

## ✔ FY19 Accomplishments

Engaged legislators and policymakers on strategies to return all the ERS retirement trust funds to actuarial soundness.

Provided ongoing promotion and support for virtual visits, use of which increased by more than 67%, and implemented mental health virtual visits.

Collaborated with the University of Texas MD Anderson Cancer Center to provide convenient breast cancer screenings using the Center's mobile mammography van, at no cost to the health plan or participants.

Developed customized health and wellness reports for the state's largest agencies to encourage agency leadership to promote wellness.

Conducted a Board election to fill the seat of outgoing Trustee Doug Danzeiser. Members and retirees elected Brian Barth of the Texas Department of Transportation.

Published a new, easier-to-understand *Participant Guide to the Appeals Process* and implemented new procedures that allow for more direct participation by members filing appeals.

Enhanced agency information systems to strengthen the security of members' data.

Performed a comprehensive risk assessment to evaluate conditions or trends that pose the greatest risk to the agency's ability to meet its mission.

Created a data governance unit led by a dedicated data enterprise officer to establish and implement standards and policies for managing and securing data assets.

Completed the transition from a rules-based investment policy to a principle-based policy that enhances collaboration between the ERS Board and the Investment Advisory Committee (IAC) and creates a stronger framework for sound and prudent investment decisions.

Broke ground on a new office building that will generate revenue for the Retirement Trust Fund through leased space while also accommodating ERS' growing personnel needs.

Maintained high-quality benefits while avoiding increases in premiums for most plans and holding out-of-pocket costs steady.

### ERS engaged with members through:

 440,849 phone calls

 3,800 one-on-one visits

 25,000 emails

## Wellness Programs

*Resources to help employees and retirees live their best—and healthiest—lives*



Illness prevention plays an important role in controlling health care costs. In 2019, ERS further enhanced and expanded its wellness and disease management initiatives to encourage health plan participants to maintain or improve healthy habits and manage chronic conditions. All GBP health plans offer programs and individualized support for heart health, weight management, stress management, nutrition, exercise, tobacco cessation and more.

Under the guidance and coordination of a dedicated health promotion administrator, ERS is engaging state agencies in these initiatives and helping them promote their own wellness improvements. In the long term, these efforts could help manage health care costs for all by contributing to a healthier workforce.

ERS will continue to work with state legislators, agency and higher education institution employers and its contracted plan administrators to provide competitive benefits that enhance the lives of its members—and help make Texas a great place to work and live.

*ERS health plans offer tools and assessments that make it easier for employees, retirees and their participating family members to actively monitor and manage their health.*



## Changing the Script

*Comprehensive strategies to address the opioid epidemic*



ERS is collaborating with health plan administrators and experts from the medical and pharmaceutical fields to fight opioid abuse. Changing the Script is a comprehensive initiative to prevent opioid misuse before it starts, stop the progression to dependency and support those on a path to recovery. ERS health plans incorporate safe prescribing guidelines set by the Centers for Disease Control and Prevention and allow medication-assisted therapies for opioid dependency without prior authorization. Virtual visits for mental health services provide further support through convenient access to licensed professionals. The effort has had an immediate impact: HealthSelect of Texas reports that in one year, the number of individuals using long-acting and short-acting opioids declined 70% and 35%, respectively.

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Executive Director – Porter Wilson  
Phone: (877) 275-4377 (TTY: 711) |  
[www.ers.texas.gov](http://www.ers.texas.gov)

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# Benefits for Texans Serving Texans

## FISCAL YEAR 2019 AT A GLANCE

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# Retirement

The State of Texas authorizes ERS to administer benefits that contribute to a secure retirement for state employees and elected officials (ERS Trust Fund, sometimes called the "main fund"), law enforcement and custodial officers (LECO Supplemental Fund), and judges (Judicial Retirement System Plans 1 and 2). The majority of these benefits are paid from investment earnings at a low cost to the state.

## ERS Retirement Plan Membership

Ratio of active contributing members to retirees and beneficiaries: 6:5 (all plans)

	ERS and LECO	JRS 1 and JRS 2
<b>Contributing members</b>	<b>141,865</b> (including 36,296 contributing to the LECO Fund)	<b>576</b>
<b>Non-contributing members*</b>	<b>125,935</b> (including 22,207 who contributed to the LECO Fund)	<b>187</b>
<b>Retirees and beneficiaries</b>	<b>115,155</b> (including 13,981 who contributed to the LECO Fund)	<b>789</b>

\*Members no longer employed by the state with money still on account with ERS



**\$2.6 billion: Amount paid to retirees and beneficiaries (all funds)**

**\$1,720 per month, or \$20,645 per year: Average ERS Fund annuity for FY19**

## Will the Retirement Trust Fund run out?

With the current level of contributions and benefits, the ERS Trust Fund is projected to run out in 2075. This means the ERS Trust will need increased contributions, reduced benefits or both to secure pensions for current and future retirees.

# Insurance

The Texas Employees Group Benefits Program (GBP) provides insurance coverage for health, life, dental, vision, accidental death & dismemberment (AD&D) and disability.

