

# 3. Meeting of the ERS Board of Trustees

May 22, 2019



# Public Agenda Item #1.1

*Call Meeting of the ERS Board of Trustees*

May 22, 2019

## Public Agenda Item #2.1

*Review and Approval of the Minutes to the  
March 6, 2019 ERS Board of Trustees Meeting – (Action)*

May 22, 2019

Questions?  
**Action Item**

## Public Agenda Item #2.2

*Review and Approval of the Minutes to the  
March 28, 2019 ERS Board of Trustees Meeting – (Action)*

May 22, 2019

Questions?  
**Action Item**

## Public Agenda Item #3.1

*Review, Discussion and Consideration of the Rules of the Board of Trustees, Texas Administrative Code, Title 34, Part IV, Chapter 73 – (Action)*

May 22, 2019

Robin Hardaway, Director of Customer Benefits

# Required Rule Review & Proposed Amendments

## *Chapter 73 (Benefits)*



- Tex. Gov't Code § 2001.039 requires review of rules every four years.
- Staff reviewed Chapter 73 and proposed the below amendments:
  - Section 73.9 is proposed to be repealed since this section is redundant with §814.108(c)(5) of the Texas Government Code.
  - Section 73.31 is proposed to be amended to remove a reference to a repealed statute, §814.1041 of the Texas Government Code.

# Required Rule Review, Chapter 73

(Continued)



- Notice of the proposed amendments to Chapter 73 was published in the April 5, 2019 issue of the *Texas Register* (44 TexReg 1709).
- The deadline for receiving comments was May 6, 2019. No comments were received.

# Required Rule Review, Chapter 73

## *Staff Recommendation*



- Adopt proposed amendments to Chapter 73, concerning benefits.
- Re-adopt Chapter 73, concerning benefits, including the adopted changes by the board as provided by this agenda item, as the reason for Chapter 73 continues to exist.

Questions?  
**Action Item**

## Public Agenda Item #3.2

*Review, Discussion and Consideration of the Rules of the Board of Trustees, Texas Administrative Code, Title 34, Part IV, Chapter 74 and Chapter 77 – (Action)*

May 22, 2019

Paula A. Jones, Deputy Executive Director and General Counsel

# Required Rule Review

Chapter 74 (Qualified Domestic Relations Orders) and Chapter 77 (Judicial Retirement)



- Tex. Gov't Code § 2001.039 requires review of rules every four years.
- Notice of rule review for Chapter 74 (Qualified Domestic Relations Orders) was published in the August 17, 2018, issue of the *Texas Register*. No comments were received by ERS.
- Notice of rule review for Chapter 77 (Judicial Retirement) was published in the May 18, 2018, issue of the *Texas Register*. No comments were received by ERS.
- Staff reviewed Chapters 74 and 77, and no changes are recommended at this time.

# Required Rule Review(Chapter 74 and Chapter 77)

*Staff Recommendation*



- Readopt Chapter 74 (Qualified Domestic Relations Orders) and Chapter 77 (Judicial Retirement) with no changes.

Questions?  
**Action Item**

## Public Agenda Item #3.3

*Review, Discussion and Consideration of the Rules of the Board of Trustees, Texas Administrative Code, Title 34, Part IV, Chapter 82- (Action)*

May 22, 2019

Keith Yawn, Director of Strategic Initiatives

# History of Chapter 82

## *Health Services in State Office Complexes*



- Since the establishment of Chapter 671, Texas Government Code in 2005, ERS has worked with the Texas Commission on Environmental Quality to facilitate an onsite health clinic at a north Austin state office complex.
- ERS facilitates the clinic by leveraging existing third-party administrator contracts and health plan provider networks to obtain quality staff for the clinic. TCEQ provides funding for the establishment and ongoing operation of the clinic facility.

# Proposed Amendments to Chapter 82

## *Rationale for Proposed Changes*



- During the last 13 years, agency interest in onsite health clinics has increased and options for clinic structures have altered significantly.
- The proposed rule amendments would delegate certain responsibilities to the Executive Director to ensure ERS staff has the operational flexibility to work efficiently and effectively with interested state agencies to plan, establish, and operate proposed onsite clinics with potential medical and financial value to the health plans at negligible cost to ERS.

# Proposed Amendments to Chapter 82

## *Proposed Amendments*



- Proposed amendments to Section 82.3 (Administration)

“ . . . The executive director is vested with the authority to implement and make all administrative decisions related to the pilot program that are vested in the board, [including the determination of any future expansion or continuation of the pilot program as authorized by Chapter 671, Texas Government Code](#), subject to the basic and general policies, rules and regulations and appellate jurisdiction of the board.”
- Proposed amendments to section 82.9 (Termination)

“The board [or executive director](#) shall determine if the continued operation of any facility established under the pilot program is cost effective and beneficial to the participants of the GBP. The authority to continue or terminate a facility shall be determined by the board [or executive director](#).”

# Proposed Amendments to Chapter 82

## *Amendment Process*



- Notice of the proposed rule review of Chapter 82 was published in the August 17, 2018 issue of the *Texas Register* (43 TexReg 5403). ERS did not receive any comments on the proposed rule review.
- Notice of the proposed rule amendments to Chapter 82 was published in the April 5, 2019 issue of the *Texas Register* (44 TexReg 1710). ERS did not receive any comments on the proposed rule amendments.

# Proposed Amendments to Chapter 82

## *Staff Recommendation*



1. Adopt the proposed amendments to Chapter 82, concerning Health Services in State Office Complexes; and
2. Re-adopt Chapter 82, which include the changes adopted by the Board as provided by Exhibit A, because the reasons for initially adopting the chapter continue to exist.

Questions?  
**Action Item**

## Public Agenda Item #4.1

*Review, Discussion and Consideration of the Contract Award  
Recommendation for the Third Party Administrative and  
Investment Advisory Services for the Texa\$aver Program – (Action)*

May 22, 2019

Diana Kongevick, Director of Group Benefits

Georgina Bouton, Assistant Director of Group Benefits

Blaise Duran, ASA, MAAA, Actuarial and Reporting Services, Group Benefits

Gabrielle Schreiber, Director of Procurement and Contract Oversight

# TPA and Advisory Services for the Texa\$aver Program

## *Background*



In 2009, ERS contracted with Great-West Life and Annuity Insurance Company (Empower Retirement) to provide Third Party Administrative (TPA) Services. ERS contracted with Wells Fargo Bank to provide financial custodial services (Custodial Services). ERS also contracted with Advised Assets Group, LLC to provide the investment advisory services (Advisory Services).

# TPA and Advisory Services for the TexaSaver Program

## *Request for Proposals (RFP)*



- ERS issued an RFP on November 21, 2018.
- Vendors could submit Proposals for one or both of the following services:
  - TPA Services (which, for purposes of this RFP, included Custodial Services) and
  - Advisory Services.

