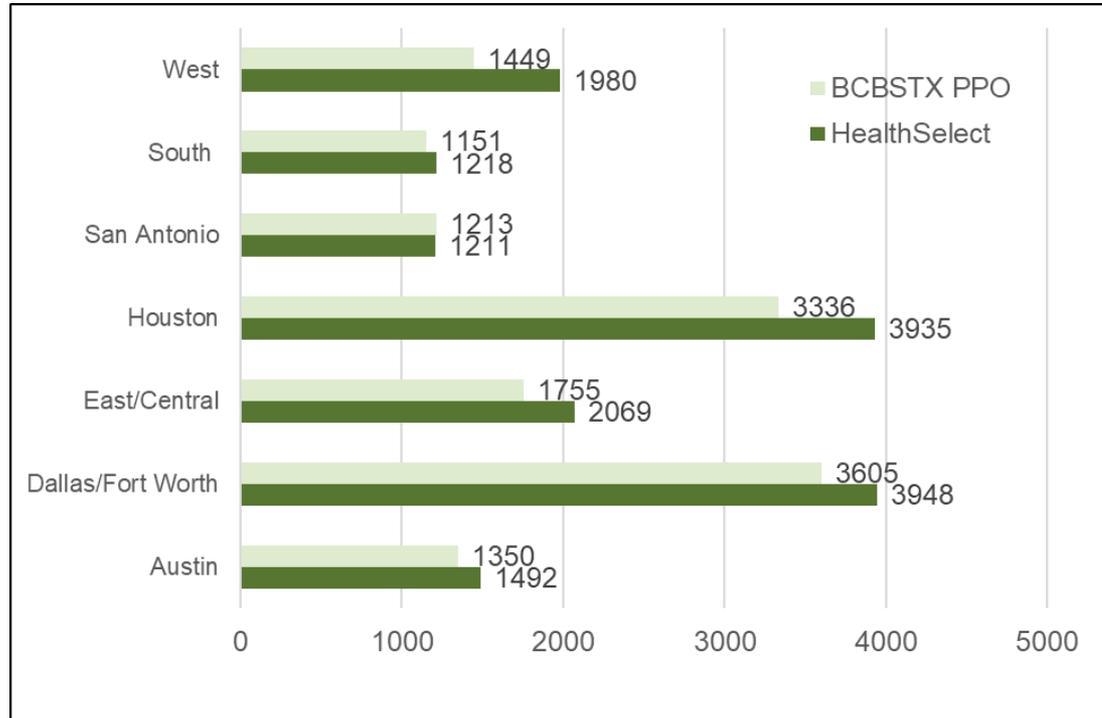
- Committed to 90% of BCBSTX PPO network PCPs in HealthSelect of Texas

	HealthSelect of Texas	BCBSTX PPO	% of BCBSTX PPO
Dec 2017	13,427	13,443	99.88%
Jul 2019	15,853	13,859	114.39%
Total Variance	+ 2,426	+416	+14.51%

Comparative analysis of all network PCP data from December 2017 through July 2019.

GBP Update

HealthSelect of Texas PCP by Area July 2019



- HealthSelect of Texas exceeds BCBSTX PPO network PCPs in all but one MSA.
- Participant access to closest PCP is, on average:
 - 2 miles to 1st closest PCP
 - 2.9 miles to 2nd closest PCP
 - 3.4 miles to 3rd closest PCP
- Of entire HealthSelect of Texas population, 747 participants live more than 30 miles from a PCP.

GBP Update

HealthSelect of Texas Specialists



- 99.9% of participants have access to a specialist within 75 miles

	HealthSelect Specialists
12-2017	52,516
07-2019	61,314
Total Variance	+8,798

Hospital-based Specialists

	Dec 2017	Jul 2019	Change
Radiology	3,521	3,989	+468
Anesthesiology	4,188	4,411	+223
Pathology	1,360	1,426	+ 66
Emergency Medicine	5,041	5,464	+423
Neonatology	483	515	+ 32

GBP Update

HealthSelect FY19 Projected Trends

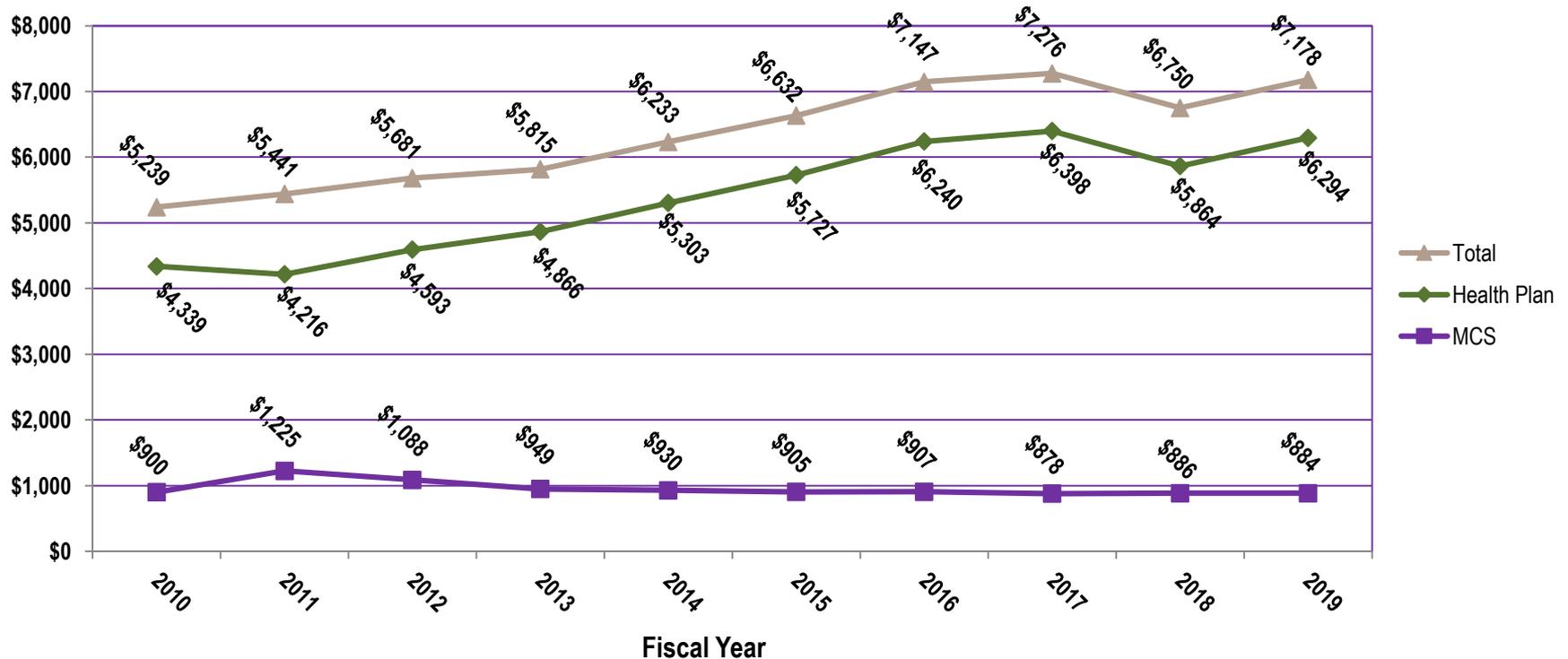


- The self-funded HealthSelect plans continue to perform well.
- FY19 trend was projected to be significantly higher than FY18, but this has not emerged.

