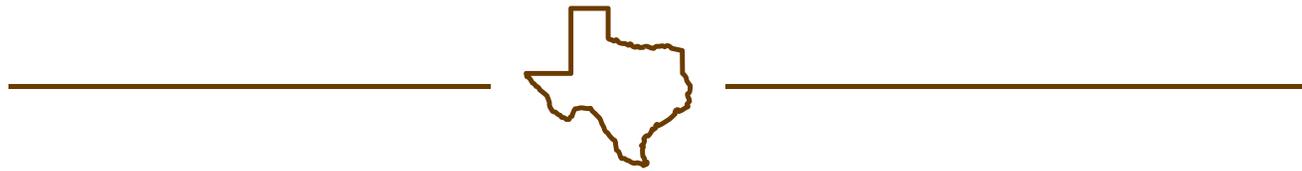




# Legislative Appropriations Request for Fiscal Years 2020-2021

Submitted to the Office of the Governor, Budget Division,  
and the Legislative Budget Board

By The Employees Retirement System of Texas – August 24, 2018



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## MISSION

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**ERS offers competitive benefits to enhance the lives of its members.**

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## PHILOSOPHY

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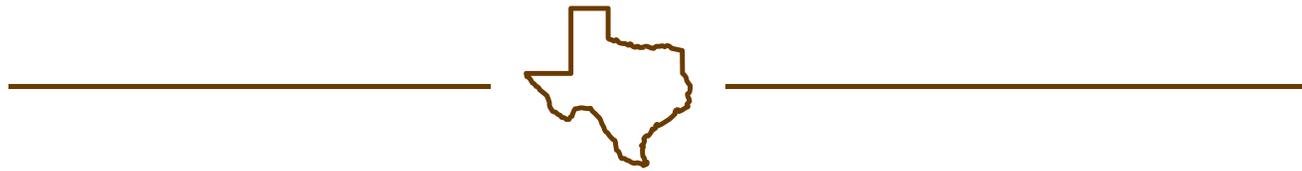
ERS prudently and professionally manages the trust funds and programs on behalf of its members. The benefits are an important part of the compensation of State of Texas employees, contributing to their financial security and well-being throughout their lives. We operate in an ethical, cost-effective manner, providing valuable and reliable service delivered by highly qualified staff.

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## FIDUCIARY DUTY

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The ERS is a constitutional trust fund administered by the ERS Board of Trustees. Article XVI, Section 67 of the Texas Constitution and Section 815.103 of the Texas Government Code provide that the ERS Board of Trustees is the trustee of all ERS assets. ERS' operations are held to a fiduciary duty standard to ensure that the actions and activities of the Board of Trustees, the agency and its employees are conducted in a manner consistent with the protections, preservation, and best interest of the trust and trust's beneficiaries.



**Legislative Appropriations Request  
For Fiscal Years 2020 and 2021**

**Submitted to the  
Office of the Governor, Budget Division,  
and the Legislative Budget Board**

**by**

**The Employees Retirement System of Texas**

**August 24, 2018**

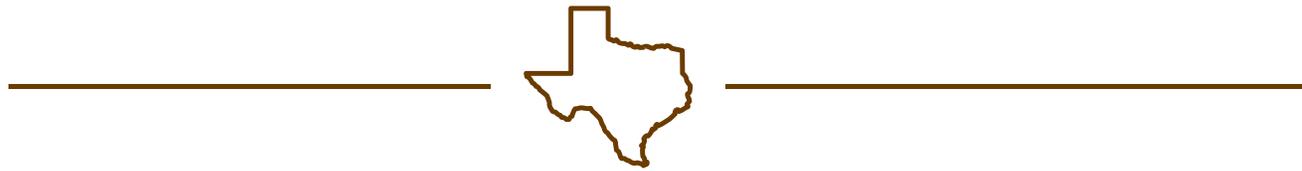
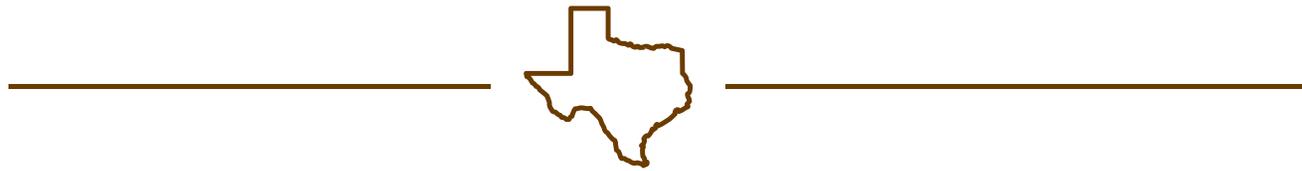


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Ms. Ursula Parks, Director  
Legislative Budget Board

Ms. Sarah Hicks, Director  
Governor's Office, Budget Division

I am pleased to present the Legislative Appropriations Request (LAR) for the Employees Retirement System of Texas (ERS). This request represents the funding necessary to provide retirement and insurance benefits to State of Texas employees, retirees and eligible family members. These benefits support the state's goal to recruit and retain the high-quality workforce required to continue providing effective and efficient state government services to the people of Texas. These critical ERS programs provide a secure retirement benefit for more than 107,000 retired Texans and operate a health program that covers more than 500,000 people – that's one of every 52 Texans. The benefits ERS administers enhance the lives and livelihoods of countless Texans and bolster the state economy. Pension payments reinvested into local communities and medical claim payments delivered to Texas doctors, hospitals and pharmacies have a significant impact on the state's economy.

ERS is a constitutional trust fund administered by the ERS Board of Trustees. ERS' operations are held to a fiduciary duty standard to ensure that the actions and activities of the Board of Trustees, the agency and its employees are conducted in a manner consistent with the protection, preservation and best interest of the trust's beneficiaries. To comply with that duty, this request presents a plan to:

- make the state's retirement plans actuarially sound. The state sponsors service retirement for state employees, elected state officials and district attorneys (ERS), retirement for state district and appellate judges (JRS 1 and 2), and a supplemental retirement plan for law enforcement and custodial officers (LECOS);
- fund disability retirement benefits – occupational and non-occupational – that are a part of each retirement plan;
- fund two death benefit programs: a \$5,000 lump-sum death benefit paid to survivors of state retirees and a \$500,000 special death benefit paid to the survivors of certain Texas public safety officers killed in the line of duty; and
- fund two insurance programs: health insurance and basic life insurance, offered to both employees and retirees.

#### Accomplishments

ERS administers a model benefits program, made possible by the ongoing commitment and careful stewardship of the state in combination with prudent contract and investment management by ERS staff.

As of August 31, 2017, ERS serves 554,948 employees, retirees and dependents participating in the Texas Employees Group Benefits Program, 142,911 employees contributing to pension accounts, and 108,243 retirees and beneficiaries receiving pension annuities. State benefit programs support state agencies and certain institutions of higher education in recruiting and retaining the workforce who carries out the state's core functions. Texas relies on a diverse and high-quality workforce including judges, law enforcement officers, highway engineers and Child Protective Services caseworkers. State benefits serve a key role in recruiting and retaining a workforce critical to the safety, health and well-being of Texans. A quality benefits package allows agencies to compete for qualified employees.

ERS continually reviews and actively manages investment assets to achieve the highest risk-adjusted return possible within prevailing market conditions. During FY17 and FY18, ERS undertook an asset allocation study and pension experience study. How the Trust invests its assets impacts both the short-term return expectations that guide investment decisions and the long-term assumption ERS' retirement actuaries recommend during the pension experience study. The following changes were

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adopted as a result of these studies:

- 7.5% nominal return assumption (decreased from 8.0%);
- 2.5% inflation rate assumption (decreased from 3.5%);
- adoption of the cost method to Individual Entry Age Normal Cost methodology;
- updates to mortality tables;
- adjustments to salary growth, retirement rates, termination rates and other demographic assumptions;
- application of a new five-year closed smoothing method of recognizing annual gains and losses; and
- a one-time reset to match the actuarial value of the Trust with the market value as of August 31, 2017 to true-up past unrecognized losses.

The Board also voted to re-evaluate the adopted return assumption again in Fiscal Year 2019.

ERS has continued to pursue a number of initiatives to improve the quality of employee health benefits while maintaining lower-than-average costs. To achieve these results, ERS engages in aggressive contracting practices, monitors cost management opportunities, identifies and addresses emerging cost drivers, encourages healthy behaviors by participant populations and diligently maintains low administrative costs. ERS has achieved savings through the Medicare Advantage PPO and HMO plans, the renegotiated pharmacy benefit manager contract and the implementation of a new HealthSelect third-party administrator contract. In addition, ERS' focus on value-based initiatives – including patient-centered medical homes, changes to the member copay to encourage use of virtual visits, and adjustments to the member copay and provider reimbursement for freestanding emergency rooms – has continued to reduce the cost of health care for state employees and retirees.

#### Appropriations Request for the Retirement Program

Texas begins funding an employee's retirement benefit as soon as the worker enters the system. Funding of these benefits continues throughout an employee's working career at a percentage of their gross salary. The normal cost of these benefits is calculated by determining the current rate of employer and employee contributions needed to pay for future retirement benefits, assuming that retirement rates and investment earnings match expectations. As of the last completed valuation, the current normal cost rate for the ERS employee Retirement Trust Fund is 13.95%.

Contributions to the Trust have increased over time but they are not at the actuarially sound rate. The projected actuarially sound contribution (ASC) rate for the ERS employee Retirement Trust Fund is 23.33% for FY20 and FY21. The state contributes 9.5% of gross payroll, agencies contribute 0.5%, and system members contribute 9.5% of their salary, resulting in a total contribution of 19.5%. An additional 3.83% for FY20 and FY21 is required to fund the ERS employee Retirement Trust Fund at the ASC rate.

There are numerous metrics available to evaluate the health of a pension plan. When a plan has unfunded liabilities, the funding period (the number of years to pay off unfunded liabilities) is one of the most important metrics. It shows where a plan is headed. By contrast, the funded ratio shows where a plan has been. Currently, the funding period for the Employee and Elected Class Retirement and the Law Enforcement and Custodial Officer Supplemental Trust Funds are on a path to eventual depletion.

Credit rating agencies look not only at the total debt obligation of the state, but also how the state manages its debt. The 84th and 85th Legislatures sent a strong

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message that Texas is prepared to meet its debt obligations by the changes made to sustain increases to the state's pension contributions. The 86th Legislature can re-emphasize that message by funding ERS plans at levels sufficient to maintain past gains and begin making inroads on the unfunded liability. Funding the ERS exceptional item requests is one of the most economical ways for the state to address pension debt, which grows by 7.5% each year.

In May 2018, the ERS Board of Trustees approved the Pension Funding Priorities and Guidelines policy. As identified in the policy, the main objective of ERS' retirement programs is to fully fund the long-term cost of benefits provided by statute, through disciplined and timely accumulation of contributions and prudent investment of assets to deliver earned benefits on a continuing basis. The funding policy priorities and guidelines seek to balance five main objectives:

- 100% payment of vested benefits,
- contribution stability and sound financing of benefits,
- intergenerational equity and responsibility,
- workforce parity, and
- quality of benefit.

The policy lays out positions for which the ERS Board is responsible, such as selection of the cost and smoothing methods. It also lays out key policy statements as information for the Texas Legislature's consideration per Texas Government Code Section 815.016 as described below:

Funding Period Goal for Unfunded Liabilities – This statement lays out a multilevel funding period goal compliant with Texas Constitution, Article XVI, Section 67 (a)(1) to:

- 1) avoid trust fund depletion;
- 2) meet current statutory standard (open 31-year amortization); and
- 3) match the funding period to an additional standard aligned with plan experience.

Benefit Enhancement Guidelines – In order to appropriately support trust solvency, and protect the financial stability of the plans, all benefit enhancements should be approved only when the fund is actuarially sound and the enhancement is pre-funded at the time of approval.

**Baseline Request for the Retirement Program**

Employee and Elected Class Retirement Trust Fund: \$911.7 million GR (\$1.3 billion All Funds)

The baseline assumes a continued state contribution of 9.5% per year. The member contribution is assumed at 9.5% in both FY20 and FY21. The agency contribution of 0.5%, instituted in FY14, is assumed to continue. This baseline request (total contribution rates of 19.5% for both years) exceeds the current normal cost of 13.95%; however, it does not cover the actuarially sound contribution (ASC) rate of 23.33% and is not sufficient to amortize the unfunded actuarial accrued liability (UAAL) over a measurable period.

LECOS Trust Fund: \$16.7 million GR (\$17 million All Funds)

The baseline assumes a state contribution of 0.5% and a member contribution of 0.5%, and continuation of court fees collected under Section 133.102 of the Local

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Government code. This baseline request (1.00%) is lower than the current normal cost of 2.11% and the ASC of 3.06% for FY20 and FY21 and is not sufficient to amortize the UAAL of \$475.9 million over a measurable period.

Judicial Retirement System Plan 1 (JRS 1): \$46.6 million GR

JRS 1 is a closed, pay-as-you go plan for justices assuming the bench prior to September 1, 1985 and receives appropriations equal to current benefit payments. Unlike the three pre-funded pension plans administered by ERS in which about 60% of the benefit payments are from return on investments, JRS 1 annuities are paid almost entirely by general revenue.

Judicial Retirement System Plan 2 (JRS 2): \$15.4 million GR (\$24.9 million All Funds)

The baseline assumes a state contribution of 15.663% and a member contribution of 7.5%. This baseline request is higher than the current normal cost of 20.57% but is lower than the ASC of 23.98%. The vast majority of the total contribution for JRS 2 goes toward the normal cost for current members, and only a small portion of the total contribution goes toward eliminating the UAAL. As a result, small deviations from both demographic and economic assumptions can have a notable impact on the projected solvency of JRS 2.

Financial Assistance to Survivors of Certain Law Enforcement Officers and Fire Fighters: \$19.2 million GR (\$27.6 million All Funds)

The baseline assumes benefit funding at the FY19 appropriated level.

Retiree Death Benefit: \$24.5 million GR

The baseline assumes lump-sum benefit funding at the FY19 appropriated level.

Exceptional Item Requests for the Retirement Program

Actuarially Sound Contribution for ERS Retirement Trust: \$373.6 million GR (\$531.0 million All Funds)

Texas Government Code, Sec. 811.006 requires funding of an actuarially sound contribution rate (ASC). The projected ASC rate is 23.33% for FY20 and FY21, comprising the normal cost of 13.95% and the additional contributions needed to erase the unfunded liability over 31 years.

The system first reported an unfunded liability in Fiscal Year 2004, following years of contribution rates reduced to the constitutional minimum and failing to cover even the normal cost of the plan. The cost of early retirement incentives and two years of negative investment returns also contributed to the development of the unfunded liability. The unfunded liability grew from \$500 million as of August 31, 2003 to \$11.3 billion as of August 31, 2017 – in part due to underperforming financial markets, but also because the fund continued to receive insufficient contributions to cover the normal cost and pay down the unfunded debt. Demographic and actuarial assumption changes resulting from increased retirement rates have also played a role in the liability calculations. The 81st and 83rd Legislatures (2009 and 2013) passed legislation adjusting retirement benefits that resulted in lowered normal costs for the plan. The 84th Legislature increased both member and state contributions, and those increases

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were sustained by the 85th Legislature. These actions improved the fund's status. However, additional work is required to reach appropriate solvency.

An option beyond increasing contributions is to provide one-time funding to reduce the unfunded accrued liability.

Actuarially Sound Contribution for LECOS Fund: \$74.3 million GR (\$75.6 million All Funds)

This request provides the full ASC rate as required in Sec. 811.006 of the Texas Government Code. The current LECOS ASC rate is 3.06% for FY20 and FY21, requiring an increase in the employer contribution of 2.06% (total 2.56%) for each year of the biennium, in addition to the member contribution of 0.5% and continuation of the court fees.

Current Actuarially Sound Contribution for Judicial Retirement Plan 2: \$0.9 million GR (\$1.4 million All Funds)

This request provides the full ASC rate as required in Sec. 840.106 of the Texas Government Code. The current JRS 2 ASC rate is 23.98%, requiring a total employer contribution of 16.55% in addition to the member contribution of 7.50%. The effective member contribution is 7.43%, as some active members elect to cease contributions and cease to accrue additional benefits after 20 years. Increasing the member contribution to 9.5% to match state employee contributions is another option for providing actuarial sound funding for this plan.