# TPA and Advisory Services for the TexaSaver Program

## *Request for Proposals (RFP)*



- 41 companies requested access to the RFP.
- Responses were due January 16, 2019.
- ERS received Proposals for both services from two (2) entities:
  - Great-West Life & Annuity Insurance Company (Empower Retirement)  
and
  - Voya Institutional Plan Services, LLC (Voya).

# TPA and Advisory Services for the Texa\$aver Program

## *Preliminary Review Phase*



ERS' Office of Procurement and Contract Oversight (OPCO) evaluated the following criteria on a pass/fail basis:

- Responsiveness;
- Compliance with the RFP and
- Certain vendor performance checks required by the Texas Comptroller of Public Accounts.

# TPA and Advisory Services for the Texa\$aver Program

## *Preliminary Review Phase*



OPCO also verified the Respondents met the following Minimum Requirements:

- Holds requisite business and professional licenses and certifications;
- Has the requisite experience;
- Is a CPA-approved state depository institution (TPA Services only);
- Is capable of transitioning large programs (TPA Services only);
- Has sufficient net worth, as defined and
- Is compliant with Section 609.505 (c) (TPA Services only).

Both Respondents met the Minimum Requirements for both services.

# TPA and Advisory Services for the Texa\$aver Program

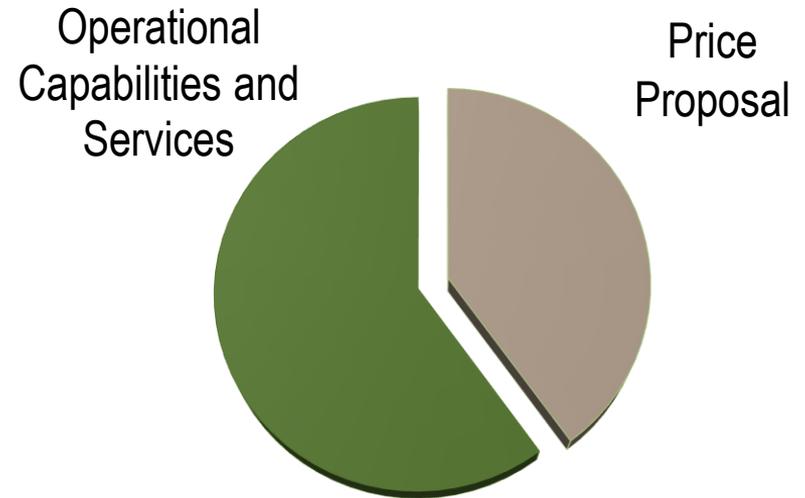
## *Proposal Review Phase – TPA Services*



Two main categories scored:

- Operational Capabilities and Services: 60%
- Price Proposal: 40%

### Proposal Evaluation Criteria



# TPA and Advisory Services for the TexaSaver Program

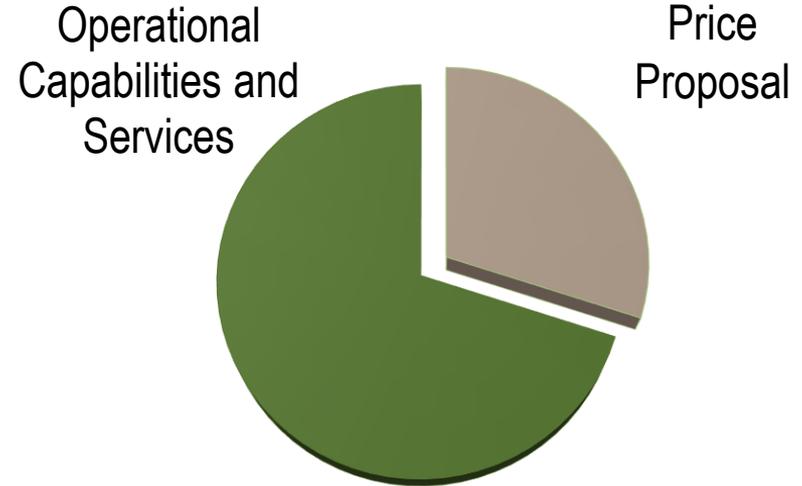
## *Proposal Review Phase – Advisory Services*



Two main categories scored:

- Operational Capabilities and Services: 70%
- Price Proposal: 30%

Proposal Evaluation Criteria



# TPA and Advisory Services for the Texa\$aver Program

## *Pass/Fail Items*



Pass/Fail items (initially reviewed in this phase):

- Contractibility;
- Legal Requirements and Regulatory Compliance;
- Assessment of Controls Effectiveness and
- Financial Stability.

# TPA and Advisory Services for the Texa\$aver Program

## *Finalists Review Phase*



Based on the Pass/Fail items and the scoring of Price Proposals and Operational Capabilities and Services requirements during the Proposal Review Phase, both Respondents were recommended as Finalists for both services:

- Empower Retirement and
- Voya.

# TPA and Advisory Services for the Texa\$aver Program

## *Finalists Review Phase*



- Site Visits:
  - Empower Retirement on April 9 – 10, 2019
  - Voya on April 9, 10, 12, and 18, 2019
- Face-to-Face Interviews:
  - Empower Retirement on April 15, 2019
  - Voya on April 15, 2019
- Best and Final Offers (BAFOs)
- Past Performance
- Contractibility and Legal Requirements and Regulatory Compliance (finalized)

# TPA and Advisory Services for the TexaSaver Program

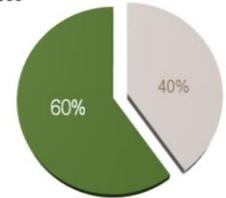
## Finalist Review Phase: TPA Services



### Operational Capabilities and Services

### Proposal Evaluation Criteria

Operational Capabilities and Services      Price Proposal



	Empower Retirement	Voya
<b>General Processing and Administration</b>	<ul style="list-style-type: none"> <li>Lifetime Income Score<sup>SM</sup></li> <li>Peer benchmarking: Strategic decision-making</li> <li>Data visualization: Identify plan improvements</li> <li>Six Sigma project teams: Strategic projects, initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Reflection Index</li> <li>Trend analysis, reporting, analytics</li> <li>Participants' income replacement rate (IRR) benchmarking</li> </ul>
<b>Communications (Participant engagement)</b>	<ul style="list-style-type: none"> <li>Targeted marketing campaigns</li> </ul>	<ul style="list-style-type: none"> <li>Digital strategy</li> <li>Personalized participant videos</li> </ul>
<b>Information Systems</b>	<ul style="list-style-type: none"> <li>Data security management</li> </ul>	<ul style="list-style-type: none"> <li>Data security management</li> </ul>
<b>Operational Specifications</b>	<ul style="list-style-type: none"> <li>Proprietary record keeping system</li> <li>Real time processing</li> <li>Sortable real-time data</li> </ul>	<ul style="list-style-type: none"> <li>Non-proprietary recordkeeping system (SunGard's Omni plus)</li> <li>Overnight batch process</li> <li>Behavioral Finance Institute for Innovation</li> </ul>