	FY18	FY19 Projected Dec 2018	FY19 Projected Jul 2019
Medical Trend	-12.6%	13.9%	4.8%
Pharmacy Trend	4.3%	12.0%	10.4%
Combined Medical and Pharmacy* Trend	-8.7%	13.4%	6.0%

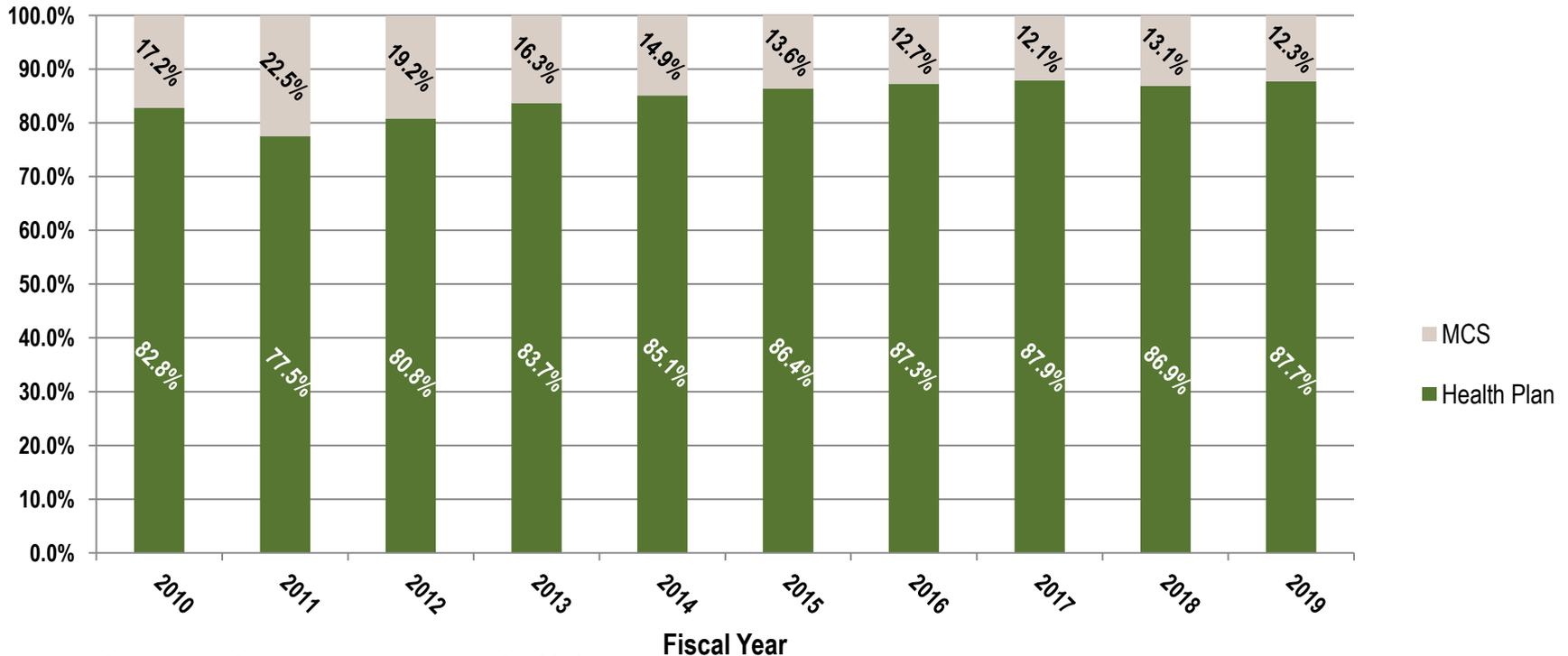
GBP Update

Member Cost Share (MCS) in Dollars



GBP Update

Member Cost Share (MCS) by Percentage



GBP Update

86th Legislative Session Summary Update



- **HB 170**– Requires coverage of diagnostic mammography at the same benefit level as screening mammography
- **HB 392** – Relates to ERS establishment of an individual long term care insurance program
- **HB 1584** – Prohibits the use of step therapy for drugs prescribed for the treatment of stage four, advanced, metastatic cancer

GBP Update

86th Legislative Session Summary Update



- **SB 1264**– Applies to GBP health plans (except Medicare Advantage plans) and prevents surprise billing (also known as balance-billing) for:
 - out-of-network emergency services,
 - out-of-network facility-based provider performing services at an in-network facility, and
 - out-of-network diagnostic imaging provider or laboratory provider performing services in conjunction with an in-network provider.

The law does NOT apply to non-emergency health care services when a health plan participant has chosen to:

- seek care from an out-of-network provider and
- received a written disclosure in advance about all the out-of-network providers who will be involved with the service and the estimated costs.

GBP Update

86th Legislative Session Update - Riders



- **Rider 10.06** – Directs the University of Texas Health Science Center Houston to provide data analysis and individual agency benchmarking for HHSC, ERS, TRS, and TDCJ.
- **Rider 15**– Directs ERS to maintain competitive and favorable contracted provider rates with Health Related Institutions receiving appropriations.
- **Rider 16** – Directs ERS to incentivize participants to shop for lower cost healthcare through the use of shared savings.

Questions?

Public Agenda Item #3.2

*Review and Consideration of Proposed Rates for HealthSelectSM Medicare Advantage PPO Plan for Calendar Year 2020- (**Action**)*

August 21, 2019

Diana Kongevick, Director of Group Benefits

Blaise Duran, Actuarial and Reporting Services, Group Benefits

Philip S. Dial, Rudd and Wisdom, Inc.

HealthSelect Medicare Advantage PPO Plan



Highly valued by retirees

- The HealthSelect SM Medicare Advantage preferred provider organization (HealthSelect MA PPO) is a fully-insured PPO customized for the Employees Retirement System of Texas (ERS).
- The cost of the plan is subsidized by the federal government, resulting in lower cost to retirees and reduced cost to the program.
- The plan is highly valued and well-received, and enrollment continues to increase.