Both the normal cost and the ASC rates for each plan will change based on the fiscal year end actuarial valuations. The normal costs and ASC rates presented here are accurate as of August 31, 2017. ERS will conduct an actuarial valuation as of August 31, 2018 and those updated numbers will be available prior to the 86th legislative session.

Appropriations Request for the Group Benefits Program (Health Coverage)

National health care costs continue to rise faster than income levels and the overall rate of inflation. The major factors contributing most significantly to cost increases are: general increases in the price and utilization of medical care services; the development of expensive new technologies and medical procedures; a rise in chronic diseases due in part to an aging population and the escalating obesity epidemic; and increases in both the cost and use of pharmaceuticals, particularly specialty drugs.

While many factors associated with recent health care cost increases are beyond ERS' control, the agency has successfully kept administrative costs low, allowing more funding to flow into direct health care services. In addition to maintaining low administrative costs, ERS was able to significantly lower pharmaceutical expenses through aggressive contract negotiation. For FY18 year to date, ERS is experiencing a pharmaceutical expenditure trend of 5.3%.

ERS continues to keep direct medical expenses low through careful utilization management, prepayment claims auditing, participant cost sharing, improved coordination of benefits, and other cost management tools, including rebidding the third-party administrator contract for HealthSelect. The ERS patient-centered medical homes (PCMH) program has also been an effective cost-management strategy utilized by the plan. The PCMH model promotes a strong partnership between the patient and the primary care physician and has proven to be a successful delivery model, resulting in reduced health care costs of \$62 million for the last seven years. ERS has also continued to see increased participation in both the Medicare Advantage PPO and HMO, with enrollment increasing from 47,897 in 2012 to 71,076 as of December 31, 2017.

Additionally, ERS continues to evaluate opportunities for value-added, low-cost features to the plan. During the current biennia, ERS expanded accessibility with 24/7

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virtual visits at \$0 copay, which were particularly popular during flu season. The expanded virtual visits program offers increased accessibility and convenience to plan members while reducing costs to both members and the plan. ERS engaged more participants in lifestyle intervention programs, such as the Real Appeal and Naturally Slim weight loss programs, with more than 116,000 total pounds lost in less than two years. ERS plans to expand access to mental health services by activating mental health virtual office visits for HealthSelect participants across the nation beginning in fall 2018.

Baseline Request for the Group Benefits Program: \$ 2.73 billion GR; \$3.92 billion All Funds

As a result of aggressive contracting practices, continual monitoring of cost management opportunities, identifying and addressing cost drivers, value-based initiatives and diligent maintenance of low administrative costs, ERS projects that the FY 19 baseline funding will be sufficient to cover projected FY20-21 health benefit costs. The projections for the FY20-21 biennium are based on an estimated average net health plan benefit cost trend of 7.3% per year and estimated average GBP cost trend of 7.2% per year and assume no enrollment growth.

**Agency Authority and Policy on Criminal Background Checks**

In accordance with Texas Government Code, Chapter 411.1402, ERS may obtain criminal history record information maintained by the Texas Department of Public Safety (DPS), the Federal Bureau of Investigation, or another law enforcement agency for all job applicants, consultants and contractors, and the agency may use the information to evaluate an applicant for employment. All ERS job postings will state that the agency conducts a criminal history check on the primary and secondary candidate(s) recommended for the position. Criminal history checks may also be conducted on current or former employees when circumstances necessitate such checks. Only the Executive Director or designee may approve a request for a criminal history check on current or former employees.

ERS will conduct an FBI fingerprint check on all applicants, including internal candidates, selected to fill “covered person” positions. Covered persons are defined in the ERS Investments Policy as all ERS Investments staff, Investment Accounting staff, the Investment Compliance Auditor, the Deputy Executive Directors and Executive Director.

A conviction is not an automatic cause for an adverse personnel action. However, failure to report a conviction may result in corrective action up to and including termination of employment. ERS will review all criminal convictions individually and in relationship to the position being sought.

**Centralized Payroll and Personnel System**

ERS is scheduled to transition to the Centralized Payroll and Personnel System in FY21.

**Conclusion**

ERS is proud of its role in supporting the employees of state agencies and institutions of higher education, the dynamic Texas economic engine and the core missions of the state. We look forward to working with the 86th Legislature to determine how the state’s benefit programs can continue to best meet the needs of the state, its active

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and retired workforce, employers and Texas residents.

Sincerely,

Porter Wilson,  
Executive Director

ERS Board of Trustees

Board Members	Dates of Terms			Hometowns
Doug Danzeiser, Chair	October 27, 2014	-	August 31, 2019	Austin, Texas
Cydney C. Donnelle, Vice-Chair	June 20, 2007	-	August 31, 2018	Bryan, Texas
Ilesa Daniels	September 1, 2015	-	August 31, 2021	Houston, Texas
I. Craig Hester	November 1, 2005	-	August 31, 2022	Austin, Texas
Catherine A Melvin	September 1, 2017	-	August 31, 2023	Austin, Texas
Jeanie Wyatt	August 2, 2016	-	August 31, 2020	San Antonio, Texas

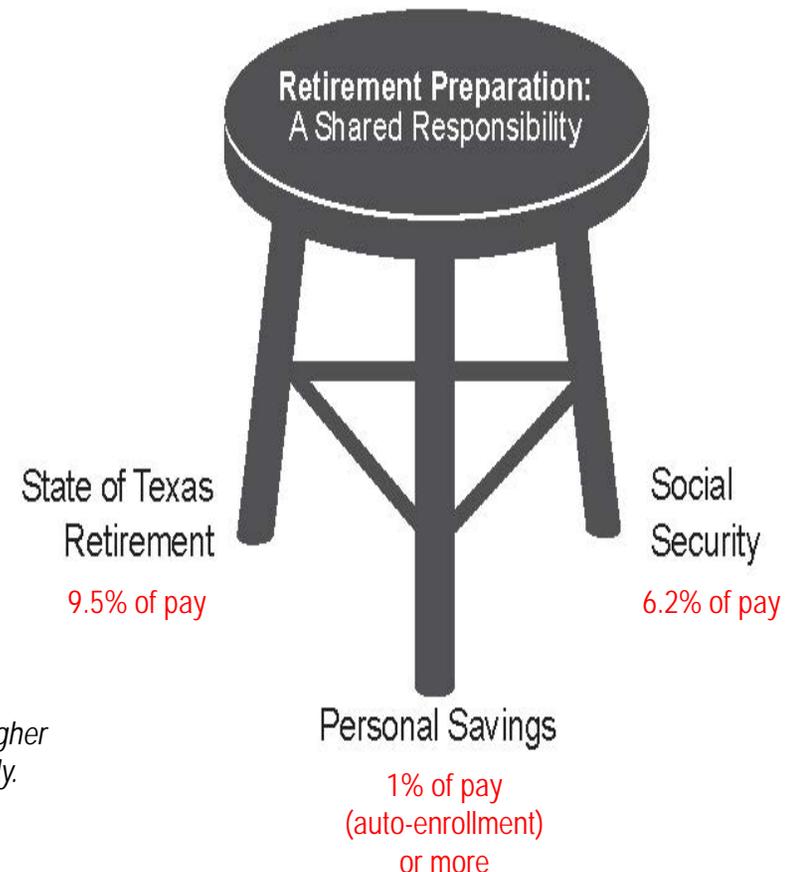
# Employees Have Diversified Retirement

*Pension, Social Security and Personal Savings (401(k)/457)*



- Four state defined benefit plans
  - Three pre-funded, open plans
  - One closed, pay-as-you-go plan (JRS1)
- All state employees participate in state pension and Social Security
- TexaSaver 401(k)/457 plans
  - Automatic 401(k) enrollment with opt-out
  - 87% of those auto enrolled remain in plan**
  - Among eligible employees\*:
    - 60% of eligible contribute to 401(k)**
    - 7% of eligible contribute to 457**

69% of ERS Plan Retirees receive a monthly benefit of \$2,000 or less



*\*401(k) available only to state employees. 457 is available to state employees and higher education employees. Universities also offer 403(b) plans that they administer directly. Does not include Roth contributions.*

# ERS Members Serve Texas in Many Ways

## Fiscal Year 2017 Plan Members



Member type	ERS	LECOSRF*	JRS 2	JRS 1 (Closed Plan)
	State Employee Elected Official District Attorney	Law Enforcement & Custodial Officer Supplement	Judges, justices & certain court commissioners (after 9/1/85)	Judges, justices & certain court commissioners (prior to 9/1/85)
Contributing Employees	141,629	38,206	557	9
Non-contributing Employees	112,192	17,100	158	0
Retirees/Beneficiaries	107,530	12,248	378	355

Average ERS Plan Retiree	Average ERS Plan Contributing Employee
 <p><b>68.7 years old currently</b></p> <hr/> <p><b>58.3 years old at retirement</b></p> <hr/> <p><b>22.1 years of service</b></p> <hr/> <p><b>Annuity of \$19,948 per year</b></p>	 <p><b>43.6 years old currently</b></p> <hr/> <p><b>34.9 years old when hired</b></p> <hr/> <p><b>8.7 years of service</b></p> <hr/> <p><b>Salary of \$47,986 per year</b></p>

\*Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOSRF) members are included in ERS membership

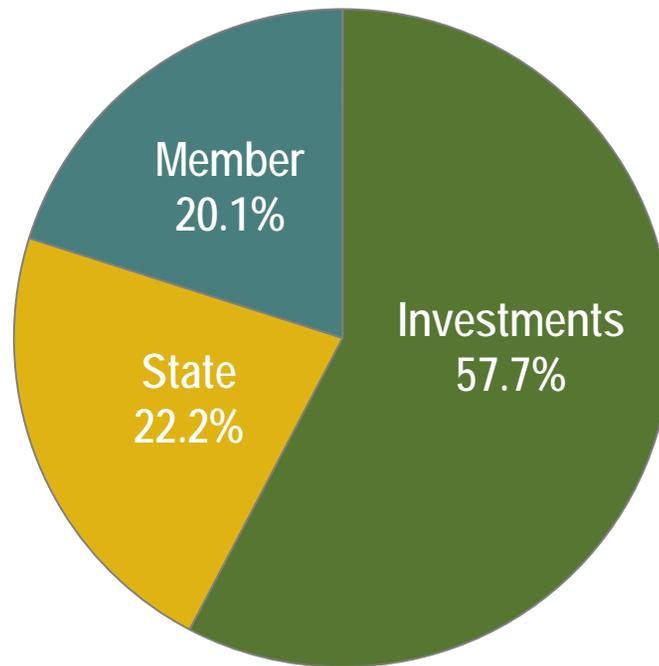
All numbers as of August 31, 2017

# Investment Returns Pay Majority of Benefits

## *ERS is a Long-term Investor*



ERS Retirement Trust Assets by Revenue Source, FY 1998-2017



ERS Investment Performance (period ending August 31, 2017)

Period	30-Year	20-Year	10-Year	5-Year	3-Year	1-Year
Net Return*	**	6.41%	5.54%	8.34%	5.84%	12.11%
Gross Return	8.32%	6.49%	5.67%	8.43%	5.88%	12.15%

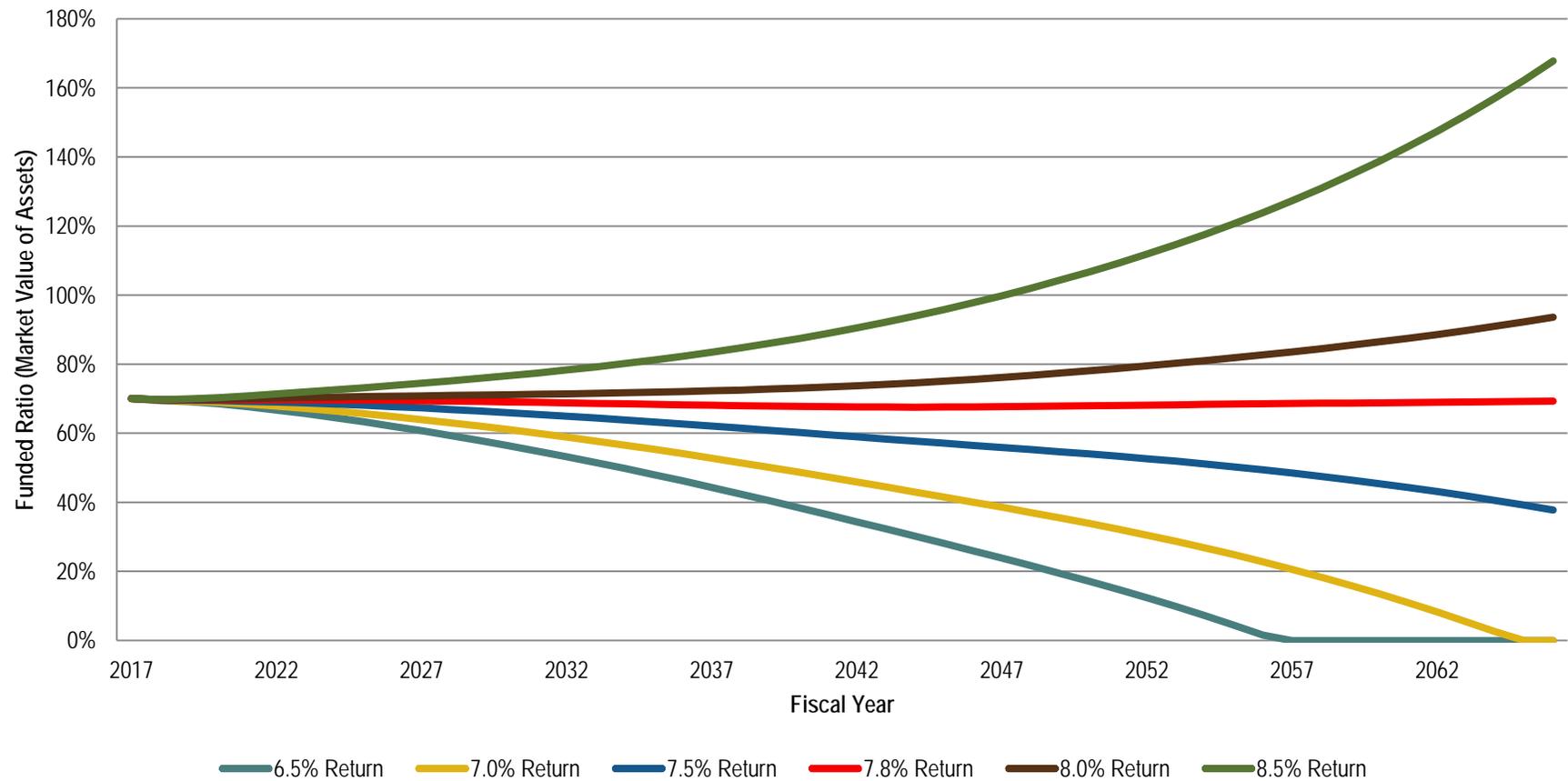
\*The actuarial assumed rate of return of 7.5% is based on net return.

\*\*Not available due to custodian data transfer issue. 30-year net will first be available beginning FY 2027.