- **541,594:** Participants in all GBP health plans (**213,518** employees, **117,784** retirees, **204,166** dependents and **6,126** survivors and others)
- **\$955 million:** Participants' share of health care costs, including premium contributions, copays, coinsurance and deductibles
- **\$2.99 billion:** Amount paid in claims by the self-funded ERS health plans (HealthSelect of Texas®, Consumer Directed HealthSelect<sup>SM</sup>, HealthSelect<sup>SM</sup> Prescription Drug Program and HealthSelect<sup>SM</sup> Medicare Rx)
- **83,910:** Number of participants (members and dependents) enrolled in ERS' Medicare Advantage health plans. This represents approximately 76% of the eligible Medicare population.

## Retirement Contribution Rates

	Fiscal Year 2019	Fiscal Year 2020
<b>ERS</b>		
State	9.5%	9.5%
Agency	0.5%	0.5%
Employee	9.5%	9.5%
Total	19.5%	19.5%
<b>LECO*</b>		
State	0.5%	0.5%
Employee	0.5%	0.5%
Total	1.0%	1.0%
Dedicated Revenue (Court Cost)**	\$18.1 million	\$17.1 million
<b>JRS 2</b>		
State	15.663%	15.663%
Employee***	7.5%	9.5%
Total	23.163%	25.163%

\*LECO Fund-eligible employees also contribute .5% of their pay to the LECO Fund. These employees receive about 80% of their retirement benefit from the ERS Fund.

\*\*The LECO Fund also receives a dedicated portion of criminal court cost revenue. In the past, this amount has been expressed as a percent of payroll contribution rate, but going forward it is expected to decline as a percent of payroll and is excluded from these numbers.

\*\*\*For JRS 2, this amount reflects the employee contribution of those members actively contributing. After 20 years of service (or reaching Rule of 70 and serving 12 years as an appellate court judge), JRS 2-eligible employees can either stop contributing or they can continue to contribute and earn additional service. Since not all members choose to do so, the effective contribution rate for FY20 is 9.39% and was 7.46% for FY19.

✓ **ERS makes annuity payments to retirees or beneficiaries living in 253 of Texas' 254 counties.**

**70.5%** ERS Trust funded ratio

**\$11.7 billion** Unfunded liability of ERS Trust



In FY19, pre-tax payments for health insurance premiums and to TexFlex FSAs resulted in estimated savings of:

- **\$132 million** in Federal Insurance Contributions Act (FICA) tax and federal income tax for participants and
- **\$44.6 million** in FICA taxes for the state.

## TEXFLEX

Pre-tax flexible spending accounts (FSAs) enable employees to save on taxes and manage eligible expenses for health care, dependent care and/or transit.

- **48,568:** Number of health, dependent care, limited and commuter FSA accounts
- **\$73 million:** Amount contributed to TexFlex accounts by state employees

FSAs are authorized and regulated by section 125 of the Internal Revenue Code.



Texas Employees Group Benefits Program health insurance plans cover about one in 53 Texans.

# Investments

The ERS Retirement Trust Fund (all funds) earned \$798 million in investment returns for the year, net of all expenses and salaries. The Fund's investment portfolio had a value of \$28.75 billion as of August 31, 2019. The annual gross rate of return was 3.04% (3.00% net return).

**\$28.75 billion**  
Value of the ERS Retirement Trust Fund (all funds)

Almost two-thirds of the annuity payments from the Retirement Trust Fund come from investment earnings. ERS follows a disciplined approach to investing Fund assets that focuses on long-term performance and stability with the goal of providing lifetime benefits for state retirees.

ERS Investment Performance – Period ending August 31, 2019						
Period	30-Year	20-Year	10-Year	5-Year	3-Year	1-Year
Net Return*	N/A	5.83%	8.09%	5.99%	8.15%	3.00%
Gross Return	7.76%	5.92%	8.20%	6.03%	8.19%	3.04%

\*The actuarial assumed rate of return of 7.5% is based on net return.

**TEXA\$AVER<sup>SM</sup>**  
401(k) / 457 Program

*Voluntary retirement savings accounts to build a bigger nest egg*

Employees, former employees and retirees can boost their retirement savings through the TexaSaver 401(k) / 457 Program. Because TexaSaver does not receive state funds, program costs are funded through account fees. In 2019 ERS and Empower Retirement, the administrator for TexaSaver, lowered the already lower-than-average fees by almost 40%. ERS also worked with Empower to ensure that fees are more equitable across all accounts, while allowing new account holders to build up their savings by waiving fees for the first six months.

**MORE THAN 84%** Participants automatically enrolled in TexaSaver 401(k) accounts since January 2008 who have stayed in the program

## TexaSaver 401(k) / 457 Program

\$3.37 Billion in Total Assets (at August 31, 2019)			
401(k)*	401(k) Roth	457*	457 Roth
\$2.47 billion	\$43.8 million	\$896.2 million	\$35.4 million
220,430 accounts	5,918 accounts	34,102 accounts	4,745 accounts
99,909 accounts contributing	3,800 accounts contributing	18,281 accounts contributing	2,969 accounts contributing

\*Includes 401(k) Roth and 457 Roth amounts shown.