HealthSelect MA PPO



- Continues to provide the most cost-effective medical benefits for Medicare-primary Texas Employees Group Benefits Program (GBP) participants for both the state and eligible members
- A fully insured program offered through Humana
- A customized plan for ERS – *not an off-the-shelf product*

HealthSelect MA PPO	January 2017	January 2018	January 2019
Members	54,243	58,522	63,053
Dependents	14,453	15,504	17,747
Total Enrolled Participants	68,696	74,026	79,800

HealthSelect MA PPO



Requirements: theoretical cost index

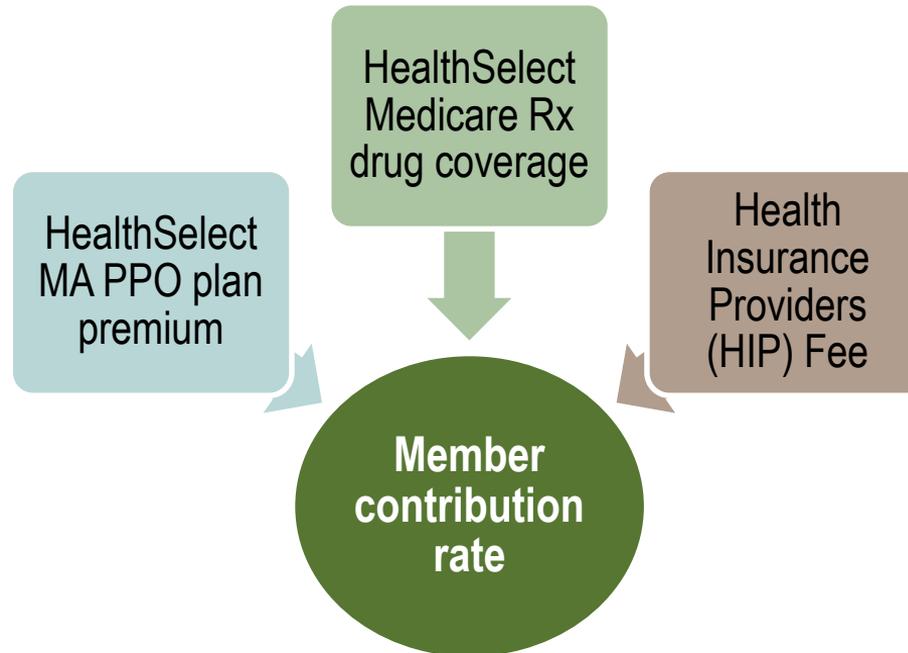
- To ensure the cost effectiveness of the MA PPO plan, the consulting actuary utilizes a theoretical cost index (TCI) model.
- TCI estimates the total cost that would be required to cover HealthSelect MA PPO participants if they were enrolled in HealthSelectSM of Texas, the GBP's self-funded health insurance plan.

HealthSelect MA PPO

Member contribution rates



The HealthSelect MA PPO member contribution rates consist of three elements:



HealthSelect MA PPO

Member contribution rates



The total cost of coverage for a participant in a Medicare advantage plan is estimated to be \$303.40 in CY20.

- \$150.35 – the fully insured premium for medical coverage under the MA PPO.
- \$126.56 – the projected cost of prescription drug coverage under HealthSelect Medicare Rx.
- \$26.49 – the cost of the HIP fee.

HealthSelect MA PPO

Proposed CY20 monthly contribution rates



	Medicare-Primary Spouse	Medicare-Primary Surviving Spouse
Current (CY19) HealthSelect MA PPO Rates	\$ 140.92	\$ 281.84
Proposed CY20 HealthSelect MA PPO Rates	\$ 151.70	\$ 303.40
Change from CY19 Rates	\$ 10.78	\$ 21.56
HealthSelect of Texas FY20 Rates	\$ 358.00	\$ 716.00
Retiree Savings through HealthSelect MA PPO <i>(difference in HealthSelect of Texas and HealthSelect MA PPO rates)</i>	\$ 206.30	\$ 412.60

Questions?
Action Item

Public Agenda Item #3.3

Review and Consideration of Proposed Rates for Medicare Advantage Health Maintenance Organization Plan for Calendar Year 2020 - (Action)

August 21, 2019

Diana Kongevick, Director of Group Benefits

Blaise Duran, Actuarial and Reporting Services, Group Benefits

Philip S. Dial, Rudd and Wisdom, Inc.

Medicare Advantage HMO Plan

Houston-area



- The Medicare Advantage health maintenance organization (MA HMO) is a fully-insured plan specific to those who reside in one of eight Houston-area counties.
- The cost of the plan is subsidized by the federal government, resulting in lower cost to retirees and reduced cost to the program.

Medicare Advantage HMO (MA HMO)

KelseyCare Advantage



- KelseyCare Advantage is the only MA HMO currently offered under the Texas Employees Group Benefits Program (GBP).
- The MA HMO participants receive medical coverage through KelseyCare Advantage, while prescription drug coverage is through the self-funded HealthSelectSM Medicare Rx plan, administered by UnitedHealthcare.

KelseyCare Advantage*	January 2017	January 2018	January 2019
Members	1,117	1,206	1,303
Dependents	238	256	273
Total Participants Enrolled	1,355	1,462	1,576

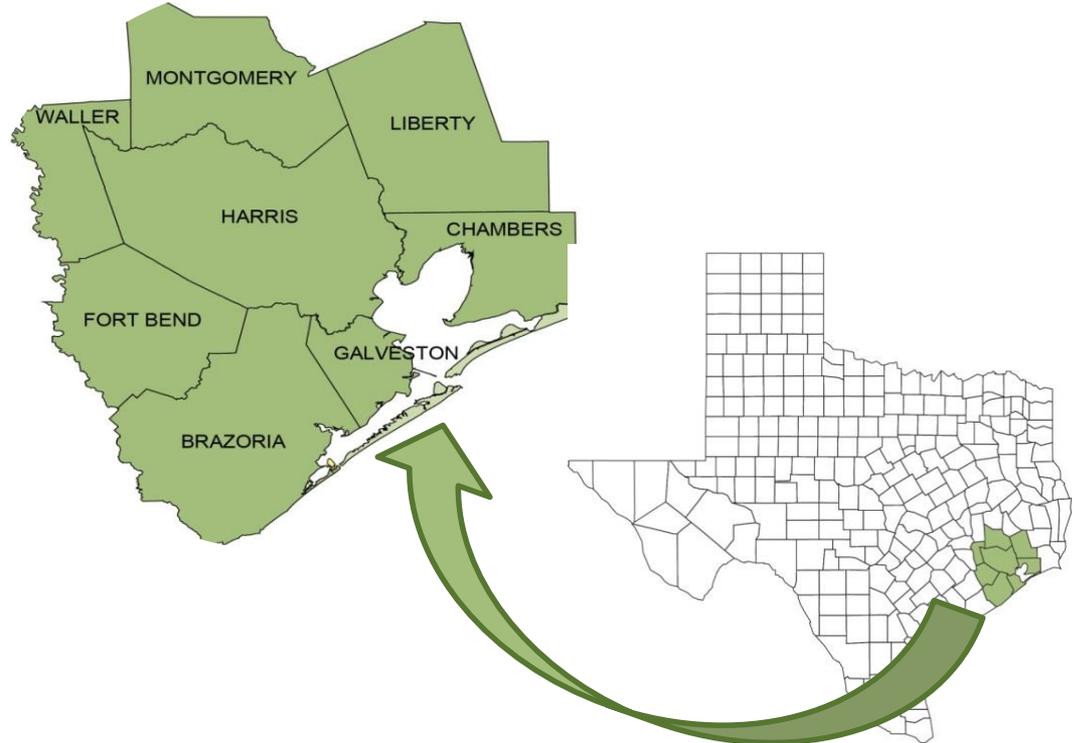
**Medical Coverage only*

KelseyCare Advantage MA HMO

Service area



- KelseyCare Advantage provides MA HMO coverage in eight Houston-area counties.
- The service area will not change for Calendar Year 2020.