# Additional Funds Required to Sustain Benefits



ERS Retirement Trust  
*Projected Funded Ratio at Various Investment Returns*



*The tread water point (funding neither improves nor worsens) is a 7.8% return over the long term.*

# Setting the Return Assumption



- Return recommendation is based on data
- Board reviewed market forecasts from multiple sources including the investment consultant, capital market surveys and the actuaries.
- Return assumption looks forward, using returns from each asset class to build the proposed portfolio

## Expected return for proposed asset allocation

	Prior Allocation	New Target Allocation
20-year	7.2%	7.4%
30-year	7.3%	7.6%

Source: Aon

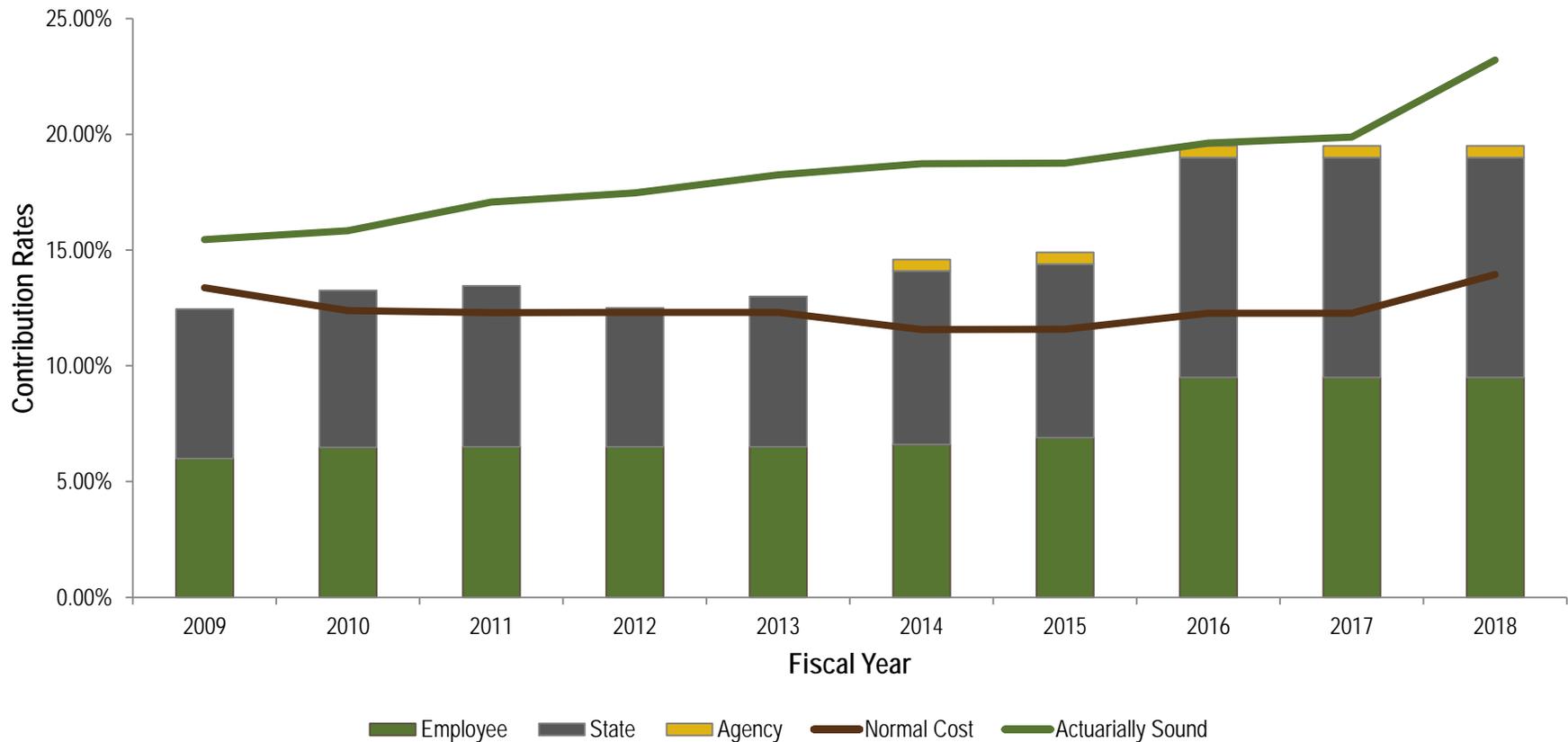
The Board selected a 7.5% return assumption based on 30-year projections of portfolio performance by Aon (ERS' investment consultant).

The Board voted to review the return assumption in 2019, on an accelerated two-year schedule instead of the four-year schedule for the full experience study.

# ERS Trust Contributions have increased over time, but have not met the actuarially sound rate



**ERS Retirement Trust**  
*Comparison of Contributions Needed and Received, Fiscal Years 2009-2018*

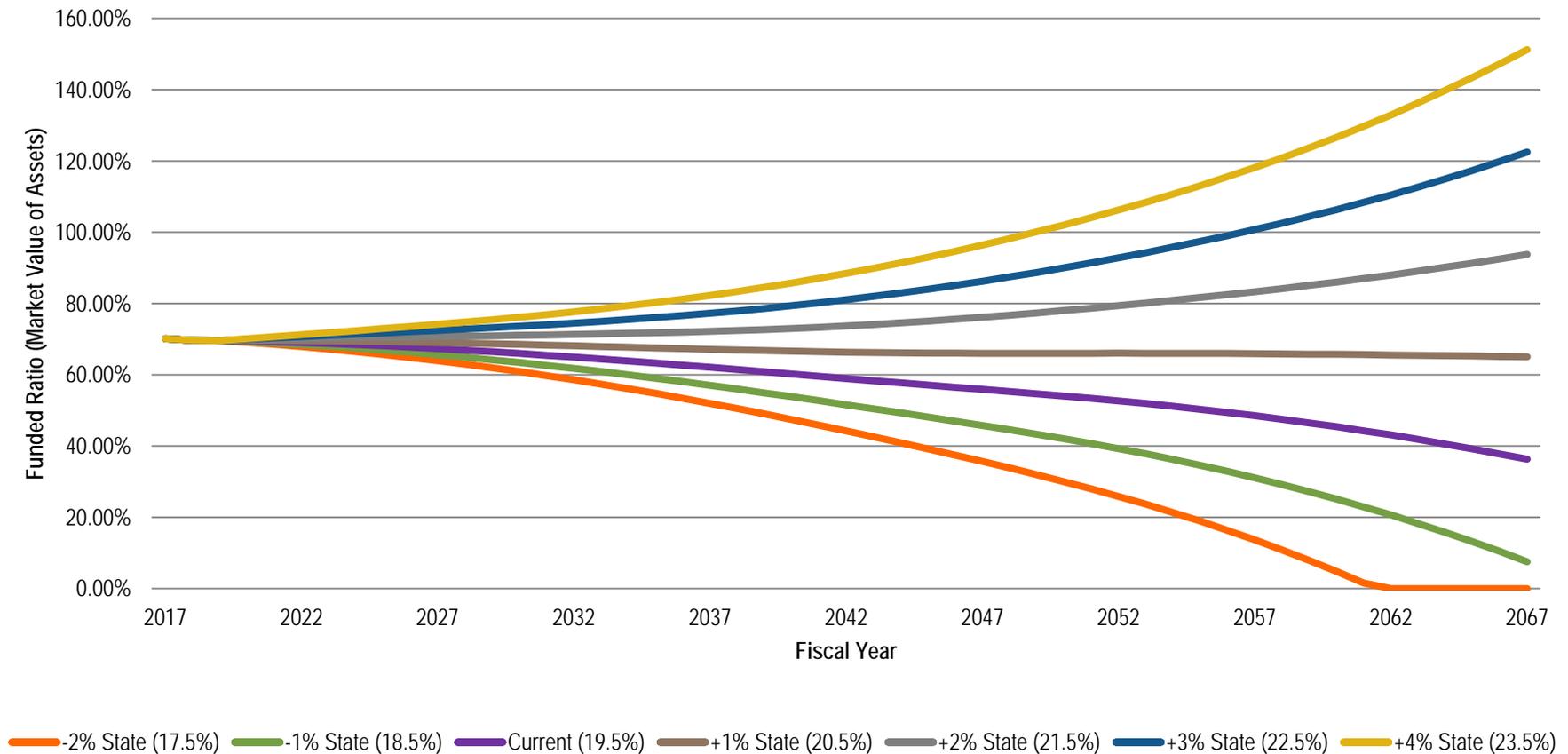


In recent years the plan has been consistently receiving contributions that cover normal cost (current year base benefit cost before unfunded liabilities). Historically normal cost was not always funded.

# Pension Stress Testing: Trust will require more contributions to pay promised benefits



ERS Retirement Trust  
*Projected Funded Ratio at Various Contribution Rates*



*A 1% increase (additional \$138 million for the 2020-21 biennium) would allow the fund to treadwater.*

*A 2% increase in the state rate would put the plan on a sustainable path over the long term.*

# Accelerated Payoff of Unfunded Liabilities

## *Impact of Lump Sums on the ERS Plan\**



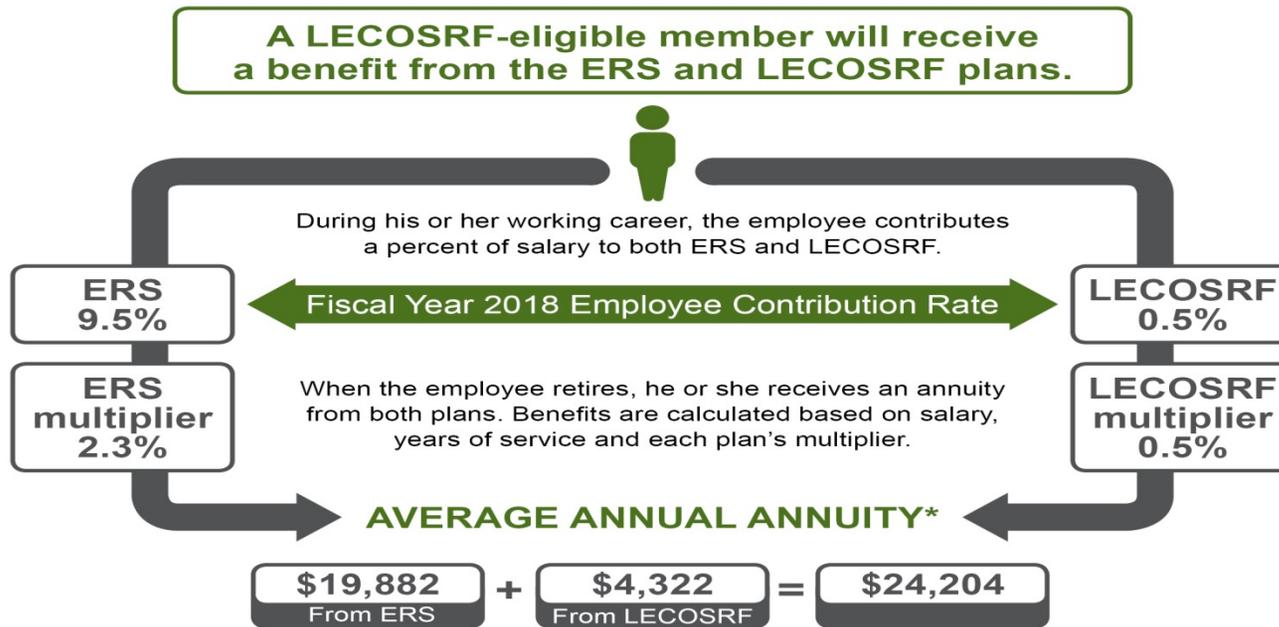
Metric	Current Baseline	\$1 Billion Lump Sum	\$2 Billion Lump Sum	\$4.8 Billion Lump Sum	\$8 Billion Lump Sum
Funded Ratio	69.6%	72.0%	74.4%	81.3%	89.1%
Unfunded Liability	\$12.2 B	\$11.3 B	\$10.2 B	\$7.5 B	\$4.4 B
Actuarially Sound Contribution (ASC) Rate	23.33%	22.53%	21.73%	19.50%	16.89%
Funding Period	Never	Never	100+	31	13
Depletion Year	2084	2102	None	None	None

*\*Based on the same assumptions, methods, data and provisions as the August 31, 2017 actuarial valuations. Source: Gabriel Roeder Smith (GRS), the independent consulting actuaries for ERS.*

- As a rule of thumb, every \$1 billion contributed to ERS on December 31, 2019 would:
  - Reduce the ASC rate as of August 31, 2019 by approximately 0.80%;
  - Reduce the unfunded liability by approximately \$1 billion; and
  - Increase the funded ratio by 2.4%.

# LECO Retirement Benefit

*A Higher Level of Benefits for High-risk Positions*



For the average LECOSRF retiree, about 82% of his or her annuity is from the ERS plan and about 18% is from LECOSRF.

\*Based on August 31, 2017 valuation (most recent available)

# LECO Benefit Compared to Regular Class

## Recognition of High-risk Work



### Key Demographics by Regular Class & Law Enforcement and Custodial Officer (LECO) Populations\*

As of August 31, 2017

Average Regular Class Retiree		
	Average Annuity	\$19,812
	Years of Service	22.3
	Age Currently	69.6
	Age at Retirement	59.0
Average Regular Class Employee		
	Average Annual Salary	\$49,079
	Years of Service	9.0
	Age Currently	44.5
	Age When Hired	35.5

Average LECO Retiree**		
	Average Annuity	\$24,204
	Years of Service	21.8
	Age Currently	64.4
	Age at Retirement	55.2
Average LECO Employee		
	Average Annual Salary	\$45,029
	Years of Service	8.0
	Age Currently	41.1
	Age When Hired	33.1

\*Statistics shown for Regular Class retirees and employees are separate and distinct from statistics shown for LECO retirees and employees.

\*\*Annuitants with at least 10 years of Certified Peace Officer (CPO)/Custodial Officer (CO) service are identified as LECO annuitants. There are some annuitants who earned service as a CPO/CO who did not work long enough (20 years) to be eligible for a LECOSRF annuity, but do receive an ERS annuity.

Source: Gabriel Roeder Smith.

# Cost of Benefits by Employee Type

## Comparing Cost by Plan to Cost by Member Population



Valuation Metrics as of 8/31/17	Current Structure by Plan		Separate Accounting by Member Population	
	ERS	LECOSRF	Regular Class	LECO
Total Liability* (billions)	\$37.6	\$1.4	\$29.8	\$9.2
Actuarial Value of Assets* (billions)	\$26.4	\$0.9	\$21.7	\$5.8
Unfunded Liability* (billions)	\$11.3	\$0.5	\$8.2	\$3.6
Funded Ratio	70.1%	66.0%	72.7%	61.0%
Funding Period	Never	Never	Never	Never
Normal Cost Rate	13.95%	2.11%	13.67%	16.90%
ASC Rate	23.21%	3.67%	22.62%	28.61%
Actual Contribution Rate Fiscal Year 2017	19.50%	1.80%	19.50%	20.50%
Underfunding	3.71%	1.87%	3.12%	8.11%

\*\* ERS plan subsidizes higher cost LECO plan

\*Rounded

As of August 31, 2017

Board of Trustees



**Doug Danzeiser**  
Chair



**Cydney Donnell**  
Vice-Chair



**Ilesa Daniels**



**I. Craig Hester**



**Catherine Melvin**



**Jeanie Wyatt**

Consulting Actuary

Investment Advisory Committee



**Porter Wilson**  
Executive Director  
FTEs: 6



**Anthony Chavez**  
Director of Internal Audit  
FTEs: 6

Medical Board



**Diana Kongevick**  
Director of Group Benefits  
FTEs: 17



**Charles Tull**  
Chief Investments Officer  
FTEs: 78



**Cathy Terrell**  
Deputy Executive Director  
FTEs: 8



**Jennifer Chambers**  
Director of Government Relations



**Paula A. Jones**  
Deputy Executive Director & General Counsel  
FTEs: 20



**William S. Nail**  
Special Advisor

Office of the General Counsel



**Gabrielle Schreiber**  
Director of Procurement & Contract Oversight  
FTEs: 17.5



**Kathryn Tesar**  
Director of Benefits Communications  
FTEs: 11



**Robin Hardaway**  
Director of Customer Benefits  
FTEs: 105



**Bernie Hajovsky**  
Director of Enterprise Planning Office  
FTEs: 9



**Machele Pharr**  
Chief Financial Officer  
FTEs: 35



**DeeDee Sterns**  
Director of Human Resources  
FTEs: 5



**Chuck Turner**  
Chief Information Officer  
FTEs: 73



**Keith Yawn**  
Director of Strategic Initiatives  
FTEs: 3



**Wendy McAdams**  
Director of Operations Support  
FTEs: 1



## CERTIFICATE

**Agency Name** Employees Retirement System of Texas

This is to certify that the information contained in the agency Legislative Appropriation Request filed with the Legislative Budget Board (LBB) and the Office of the Governor, Budget Division, is accurate to the best of my knowledge and that the electronic submission to the LBB via the Automated Budget and Evaluation System of Texas (ABEST) and the PDF file submitted via the LBB Document Submission application are identical.