# TPA and Advisory Services for the TexaSaver Program

## Proposal Review Phase: Advisory Services

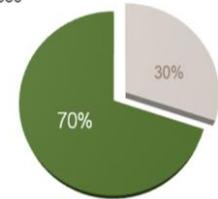


### Investment Advisory Capabilities and Services

	Empower Retirement	Voya
<b>Advisory Services</b>	<ul style="list-style-type: none"> <li>• Program-level GWI, dedicated professional</li> <li>• Retirement plan advisors: Series 6, 63, and 65 (or equivalent)</li> <li>• Field representatives to be Series 65 licensed (3-6 months)</li> <li>• Online, fully-managed advisory services (Morningstar)</li> </ul>	<ul style="list-style-type: none"> <li>• 11 credentialed investment analysts</li> <li>• Program-level, dedicated portfolio professional</li> <li>• Voya Fund Evaluation Scorecard</li> <li>• Retirement advisors: Series 6/7, 63, and 65</li> <li>• Online, fully-managed advisory services (Financial Engines)</li> </ul>
<b>Operational Specifications</b>	<ul style="list-style-type: none"> <li>• Morningstar: 5-step investment process</li> <li>• Dynamic portfolio methodology to optimize retirement plan portfolios</li> <li>• Custom asset allocation capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Engines: balanced approach to evaluate securities</li> <li>• Financial Engines' Finance team speaks directly with mutual fund manager</li> <li>• Financial Engines' Investment Committee reviews analysis</li> </ul>

### Proposal Evaluation Criteria

Operational Capabilities and Services      Price Proposal



# TPA and Advisory Services for the TexaSaver Program

## *Finalists Review Phase*



- TPA and Advisory Services Price Proposals were evaluated based on one of two methodologies:
  - Price per Participant per Month or
  - Price per Account per Month

# TPA and Advisory Services for the TexaSaver Program

## Finalists Review Phase: TPA Services



**TPA Services Analysis** is based on a monthly fee per account, which is guaranteed over the 6-year contract term.

Projected TPA Services Fees FY20 – FY25					
	Current	Empower Retirement – TPA only	Empower Retirement – TPA and Advice	Voya – TPA only	Voya – TPA and Advice
Total Administrative Fees	\$61.3 million	\$36.4 million	\$32.8 million	\$53.1 million	\$49.2 million
Savings compared to current contract	N/A	\$24.9 million	\$28.5 million	\$8.2 million	\$12.1 million

# TPA and Advisory Services for the TexaSaver Program

## Finalists Review Phase: Advisory Services



**Advisory Services Analysis** is based on a monthly fee per account, which is guaranteed over the 6-year contract term. Both finalists proposed fees that varied by account balance.

Projected Advisory Services Fees FY20 – FY25			
	Current	Empower Retirement (per account)	Voya (per account)
Total Administrative Fees	\$9.9 million	\$9.1 million	\$9.9 million
Savings compared to current contract	N/A	\$0.8 million	\$0

# TPA and Advisory Services for the Texa\$aver Program

## *Finalists Review Phase*



- Staff met with Executive Office and reviewed RFP evaluation team findings.
- A best-value determination was made.

# TPA and Advisory Services for the Texa\$aver Program

## *Staff Recommendation*



Staff recommends that the Board of Trustees of the Employees Retirement System of Texas award the TPA Services contract to [\_\_\_\_\_];  
and

Staff recommends that the Board of Trustees of the Employees Retirement System of Texas award the Advisory Services contract to [\_\_\_\_\_].

Questions?  
**Action Item**

## Public Agenda Item #5.1

*Review, Discussion and Consideration of Group Benefits Program Update and Proposed Rates for HealthSelect of Texas and Consumer Directed HealthSelect Plans with Rates Inclusive of Plan Change- (**Action**)*

May 22, 2019

Diana Kongevick, Director of Group Benefits

Blaise Duran, ASA, MAA, Actuarial and Reporting Services, Group Benefits

Phil Dial, FSA, Rudd and Wisdom, Inc.

# HealthSelect Plans



- 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 the contribution rate for eligible full-time employees and retirees, and 50% of the contribution rate for eligible dependents.
- State contributions are the same for HealthSelect of Texas, Consumer Directed HealthSelect and HealthSelect Medicare Advantage.

# HealthSelect Plans

## *FY20 Contribution Rate Analysis*



- The Actuarial and Reporting Services unit and consulting actuary analyzed the following critical factors:
  - revenue requirements;
  - state funding;
  - historical enrollment;
  - claims experience;
  - projected contingency fund balance;
  - cost containment practices;
  - anticipated increases in plan costs attributable to the Affordable Care Act; and
  - the impact of participating Health Maintenance Organizations and funding for basic life and accidental death and dismemberment coverages.

# HealthSelect Plans

## *FY20 Contribution Rate Analysis (continued)*



- FY19 combined medical and prescription drug trend is estimated at 7.0%.
  - Medical benefit cost trend is anticipated to be approximately 5.5% in FY19.
  - Prescription drug trend is estimated to be 11.3% through the remainder of FY19.
- FY20 combined trend is expected to be consistent with historic trend levels at approximately 7.4%

# HealthSelect Plans

## *Value*



- Expected trend means the combination of utilization and cost would result in an expected increase of 7.4% next year.
- It is important to note that the FY20 trend increase is not passed to the State or the member.
- This is the result of savings through contracting, plan management and innovative methods to control cost – all while maintaining the stability and competitiveness of the HealthSelect plans.

# HealthSelect Plans

## *FY20 Contribution Rate Analysis (continued)*



- By statute, the Consumer Directed HealthSelect plan is required to be revenue neutral. Assumptions were developed for the plan design to meet this requirement.
- The original pricing assumptions were based on projected 3% enrollment. Current enrollment is at 0.5%. Therefore, to develop rates, ERS continued its original pricing assumptions.

# HealthSelect Plans

## *Out-of-Pocket Maximum Change*



- Consistent with Internal Revenue Service (IRS) maximums, the out-of-pocket maximum is increasing from \$6,650 to \$6,750 for individuals and from \$13,300 to \$13,500 for families (effective 1/1/20 for HealthSelect plans and 9/1/19 for HMO plans).
- The member out-of-pocket maximum includes costs for deductibles, coinsurance and copayments.