KelseyCare Advantage MA HMO

Requirements by statute



When determining appropriate premium rates for participating MA HMOs, ERS must comply with a rider in the General Appropriations Act which stipulates that:

“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.”

KelseyCare Advantage MA HMO

Requirements: theoretical cost index



To ensure compliance with the rider, ERS utilizes a theoretical cost index (TCI) model.

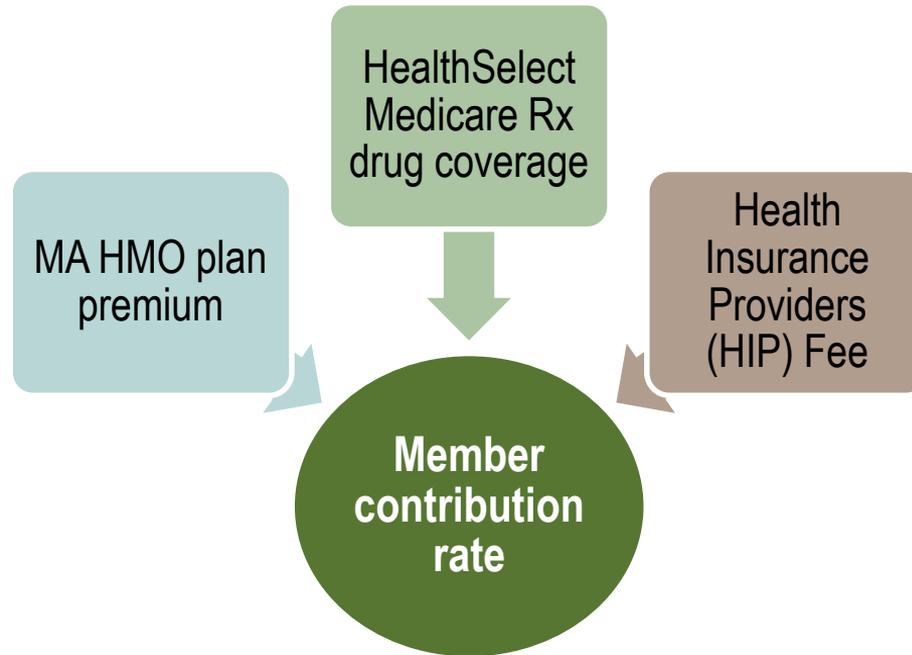
- TCI estimates the total cost that would be required to cover the MA HMO's participants if they were enrolled in HealthSelectSM of Texas, the GBP's self-funded health insurance plan.
- To participate in the GBP, the MA HMO administrator must agree to charge premium rates that are no greater than 95% of the TCI in order to ensure savings of at least 5% as compared to the cost of coverage under HealthSelect of Texas.

KelseyCare Advantage MA HMO

Member contribution rates



The KelseyCare Advantage MA HMO member contribution rates consist of three elements:



KelseyCare Advantage MA HMO

Requirements: theoretical cost index



The total cost of coverage for a participant in a Medicare advantage plan is estimated to be \$254.24 in CY20.

- \$106.68 – the fully insured premium for medical coverage under the MA PPO.
- \$126.56 – the projected cost of prescription drug coverage under HealthSelect Medicare Rx.
- \$21.00 – the cost of the HIP fee.

KelseyCare Advantage MA HMO

Proposed monthly contribution rates for CY20



	Medicare-Primary Spouse	Medicare-Primary Surviving Spouse
Current (CY19) MA HMO Rates	\$122.38	\$244.76
Proposed CY20 MA HMO Rates	\$127.12	\$254.24
Change from CY19 Rates	\$ 4.74	\$ 9.48
HealthSelect of Texas FY20 Rates	\$358.00	\$716.00
<i>Retiree Savings through MA HMO</i> <i>(difference in HealthSelect of Texas and MA HMO rates)</i>	\$230.88	\$461.76

Questions?
Action Item

Public Agenda Item #4.1

*Review and Consideration of the Group Benefits Funding Policy Document- (**Action**)*

August 21, 2019

Diana Kongevick, Director of Group Benefits
Blaise Duran, Actuarial and Reporting Services, Group Benefits
Philip S. Dial, Rudd and Wisdom, Inc.

GBP Policy Document

Background



- The ERS Board of Trustees requested ERS staff develop a policy for the Texas Employees Group Benefits Program (GBP) similar to the funding policy adopted for the ERS Pension plan in May 2018.
- Program structure and goals were discussed at the December 2018 Board meeting and a more detailed outline was provided at the March 2019 Board meeting based on comments received.

GBP Policy Document

Background (continued)



- The draft outline was shared with members of the Group Benefits Advisory Committee (GBAC) at their March 2019 meeting with a request to return comments by July 8.
- A draft was provided for review at the May 2019 board meeting with a request to submit any comments by the first week of July.

GBP Policy Document

Framework



- The GBP health plans are dynamic in nature.
- The scope and cost of health plan coverage continuously increases as a result of increases in utilization and cost of health care, and development of new and generally more expensive treatments, procedures, services, supplies and drug therapies.
- The GBP policy provides a framework for the dynamic plan management which ERS must exercise to keep pace with these developments.

GBP Policy

Purpose and Scope



The draft policy document was recently provided to the Board of Trustees for review. The purpose of the GBP policy is to:

- formalize the Policy Goal and establish guidelines to be followed to assist in effectively setting contribution rates and managing the plans for GBP Participants, including guidelines for consideration of changes in Member Cost Share (MCS);
- establish priorities to guide the development of the GBP Legislative Appropriation Request (LAR); and
- provide legislators, elected officials and other stakeholders with clear and accurate information concerning the impact that proposed legislation and/or policy initiatives would have on GBP costs and operations.

GBP Policy

Applicability



- The draft policy applies to programs funded through the legislative appropriation process.
- This currently includes the GBP employee and retiree basic term life and health plans.
- The policy does not apply to optional benefit plans.

GBP Policy

Goal



The goal of this GBP policy is to offer competitive benefits at a reasonable cost and to preserve the sustainability and financial integrity of the GBP basic term life and health plans to:

- promote the health and wellbeing of GBP participants;
- provide benefits that current and future members value; and
- develop, implement, and maintain innovative health benefit plan strategies that contribute to plan value.

GBP Policy

Guidelines



The draft policy guidelines provide a framework for achievement of the GBP policy goal, and includes:

- compliance with Chapter 1551 of the Texas Insurance Code;
- use of contingency funds;
- examination of proposed benefit and/or administrative changes to avoid unintended consequences;
- maintaining benefits and contribution strategies;
- controlling cost without diminishing quality;
- consideration of the total compensation package; and
- other key items.