Additionally, should it become likely at any time that unexpended balances will accrue for any account, the LBB and the Governor's office will be notified in writing in accordance with Article IX, Section 7.01 (2016-17 GAA).

**Chief Executive Officer or Presiding Judge**

A handwritten signature in blue ink, appearing to read "Porter Wilson", written over a horizontal line.

Signature

Porter Wilson

Printed Name

Executive Director

Title

August 24, 2018

Date

**Board or Commission Chair**

A handwritten signature in blue ink, appearing to read "Doug Danzeiser", written over a horizontal line.

Signature

Doug Danzeiser

Printed Name

Board Chair

Title

August 24, 2018

Date

**Chief Financial Officer**

A handwritten signature in blue ink, appearing to read "Machele Pharr", written over a horizontal line.

Signature

Machele Pharr

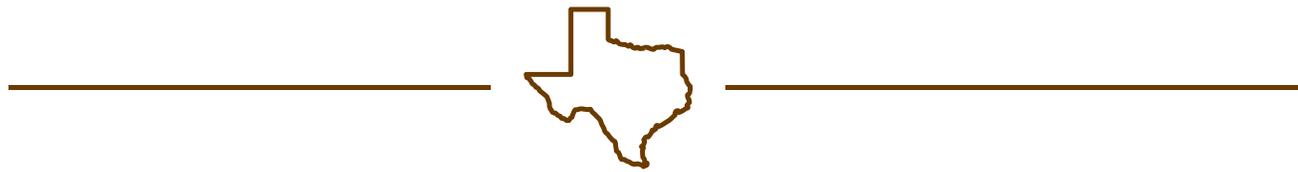
Printed Name

Chief Financial Officer

Title

August 24, 2018

Date



**Budget Overview - Biennial Amounts**  
**86th Regular Session, Agency Submission, Version 1**  
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System  
Appropriation Years: 2020-21

	GENERAL REVENUE FUNDS		GR DEDICATED		FEDERAL FUNDS		OTHER FUNDS		ALL FUNDS		EXCEPTIONAL ITEM FUNDS
	2018-19	2020-21	2018-19	2020-21	2018-19	2020-21	2018-19	2020-21	2018-19	2020-21	2020-21
	<b>Goal: 1. Administer Comprehensive and Actuarially Sound Retirement Programs</b>										
1.1.1. ERS Retirement Program	905,654,323	911,736,000	54,016,347	53,524,800	196,097,195	196,992,000	133,501,486	133,747,200	1,289,269,351	1,296,000,000	531,026,030
1.1.2. LECOS Retirement Program	16,686,738	16,686,738	246,342	246,342	56,064	56,064			16,989,144	16,989,144	75,571,996
1.1.3. Judicial Retirement System - Plan 2	15,416,942	15,416,942					9,477,200	9,477,200	24,894,142	24,894,142	1,409,762
1.1.4. Judicial Retirement System - Plan 1	46,598,156	46,598,156							46,598,156	46,598,156	
1.1.5. Public Safety Death Benefits	19,623,730	19,179,968	9,194,318	8,392,648					28,818,048	27,572,616	
1.1.6. Retiree Death Benefits	25,691,741	24,500,000							25,691,741	24,500,000	
<b>Total, Goal</b>	<b>1,029,671,630</b>	<b>1,034,117,804</b>	<b>63,457,007</b>	<b>62,163,790</b>	<b>196,153,259</b>	<b>197,048,064</b>	<b>142,978,686</b>	<b>143,224,400</b>	<b>1,432,260,582</b>	<b>1,436,554,058</b>	<b>608,007,788</b>
<b>Goal: 2. Provide Employees and Retirees with Quality Group Benefits</b>											
2.1.1. Group Benefits Program	2,661,884,469	2,725,744,734	160,223,241	162,854,026	567,967,215	576,856,430	448,122,442	458,738,208	3,838,197,367	3,924,193,398	
2.1.2. Probation Health Insurance	137,596,470	137,596,470							137,596,470	137,596,470	
<b>Total, Goal</b>	<b>2,799,480,939</b>	<b>2,863,341,204</b>	<b>160,223,241</b>	<b>162,854,026</b>	<b>567,967,215</b>	<b>576,856,430</b>	<b>448,122,442</b>	<b>458,738,208</b>	<b>3,975,793,837</b>	<b>4,061,789,868</b>	
<b>Total, Agency</b>	<b>3,829,152,569</b>	<b>3,897,459,008</b>	<b>223,680,248</b>	<b>225,017,816</b>	<b>764,120,474</b>	<b>773,904,494</b>	<b>591,101,128</b>	<b>601,962,608</b>	<b>5,408,054,419</b>	<b>5,498,343,926</b>	<b>608,007,788</b>
<b>Total FTEs</b>									<b>387.0</b>	<b>395.0</b>	<b>0.0</b>

2.A. Summary of Base Request by Strategy

86th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

Goal / Objective / STRATEGY	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
<b>1</b> Administer Comprehensive and Actuarially Sound Retirement Programs					
<b>1</b> Ensure Actuarially Sound Retirement Programs					
<b>1 ERS RETIREMENT PROGRAM</b>	643,991,702	641,269,351	648,000,000	648,000,000	648,000,000
<b>2 LECOS RETIREMENT PROGRAM</b>	8,730,330	8,494,572	8,494,572	8,494,572	8,494,572
<b>3 JUDICIAL RETIREMENT SYSTEM - PLAN 2</b>	12,539,403	12,447,071	12,447,071	12,447,071	12,447,071
<b>4 JUDICIAL RETIREMENT SYSTEM - PLAN 1</b>	24,280,863	23,299,078	23,299,078	23,299,078	23,299,078
<b>5 PUBLIC SAFETY DEATH BENEFITS</b>	12,826,175	15,031,740	13,786,308	13,786,308	13,786,308
<b>6 RETIREE DEATH BENEFITS</b>	10,897,133	13,441,741	12,250,000	12,250,000	12,250,000
<b>TOTAL, GOAL</b> <b>1</b>	<b>\$713,265,606</b>	<b>\$713,983,553</b>	<b>\$718,277,029</b>	<b>\$718,277,029</b>	<b>\$718,277,029</b>
<b>2</b> Provide Employees and Retirees with Quality Group Benefits					
<b>1</b> Manage GBP for State and Higher Education Employees					
<b>1 GROUP BENEFITS PROGRAM</b>	1,875,947,075	1,876,100,668	1,962,096,699	1,962,096,699	1,962,096,699
<b>2 PROBATION HEALTH INSURANCE</b>	0	68,798,235	68,798,235	68,798,235	68,798,235

**2.A. Summary of Base Request by Strategy**

8/24/2018 7:07:25PM

86th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

**327 Employees Retirement System**

<b>Goal / Objective / STRATEGY</b>	<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>Req 2020</b>	<b>Req 2021</b>
<b>TOTAL, GOAL                    2</b>	<b>\$1,875,947,075</b>	<b>\$1,944,898,903</b>	<b>\$2,030,894,934</b>	<b>\$2,030,894,934</b>	<b>\$2,030,894,934</b>
<b>TOTAL, AGENCY STRATEGY REQUEST</b>	<b>\$2,589,212,681</b>	<b>\$2,658,882,456</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>
<b>TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*</b>				<b>\$0</b>	<b>\$0</b>
<b>GRAND TOTAL, AGENCY REQUEST</b>	<b>\$2,589,212,681</b>	<b>\$2,658,882,456</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>

2.A. Summary of Base Request by Strategy

8/24/2018 7:07:25PM

86th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

Goal / Objective / STRATEGY	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
<u>METHOD OF FINANCING:</u>					
<b>General Revenue Funds:</b>					
1 General Revenue Fund	1,763,788,596	1,880,423,065	1,948,729,504	1,948,729,504	1,948,729,504
<b>SUBTOTAL</b>	<b>\$1,763,788,596</b>	<b>\$1,880,423,065</b>	<b>\$1,948,729,504</b>	<b>\$1,948,729,504</b>	<b>\$1,948,729,504</b>
<b>General Revenue Dedicated Funds:</b>					
994 GR Dedicated Accounts	109,010,456	111,171,340	112,508,908	112,508,908	112,508,908
<b>SUBTOTAL</b>	<b>\$109,010,456</b>	<b>\$111,171,340</b>	<b>\$112,508,908</b>	<b>\$112,508,908</b>	<b>\$112,508,908</b>
<b>Federal Funds:</b>					
555 Federal Funds	424,070,173	377,168,227	386,952,247	386,952,247	386,952,247
<b>SUBTOTAL</b>	<b>\$424,070,173</b>	<b>\$377,168,227</b>	<b>\$386,952,247</b>	<b>\$386,952,247</b>	<b>\$386,952,247</b>
<b>Other Funds:</b>					
6 State Highway Fund	273,091,229	272,000,997	282,684,679	282,684,679	282,684,679
573 Judicial Fund	4,773,751	4,738,600	4,738,600	4,738,600	4,738,600
998 Other Special State Funds	14,478,476	13,380,227	13,558,025	13,558,025	13,558,025
<b>SUBTOTAL</b>	<b>\$292,343,456</b>	<b>\$290,119,824</b>	<b>\$300,981,304</b>	<b>\$300,981,304</b>	<b>\$300,981,304</b>
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$2,589,212,681</b>	<b>\$2,658,882,456</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>

\*Rider appropriations for the historical years are included in the strategy amounts.

**2.B. Summary of Base Request by Method of Finance**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/24/2018 7:10:27PM

Agency code: **327** Agency name: **Employees Retirement System**

METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
<b><u>GENERAL REVENUE</u></b>					
<b><u>1</u></b> General Revenue Fund					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2016-17 GAA)	\$1,742,017,391	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2018-19 GAA)	\$0	\$1,946,472,137	\$2,000,400,665	\$0	\$0
Estimated Appropriation Revision	\$12,285,624	\$11,930,803	\$5,213,032	\$0	\$0
Regular Appropriations	\$0	\$0	\$0	\$1,948,729,504	\$1,948,729,504
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 18.04, Additional Appropriation for Employee Benefits (2016-17 GAA)	\$13,787,192	\$0	\$0	\$0	\$0
Art IX, Sec 18.11, Contingency for HB9 (2016-17 GAA)	\$10,691,208	\$0	\$0	\$0	\$0

**2.B. Summary of Base Request by Method of Finance**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/24/2018 7:10:27PM

Agency code: <b>327</b>	Agency name: <b>Employees Retirement System</b>				
<b>METHOD OF FINANCING</b>	<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>Req 2020</b>	<b>Req 2021</b>
<b><u>GENERAL REVENUE</u></b>					
Art IX, Sec 18.69, Contingency for HB1278 (2016-17 GAA)	\$3,374,442	\$0	\$0	\$0	\$0
S.B. 11, 85th Leg. Regular Session, Art. II rider 33, (2018-19 GAA)	\$0	\$(4,653,492)	\$(5,203,465)	\$0	\$0
<i>TRANSFERS</i>					
Art IX, Sec 18.02, Salary Increase for General State Employees (2016-17)	\$11,029,859	\$0	\$0	\$0	\$0
Art IX, Sec 17.05, Salary Increases for State Employees in Salary Schedule C (2016-17)	\$38,375	\$0	\$0	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>					
Regular Appropriation from MOF Table (2016-17 GAA)	\$(29,435,495)	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2018-19 GAA)	\$0	\$(73,326,383)	\$(51,680,728)	\$0	\$0

**2.B. Summary of Base Request by Method of Finance**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/24/2018 7:10:27PM

Agency code: <b>327</b>	Agency name: <b>Employees Retirement System</b>					
<b>METHOD OF FINANCING</b>		<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>Req 2020</b>	<b>Req 2021</b>
<b><u>GENERAL REVENUE</u></b>						
<b>TOTAL, General Revenue Fund</b>		<b>\$1,763,788,596</b>	<b>\$1,880,423,065</b>	<b>\$1,948,729,504</b>	<b>\$1,948,729,504</b>	<b>\$1,948,729,504</b>
<b>TOTAL, ALL GENERAL REVENUE</b>		<b>\$1,763,788,596</b>	<b>\$1,880,423,065</b>	<b>\$1,948,729,504</b>	<b>\$1,948,729,504</b>	<b>\$1,948,729,504</b>

**GENERAL REVENUE FUND - DEDICATED**

**994** General Revenue Dedicated Accounts

*REGULAR APPROPRIATIONS*

Regular Appropriations from MOF Table (2016-17 GAA)

\$106,584,168	\$0	\$0	\$0	\$0
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Regular Appropriations from MOF Table (2018-19 GAA)

\$0	\$113,745,335	\$114,505,820	\$0	\$0
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Estimated Appropriation Revision

\$881,459	\$1,801,670	\$1,000,000	\$0	\$0
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Regular Appropriations

\$0	\$0	\$0	\$112,508,908	\$112,508,908
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*RIDER APPROPRIATION*

**2.B. Summary of Base Request by Method of Finance**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/24/2018 7:10:27PM

Agency code: <b>327</b>	Agency name: <b>Employees Retirement System</b>				
<b>METHOD OF FINANCING</b>	<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>Req 2020</b>	<b>Req 2021</b>
<b><u>GENERAL REVENUE FUND - DEDICATED</u></b>					
Art IX, Sec 18.04, Additional Appropriation for Employee Benefits (2016-17 GAA)	\$185,593	\$0	\$0	\$0	\$0
Art IX, Sec 18.11, Contingency for HB9 (2016-17 GAA)	\$728,691	\$0	\$0	\$0	\$0
Art IX, Sec 18.69, Contingency for HB1278 (2016-17 GAA)	\$1,500,000	\$0	\$0	\$0	\$0
<i>TRANSFERS</i>					
Art IX, Sec 18.02, Salary Increase for General State Employees (2016-17)	\$761,349	\$0	\$0	\$0	\$0
Art IX, Sec 17.05, Salary Increases for State Employees in Salary Schedule C (2016-17)	\$18,987	\$0	\$0	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>					
Regular Appropriation from MOF Table (2016-17 GAA)	\$(1,649,791)	\$0	\$0	\$0	\$0

**2.B. Summary of Base Request by Method of Finance**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/24/2018 7:10:27PM

Agency code: <b>327</b>		Agency name: <b>Employees Retirement System</b>				
<b>METHOD OF FINANCING</b>		<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>Req 2020</b>	<b>Req 2021</b>
<b><u>GENERAL REVENUE FUND - DEDICATED</u></b>						
	Regular Appropriations from MOF Table (2018-19 GAA)	\$0	\$(4,375,665)	\$(2,996,912)	\$0	\$0
<b>TOTAL,</b>	<b>General Revenue Dedicated Accounts</b>	<b>\$109,010,456</b>	<b>\$111,171,340</b>	<b>\$112,508,908</b>	<b>\$112,508,908</b>	<b>\$112,508,908</b>
<b>TOTAL, ALL</b>	<b>GENERAL REVENUE FUND - DEDICATED</b>	<b>\$109,010,456</b>	<b>\$111,171,340</b>	<b>\$112,508,908</b>	<b>\$112,508,908</b>	<b>\$112,508,908</b>
<b>TOTAL,</b>	<b>GR &amp; GR-DEDICATED FUNDS</b>	<b>\$1,872,799,052</b>	<b>\$1,991,594,405</b>	<b>\$2,061,238,412</b>	<b>\$2,061,238,412</b>	<b>\$2,061,238,412</b>
<b><u>FEDERAL FUNDS</u></b>						
<u>555</u>	Federal Funds					
	<i>REGULAR APPROPRIATIONS</i>					
	Regular Appropriations from MOF Table (2016-17 GAA)	\$420,775,129	\$0	\$0	\$0	\$0
	Regular Appropriations from MOF Table (2018-19 GAA)	\$0	\$393,070,185	\$398,000,330	\$0	\$0
	Estimated Appropriation Revision	\$2,170,803	\$0	\$0	\$0	\$0

**2.B. Summary of Base Request by Method of Finance**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/24/2018 7:10:27PM