# HealthSelect of Texas

## Proposed FY20 Rates



### HealthSelect of Texas Proposed Monthly Contribution Rates Fiscal Year 2020

	<b>Total Contribution</b>	<b>State Pays</b>	<b>Member Pays</b>	<b>Change in Member's Monthly Contribution</b>
<b>Member Only</b>	\$ 622.60	\$ 622.60	\$ 0.00	\$ 0.00
<b>Member &amp; Spouse</b>	1,338.60	980.60	358.00	0.00
<b>Member &amp; Child(ren)</b>	1,102.00	862.30	239.70	0.00
<b>Member &amp; Family</b>	1,818.00	1,220.30	597.70	0.00

# Consumer Directed HealthSelect

## Proposed FY20 Rates



### Consumer Directed HealthSelect Proposed Monthly Contribution Rates Fiscal Year 2020

	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

Questions?  
**Action Item**

## Public Agenda Item #5.2

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

May 22, 2019

Diana Kongevick, Director of Group Benefits

Blaise Duran, ASA, MAA, Actuarial and Reporting Services, Group Benefits

Phil Dial, FSA, Rudd and Wisdom, Inc.

# Health Maintenance Organization (HMO) Plans



- Currently, three HMO plans 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)
    - Thirty county service area in Austin-San Angelo-Temple-Waco region
  - 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 for HMOs. Similar to previous years, incumbent carriers were provided a renewal option, subject to due diligence.

# HMO 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.”*

# HMO Plans

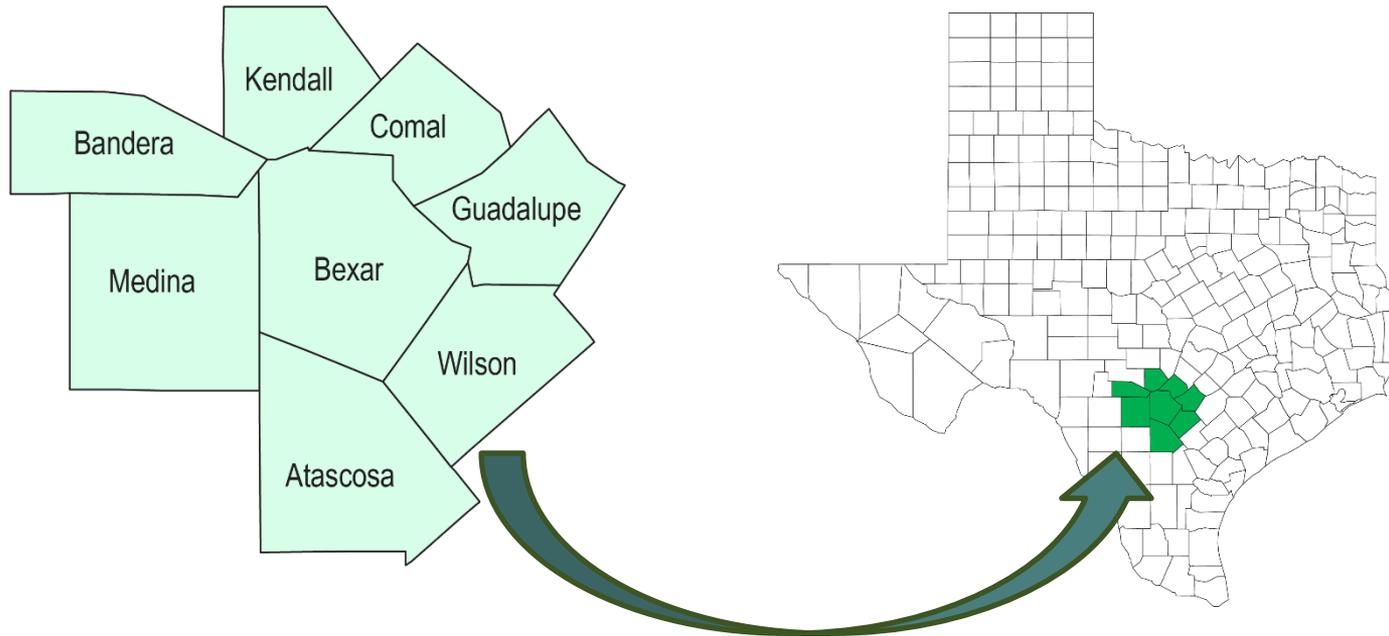
## *Rate Analysis*



- 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 FY20 Rates

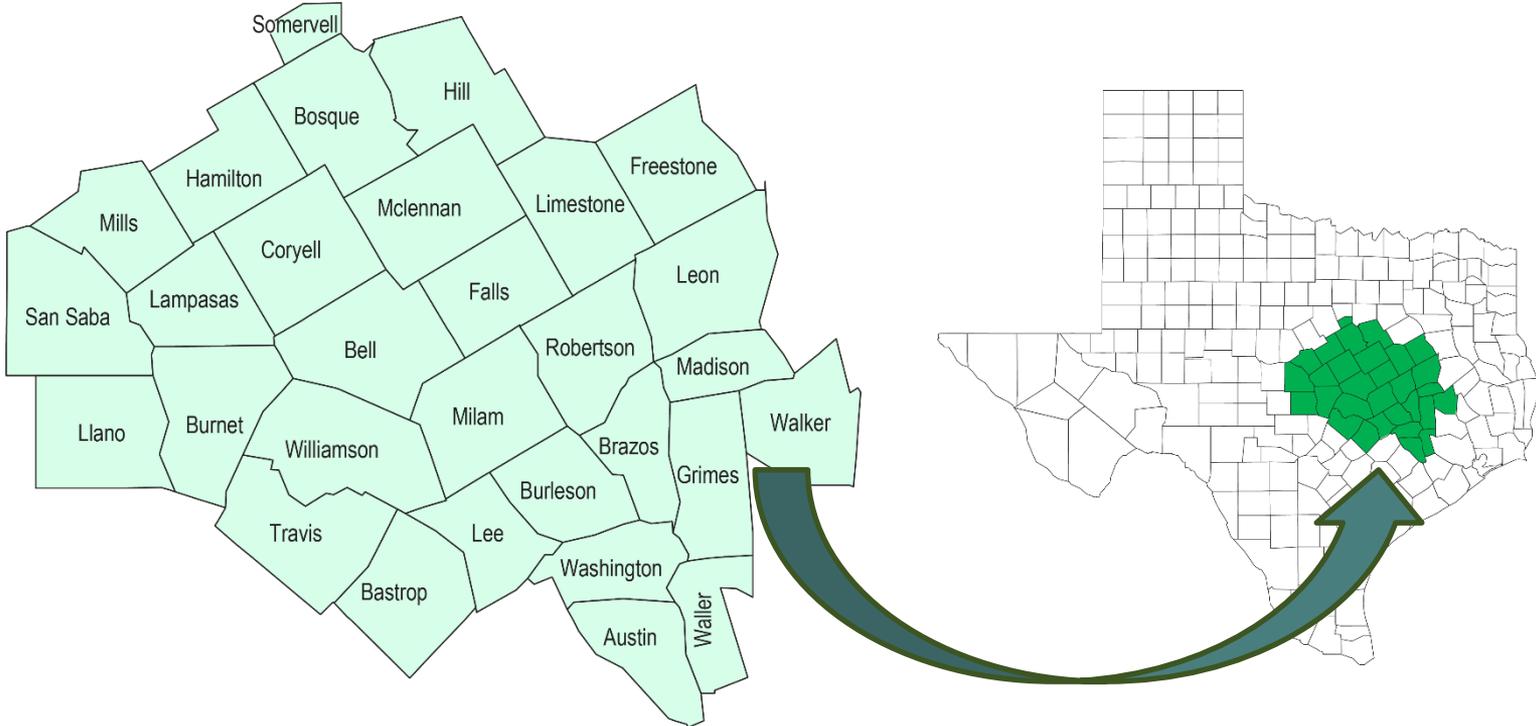


### Community First Health Plans, Inc. Proposed Monthly HMO Rates Fiscal Year 2020

	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	0.00
Member & Child(ren)	968.88	758.14	210.74	0.00
Member & Family	1,598.40	1,072.90	525.50	0.00