GBP Policy Document

Policy update and recommendation



- The final draft version reflects input provided by Board members, the GBAC, and those made through additional internal review.
- ERS staff recommends the Board adopt the proposed policy as presented in Exhibit A.

Questions?
Action Item

Public Agenda Item #5.1

Review and Consideration of Proposed Texa\$averSM 401(k)/457 Program Plan Rates – (Action)

August 21, 2019

Georgina Bouton, Assistant Director of Group Benefits
Nora Alvarado, Voluntary Income Plans, Group Benefits

Texa\$aver program

Background



On May 22, 2019, ERS Board of Trustees awarded the following service contracts in connection with the Texa\$aver program RFP issued on November 21, 2018:

- Third party administrative (TPA) services
Great-West Life & Annuity Insurance Company (Empower Retirement)
- Investment advisory services
Advised Assets Group, LLC (AAG)

The initial service dates under the contract were July 1, 2019 through June 30, 2025.

Texa\$aver program

Background



Contract's lower rates:

- are guaranteed throughout the initial contract period; and
- represent a savings projection of \$28.5 million for fiscal years 2020 through 2025.

Following the contract award, ERS negotiated with Empower Retirement to have the lower contract rates effective June 1, 2019.

Texa\$aver program



Technical correction: Participant fee schedule

Since the Texa\$aver Program is 100% funded by participants, participants should benefit from lower contract rates.

Objective: Align the Texa\$aver participant fee schedule – the tiered fee structure – with the reduction in TPA costs that went into effective June 1, 2019 in a manner to:

- uphold the Board-adopted fee schedule; and
- benefit all Texa\$aver participants.

Texa\$aver program



Technical correction: Participant fee schedule

- ERS in-house actuary and staff
 - Formulated a fixed percentage reduction of 39.67% for the fees
 - Applied the reduction to all tiers of the participant fee schedule
- Revised participant fee schedule
 - Serves as a technical correction across all fee tiers; and
 - Aligns the participant fees to the new contract rates that went into effect on June 1, 2019

Technical Correction



Aligning Texa\$aver participant fees
with new TPA contract effective June 1, 2019

Account Balance	Current Monthly Fee (Per Participant, Per Account)	Proposed Monthly Fee (Per Participant, Per Account)	Monthly Fee Change (Per Participant, Per Account)
\$1,000.00 or less	\$ 1.18	\$ 0.71	\$ (0.47)
\$1,000.01 to \$16,000.00	\$ 3.99	\$ 2.41	\$ (1.58)
\$16,000.01 to \$32,000.00	\$ 6.00	\$ 3.62	\$ (2.38)
\$32,000.01 to \$48,000.00	\$ 8.17	\$ 4.93	\$ (3.24)
\$48,000.01 to \$64,000.00	\$10.89	\$ 6.57	\$ (4.32)
\$64,000.01 or more	\$13.62	\$ 8.22	\$ (5.40)

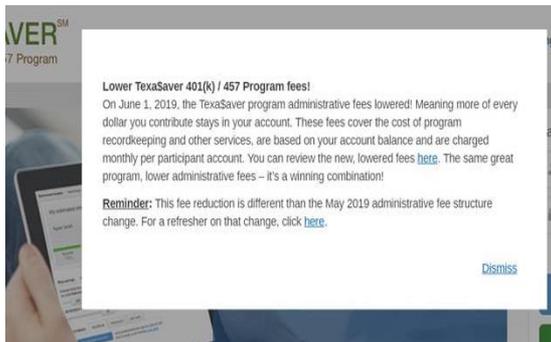
Texa\$aver program

Participant communication



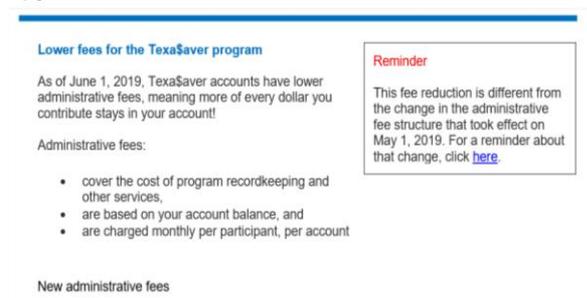
Pop-up Notice posted on Texa\$aver website:

- July 2019



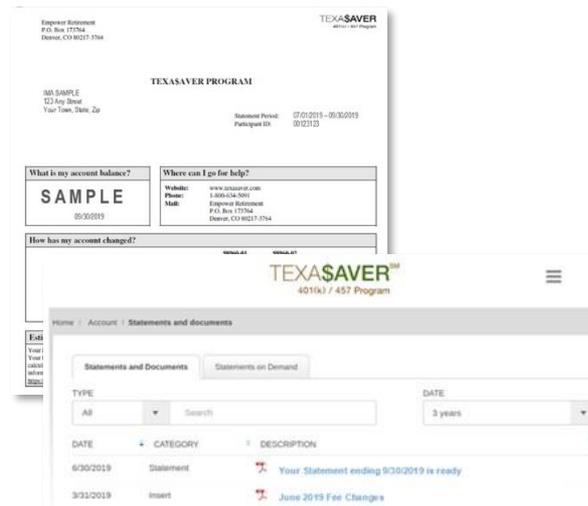
Email notifications sent to registered email accounts:

- July 30 34,801 emails
- July 31 34,348 emails
- August 6 34,279 emails
- August 7 34,035 emails



Quarterly Texa\$aver statement insert:

- Q3 2019 (October mailing)



Texa\$aver program

Staff Recommendation



Staff recommends that the Board of Trustees of the Employees Retirement System of Texas adopt the fee structure for the Texa\$aver Program effective June 1, 2019.

Questions?
Action Item

Public Agenda Item #6.1

Review and Consideration of the ERS Incentive Compensation Plan for Fiscal Year 2020 – (Action)

August 21, 2019

DeeDee Sterns, Director of Human Resources

Review and Consideration of the ERS Incentive Compensation Plan (ICP)



- The Board of Trustees reviews and considers the ICP on an annual basis in a public meeting.
- Staff annually reviews the Plan and related processes to make recommendations to the Board.
- A draft Plan document for FY20 was presented during the May Board meeting.
- Periodic updates have occurred to conform with the labor market and compensation plan standards, and to improve plan administration.
- The Plan was most recently amended and approved by the Board on August 29, 2018.

Review and Consideration of the ERS ICP



Objectives

- Communicate strategic performance priorities to participating employees
- 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

Review and Consideration of the ERS ICP

Fiscal Year 2020 – Material Changes



Based on an in-depth review of the Plan document this past year and as discussed at the May Board Meeting, staff are proposing two material changes to the ICP for the upcoming Plan year.

1. Move the Payment Date from December 1st to February 1st.
2. Create a subsection for "Underpayment" within the "Incentive Compensation Award Payments and Limitations" section.