Agency code: <b>327</b>	Agency name: <b>Employees Retirement System</b>				
<b>METHOD OF FINANCING</b>	<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>Req 2020</b>	<b>Req 2021</b>
<b><u>FEDERAL FUNDS</u></b>					
Regular Appropriations	\$0	\$0	\$0	\$386,952,247	\$386,952,247
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 18.04, Additional Appropriation for Employee Benefits (2016-17 GAA)	\$2,430,158	\$0	\$0	\$0	\$0
Art IX, Sec 18.11, Contingency for HB 9 (2016-17 GAA)	\$2,883,119	\$0	\$0	\$0	\$0
S.B. 11, 85th Leg. Regular Session, Art. II rider 33, (2018-19 GAA)	\$0	\$(517,055)	\$(578,163)	\$0	\$0
<i>TRANSFERS</i>					
Art IX, Sec 18.02, Salary Increase for General State Employees (2016-17)	\$2,468,011	\$0	\$0	\$0	\$0
Art IX, Sec 17.05, Salary Increases for State Employees in Salary Schedule C (2016-17)	\$2,195	\$0	\$0	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>					

**2.B. Summary of Base Request by Method of Finance**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/24/2018 7:10:27PM

Agency code: <b>327</b>	Agency name: <b>Employees Retirement System</b>				
<b>METHOD OF FINANCING</b>	<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>Req 2020</b>	<b>Req 2021</b>
<b><u>FEDERAL FUNDS</u></b>					
Regular Appropriation from MOF Table (2016-17 GAA)	\$ (6,659,242)	\$ 0	\$ 0	\$ 0	\$ 0
Regular Appropriations from MOF Table (2018-19 GAA)	\$ 0	\$ (15,384,903)	\$ (10,469,920)	\$ 0	\$ 0
<b>TOTAL, Federal Funds</b>	<b>\$424,070,173</b>	<b>\$377,168,227</b>	<b>\$386,952,247</b>	<b>\$386,952,247</b>	<b>\$386,952,247</b>
<b>TOTAL, ALL FEDERAL FUNDS</b>	<b>\$424,070,173</b>	<b>\$377,168,227</b>	<b>\$386,952,247</b>	<b>\$386,952,247</b>	<b>\$386,952,247</b>

**OTHER FUNDS**

6 State Highway Fund No. 006  
*REGULAR APPROPRIATIONS*

Regular Appropriations from MOF Table (2016-17 GAA)	\$273,489,332	\$ 0	\$ 0	\$ 0	\$ 0
Regular Appropriations from MOF Table (2018-19 GAA)	\$ 0	\$283,365,208	\$290,573,999	\$ 0	\$ 0

**2.B. Summary of Base Request by Method of Finance**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/24/2018 7:10:27PM

Agency code: <b>327</b>	Agency name: <b>Employees Retirement System</b>				
<b>METHOD OF FINANCING</b>	<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>Req 2020</b>	<b>Req 2021</b>
<b><u>OTHER FUNDS</u></b>					
Estimated Appropriation Revision	\$1,240,716	\$0	\$0	\$0	\$0
Regular Appropriations	\$0	\$0	\$0	\$282,684,679	\$282,684,679
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 18.11, Contingency for HB9 (2016-17 GAA)	\$1,558,396	\$0	\$0	\$0	\$0
<i>TRANSFERS</i>					
Art IX, Sec 18.02, Salary Increase for General State Employees (2016-17)	\$1,456,688	\$0	\$0	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>					
Regular Appropriation from MOF Table (2016-17 GAA)	\$(4,653,903)	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2018-19 GAA)	\$0	\$(11,364,211)	\$(7,889,320)	\$0	\$0

**2.B. Summary of Base Request by Method of Finance**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/24/2018 7:10:27PM

Agency code: <b>327</b>		Agency name: <b>Employees Retirement System</b>				
<b>METHOD OF FINANCING</b>		<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>Req 2020</b>	<b>Req 2021</b>
<b><u>OTHER FUNDS</u></b>						
<b>TOTAL,</b>	<b>State Highway Fund No. 006</b>	<b>\$273,091,229</b>	<b>\$272,000,997</b>	<b>\$282,684,679</b>	<b>\$282,684,679</b>	<b>\$282,684,679</b>
<b><u>573</u></b>	Judicial Fund No. 573					
	<i>REGULAR APPROPRIATIONS</i>					
	Regular Appropriations from MOF Table (2016-17 GAA)	\$4,629,968	\$0	\$0	\$0	\$0
	Regular Appropriations from MOF Table (2018-19 GAA)	\$0	\$4,718,067	\$4,718,067	\$0	\$0
	Estimated Appropriation Revision	\$143,783	\$20,533	\$20,533	\$0	\$0
	Regular Appropriations	\$0	\$0	\$0	\$4,738,600	\$4,738,600
<b>TOTAL,</b>	<b>Judicial Fund No. 573</b>	<b>\$4,773,751</b>	<b>\$4,738,600</b>	<b>\$4,738,600</b>	<b>\$4,738,600</b>	<b>\$4,738,600</b>
<b><u>998</u></b>	Other Special State Funds					
	<i>REGULAR APPROPRIATIONS</i>					

2.B. Summary of Base Request by Method of Finance  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/24/2018 7:10:27PM

METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
<b>OTHER FUNDS</b>					
Regular Appropriations from MOF Table (2016-17 GAA)	\$14,238,332	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2018-19 GAA)	\$0	\$13,766,337	\$13,903,112	\$0	\$0
Estimated Appropriation Revision	\$132,733	\$0	\$0	\$0	\$0
Regular Appropriations	\$0	\$0	\$0	\$13,558,025	\$13,558,025
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 18.04, Additional Appropriation for Employee Benefits (2016-17 GAA)	\$69,729	\$0	\$0	\$0	\$0
Art IX, Sec 18.11, Contingency for HB 9 (2016-17 GAA)	\$138,586	\$0	\$0	\$0	\$0
<i>TRANSFERS</i>					

**2.B. Summary of Base Request by Method of Finance**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/24/2018 7:10:27PM

Agency code: <b>327</b>		Agency name: <b>Employees Retirement System</b>				
<b>METHOD OF FINANCING</b>		<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>Req 2020</b>	<b>Req 2021</b>
<b><u>OTHER FUNDS</u></b>						
Art IX, Sec 18.02, Salary Increase for General State Employees (2016-17)		\$137,139	\$0	\$0	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>						
Regular Appropriation from MOF Table (2016-17 GAA)		\$(238,043)	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2018-19 GAA)		\$0	\$(386,110)	\$(345,087)	\$0	\$0
<b>TOTAL,</b>	<b>Other Special State Funds</b>	<b>\$14,478,476</b>	<b>\$13,380,227</b>	<b>\$13,558,025</b>	<b>\$13,558,025</b>	<b>\$13,558,025</b>
<b>TOTAL, ALL</b>	<b>OTHER FUNDS</b>	<b>\$292,343,456</b>	<b>\$290,119,824</b>	<b>\$300,981,304</b>	<b>\$300,981,304</b>	<b>\$300,981,304</b>
<b>GRAND TOTAL</b>		<b>\$2,589,212,681</b>	<b>\$2,658,882,456</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>

**2.B. Summary of Base Request by Method of Finance**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/24/2018 7:10:27PM

METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
Agency code: <b>327</b> Agency name: <b>Employees Retirement System</b>					
<b>FULL-TIME-EQUIVALENT POSITIONS</b>					
REGULAR APPROPRIATIONS					
Regular Appropriations	360.0	0.0	0.0	0.0	0.0
<b>Comments:</b> Regular Appropriation from MOF table (2016-17 GAA)					
Regular Appropriations	0.0	395.0	395.0	0.0	0.0
<b>Comments:</b> Regular Appropriation from MOF table (2018-19 GAA)					
Regular Appropriations	0.0	0.0	0.0	395.0	395.0
LAPSED APPROPRIATIONS					
Regular Appropriations from MOF Table (2018-19 GAA)	0.0	(12.0)	(8.0)	0.0	0.0
REQUEST TO EXCEED ADJUSTMENTS					
Request to Exceed Adjustments (2016-2017 GAA)	14.3	0.0	0.0	0.0	0.0
<b>TOTAL, ADJUSTED FTES</b>	<b>374.3</b>	<b>383.0</b>	<b>387.0</b>	<b>395.0</b>	<b>395.0</b>

**NUMBER OF 100% FEDERALLY FUNDED FTEs**

2.C. Summary of Base Request by Object of Expense

8/24/2018 7:14:38PM

86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

**327 Employees Retirement System**

<b>OBJECT OF EXPENSE</b>	<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>BL 2020</b>	<b>BL 2021</b>
1002 OTHER PERSONNEL COSTS	\$2,565,489,373	\$2,630,408,975	\$2,723,135,655	\$2,723,135,655	\$2,723,135,655
3001 CLIENT SERVICES	\$23,723,308	\$28,473,481	\$26,036,308	\$26,036,308	\$26,036,308
<b>OOE Total (Excluding Riders)</b>	<b>\$2,589,212,681</b>	<b>\$2,658,882,456</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>
<b>OOE Total (Riders)</b>					
<b>Grand Total</b>	<b>\$2,589,212,681</b>	<b>\$2,658,882,456</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>

**2.D. Summary of Base Request Objective Outcomes**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation system of Texas (ABEST)

8/24/2018 7:17:14PM

**327 Employees Retirement System**

Goal/ Objective / Outcome	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
1 Administer Comprehensive and Actuarially Sound Retirement Programs					
1 Ensure Actuarially Sound Retirement Programs					
<b>KEY</b> <b>1 % of ERS Retirees Expressing Satisfaction with Member Benefit Services</b>					
	97.00%	97.00%	97.00%	97.00%	97.00%
<b>2 # of Years to Amortize the ERS Unfunded Actuarial Accrued Liability</b>					
	999,999,999.00	999,999,999.00	999,999,999.00	999,999,999.00	999,999,999.00
<b>3 # Years to Amortize the LECOS Unfunded Actuarial Accrued Liability</b>					
	999,999,999.00	999,999,999.00	999,999,999.00	999,999,999.00	999,999,999.00
<b>4 # of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability</b>					
	63.00	63.00	63.00	63.00	63.00
<b>5 ERS Time-weighted Rate of Return (5 Year Rolling Basis)</b>					
	8.43%	7.50%	7.50%	7.50%	7.50%
<b>6 ERS Annual Operating Expense Per Member</b>					
	63.91	62.00	62.00	62.00	62.00
<b>KEY</b> <b>7 Investment Expense as Basis Points of Net Position</b>					
	13.10	16.00	16.00	16.00	16.00
<b>8 Percent of Time the ERS On-line System is Available to Customers</b>					
	96.67%	95.00%	95.00%	95.00%	95.00%
2 Provide Employees and Retirees with Quality Group Benefits					
1 Manage GBP for State and Higher Education Employees					
<b>KEY</b> <b>1 Percent of HealthSelect Participants Satisfied with TPA Services</b>					
	88.90%	85.00%	85.00%	85.00%	85.00%

**2.E. Summary of Exceptional Items Request**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2018  
 TIME : 7:19:00PM

Agency code: 327

Agency name: **Employees Retirement System**

Priority	Item	2020			2021			Biennium	
		GR and GR/GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds
1	ERS Actuarially Sound Level	\$197,757,024	\$265,513,015		\$197,757,024	\$265,513,015		\$395,514,048	\$531,026,030
2	LECOS Actuarially Sound Level	\$37,664,417	\$37,785,998		\$37,664,417	\$37,785,998		\$75,328,834	\$75,571,996
3	JRS 2 Actuarially Sound Level	\$436,533	\$704,881		\$436,533	\$704,881		\$873,066	\$1,409,762
<b>Total, Exceptional Items Request</b>		<b>\$235,857,974</b>	<b>\$304,003,894</b>		<b>\$235,857,974</b>	<b>\$304,003,894</b>		<b>\$471,715,948</b>	<b>\$608,007,788</b>

**Method of Financing**

General Revenue	\$224,344,339	\$224,344,339		\$224,344,339	\$224,344,339		\$448,688,678	\$448,688,678
General Revenue - Dedicated	11,513,635	11,513,635		11,513,635	11,513,635		23,027,270	23,027,270
Federal Funds		40,466,929			40,466,929			80,933,858
Other Funds		27,678,991			27,678,991			55,357,982
	<b>\$235,857,974</b>	<b>\$304,003,894</b>		<b>\$235,857,974</b>	<b>\$304,003,894</b>		<b>\$471,715,948</b>	<b>\$608,007,788</b>

**Full Time Equivalent Positions**

**Number of 100% Federally Funded FTEs**

**2.F. Summary of Total Request by Strategy**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/24/2018  
 TIME : 7:20:37PM

Agency code: 327 Agency name: Employees Retirement System

Goal/Objective/STRATEGY	Base 2020	Base 2021	Exceptional 2020	Exceptional 2021	Total Request 2020	Total Request 2021
<b>1</b> Administer Comprehensive and Actuarially Sound Retirement Program						
1 <i>Ensure Actuarially Sound Retirement Programs</i>						
1 ERS RETIREMENT PROGRAM	\$648,000,000	\$648,000,000	\$265,513,015	\$265,513,015	\$913,513,015	\$913,513,015
2 LECOS RETIREMENT PROGRAM	8,494,572	8,494,572	37,785,998	37,785,998	46,280,570	46,280,570
3 JUDICIAL RETIREMENT SYSTEM - PLAN 2	12,447,071	12,447,071	704,881	704,881	13,151,952	13,151,952
4 JUDICIAL RETIREMENT SYSTEM - PLAN 1	23,299,078	23,299,078	0	0	23,299,078	23,299,078
5 PUBLIC SAFETY DEATH BENEFITS	13,786,308	13,786,308	0	0	13,786,308	13,786,308
6 RETIREE DEATH BENEFITS	12,250,000	12,250,000	0	0	12,250,000	12,250,000
<b>TOTAL, GOAL 1</b>	<b>\$718,277,029</b>	<b>\$718,277,029</b>	<b>\$304,003,894</b>	<b>\$304,003,894</b>	<b>\$1,022,280,923</b>	<b>\$1,022,280,923</b>
<b>2</b> Provide Employees and Retirees with Quality Group Benefits						
1 <i>Manage GBP for State and Higher Education Employees</i>						
1 GROUP BENEFITS PROGRAM	1,962,096,699	1,962,096,699	0	0	1,962,096,699	1,962,096,699
2 PROBATION HEALTH INSURANCE	68,798,235	68,798,235	0	0	68,798,235	68,798,235
<b>TOTAL, GOAL 2</b>	<b>\$2,030,894,934</b>	<b>\$2,030,894,934</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,030,894,934</b>	<b>\$2,030,894,934</b>
<b>TOTAL, AGENCY STRATEGY REQUEST</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>	<b>\$304,003,894</b>	<b>\$304,003,894</b>	<b>\$3,053,175,857</b>	<b>\$3,053,175,857</b>
<b>TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST</b>						
<b>GRAND TOTAL, AGENCY REQUEST</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>	<b>\$304,003,894</b>	<b>\$304,003,894</b>	<b>\$3,053,175,857</b>	<b>\$3,053,175,857</b>

**2.F. Summary of Total Request by Strategy**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/24/2018

TIME : 7:20:37PM

Agency code: 327 Agency name: Employees Retirement System

Goal/Objective/STRATEGY	Base 2020	Base 2021	Exceptional 2020	Exceptional 2021	Total Request 2020	Total Request 2021
<b>General Revenue Funds:</b>						
1 General Revenue Fund	\$1,948,729,504	\$1,948,729,504	\$224,344,339	\$224,344,339	\$2,173,073,843	\$2,173,073,843
	<b>\$1,948,729,504</b>	<b>\$1,948,729,504</b>	<b>\$224,344,339</b>	<b>\$224,344,339</b>	<b>\$2,173,073,843</b>	<b>\$2,173,073,843</b>
<b>General Revenue Dedicated Funds:</b>						
994 GR Dedicated Accounts	112,508,908	112,508,908	11,513,635	11,513,635	124,022,543	124,022,543
	<b>\$112,508,908</b>	<b>\$112,508,908</b>	<b>\$11,513,635</b>	<b>\$11,513,635</b>	<b>\$124,022,543</b>	<b>\$124,022,543</b>
<b>Federal Funds:</b>						
555 Federal Funds	386,952,247	386,952,247	40,466,929	40,466,929	427,419,176	427,419,176
	<b>\$386,952,247</b>	<b>\$386,952,247</b>	<b>\$40,466,929</b>	<b>\$40,466,929</b>	<b>\$427,419,176</b>	<b>\$427,419,176</b>
<b>Other Funds:</b>						
6 State Highway Fund	282,684,679	282,684,679	25,398,181	25,398,181	308,082,860	308,082,860
573 Judicial Fund	4,738,600	4,738,600	268,348	268,348	5,006,948	5,006,948
998 Other Special State Funds	13,558,025	13,558,025	2,012,462	2,012,462	15,570,487	15,570,487
	<b>\$300,981,304</b>	<b>\$300,981,304</b>	<b>\$27,678,991</b>	<b>\$27,678,991</b>	<b>\$328,660,295</b>	<b>\$328,660,295</b>
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>	<b>\$304,003,894</b>	<b>\$304,003,894</b>	<b>\$3,053,175,857</b>	<b>\$3,053,175,857</b>
<b>FULL TIME EQUIVALENT POSITIONS</b>	<b>395.0</b>	<b>395.0</b>	<b>0.0</b>	<b>0.0</b>	<b>395.0</b>	<b>395.0</b>