# HMOs – Baylor Scott & White

## Service Area



# HMOs – Baylor Scott & White

## *Proposed FY20 Rates*



### Baylor Scott & White Health Plan Proposed Monthly HMO Rates Fiscal Year 2020

	<b>Total Contribution</b>	<b>State Pays</b>	<b>Member Pays</b>	<b>Change in Member's Monthly Contribution</b>
<b>Member Only</b>	\$ 619.76	\$ 619.76	\$ 0.00	\$ 0.00
<b>Member &amp; Spouse</b>	1,332.48	976.12	356.36	(12.16)
<b>Member &amp; Child(ren)</b>	1,096.96	858.36	238.60	(8.16)
<b>Member &amp; Family</b>	1,809.68	1,214.72	594.96	(20.32)

# HMOs - KelseyCare powered by CHC

## *Proposed FY20 Rates*



- KelseyCare proposed FY20 premium rates were 7.2% higher than FY19 rates.
- It was determined that KelseyCare would need to reduce rates by 3.1% (versus FY19 rates) in order to meet the FY20 theoretical cost requirement.
- CHC declined to submit revised rates and chose to voluntarily withdraw from the GBP.
- Effective September 1, 2019, KelseyCare members will be enrolled in HealthSelect of Texas. Kelsey providers participate in the HealthSelect network.
- Those KelseyCare members who cover dependents will see a monthly contribution increase as HealthSelect of Texas rates are 29% higher than KelseyCare rates.

Questions?  
**Action Item**

## Public Agenda Item #5.3

*Review, Discussion and Consideration of Proposed FY20 Rates for State of Texas Dental Choice, Dental Health Maintenance Organization and State of Texas Dental Discount Plan – (Action)*

May 22, 2019

Diana Kongevick, Director of Group Benefits

Blaise Duran, ASA, MAA, Actuarial and Reporting Services, Group Benefits

Phil Dial, FSA, Rudd and Wisdom, Inc.

# State of Texas Dental Choice Plan

## *Rate Development*



- The plan is self-funded and the Texas Employees Group Benefits Program (GBP) 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 February 28, 2019;
  - 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

## *FY20 Changes*



- Effective September 1, 2019 the State of Texas Dental Choice plan will be administered by Delta Dental.
- Based on the projected total cost evaluation performed by ERS Staff and consulting actuary, the change in administrators is expected to reduce costs.
- This amount will more than offset the expected trend increase and impact of FY19 plan benefit changes.

# State of Texas Dental Choice

## Proposed FY20 Rates



- ERS staff and consulting actuary recommend the FY20 member contribution rates decrease by 5% beginning September 1, 2019.

### State of Texas Dental Choice Monthly Contribution Rates

	Current FY19	Proposed FY20	Change from Current Rate
<b>Member Only</b>	\$ 28.64	\$ 27.21	(\$ 1.43)
<b>Member &amp; Spouse</b>	57.28	54.42	(2.86)
<b>Member &amp; Child(ren)</b>	68.74	65.30	(3.44)
<b>Member &amp; Family</b>	97.38	92.51	(4.87)

# Dental Health Maintenance Organization

## *Proposed FY20 Rates*



- Effective September 1, 2019 the DHMO plan (DeltaCare HMO USA) will be administered by Delta Dental.
- The Delta Dental FY20 proposed premiums are nearly identical to FY19 premiums.
- Premiums are paid in full by member contributions; therefore, FY20 member contribution rates are set equal to the contractual premium rates.

### DHMO Monthly Contribution Rates

	Current FY19	Proposed FY20	Change from Current Rate
<b>Member Only</b>	\$ 9.59	\$ 9.59	\$0.00
<b>Member &amp; Spouse</b>	19.17	19.18	0.01
<b>Member &amp; Child(ren)</b>	23.01	23.02	0.01
<b>Member &amp; Family</b>	32.59	32.59	0.00

# Dental Plan Enrollment

## *Three Year Snapshot*



- Enrollment in the State of Texas Dental Choice Plan has been increasing over the years.
- Enrollment has been steadily declining in the DHMO Plan and the State of Texas Dental Discount Plan.
- FY16 – FY19 participant enrollment
  - Dental Choice Plan - increased 11%
  - DHMO Plan - decreased 10%
  - State of Texas Dental Discount Plan - decreased 11%.

# Dental Plan Enrollment

## FY19



### Dental Plan Member Enrollment as of March 31, 2019

	State of Texas Dental Choice	Dental Health Maintenance Organization	State of Texas Dental Discount Plan
<b>Member Only</b>	104,704	41,642	3,680
<b>Member &amp; Spouse</b>	33,894	11,344	868
<b>Member &amp; Child(ren)</b>	25,070	8,617	615
<b>Member &amp; Family</b>	21,913	7,143	540
<b>Total</b>	185,581	68,746	5,703

# State of Texas Dental Discount Plan

## *Proposed Changes*



- A dental discount plan is currently offered as part of the GBP and is administered by Careington. It provides for network access only.
- The plan is an outlier in the GBP in that it is a discount only plan and not an insurance plan.
- ERS staff recommends the dental discount plan be discontinued from the GBP effective August 31, 2019.
- Staff will work with Beneplace, the administrator of the Discount Purchase Program, to make discount dental plans available through the Discount Purchase Program.
- This change:
  - Removes confusion that the State of Texas Dental Discount Plan is an insurance plan (*it is a discount plan*).
  - Allows members to choose the dental discount plan that is best for them (additional discount plans may be available through the Discount Purchase Program at various price points).
  - Participants can move in and out of dental discount plans throughout the year as they choose.

Questions?  
**Action Item**

## Public Agenda Item #5.4

*Review, Discussion and Consideration of Proposed  
FY20 Rates for State of Texas Vision – (Action)*

May 22, 2019

Diana Kongevick, Director of Group Benefits

Blaise Duran, ASA, MAA, Actuarial and Reporting Services, Group Benefits

Phil Dial, FSA, Rudd and Wisdom, Inc.