Review and Consideration of the ERS ICP

Fiscal Year 2020 – Non-material Changes



In addition to the material changes, staff proposes the following general, non-material changes to the Plan document:

- Revised language and terms, to ensure consistency with the new Investment Policy.
- Aligned language, to reflect current processes and practices.
- New definitions and language, for clarification.
- Improved formatting of Appendix A & B for easier understanding.

Review and Consideration of the ERS ICP

Fiscal Year 2020



Staff Recommendation:

- Staff recommends that the Board consider and approve the ERS Incentive Compensation Plan for FY2020.
- Staff also recommends that the Board approve, as part of its annual review of the Plan, the proposed Plan document, as presented in Exhibit A.

Questions?
Action Item

Public Agenda Item #7.1

Review of 2019 ERS Accomplishments

August 21, 2019

Porter Wilson, Executive Director
Machelle Pharr, Chief Financial Officer

Support Our Members' Retirement Income Security

- Issued more than \$2.5 billion in payments for retirees and beneficiaries.
- Informed the 86th Legislature of the funding required to reverse the downward trajectory of the ERS and LECOS plans and attain soundness based on actuarial principles.
- Completed transition of rules based investment policy to principle based investment policy.
- Increased retention of participants who automatically enrolled in the 401(k) Plan since January 1, 2008 by an additional 9.5% for a total of 85.3%.
- Implemented a new contract for the Texa\$aver program with an estimated 40% reduction in member fees.

Sustain Competitive Group Benefits Program



- Through continued contract savings able to support current GBP benefits at the same per member contribution rate for the 2020-21 biennium.
- Tracked positive financial performance of the projected HealthSelect medical cost at an estimated cost trend of 4.8%.
- Implemented mental health virtual visits program.
- Continued growth in virtual visit utilization, increasing by 67%.
- Launched the Changing the Script Program resulting in reduced utilization of short-acting opiod drugs by 35% and long-acting opiod drugs by 70% in one year.
- Launched the unique breast cancer screening mobile mammography in collaboration with the University of Texas MD Anderson.
- Recovered over \$2 million in insurance subrogation amounts.

Engage Stakeholders for Informed Decision Making

- Produced a new video series on how ERS invests the Retirement Trust Fund.
- Published the ERS' Participant guide to the Appeals Process.
- Designed and implemented the Optional Recorded Audio Statement and Direct Call processes into the appeals review.
- Developed a reporting dashboard for 16 large state agencies to support health promotion and wellness.
- Created a new, easier-to-understand Medicare Preparation handout.



Enhance Agency Performance and Accountability



- Commenced an Enterprise Risk Assessment to better identify and quantify agency risk and evaluate existing controls.
- Designated an Enterprise Data Director, developed data governance policies and implemented security improvements.
- Improved development, tracking, monitoring and reporting for performance guarantees.
- Conducted in-house educational conferences.
- Commenced 360 Leadership Feedback.
- Completed modification to the main ERS building; moved all staff to the main building.
- Completed demolition of the annex.

Questions?

Public Agenda Item #7.2

*Consideration and Approval of the ERS Fiscal Year 2020
Proposed Operating Budget – (Action)*

August 21, 2019

Porter Wilson, Executive Director
Machelle Pharr, Chief Financial Officer

Proposed Fiscal Year 2020 Operating Budget

Major Initiatives



Support Our Member's Retirement Income Security

- Coordinate the research, analysis and development of the pension plans' experience study
- Implement Legislation passed during the 86th Legislative Session
 - Evaluation of investment practices (SB322)
 - Tiered judicial salary and judicial member contribution increase (HB2384)

Sustain Competitive Group Benefits Program

- Launch onsite biometric screening services at various state agencies and higher education institutions to increase annual preventive screenings.
- Develop and implement the SmartShoppERS member rewards program
- Explore individual long-term care insurance

Proposed Fiscal Year 2020 Operating Budget

Major Initiatives



Engage Stakeholders for Informed Decision Making

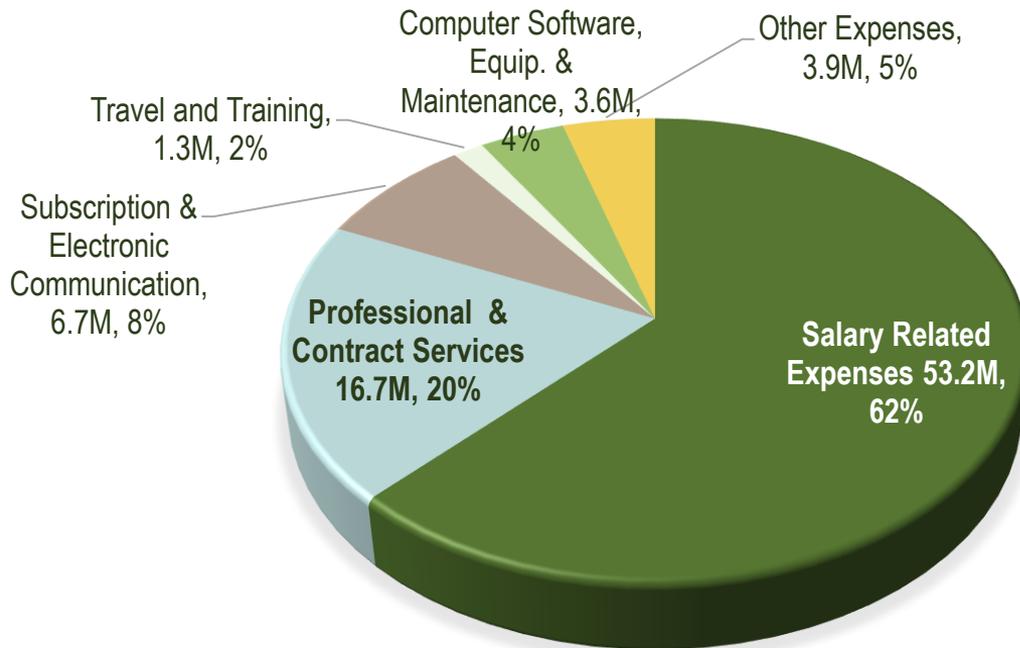
- Develop the Ready, Set, Retire! Presentation and Planning Your Retirement book for all three groups in the certified peace officer class
- Evaluate, select and implement a Knowledge Management system to integrate with the Interactive Voice Response in order to organize and offer relevant reference material to users
- Establish ERS social media records management procedures

Enhance Agency Performance and Accountability

- Evaluate and determine options to modernize the Pension and Benefits Administration System
- Implement Data Quality initiatives
- Prepare for implementation of CAPPs HR
- Expand recruitment strategy
- Conduct the Survey of Employee Engagement
- Continue construction, development and leasing of office space for the ERS building site