**2.G. Summary of Total Request Objective Outcomes**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation system of Texas (ABEST)

Date : 8/24/2018  
 Time: 7:22:39PM

Agency code: 327 Agency name: Employees Retirement System

Goal/ Objective / Outcome

	BL 2020	BL 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
1	Administer Comprehensive and Actuarially Sound Retirement Programs					
1	1 Ensure Actuarially Sound Retirement Programs					
<b>KEY</b>	<b>1 % of ERS Retirees Expressing Satisfaction with Member Benefit Services</b>					
	97.00%	97.00%			97.00%	97.00%
	<b>2 # of Years to Amortize the ERS Unfunded Actuarial Accrued Liability</b>					
	999,999,999.00	999,999,999.00	31.00	31.00	31.00	31.00
	<b>3 # Years to Amortize the LECOS Unfunded Actuarial Accrued Liability</b>					
	999,999,999.00	999,999,999.00	31.00	31.00	31.00	31.00
	<b>4 # of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability</b>					
	63.00	63.00	31.00	31.00	31.00	31.00
	<b>5 ERS Time-weighted Rate of Return (5 Year Rolling Basis)</b>					
	7.50%	7.50%			7.50%	7.50%
	<b>6 ERS Annual Operating Expense Per Member</b>					
	62.00	62.00			62.00	62.00
<b>KEY</b>	<b>7 Investment Expense as Basis Points of Net Position</b>					
	16.00	16.00			16.00	16.00
	<b>8 Percent of Time the ERS On-line System is Available to Customers</b>					
	95.00%	95.00%			95.00%	95.00%
2	Provide Employees and Retirees with Quality Group Benefits					

**2.G. Summary of Total Request Objective Outcomes**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation system of Texas (ABEST)

Date : 8/24/2018  
 Time: 7:22:39PM

Agency code: 327 Agency name: **Employees Retirement System**

Goal/ Objective / Outcome

	<b>BL 2020</b>	<b>BL 2021</b>	<b>Excp 2020</b>	<b>Excp 2021</b>	<b>Total Request 2020</b>	<b>Total Request 2021</b>
1 <i>Manage GBP for State and Higher Education Employees</i>						
<b>KEY</b> <b>1 Percent of HealthSelect Participants Satisfied with TPA Services</b>	85.00%	85.00%			85.00%	85.00%

**327 Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs  
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:  
 STRATEGY: 1 Provide Retirement Program for Employees and Retirees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
<b>Output Measures:</b>						
	1 Number of ERS Annuitants Added to Annuity Payroll	6,556.00	6,145.00	6,325.00	6,515.00	6,705.00
KEY	2 Number of ERS Accounts Maintained	255,294.00	264,000.00	268,500.00	268,500.00	268,500.00
<b>Explanatory/Input Measures:</b>						
	1 Number of ERS Annuitants	104,278.00	107,500.00	111,500.00	117,353.00	121,460.00
<b>Objects of Expense:</b>						
	1002 OTHER PERSONNEL COSTS	\$643,991,702	\$641,269,351	\$648,000,000	\$648,000,000	\$648,000,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$643,991,702</b>	<b>\$641,269,351</b>	<b>\$648,000,000</b>	<b>\$648,000,000</b>	<b>\$648,000,000</b>
<b>Method of Financing:</b>						
	1 General Revenue Fund	\$436,304,378	\$449,786,323	\$455,868,000	\$455,868,000	\$455,868,000
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$436,304,378</b>	<b>\$449,786,323</b>	<b>\$455,868,000</b>	<b>\$455,868,000</b>	<b>\$455,868,000</b>
<b>Method of Financing:</b>						
	994 GR Dedicated Accounts	\$28,657,631	\$27,253,947	\$26,762,400	\$26,762,400	\$26,762,400
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$28,657,631</b>	<b>\$27,253,947</b>	<b>\$26,762,400</b>	<b>\$26,762,400</b>	<b>\$26,762,400</b>
<b>Method of Financing:</b>						
	555 Federal Funds					

**327 Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs  
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:  
 STRATEGY: 1 Provide Retirement Program for Employees and Retirees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
	00.327.001 ERS Retirement	\$112,634,149	\$97,601,195	\$98,496,000	\$98,496,000	\$98,496,000
CFDA Subtotal, Fund	555	\$112,634,149	\$97,601,195	\$98,496,000	\$98,496,000	\$98,496,000
<b>SUBTOTAL, MOF (FEDERAL FUNDS)</b>		<b>\$112,634,149</b>	<b>\$97,601,195</b>	<b>\$98,496,000</b>	<b>\$98,496,000</b>	<b>\$98,496,000</b>
<b>Method of Financing:</b>						
6	State Highway Fund	\$60,921,615	\$61,690,112	\$61,948,800	\$61,948,800	\$61,948,800
998	Other Special State Funds	\$5,473,929	\$4,937,774	\$4,924,800	\$4,924,800	\$4,924,800
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$66,395,544</b>	<b>\$66,627,886</b>	<b>\$66,873,600</b>	<b>\$66,873,600</b>	<b>\$66,873,600</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$648,000,000</b>	<b>\$648,000,000</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$643,991,702</b>	<b>\$641,269,351</b>	<b>\$648,000,000</b>	<b>\$648,000,000</b>	<b>\$648,000,000</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>374.3</b>	<b>383.0</b>	<b>387.0</b>	<b>395.0</b>	<b>395.0</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The Employees Retirement System of Texas (ERS) is the administrative body for the State Employees Retirement System; authorized by Article XVI, Section 67(b) 3, Texas Constitution, and governed by Title 8, Subtitle B, and Texas Government Code. The retirement program administered by the ERS is a defined benefit retirement plan and covers employees of most state agencies, statewide elected officials, and legislators. ERS member contribution rate is 9.5% of salary for 2020 and 2021. The state contributes 9.5% of gross payroll each year of the biennium. These contributions are held in the trust and combined with investment earning to fund retirement benefits.

**327 Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs  
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:  
 STRATEGY: 1 Provide Retirement Program for Employees and Retirees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

ERS is a pre-funded defined benefit retirement plan. An actuarial valuation is conducted each year which examines annual experience and projects future funding based on actuarial assumptions. Any significant deviation between future experience and actuarial assumptions can affect the outcome of these projections. Among the many factors that can affect the program are: growth of the covered employee population, across the board pay raises that are above or below assumptions, significant turns in the investment markets and retirement rates that are different from the assumptions, such as accelerated retirements as a result of a retirement incentive program

The above funding request assumes 9.5% state contribution in both years of the biennium, 9.5% member contribution in 2020 and 2021 and continuation of the 0.5% state agency contributions. No growth in payroll is assumed. The appropriation is requested to be “estimated” since it is payroll driven. The above funding request does not include the 0.5% state agency contributions which are included in the individual agencies’ appropriations nor member contributions.

The method of finance reflects proportionality as provided by the LBB.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$1,289,269,351	\$1,296,000,000	\$6,730,649	\$6,730,649	FY 2019 projected contributions was used for FY 2020-2021, with no growth assumed.
			<b>\$6,730,649</b>	<b>Total of Explanation of Biennial Change</b>

**327 Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs  
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:  
 STRATEGY: 2 Provide Retirement Program for Law Enf and Corr Officers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
<b>Output Measures:</b>						
1	Number of LECOS Annuitants Added to Annuity Payroll	1,005.00	876.00	892.00	1,093.00	1,191.00
2	Number of LECOS Accounts Maintained	61,957.00	62,500.00	63,000.00	63,000.00	63,000.00
<b>Explanatory/Input Measures:</b>						
1	Number of LECOS Annuitants	12,702.00	13,600.00	14,200.00	15,341.00	16,568.00
<b>Objects of Expense:</b>						
1002	OTHER PERSONNEL COSTS	\$8,730,330	\$8,494,572	\$8,494,572	\$8,494,572	\$8,494,572
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$8,730,330</b>	<b>\$8,494,572</b>	<b>\$8,494,572</b>	<b>\$8,494,572</b>	<b>\$8,494,572</b>
<b>Method of Financing:</b>						
1	General Revenue Fund	\$8,574,930	\$8,343,369	\$8,343,369	\$8,343,369	\$8,343,369
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$8,574,930</b>	<b>\$8,343,369</b>	<b>\$8,343,369</b>	<b>\$8,343,369</b>	<b>\$8,343,369</b>
<b>Method of Financing:</b>						
994	GR Dedicated Accounts	\$126,590	\$123,171	\$123,171	\$123,171	\$123,171
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$126,590</b>	<b>\$123,171</b>	<b>\$123,171</b>	<b>\$123,171</b>	<b>\$123,171</b>
<b>Method of Financing:</b>						
555	Federal Funds					

**327 Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs  
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs  
 STRATEGY: 2 Provide Retirement Program for Law Enf and Corr Officers. Estimated.

Service Categories:

Service: 06      Income: A.2      Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
	00.327.003 LECOS Retirement	\$28,810	\$28,032	\$28,032	\$28,032	\$28,032
CFDA Subtotal, Fund	555	\$28,810	\$28,032	\$28,032	\$28,032	\$28,032
<b>SUBTOTAL, MOF (FEDERAL FUNDS)</b>		<b>\$28,810</b>	<b>\$28,032</b>	<b>\$28,032</b>	<b>\$28,032</b>	<b>\$28,032</b>

**TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)** **\$8,494,572**      **\$8,494,572**

**TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)** **\$8,730,330**      **\$8,494,572**      **\$8,494,572**      **\$8,494,572**      **\$8,494,572**

**FULL TIME EQUIVALENT POSITIONS:**

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The ERS is the administrator of the Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOSRF). The program provides supplemental retirement benefits to certain certified peace officers or custodial officers as specified in Texas Government Code, Title 8, Subtitle B. The LECOSRF provides an enhanced benefit to address physical hazards associated with eligible certified peace officer, custodial officer and correctional officer positions.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**327 Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs  
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:  
 STRATEGY: 2 Provide Retirement Program for Law Enf and Corr Officers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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LECOSRF is a pre-funded defined benefit retirement plan. An actuarial valuation is conducted each year which examines annual experience and projects future funding based on actuarial assumptions. Any significant deviation between future experience and actuarial assumptions can affect the outcome of these projections. Among the many factors that can affect the program are: growth of the covered employee population, across the board pay raises that are above or below assumptions, significant turns in the investment markets and retirement rates that are different from the assumptions, such as accelerated retirements as a result of a retirement incentive program.

The above funding request assumes 0.5% state contribution, 0.5% member contribution and inclusion of approximately \$18 million in court fees with no growth in payroll for Fiscal Years 2020 and 2021. The appropriation is requested to be “estimated” since it is payroll driven.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$16,989,144	\$16,989,144	\$0	\$0	FY 2019 projected contributions was used for FY 2020-2021, with no growth assumed.
			<b>\$0</b>	<b>Total of Explanation of Biennial Change</b>

**327 Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs  
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:  
 STRATEGY: 3 Provide Retirement Program for State Judicial Officers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
<b>Output Measures:</b>						
1	Number of JRS-2 Annuitants Added to Annuity Payroll	54.00	16.00	54.00	20.00	56.00
2	Number of JRS-2 Accounts Maintained	742.00	775.00	790.00	790.00	790.00
<b>Explanatory/Input Measures:</b>						
1	Number of JRS-2 Annuitants	388.00	405.00	450.00	465.00	515.00
<b>Objects of Expense:</b>						
1002	OTHER PERSONNEL COSTS	\$12,539,403	\$12,447,071	\$12,447,071	\$12,447,071	\$12,447,071
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$12,539,403</b>	<b>\$12,447,071</b>	<b>\$12,447,071</b>	<b>\$12,447,071</b>	<b>\$12,447,071</b>
<b>Method of Financing:</b>						
1	General Revenue Fund	\$7,765,652	\$7,708,471	\$7,708,471	\$7,708,471	\$7,708,471
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$7,765,652</b>	<b>\$7,708,471</b>	<b>\$7,708,471</b>	<b>\$7,708,471</b>	<b>\$7,708,471</b>
<b>Method of Financing:</b>						
573	Judicial Fund	\$4,773,751	\$4,738,600	\$4,738,600	\$4,738,600	\$4,738,600
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$4,773,751</b>	<b>\$4,738,600</b>	<b>\$4,738,600</b>	<b>\$4,738,600</b>	<b>\$4,738,600</b>

**327 Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs  
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:  
 STRATEGY: 3 Provide Retirement Program for State Judicial Officers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$12,447,071</b>	<b>\$12,447,071</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$12,539,403</b>	<b>\$12,447,071</b>	<b>\$12,447,071</b>	<b>\$12,447,071</b>	<b>\$12,447,071</b>

**FULL TIME EQUIVALENT POSITIONS:**

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The ERS is the administrator of the Judicial Retirement System of Texas, Plan Two (JRS 2), created under Article XVI, Section 67 of the Texas Constitution and governed by Title 8, Subtitle E, Texas Government Code. The JRS 2 covers state judicial officers who first took office on or after September 1, 1985. Under Sections 840.103 and 840.106, Texas Government Code, the State contributes a percentage of the member’s aggregate state compensation sufficient to finance any liability over a period that does not exceed 30 years by one or more years. This strategy is part of the ERS goal of administering comprehensive and actuarially sound retirement programs and supports the objective of retaining proper funding and investment growth for the programs.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**327 Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs  
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:  
 STRATEGY: 3 Provide Retirement Program for State Judicial Officers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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The JRS 2 program is a defined benefit pension plan. The funding needs of a defined benefit program is calculated by making actuarial assumptions about the future demographics of the covered employee group and about trust fund investment earnings. Any significant deviation between experience and actuarial assumptions can affect the funding calculation. A few of the many factors which can affect the program include pay raises for judicial officers, significant turns in the investment markets, and legislation which increases the number of covered positions.

The above funding request assumes 15.663 state contribution for each year of the biennium, and 7.5% member contribution for 2020 and 2021 with no payroll growth assumed for Fiscal Years 2020 and 2021. The appropriation is requested to be “estimated” since it is payroll driven.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$24,894,142	\$24,894,142	\$0	\$0	FY 2019 projected contributions was used for FY 2020-2021, with no growth assumed.
			<b>\$0</b>	<b>Total of Explanation of Biennial Change</b>

**327 Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs  
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:  
 STRATEGY: 4 Provide Payment of JRS-1 Benefits as Required by Law. Estimated. Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
<b>Output Measures:</b>						
1	Number of JRS-1 Annuitants Added to Annuity Payroll	10.00	3.00	3.00	3.00	2.00
2	Number of JRS-1 Accounts Maintained	13.00	13.00	10.00	7.00	4.00
<b>Explanatory/Input Measures:</b>						
1	Number of JRS-1 Annuitants	366.00	350.00	340.00	328.00	318.00
<b>Objects of Expense:</b>						
1002	OTHER PERSONNEL COSTS	\$24,280,863	\$23,299,078	\$23,299,078	\$23,299,078	\$23,299,078
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$24,280,863</b>	<b>\$23,299,078</b>	<b>\$23,299,078</b>	<b>\$23,299,078</b>	<b>\$23,299,078</b>
<b>Method of Financing:</b>						
1	General Revenue Fund	\$24,280,863	\$23,299,078	\$23,299,078	\$23,299,078	\$23,299,078
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$24,280,863</b>	<b>\$23,299,078</b>	<b>\$23,299,078</b>	<b>\$23,299,078</b>	<b>\$23,299,078</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$23,299,078</b>	<b>\$23,299,078</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$24,280,863</b>	<b>\$23,299,078</b>	<b>\$23,299,078</b>	<b>\$23,299,078</b>	<b>\$23,299,078</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>						

**327 Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs  
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:  
 STRATEGY: 4 Provide Payment of JRS-1 Benefits as Required by Law. Estimated. Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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**STRATEGY DESCRIPTION AND JUSTIFICATION:**

The ERS is the administrative body for the Judicial Retirement System of Texas Plan One (JRS 1), created under Article XVI, Section 67, Texas Constitution, and governed by Title B, Subtitle D, Texas Government Code. Benefits under JRS 1 are paid by direct appropriation from General Revenue. State Judicial officers who first held office before September 1, 1985 are eligible for membership in the JRS 1. This is a closed plan that has not had any new covered members since 1985. Judges who took office for the first time on or after September 1, 1985 are in the JRS 2 plan.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

External Factors affecting the JRS 1 program include pay raises for state judicial officers and the demographics of the Plan’s membership.