# State of Texas Vision

## Rates



- In its third year under the Texas Employees Group Benefits Program (GBP), the State of Texas Vision plan has been well received.
- 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 March 31, 2019;
  - estimated trends in benefit costs;
  - projected provider reimbursement rates; and
  - contractually guaranteed administrative fees.

# State of Texas Vision

## Plan Enrollment



	FY18	FY19 (as of March 31, 2019)
<b>Actives</b>	92,369	107,933
<b>Dependents</b>	74,491	87,141
<b>Retirees</b>	12,903	16,647
<b>Dependents</b>	6,531	8,474
<b>Total</b>	<b>183,294</b>	<b>220,195</b>

# State of Texas Vision Plan Experience



## State of Texas Vision Plan Experience Fiscal Year 2018

Contributions Received	Claims	Administrative Cost
\$12,473,163	\$7,310,297	\$639,891

# State of Texas Vision

## Proposed FY20 Rates



- ERS staff and consulting actuary recommend the FY20 member contribution rates decrease by 15% beginning September 1, 2019.

State of Texas Vision  
Proposed Monthly Member Contribution Rates  
Fiscal Year 2020

	FY19	FY20	Change from Current Rate
Member Only	\$ 6.02	\$ 5.12	\$ (0.90)
Member & Spouse	12.04	10.24	(1.80)
Member & Child(ren)	12.94	11.01	(1.93)
Member & Family	18.96	16.13	(2.83)

Questions?  
**Action Item**

## Public Agenda Item #5.5

*Review, Discussion and Consideration of Proposed FY20 Rates for  
Basic and Optional Term Life, Accidental Death and  
Dismemberment Plans - (Action)*

May 22, 2019

Diana Kongevick, Director of Group Benefits

Blaise Duran, ASA, MAA, Actuarial and Reporting Services, Group Benefits

Phil Dial, FSA, Rudd and Wisdom, Inc.

# Life and AD&D

## *Insurance Funding*



- Life insurance is funded through a fully-insured minimum-premium arrangement with Minnesota Life (the insurer).
- On a weekly basis, ERS reimburses the insurer in an amount equal to actual life insurance claims paid by the insurer.
- On a monthly basis, ERS pays the insurer the contractual administrative fees.
- The minimum-premium arrangement includes maximum premium rates for each coverage type, which 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
  
- Life and AD&D Requests for Proposal will be issued in FY20 for effective date of September 1, 2020.

# 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 FY14 - FY18



Coverages	Average Volume	Total Premium	Incurred Claims	Loss Ratio
<b>Basic Life*</b>	\$1.3 B	\$41.1 B	\$42.1 B	102.1%
<b>Optional Life</b>	\$20.0 B	\$338.3 B	\$334.5 B	98.9%
<b>Dependent Life</b>	\$0.7 B	\$5.2 B	\$5.5 B	104.9%
<b>Life Total</b>	\$21.4 B	\$384.7 B	\$382.1 B	<b>99.3%</b>

\*Includes both employee and retiree lives.

# Life and AD&D

## Proposed FY20 Rates



	Current FY19	Proposed FY20	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
<b>Voluntary AD&amp;D:</b>			
Employee Only	\$ 0.02	\$ 0.02	No change
Employee & Family	\$ 0.04	\$ 0.04	No change

Questions?  
**Action Item**

## Public Agenda Item #5.6

*Review, Discussion and Consideration of Proposed FY20 Rates for  
Texas Income Protection Plan – (Action)*

May 22, 2019

Diana Kongevick, Director of Group Benefits

Blaise Duran, ASA, MAA, Actuarial and Reporting Services, Group Benefits

Phil Dial, FSA, Rudd and Wisdom, Inc.

# Texas Income Protection Plan (TIPP)



## *Two Self-Funded Plans*

- Short-term disability – Benefits last approximately five months after a one-month elimination period.
- Long-term disability – Benefits can last for many years and 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.

# TIPP

## *FY20 Contribution Rate Analysis*



- 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.

# TIPP

## *FY20 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.

# TIPP

## *Enrollment FY19*



- Member enrollment in the TIPP benefit has been relatively stable.
- At March 31, 2019
  - 113,222 GBP employees are enrolled in short-term disability coverage (approximately 49%).
  - 86,441 GBP employees are enrolled in long-term disability coverage (approximately 37%).

# TIPP

## Short-Term Disability Experience



	FY18	FY19* (as of March 31, 2019)
<b>Member Contributions</b>	\$14,356,547	\$8,554,460
<b>Incurred Claims</b>	\$11,124,490	\$6,489,806
<b>Administrative Fees</b>	\$3,206,539	\$1,848,573
<b>Total Expense</b>	\$14,331,029	\$8,338,379
<b>Contribution Gain / (Loss)</b>	<b>\$25,518</b>	<b>\$216,081</b>

\*Partial-year experience

# TIPP

## Long-Term Disability Experience



FY08 – FY17 Cumulative		
	Actual	Adjusted Assumptions*
Actual Member Contributions	\$272,290,316	\$264,028,786
Incurred Claims with Discounted Reserves	\$236,962,230	\$236,962,230
Administrative Fees	\$19,096,114	\$30,589,663
Total Expense	\$256,058,344	\$267,551,893
Contribution Gain / (Loss)	\$16,231,972	(\$3,523,106)

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

# TIPP

## FY20 Proposed Rates



### Proposed Monthly Member Contribution Rates\* Fiscal Year 2020

	FY19	FY20	Change from Current Rate
<b>Short-term Disability</b>	\$0.26	\$0.26	No change
<b>Long-term Disability</b>	\$0.63	\$0.63	No Change

\*Rates are per \$100 of monthly covered salary

Questions?  
**Action Item**

## Public Agenda Item #5.7

*Review, Discussion and Consideration of Proposed FY20 Fees  
for TexFlex Program – (Action)*

May 22, 2019

Diana Kongevick, Director of Group Benefits

Blaise Duran, ASA, MAA, Actuarial and Reporting Services, Group Benefits

# 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

- In previous years, employees enrolled in a flexible spending account were responsible for a nominal account administrative fee of \$1 per account per month.
- ERS waived the administrative fee for those enrolled in the plans during FY17, FY18, and FY19, and ERS staff recommends waiving the administrative fee for FY20.
- 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 FY20, allowing for administrative fees to be paid from the plan forfeiture account.
- Consistent with IRS rules, forfeited fund balances cannot be used to pay the \$3 per month Commuter Spending Account administrative fee. Staff recommends no change to the administrative fee.

# TexFlex

## Enrollment and Contributions



	Enrollment (#)			Contribution Elections** (\$)		
	FY18	FY19	Change (%)	FY18	FY19	Change (%)
<b>Health Care Reimbursement Plan</b>	48,707	46,820	-3.9%	\$61,719,685	\$59,913,762	-2.9%
<b>Dependent Care Reimbursement Plan</b>	3,706	3,631	-2.0%	\$14,124,127	\$13,790,006	-2.4%
<b>Total Participant Enrollment*</b>	49,976	48,107	-3.7%	\$75,843,812	\$73,703,768	-2.8%

\* Total unique 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.