Proposed Fiscal Year 2020 Operating Budget

By Category



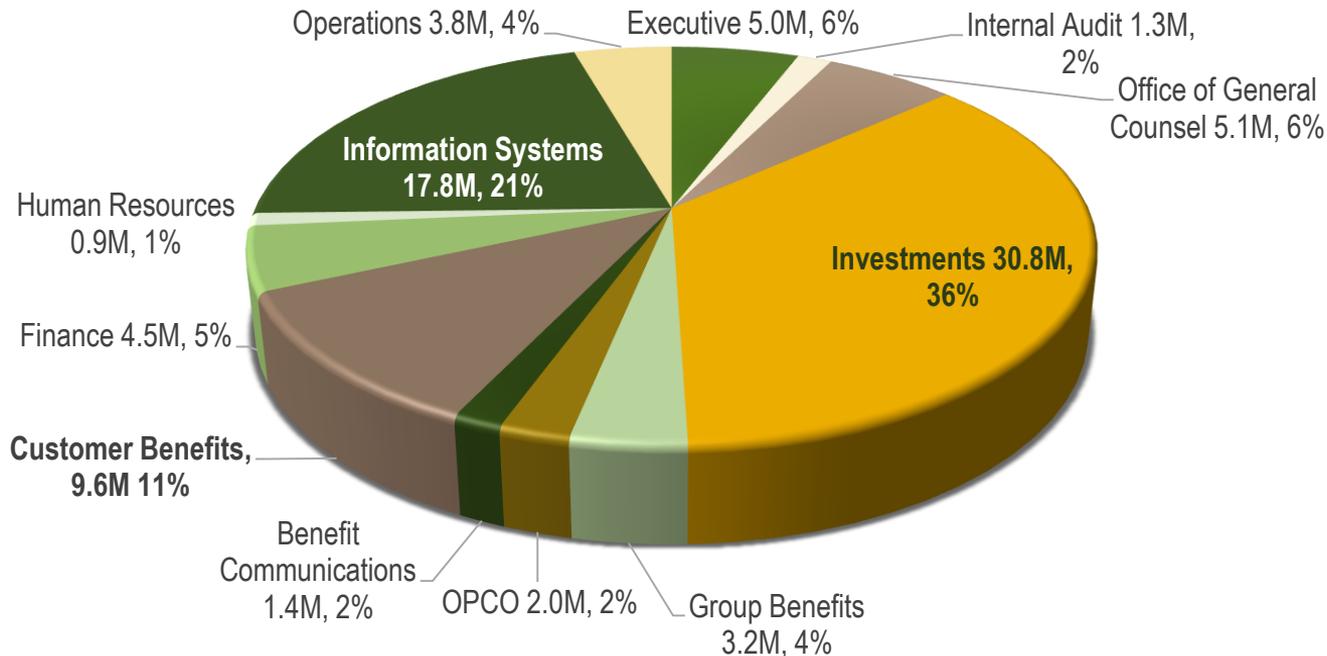
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Proposed Fiscal Year 2020 Operating Budget

By Division



The FY 2020 Proposed Operating Budget is \$85.3 million or 3.6% over the FY 2019 Operating Budget



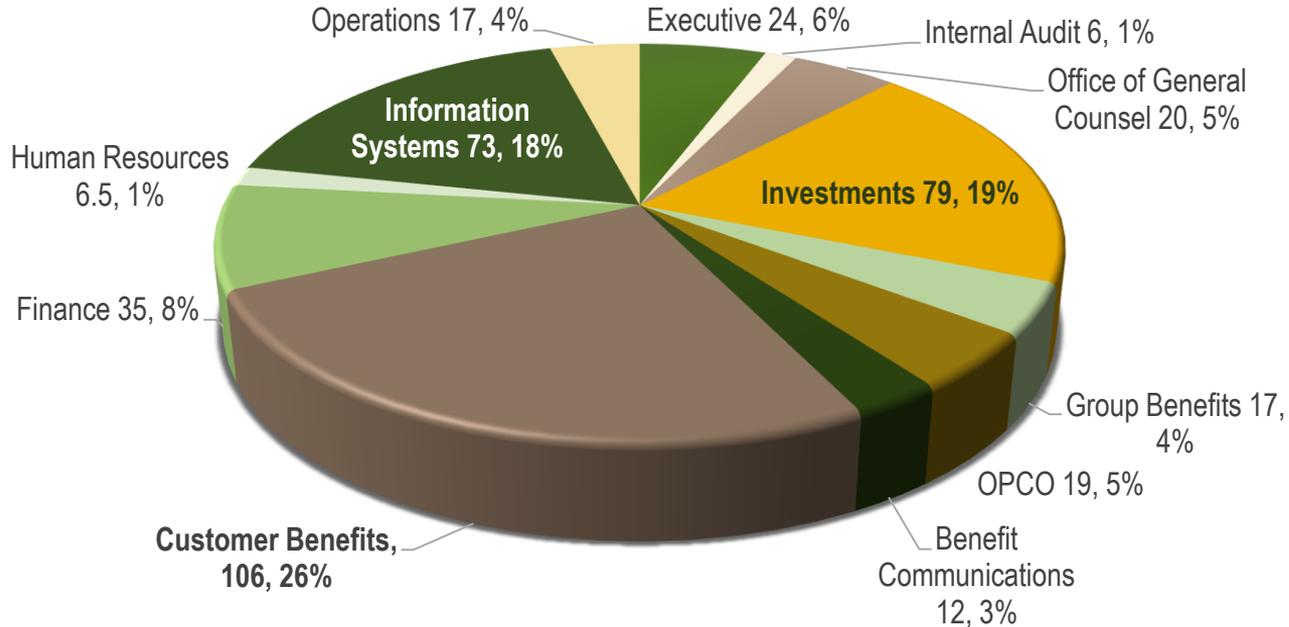
Numbers may not add due to rounding

Proposed Fiscal Year 2020 Operating Budget

By FTEs



The FY 2020 Proposed Operating Budget includes 414.5 FTEs or an increase of 1.5%



Numbers may not add due to rounding

Questions?
Action Item

Public Agenda Item #8.1

Executive Director Agency Update

May 22, 2019

Porter Wilson, Executive Director

Executive Director's Report

86th Legislative Session Update



- **SB 322** - Requires a public retirement system to have an independent firm evaluate investment practices and performance
- **SB 2224** – Requires a public retirement system to adopt a funding policy
 - Reviewing current ERS Funding Guidelines and Priorities to identify if additional information is needed to meet requirements
- **HB 2384** – Creates a tiered structure for judicial salaries
 - Increased judges' contribution rate from 7.5% to 9.5% but will still have an impact on the actuarial status of the JRS 2 Plan
 - Multiple ERS divisions are working to update systems for implementation