Funding for Fiscal Years 2020 and 2021 is requested at the projected FY19 level. Any JRS 1 membership refunds would also be paid out of this appropriation. The appropriation is requested to be “estimated” since it is a pay-as-you-go plan.

**327 Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs  
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:  
 STRATEGY: 4 Provide Payment of JRS-1 Benefits as Required by Law. Estimated. Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$46,598,156	\$46,598,156	\$0	\$0	This is a closed plan. Judges who took office for the first time on or after September 2, 1985 are in the JRS 2 plan. FY19 projected contributions was used for FY 2020-2021, with no growth assumed.
			<b>\$0</b>	<b>Total of Explanation of Biennial Change</b>

**327 Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs  
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:  
 STRATEGY: 5 Provide Benefits to Beneficiaries of Public Safety Workers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
<b>Output Measures:</b>						
1	Number of Death Benefit Claims Processed	29.00	25.00	24.00	24.00	24.00
2	Number of Beneficiaries Receiving Benefits	136.00	148.00	151.00	153.00	155.00
<b>Objects of Expense:</b>						
3001	CLIENT SERVICES	\$12,826,175	\$15,031,740	\$13,786,308	\$13,786,308	\$13,786,308
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$12,826,175</b>	<b>\$15,031,740</b>	<b>\$13,786,308</b>	<b>\$13,786,308</b>	<b>\$13,786,308</b>
<b>Method of Financing:</b>						
1	General Revenue Fund	\$9,326,175	\$10,033,746	\$9,589,984	\$9,589,984	\$9,589,984
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$9,326,175</b>	<b>\$10,033,746</b>	<b>\$9,589,984</b>	<b>\$9,589,984</b>	<b>\$9,589,984</b>
<b>Method of Financing:</b>						
994	GR Dedicated Accounts	\$3,500,000	\$4,997,994	\$4,196,324	\$4,196,324	\$4,196,324
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$3,500,000</b>	<b>\$4,997,994</b>	<b>\$4,196,324</b>	<b>\$4,196,324</b>	<b>\$4,196,324</b>

**327 Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs  
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:  
 STRATEGY: 5 Provide Benefits to Beneficiaries of Public Safety Workers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$13,786,308</b>	<b>\$13,786,308</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$12,826,175</b>	<b>\$15,031,740</b>	<b>\$13,786,308</b>	<b>\$13,786,308</b>	<b>\$13,786,308</b>

**FULL TIME EQUIVALENT POSITIONS:**

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Chapter 615 Texas Government Code provides for payment by the state of a \$500,000 lump sum, plus monthly dependent benefits, to the survivors of public law enforcement or firefighting personnel who are killed in the line of duty. In addition certain survivor's qualify for the payment of funeral expenses. The ERS is the administrative body for this program.

Per the 84th Legislative Session, House Bill 1278, the one-time and monthly payment amounts doubled relating to the financial assistance paid to the survivors of certain law enforcement officers, firefighters and other public employees killed in the line of duty.

Per the 85th Legislative Session, House Bill 1526, Government Code Section 615.003, provides payments to survivors in a lump sum of \$500,000 and monthly annuity to the eligible surviving minor child to peace officers employed by certain private institutions of higher education.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**327 Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs  
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:  
 STRATEGY: 5 Provide Benefits to Beneficiaries of Public Safety Workers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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Payments under this Program are directly dependent on the number of public safety officers killed in the line of duty each year within the State.

Funding for Fiscal Year 2020 and 2021 is based on Fiscal Year 2019 projections. The appropriation is requested to be “estimated” since it is event driven.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$28,818,048	\$27,572,616	\$(1,245,432)	\$(1,245,432)	FY 2019 projected contribution was used for FY 2020-2021, with no growth assumed.
			<b>\$(1,245,432)</b>	<b>Total of Explanation of Biennial Change</b>

**327 Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs  
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:  
 STRATEGY: 6 Provide Lump-sum Retiree Death Benefits. Estimated. Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
<b>Output Measures:</b>						
1	Number of Retiree Death Benefits Paid	2,761.00	2,750.00	2,890.00	3,092.00	3,308.00
<b>Efficiency Measures:</b>						
1	Average Number of Business Days to Process Retiree Death Benefits	4.00	7.00	7.00	7.00	7.00
<b>Objects of Expense:</b>						
3001	CLIENT SERVICES	\$10,897,133	\$13,441,741	\$12,250,000	\$12,250,000	\$12,250,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$10,897,133</b>	<b>\$13,441,741</b>	<b>\$12,250,000</b>	<b>\$12,250,000</b>	<b>\$12,250,000</b>
<b>Method of Financing:</b>						
1	General Revenue Fund	\$10,897,133	\$13,441,741	\$12,250,000	\$12,250,000	\$12,250,000
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$10,897,133</b>	<b>\$13,441,741</b>	<b>\$12,250,000</b>	<b>\$12,250,000</b>	<b>\$12,250,000</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$12,250,000</b>	<b>\$12,250,000</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$10,897,133</b>	<b>\$13,441,741</b>	<b>\$12,250,000</b>	<b>\$12,250,000</b>	<b>\$12,250,000</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>						

**327 Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs  
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:  
 STRATEGY: 6 Provide Lump-sum Retiree Death Benefits. Estimated. Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Section 814.501, Texas Government Code, provides that the State shall pay a lump sum death benefit of \$5,000 to the survivor or estate of a person retired under any of the retirement programs administered by the ERS Board of Trustees.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

This strategy is affected by the annual mortality rate of ERS retired members.

Funding for Fiscal Years 2020 and 2021 is based on FY19 projections. The appropriation is requested to be “estimated” since it is event driven.

**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$25,691,741	\$24,500,000	\$(1,191,741)	\$(1,191,741)	FY 2019 projected contributions was used for FY 2020-2021, with no growth assumed.
			<b>\$(1,191,741)</b>	<b>Total of Explanation of Biennial Change</b>

**327 Employees Retirement System**

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits  
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees Service Categories:  
 STRATEGY: 1 Provide Basic Insurance Program to General State Employees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
<b>Output Measures:</b>						
	1 In-Network Services as a Percentage of Total Services	92.90 %	91.00 %	90.00 %	90.00 %	90.00 %
	2 Mental Health/Substance Abuse Costs as % of Total HealthSelect Costs	2.10 %	2.00 %	2.00 %	2.00 %	2.00 %
	3 Prescription Drug Program Costs as Percent of Total HealthSelect Costs	16.80 %	16.00 %	16.00 %	16.00 %	16.00 %
<b>Efficiency Measures:</b>						
KEY	1 Percent of Medical Claims Paid within 22 Business Days	99.80 %	93.00 %	98.00 %	98.00 %	98.00 %
	2 % of Electronic Retail Pharmacy Claims Paid within 15 Business Days	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
KEY	3 HealthSelect Admin Fees as Percent of Total HealthSelect Costs	2.70 %	2.30 %	3.00 %	3.00 %	3.00 %
<b>Explanatory/Input Measures:</b>						
	1 # Employees, Retirees & Dependents Covered by GBP Health Care Plans	532,943.00	534,002.00	534,002.00	534,002.00	534,002.00
	2 Percent of Participants in HMOs	4.90 %	5.00 %	5.00 %	5.00 %	5.00 %
<b>Objects of Expense:</b>						
1002	OTHER PERSONNEL COSTS	\$1,875,947,075	\$1,876,100,668	\$1,962,096,699	\$1,962,096,699	\$1,962,096,699

**327 Employees Retirement System**

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits  
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees Service Categories:  
 STRATEGY: 1 Provide Basic Insurance Program to General State Employees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$1,875,947,075</b>	<b>\$1,876,100,668</b>	<b>\$1,962,096,699</b>	<b>\$1,962,096,699</b>	<b>\$1,962,096,699</b>
<b>Method of Financing:</b>						
1	General Revenue Fund	\$1,266,639,465	\$1,299,012,102	\$1,362,872,367	\$1,362,872,367	\$1,362,872,367
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$1,266,639,465</b>	<b>\$1,299,012,102</b>	<b>\$1,362,872,367</b>	<b>\$1,362,872,367</b>	<b>\$1,362,872,367</b>
<b>Method of Financing:</b>						
994	GR Dedicated Accounts	\$76,726,235	\$78,796,228	\$81,427,013	\$81,427,013	\$81,427,013
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$76,726,235</b>	<b>\$78,796,228</b>	<b>\$81,427,013</b>	<b>\$81,427,013</b>	<b>\$81,427,013</b>
<b>Method of Financing:</b>						
555	Federal Funds					
	00.327.002 ERS Insurance	\$311,407,214	\$279,539,000	\$288,428,215	\$288,428,215	\$288,428,215
CFDA Subtotal, Fund	555	\$311,407,214	\$279,539,000	\$288,428,215	\$288,428,215	\$288,428,215
<b>SUBTOTAL, MOF (FEDERAL FUNDS)</b>		<b>\$311,407,214</b>	<b>\$279,539,000</b>	<b>\$288,428,215</b>	<b>\$288,428,215</b>	<b>\$288,428,215</b>
<b>Method of Financing:</b>						
6	State Highway Fund	\$212,169,614	\$210,310,885	\$220,735,879	\$220,735,879	\$220,735,879
998	Other Special State Funds	\$9,004,547	\$8,442,453	\$8,633,225	\$8,633,225	\$8,633,225

**327 Employees Retirement System**

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits  
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees Service Categories:  
 STRATEGY: 1 Provide Basic Insurance Program to General State Employees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$221,174,161</b>	<b>\$218,753,338</b>	<b>\$229,369,104</b>	<b>\$229,369,104</b>	<b>\$229,369,104</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$1,962,096,699</b>	<b>\$1,962,096,699</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$1,875,947,075</b>	<b>\$1,876,100,668</b>	<b>\$1,962,096,699</b>	<b>\$1,962,096,699</b>	<b>\$1,962,096,699</b>

**FULL TIME EQUIVALENT POSITIONS:**

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Chapter 1551, §1551.211 of the Texas Insurance Code, created the Texas Employees Group Benefits Program (GBP) and established the ERS as the administrative body for that program. Under this statute, the State will provide a program of health care insurance and other appropriated insurance coverage to be funded by employee and state funds. This strategy supports the ERS goal of providing a comprehensive health care program while effectively and efficiently managing the program.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

National health care costs continue to rise faster than incomes levels and the overall rate of inflation. Major factors contributing to cost increases include general increase in the price and utilization of medical care services; the development of new technologies and medical procedures; a rise in chronic disease due in part to an aging population and the escalating obesity epidemic, and increase in both the cost and use of pharmaceuticals, particularly specialty drugs.

The current contribution strategy provides for full funding for the monthly premium contributions for full-time state employees and eligible retirees and a 50% contribution for eligible dependents of employees and retirees. The above funding request does not include the 1.0% agency contribution which is included in the individual agencies' appropriations. The appropriation is requested to be "estimated" since it is FTE driven.

**327 Employees Retirement System**

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits  
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees Service Categories:  
 STRATEGY: 1 Provide Basic Insurance Program to General State Employees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$3,838,197,367	\$3,924,193,398	\$85,996,031	\$85,996,031	FY 2019 projected contributions was used for FY 2020-2021, with no growth assumed.
			<b>\$85,996,031</b>	<b>Total of Explanation of Biennial Change</b>

**327 Employees Retirement System**

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits  
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees Service Categories:  
 STRATEGY: 2 Insurance Contributions for Local CSCD Employee Estimated Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
<b>Objects of Expense:</b>						
1002	OTHER PERSONNEL COSTS	\$0	\$68,798,235	\$68,798,235	\$68,798,235	\$68,798,235
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$0</b>	<b>\$68,798,235</b>	<b>\$68,798,235</b>	<b>\$68,798,235</b>	<b>\$68,798,235</b>
<b>Method of Financing:</b>						
1	General Revenue Fund	\$0	\$68,798,235	\$68,798,235	\$68,798,235	\$68,798,235
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$0</b>	<b>\$68,798,235</b>	<b>\$68,798,235</b>	<b>\$68,798,235</b>	<b>\$68,798,235</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$68,798,235</b>	<b>\$68,798,235</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$0</b>	<b>\$68,798,235</b>	<b>\$68,798,235</b>	<b>\$68,798,235</b>	<b>\$68,798,235</b>

**FULL TIME EQUIVALENT POSITIONS:**

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Chapter 1551, §1551.114.of the Texas Insurance Code, Participation by Community Supervision and Corrections Departments:  
 All contributions received from the state, active employees of community supervision and corrections departments, and retired employees of community supervision and corrections departments for basic, optional, and voluntary coverages under the group benefits program shall be paid into the employees life, accident, and health insurance and benefits fund.

**327 Employees Retirement System**

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits  
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees Service Categories:  
 STRATEGY: 2 Insurance Contributions for Local CSCD Employee Estimated Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

This strategy is affected by the number of Participates and is limited to:

- (1) active employees of a community supervision and corrections department;
- (2) retired employees of a community supervision and corrections department who retire on or after September 1, 2004, and who:
  - (A) have been employed by one or more community supervision and corrections departments for a total of at least 10 years of creditable service; and
  - (B) meet all the requirements for retirement benefits prescribed by the Texas County and District Retirement System; and
- (3) eligible dependents of the active employees and retired employees

The current contribution strategy provides for funding for the monthly premium contributions for full-time state employees and eligible retirees and a 50% contribution for eligible dependents of employees and retirees.