# TexFlex

## *Commuter Spending Account (CSA)*



- Enrollment into the program began January 1, 2016 with a benefit start date of March 1, 2016.
- The account is available to those who utilize mass transit and/or incur parking expenses as part of their daily commute to and from work.
- Participants can enroll and dis-enroll on a monthly basis without waiting for summer enrollment or a Qualified Life Event (QLE).
- The cost per person is \$3 per month or \$36 annually. This cost is paid entirely by the participant.
- Currently, 23 participants elected to participate in the parking benefit and 144 participants elected to participate in the transit benefit.

Questions?  
**Action Item**

# Public Agenda Item #6.1

## *Review and Discussion of the Group Benefits Funding Policy Draft Document*

May 22, 2019

Diana Kongevick, Director of Group Benefits

Blaise Duran, ASA, MAA, Actuarial and Reporting Services, Group Benefits

Phil Dial, FSA, 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. Following comments from that meeting, staff updated the policy goals and presented a more detailed outline at the March 2019 Board meeting with a request to forward feedback and comments for use in drafting the policy document.
- The draft outline was shared with members of the Group Benefits Advisory Committee (GBAC) at their March 2019 meeting.

# 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 in effectively setting contribution rates and managing plans for GBP participants;
- 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 the basic term life and health insurance programs funded through the legislative appropriation process.
- This currently includes the GBP retiree and employee basic term life and health plans.
- The policy is not applicable to optional benefit plans.

# GBP Policy

## Goals



The goal of this GBP policy is 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 Section 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

## *Next Steps*



- Following review of the policy draft document, comments are requested by early July.
- Edits will be incorporated into a final document.
- The final document will be presented for approval at the August 2019 Board of Trustee meeting.

Questions?

# Public Agenda Item #7.1

## *Review and Discussion of the Incentive Compensation Plan for Fiscal Year 2020*

May 22, 2019

DeeDee Sterns, Director of Human Resources

Jamey Pauley, ICP Program Specialist

# 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.
- Performance measures are based on one-, three- and five-year performance periods.
- Participants have individual and total trust performance benchmarks.
- Participants must meet their benchmarks to receive an incentive award.
- Benchmarks are set in the Investment Policy unless otherwise stated in the ICP document.

# Incentive Compensation Plan

## Overview



- 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.
  - Qualitative metrics include areas above and beyond performance; leadership, teamwork, communication and innovation.
- Payout of incentive award is done over a three-year period: 50/25/25
  - The awardee must be an active and eligible ERS employee on each payment date to receive the full amount.

# Incentive Compensation Plan

## Overview



- Incentive compensation can be earned, but the Trust Fund must have positive performance to pay awards.
- Award payments shall be deferred during non-positive years.
- Unpaid incentive awards shall be forfeited after three years of deferrals.
- Metrics and calculations are tied to the Risk Budget approved by the Board.
- ICP awards are calculated based on a weighted average salary.
- If paid in error, there is a claw-back provision.

# Incentive Compensation Plan

## Overview



- 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 2020*



- Staff annually reviews the Plan and related processes to make recommendations to the Board.
- With executive management and other key stakeholders, staff conducted a thorough review of the Plan document.
- In addition to the Plan document review, staff conducted a study to determine how ERS's ICP maximum award percentages compare to those of its peers.

## ICP Max Awards Study

# Incentive Compensation Plan

## ICP Study - *Background*



- In March 2018 Segal Waters Consulting conducted a total compensation study for non-administrative positions within the ERS Investments Division.
- The final report was issued in July 2018.
- Segal Waters and ERS staff reviewed the report with the Board of Trustees at the August 2018 Board meeting.
- One of the findings indicated that ERS may be significantly above the market average with regard to maximum award percentages for incentive compensation.

# Incentive Compensation Plan

## ICP Study - *Background*



- While the study showed ERS was 161% of market, there were questions raised with regard to the reliability of this finding due to the small peer-group sample size.
- Only 5 of the 10 peers in Segal's study provided data related to maximum award percentages.
- This prompted ERS executive management to initiate a follow-up study focused solely on incentive compensation.
- This study was performed in-house by ERS staff.

# Incentive Compensation Plan

## ICP Study - Methodology



- ERS staff began work to identify a reliable-size peer group for comparing maximum award percentages.
- Staff focused on state and public school retirement systems across the U.S., as well as, peer funds located within Austin.
- Of the more than 60 funds researched, 24 were identified to have an incentive compensation plan.
- Based on comparableness in investment style and operations the peer group was narrowed down to 20.
- All of the peers provided ERS with a copy of their incentive compensation plan document(s) and showed a willingness to provide additional information and data if requested.
- ERS staff also obtained industry survey data.

# Incentive Compensation Plan

## ICP Study - Methodology



### Peer Group

1. California Public Employees' Retirement System
2. California State Teachers Retirement System
3. Colorado Public Employees' Retirement Association
4. State Board of Administration of Florida
5. Employees' Retirement System of Georgia
6. Indiana Public Retirement System
7. Massachusetts Pension Reserves Investment Management Board
8. Maryland State Retirement and Pension System
9. Michigan Office of Retirement Services
10. Ohio Public Employees Retirement System
11. School Employees Retirement System of Ohio
12. State Teachers Retirement System of Ohio
13. Oregon Public Employees Retirement Fund
14. South Dakota Retirement System
15. Tennessee Consolidated Retirement System
16. Texas Permanent School Fund
17. Teacher Retirement System of Texas
18. Texas Treasury Safekeeping Trust Company
19. Virginia Retirement System
20. State of Wisconsin Investment Board

# Incentive Compensation Plan

## ICP Study - Methodology



### Peer Group

1. California Public Employees' Retirement System
2. California State Teachers Retirement System
3. Colorado Public Employees' Retirement Association
4. State Board of Administration of Florida
5. Employees' Retirement System of Georgia
6. Indiana Public Retirement System
7. Massachusetts Pension Reserves Investment Management Board
8. Maryland State Retirement and Pension System
9. Michigan Office of Retirement Services
10. Ohio Public Employees Retirement System
11. School Employees Retirement System of Ohio
12. State Teachers Retirement System of Ohio
13. Oregon Public Employees Retirement Fund
14. South Dakota Retirement System
15. Tennessee Consolidated Retirement System
16. **Texas Permanent School Fund**
17. **Teacher Retirement System of Texas**
18. **Texas Treasury Safekeeping Trust Company**
19. Virginia Retirement System
20. State of Wisconsin Investment Board

**Austin  
Peers**

# Incentive Compensation Plan

## ICP Study - Methodology



- In addition to narrowing the sample size to a comparable peer group of 20, staff also narrowed its analysis to jobs identified as those most common among the industry.
- These are referred to as *Key Benchmark Jobs*, they include:
  - Chief Investment Officer
  - Asset Class Directors
  - Portfolio Managers
  - Investment Analysts
- In performing the analysis, staff reviewed the plan documents of each peer and contacted them with follow-up questions.