Legislative Update – House Bill 1

Pension Funds



- **Maintains state funding at current levels**

ERS Plan – 9.5% state and 0.5% agency

LECOS – 0.5% state; and approximately \$17.4 million court fees

JRS II – 15.663% state

- **Maintains and aligns member funding**

ERS Plan – 9.5% member

LECOS – 0.5% member

JRS II – 9.5% member, increase of 2%

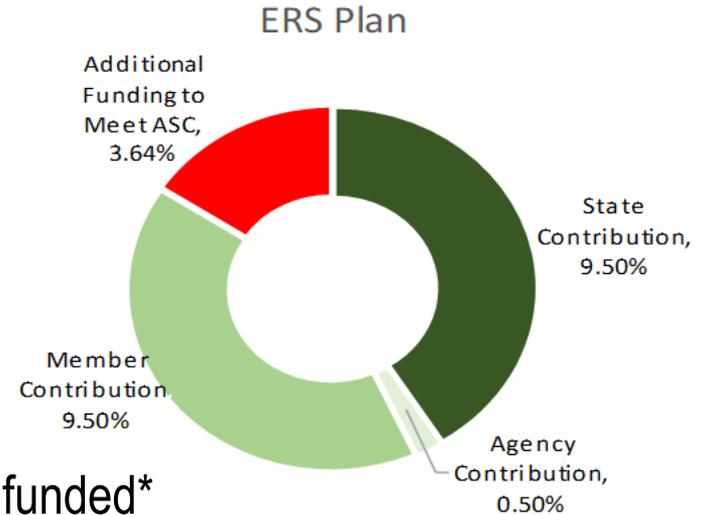
- **Exceptional items to achieve Actuarial Soundness not funded***

ERS Plan Additional Funding Request \$503.1 million

LECOS Additional Funding Request \$70.3 million

JRS II Additional Funding Request \$2.06 million

*Based on August 31, 2018 valuation



Legislative Update – House Bill 1

Group Benefits Program Funding



- Funds 2020-21 at the same per-member contribution rate as 2018-2019
 - Assumes continued cost savings from HealthSelect Third Party Administrator and Pharmaceutical Benefit contracts
 - Assumes utilization of a portion of the contingency reserve
 - Continues 1% payroll agency contribution

Executive Director's Report

Federal Issues



- Recently ERS worked with TRS, University of Texas System and Texas A&M University System health plans on a proposed pharmaceutical drug cost issue
- ERS staff got an update on potential federal proposals related to public pension systems at the 2019 National Association of State Retirement Administrators (NASRA) Conference
- Will continue to monitor federal issues and communicate potential impact to the state's pension or health care programs

Executive Director's Report

Barth certified as the Trustee-elect



- Congratulations to Brian Barth of the Texas Department of Transportation
- Barth received 50.5% of the votes
- Six-year term begins September 1, 2019

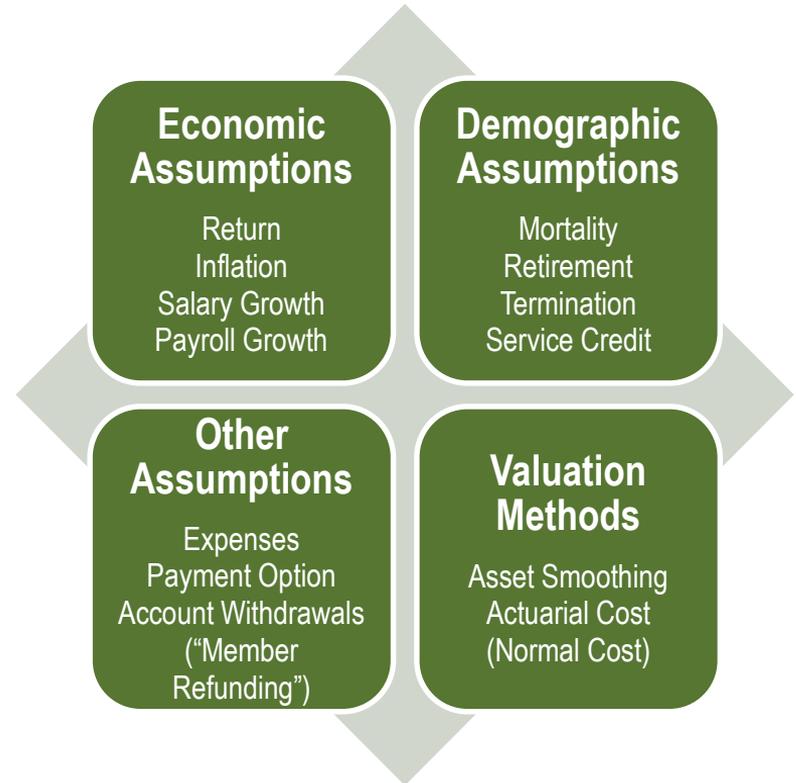
Voter Turnout by Election Cycle			
	2019	2017	2015
Total Votes Cast	33,723	37,373	30,642
Voter Participation (%)	9.5	11.0	9.9
Electronic Ballots (%)	36.9	40.4	15.7

Executive Director's Report

ERS Pension Funds Experience Study Timeline



- Under new law, ERS Experience Study must be completed and assumptions reviewed at least every 4 years
- Most recent study was performed in 2017 and current timeline would put next study adopted for 8/31/2021 Valuation
- To better align with Legislative Sessions and provide the most up-to-date funding estimates, Experience Study will be performed in FY 2020 for final adoption in August 2020



Plan Year 2020 Summer Enrollment

Employees, pre-Medicare retirees and their families



ERS mailed
272,011
PBES packets.



11,198 members
made coverage
changes.



ERS and ACT
received 8,325
phone calls.
• 311 by ERS
• 8,014 by ACT

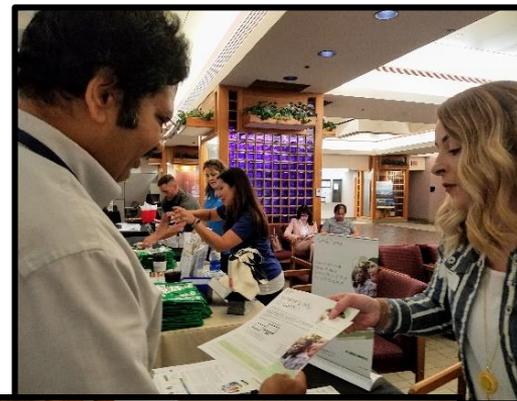
Summer Enrollment Outreach



3,619 people attended
24 fairs across Texas.



554 people participated
in five webinars.



Staying Connected Retiree Fairs

“Fitness and You”



Biennial events for interaction and updates on benefits, new legislation

- San Antonio, August 30 (first time in Alamo City!)
- South Austin/Kyle, September 6
- Central Austin, September 9
- Arlington, September 19
- Houston, September 24

Staying 
Connected

The logo for 'Staying Connected' features the word 'Staying' in a light green sans-serif font, followed by a green icon of two interlocking arrows forming a circle, and the word 'Connected' in a bold, dark green sans-serif font.

Join us if you can!

Questions?

Public Agenda Item #9.1

Executive Session –

In accordance with Section 551.074, Texas Government Code, the ERS Board of Trustees will meet in executive session to deliberate the employment, evaluation and duties of the Executive Director of the Employees Retirement System of Texas. Thereafter, the Board may consider appropriate action in open session.

August 21, 2019

Public Agenda Item #10.1

Election of Chair and Vice Chair of the ERS Board of Trustees for Fiscal Year 2020 – (Action)

August 21, 2019

Questions?
Action Item

Public Agenda Item #11.1

Adjournment of the ERS Board of Trustees Meeting

August 21, 2019