# Incentive Compensation Plan

## ICP Study - Findings



- From the analysis, staff found that ERS is not significantly above market with regard to maximum award percentages for incentive compensation.
- When considering the entire peer group, ERS shows on aggregate to be approximately 109% of market.
- Furthermore, when considering just the three peers located within Austin — Permanent School Fund, Teacher Retirement System, and Treasury Safekeeping Trust — ERS shows on aggregate to be approximately 78% of market.
- The additional industry survey data that staff obtained was also consistent with these findings.

# Incentive Compensation Plan

## ICP Study - *Recommendation*



- Based on this additional review and these findings, staff is not recommending changes to the maximum award percentages within ERS' incentive compensation plan structure at this time.

# ICP Document Review

# Incentive Compensation Plan

*Fiscal Year 2020 – Document Review*



- Staff conducted an in-depth review of the ICP Document for FY20.
- Document Review Team included members from:
  - Executive Office
  - Human Resources
  - Finance
  - Office of the General Counsel
  - Investment Compliance
  - Investments
- Outside Tax Counsel to review before final approval in August.

# Incentive Compensation Plan

*Fiscal Year 2020 – Material Changes*



Staff proposes two material changes:

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

# Incentive Compensation Plan

*Fiscal Year 2020 – Material Changes*



## Moving the Payment Date:

- Having the payment date on December 1st currently requires staff to begin working on the awards calculations and the independent third-party awards verification processes for the plan year at the same time, while also completing the goals preparation, review, and approval process for the upcoming plan year.

ICP Process	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>ICP Document Review</b>												
<b>Goals Preparation, Review, &amp; Approval</b>												
<b>Award Calculations</b>												
<b>Awards Verification by 3rd Party</b>												
<b>Payment Preparation and Processing</b>												
<b>Internal Audit of Completed Plan Year</b>												
<b>SAO Audit of Completed Plan Year</b>												

# Incentive Compensation Plan

*Fiscal Year 2020 – Material Changes*



## Moving the Payment Date:

- Having the payment date on December 1st currently requires staff to begin working on the awards calculations and the independent third-party awards verification processes for the plan year at the same time, while also completing the goals preparation, review, and approval process for the upcoming plan year.

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<b>ICP Document Review</b>												
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<b>Award Calculations</b>												
<b>Awards Verification by 3rd Party</b>												
<b>Payment Preparation and Processing</b>												
<b>Internal Audit of Completed Plan Year</b>												
<b>SAO Audit of Completed Plan Year</b>												

# Incentive Compensation Plan

*Fiscal Year 2020 – Material Changes*



## Moving the Payment Date:

- A new date of February 1<sup>st</sup> will allow staff more sufficient time to:
  - Make preparations for the upcoming plan year.
  - Accurately calculate and pay awards for the completed plan year.
  - Verify compliance with all related policies and procedures.

ICP Process	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>ICP Document Review</b>												
<b>Goals Preparation, Review, &amp; Approval</b>												
<b>Award Calculations</b>												
<b>Awards Verification by 3rd Party</b>												
<b>Payment Preparation and Processing</b>												
<b>Internal Audit of Completed Plan Year</b>												
<b>SAO Audit of Completed Plan Year</b>												

# Incentive Compensation Plan

*Fiscal Year 2020 – Material Changes*



## Adding a subsection for “Underpayment”:

- It will be similar to the subsection for "Clawback."
- This will provide staff with the policy guidance to address situations where awards have been incorrectly calculated and, as a result, plan participants have been underpaid.

### **6.13 Underpayment.**

“If it is discovered that an Incentive Compensation Award was **incorrectly calculated** and the Participant was underpaid, the **Executive Director may approve a supplemental payment** to make up the difference between the earned amount and the previously paid amount. In addition, any previously earned Incentive Compensation Awards remaining to be paid pursuant to the respective Payment Schedule will be corrected to reflect the Underpayment. This Section shall apply to the extent that an Underpayment is **discovered within four (4) years** from any payment of an Incentive Compensation Award. The Participant must be an active, full-time ERS employee to be compensated for an Underpayment.”

# Incentive Compensation Plan

*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.

Questions?

# Public Agenda Item #8.1

## *Executive Director Agency Update*

May 22, 2019

Porter Wilson, Executive Director

# 86<sup>th</sup> Legislative Update

# Executive Director Agency Update

*Voting underway in 2019 Board of Trustees Election*



- Two candidates certified
  - Brian Richard Barth, Texas Department of Transportation
  - Cora Bennett, Texas Juvenile Justice Department



Candidate forum was held May 9



Voting is open through June 14



Election results will be announced July 11

# Executive Director Agency Update

*Outreach to members this fall via survey*



- The purpose is to assess member and retiree satisfaction with current benefits offerings
  - What do you like?
  - Which benefits are important to you?
- ERS will consider input from the GBAC and will partner with a UT expert to:
  - develop and launch the survey
  - collect and analyze the survey results
- We are targeting a survey launch in September / October 2019

# Executive Director Agency Update

## Plan Year 2020 Summer Enrollment



### For employees and non-Medicare retirees\*

Annual Enrollment for Plan Year 2020 – June 24 - July 26, 2019						
	Monday, June 24	Sunday, June 30	Sunday, July 7	Sunday, July 14	Sunday, July 21	Friday, July 26
Phase 1 (June 24 - July 6)	█					
Phase 2 (July 1-13)		█				
Phase 3 (July 8-20)			█			
Phase 4 (July 15-26)				█		

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

# Executive Director Agency Update

*Plan Year 2020 Summer Enrollment*



## Enrollment support and resources

- Personal Benefits Enrollment Statement packets, mailed to all eligible members
- Customer Benefits' support by phone, email and in-person appointments
- Enrollment fairs held around the state, with webinars for members who cannot attend the fairs
- Support and information from program administrators, including new TPA Delta Dental
- Online guide, webinars and regular updates for HR professionals



# Executive Director Agency Update

## *ERS Wins 2019 Get Fit Texas for Mid-Size Agencies*



- **ERS came in first place in the mid-size category** (agencies with 201-500 full-time employees), with the highest percentage of employees completing the challenge (67.4%) and logging a total of 756,847 minutes of activity.
- Of course, fitness is a year-round endeavor, not just a 10 week contest. ERS leadership hopes the trophy will serve as a reminder for employees to keep up the good work.
- Some plans for this year include a walking challenge, continued exercise classes and lunch and learns.

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.*

May 22, 2019

# Public Agenda Item #10.1

*Adjournment of the ERS Board of Trustees Meeting*

May 22, 2019