**327 Employees Retirement System**

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits  
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees Service Categories:  
 STRATEGY: 2 Insurance Contributions for Local CSCD Employee Estimated Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
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**EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):**

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$137,596,470	\$137,596,470	\$0	\$0	FY 2019 projected contributions was used for FY 2020-2021, with no growth assumed.
			<b>\$0</b>	<b>Total of Explanation of Biennial Change</b>

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**SUMMARY TOTALS:**

<b>OBJECTS OF EXPENSE:</b>	<b>\$2,589,212,681</b>	<b>\$2,658,882,456</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>
<b>METHODS OF FINANCE (INCLUDING RIDERS):</b>				<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>
<b>METHODS OF FINANCE (EXCLUDING RIDERS):</b>	<b>\$2,589,212,681</b>	<b>\$2,658,882,456</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>	<b>\$2,749,171,963</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>	<b>374.3</b>	<b>383.0</b>	<b>387.0</b>	<b>395.0</b>	<b>395.0</b>

**3.A.1 PROGRAM-LEVEL REQUEST SCHEDULE**  
86th Regular Session, Agency Submission, Version 1

Agency Code: 327		Agency: Employees Retirement System of Texas				Prepared By: Mari Queller					
Date: August 24, 2018						18-19 Base	Requested 2020	Requested 2021	Biennial Total 20-21	Biennial Difference	
Goal	Goal Name	Strategy	Strategy Name	Program	Program Name					\$	%
A	To Administer Comprehensive and Actuarially Sound Retirement Programs	A.1.1.	Provide an Actuarially Sound Level of Funding As Defined by State Law	A.1.1.	ERS - Retirement	\$1,289,269,351	\$648,000,000	\$648,000,000	\$1,296,000,000	\$6,730,649	0.5%
		A.1.2.	LECOS Retirement System	A.1.2.	LECOS - Retirement	\$16,989,144	\$8,494,572	\$8,494,572	\$16,989,144	\$0	0.0%
		A.1.3.	Maintain Retirement Program for State Judicial Officers	A.1.3.	JRS - Plan 2	\$24,894,142	\$12,447,071	\$12,447,071	\$24,894,142	\$0	0.0%
		A.1.4.	Provide for the Payment of JRS-1 Benefits as Required by Law	A.1.4.	JRS - Plan 1	\$46,598,156	\$23,299,078	\$23,299,078	\$46,598,156	\$0	0.0%
		A.1.5.	Provide Death Benefits to Beneficiaries of Public Safety Workers	A.1.5.	Public Safety Benefits	\$28,818,048	\$13,786,308	\$13,786,308	\$27,572,616	(\$1,245,432)	-4.3%
		A.1.6.	Provide Lump-Sum Retiree Death Benefits, Estimated	A.1.6.	Retiree Death Benefits	\$25,691,741	\$12,250,000	\$12,250,000	\$24,500,000	(\$1,191,741)	-4.6%
	Exceptional Item	A.1.1.	Provide an Actuarially Sound Level of Funding As Defined by State Law	A.1.1.	E.1. #1 - ERS - Retirement		\$265,513,015	\$265,513,015	\$531,026,030	\$531,026,030	
	Exceptional Item	A.1.2.	LECOS Retirement System	A.1.2.	E.1. #2 - LECOS - Retirement		\$37,785,998	\$37,785,998	\$75,571,996	\$75,571,996	
	Exceptional Item	A.1.3.	Maintain Retirement Program for State Judicial Officers	A.1.3.	E.1. #3 - JRS - Plan 2		\$704,881	\$704,881	\$1,409,762	\$1,409,762	
B	Provide Employees & Retirees with Quality Health Program	B.2.1.	Provide Basic Insurance Program to General State Employees, Estimated	B.2.1.	Group Benefits Program	\$3,838,197,367	\$1,962,096,699	\$1,962,096,699	\$3,924,193,398	\$85,996,031	2.2%
		B.2.2.	Provide Basic Insurance Program to General State Employees, Estimated	B.2.2.	Insurance Contributions for Local CSCD Employees, Estimated	\$137,596,470	\$68,798,235	\$68,798,235	\$137,596,470	\$0	0.0%

### 3.B. Rider Revisions and Additions Request

<b>Agency Code:</b> 327	<b>Agency Name:</b> Employees Retirement System	<b>Prepared By:</b> Machelle Pharr	<b>Date:</b> August 24, 2018	<b>Request Level:</b> Base
<b>Current Rider Number</b>	<b>Page Number in 2018 - 2019 GAA</b>	<b>Proposed Rider Language</b>		

<b>1</b>	<b>I-33</b>	<p><b>Performance Measure Targets.</b> The following is a listing of the key performance target levels for the Employees Retirement System. It is the intent of the Legislature that appropriations made by this Act be utilized in the most efficient and effective manner possible to achieve the intended mission of the Employees Retirement System. In order to achieve the objectives and service standards established by this Act, the Employees Retirement System shall make every effort to attain the following designated key performance target levels associated with each item of appropriation.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><b>Performance Measure Targets</b></th> <th style="text-align: center;"><u>2018</u></th> <th style="text-align: center;"><u>2020</u></th> <th style="text-align: center;"><u>2019</u></th> <th style="text-align: center;"><u>2021</u></th> </tr> </thead> <tbody> <tr> <td colspan="5"><b>A. Goal: ADMINISTER RETIREMENT PROGRAM</b></td> </tr> <tr> <td colspan="5"><b>Outcome (Results/Impact):</b></td> </tr> <tr> <td style="padding-left: 20px;">Percent of ERS Retirees Expressing Satisfaction with Benefit Services</td> <td style="text-align: center;">97%</td> <td></td> <td style="text-align: center;">97%</td> <td></td> </tr> <tr> <td style="padding-left: 20px;"><del>ERS Retirement Fund</del> Investment Expense as Basis Points of Net Assets</td> <td style="text-align: center;">16.00</td> <td></td> <td style="text-align: center;">16.00</td> <td></td> </tr> <tr> <td colspan="5"><b>A.1.1. Strategy: <del>ERS RETIREMENT PROGRAM CONTRIBUTIONS</del></b></td> </tr> <tr> <td colspan="5"><b>Output (Volume):</b></td> </tr> <tr> <td style="padding-left: 20px;">Number of ERS Accounts Maintained</td> <td style="text-align: center;"><del>268,500</del></td> <td style="text-align: center;"><del>4,000</del></td> <td style="text-align: center;">268,500</td> <td></td> </tr> <tr> <td colspan="5"><b>B. Goal: <del>PROVIDE HEALTH PROGRAM ADMINISTER GROUP BENEFITS PROGRAM</del></b></td> </tr> <tr> <td colspan="5"><b>Outcome (Results/Impact):</b></td> </tr> <tr> <td style="padding-left: 20px;">Percent of HealthSelect Participants Satisfied with Network Services</td> <td style="text-align: center;">85.50%</td> <td></td> <td style="text-align: center;">85.50%</td> <td></td> </tr> <tr> <td colspan="5"><b>B.1.1. Strategy: GROUP <del>INSURANCE BENEFITS PROGRAM</del></b></td> </tr> <tr> <td colspan="5"><b>- Efficiencies:</b></td> </tr> <tr> <td style="padding-left: 20px;">Percent of <u>Medical</u> Claims <del>Paid reprocessed</del> within 22 <u>Business</u> Days</td> <td style="text-align: center;">99%</td> <td></td> <td style="text-align: center;">99%</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">HealthSelect Administration Fees as Percentage of Total HealthSelect Costs</td> <td style="text-align: center;">3%</td> <td></td> <td style="text-align: center;">3%</td> <td></td> </tr> </tbody> </table> <p><b>Justification for change:</b> Updated years and titles.</p>	<b>Performance Measure Targets</b>	<u>2018</u>	<u>2020</u>	<u>2019</u>	<u>2021</u>	<b>A. Goal: ADMINISTER RETIREMENT PROGRAM</b>					<b>Outcome (Results/Impact):</b>					Percent of ERS Retirees Expressing Satisfaction with Benefit Services	97%		97%		<del>ERS Retirement Fund</del> Investment Expense as Basis Points of Net Assets	16.00		16.00		<b>A.1.1. Strategy: <del>ERS RETIREMENT PROGRAM CONTRIBUTIONS</del></b>					<b>Output (Volume):</b>					Number of ERS Accounts Maintained	<del>268,500</del>	<del>4,000</del>	268,500		<b>B. Goal: <del>PROVIDE HEALTH PROGRAM ADMINISTER GROUP BENEFITS PROGRAM</del></b>					<b>Outcome (Results/Impact):</b>					Percent of HealthSelect Participants Satisfied with Network Services	85.50%		85.50%		<b>B.1.1. Strategy: GROUP <del>INSURANCE BENEFITS PROGRAM</del></b>					<b>- Efficiencies:</b>					Percent of <u>Medical</u> Claims <del>Paid reprocessed</del> within 22 <u>Business</u> Days	99%		99%		HealthSelect Administration Fees as Percentage of Total HealthSelect Costs	3%		3%	
<b>Performance Measure Targets</b>	<u>2018</u>	<u>2020</u>	<u>2019</u>	<u>2021</u>																																																																									
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<b>3</b>	<b>I-34</b>	<p><b>Updated Actuarial Valuation.</b> The Employees Retirement System shall contract with an actuary to perform a limited actuarial valuation of the assets and liabilities of the Employees Retirement System as of February</p>																																																																											

### 3.B. Rider Revisions and Additions Request

<b>Agency Code:</b> 327	<b>Agency Name:</b> Employees Retirement System	<b>Prepared By:</b> Machelle Pharr	<b>Date:</b> August 24, 2018	<b>Request Level:</b> Base
<b>Current Rider Number</b>	<b>Page Number in 2018 - 2019 GAA</b>	<b>Proposed Rider Language</b>		

		<p>28 in those years when the Legislature meets in regular session. The purpose of the valuation shall be to determine the effect of investment, salary, and payroll experience on the unfunded liability, the amortization period, and the state contribution rate which results in a 30-year amortization period of the Retirement System.</p> <p><b>No Change.</b></p>
4	I-34	<p><b>State Contribution to Employees Retirement Program.</b> The amount specified above in A.1.1, Retirement Contributions, is based on a state contribution of 9.5 percent of payroll for each fiscal year of the <del>2018-19</del> <u>2020-2021</u> biennium, including annual membership fees of \$3 for contributing rate which results in a 30-year amortization period of the Retirement System.</p> <p><b>Justification for change:</b> Updated years.</p>
5	I-34	<p><b>State Contribution to the Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOS).</b> The amount specified above in A.1.2, LECOS Retirement Program, is based on 0.5 percent of covered payroll each fiscal year of the <del>2018-19</del> <u>2020-2021</u> biennium for LECOS members.</p> <p><b>Justification for change:</b> Updated years.</p>
6	I-34	<p><b>State Contribution to Judicial Retirement Program (JRS-2).</b> The amount specified above in A.1.3, Judicial Retirement System - Plan 2, is based on a state contribution of 15.663 percent of payroll for each fiscal year of the <del>2018-19</del> <u>2020-2021</u> biennium for contributing members.</p> <p><b>Justification for change:</b> Updated years.</p>
7	I-34 & I-35	<p><b>State Contribution to Group Insurance for General State Employees.</b> Funds identified above for group insurance are intended to fund:</p> <ul style="list-style-type: none"> <li>a. the total cost of the basic life and health coverage for all active and retired employees;</li> <li>b. fifty percent of the total cost of health coverage for the spouses and dependent children of all active and retired employees who enroll in coverage categories which include a spouse and/or dependent children; and</li> </ul>

### 3.B. Rider Revisions and Additions Request

<b>Agency Code:</b> 327	<b>Agency Name:</b> Employees Retirement System	<b>Prepared By:</b> Machelle Pharr	<b>Date:</b> August 24, 2018	<b>Request Level:</b> Base
<b>Current Rider Number</b>	<b>Page Number in 2018 - 2019 GAA</b>	<b>Proposed Rider Language</b>		

		<p>c. the incentive program to waive participation in the Group Benefits Plan (Opt-Out).</p> <p>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 that would be required to fund basic health coverage for those active employees and retirees who have elected to participate in that optional health plan.</p> <p>During each fiscal year, the state's monthly contribution shall be determined by multiplying (1) the per capita monthly contribution as certified herein by (2) the total number of full-time active and retired employees, subject to any adjustment required by statute, enrolled for coverage during that month.</p> <p>For each employee or retiree that waives participation in the Group Benefit Program and enrolls in allowable optional coverage, the Employees Retirement System shall receive \$60 per month in lieu of the "employee-only" state contribution amount, and such amounts are included above in Strategy B.1.1, Group Benefits Program. The waived participant may apply up to \$60 per month towards the cost of the optional coverage.</p> <p>Each year, upon adoption of group insurance rates by the Board of Trustees, the Employees Retirement System must notify the Comptroller, the Legislative Budget Board, and the Governor of the per capita monthly contribution required in accordance with this rider for each full-time active and retired employee enrolled for coverage during the fiscal year.</p> <p>It is the intent of the Legislature that the Employees Retirement System control the cost of the group insurance program by not providing rate increases to health care providers participating in HealthSelect during the <del>2018-19</del> <u>2020-2021</u> biennium.</p> <p><b>Justification for change:</b> Updated years.</p>
<b>8</b>	<b>I-35</b>	<p><b>Excess Benefit Arrangement Account.</b> There is hereby appropriated to the Employees Retirement System all funds transferred or deposited into the Excess Benefit Arrangement Account established in the General Revenue-Dedicated Account No. 5039, for the purpose of paying benefits as authorized by Government Code, §815.5072.</p>

### 3.B. Rider Revisions and Additions Request

<b>Agency Code:</b> 327	<b>Agency Name:</b> Employees Retirement System	<b>Prepared By:</b> Machelle Pharr	<b>Date:</b> August 24, 2018	<b>Request Level:</b> Base
<b>Current Rider Number</b>	<b>Page Number in 2018 - 2019 GAA</b>	<b>Proposed Rider Language</b>		

		<p><b>No Change.</b></p>
9	I-35	<p><b>Transfer of Retirement Contributions and Group Insurance.</b> Appropriations made in this and other articles of this Act for Retirement and Group Insurance contributions shall be transferred by each agency from the Employees Retirement System to the agency based on estimated amounts by funding source for each fiscal year. Transfers should be made no later than September 15 of the year in which the payments are to be made. Adjustments and return of excess appropriation authority to the Employees Retirement System shall be completed by October 30 of the subsequent fiscal year.</p> <p><b>No Change.</b></p>
10	I-35	<p><b>Federal Funds for Medicare Part D Prescription Drug Program.</b> The Employees Retirement System (ERS) is hereby authorized to receive employer reimbursements of all federal funds applicable to Medicare Part D prescription drug reimbursement relating to benefits administered by ERS. Any federal funds received by ERS shall be deposited to the Employees Life, Accident and Health Insurance and Benefits Fund No. 973, or to such fund as established by the Legislature or the State Comptroller of Public Accounts to pay health claims for retired employees.</p> <p><b>No Change.</b></p>
11	I-35	<p><b>Appropriations for the Deferred Compensation Trust Fund and the TexaSaver Trust Fund.</b> All money deposited into the Deferred Compensation Trust Fund, Employees Retirement System No. 0945 and the TexaSaver Trust Fund No. 0946 pursuant to Government Code, §609.512 are hereby appropriated to the system for the <del>2018-19</del> <u>2020-21</u> biennium for the purposes authorized by law.</p> <p><b>Justification for change:</b> Updated fiscal years.</p>
12	I-35	<p><b>Tobacco User Monthly Premium Fee.</b> The Employees Retirement System, pursuant to the provisions of Insurance Code, §1551.3075, shall automatically apply a \$30 monthly tobacco user fee to any individual aged 18 or older covered under the state health plan unless the individual, during the individual's enrollment period, certifies that the individual does not use tobacco. The Comptroller of Public Accounts shall deposit revenue from the fee (estimated to be <del>\$14,250,764</del> <u>\$11,934,547</u> in each year of the <del>2018-19</del> <u>2020-21</u> biennium) into the Employees Life, Accident, Health Insurance and Benefits Trust Account.</p>

### 3.B. Rider Revisions and Additions Request

<b>Agency Code:</b> 327	<b>Agency Name:</b> Employees Retirement System	<b>Prepared By:</b> Machelle Pharr	<b>Date:</b> August 24, 2018	<b>Request Level:</b> Base
<b>Current Rider Number</b>	<b>Page Number in 2018 - 2019 GAA</b>	<b>Proposed Rider Language</b>		

		<p><b>Justification for change:</b> Updated fiscal years.</p>
13	I-35 & I-36	<p><b>-Notification of Contracts Greater than \$10 Million.</b> It is the intent of the Legislature that the agency shall submit notice to the Legislative Budget Board at least ten business days prior to issuing a request for proposals for a contract, as defined in Article IX, Section 7.04 of this Act, with a value reasonably expected to exceed \$10 million. The notice shall be provided consistent with the agency's fiduciary duties. The notice shall be provided on a form prescribed by the Legislative Budget Board. The notice shall include:</p> <p style="margin-left: 40px;"> <u>a. a brief description of the request for proposals; and</u>  <u>b. criteria that will be evaluated, as identified in the request for proposals.</u> </p> <p style="margin-left: 40px;"><u>Additionally, the notice shall provide the following if ERS' processes have substantively changed from the prior request for proposals subject to this notice provision:</u></p> <p style="margin-left: 80px;"> a. an explanation of the agency's evaluation process; <del>as well as all documentation relating to this process including scoring tools;</del>  b. guidelines for evaluators;  c. methodology for evaluating additional factors not anticipated during planning; and  d. methods for verifying the mathematical accuracy of the evaluation. </p> <p>Additionally, not later than the <del>tenth thirtieth calendar-business</del> day after the date the agency enters into such a contract, the agency shall provide notice to the Legislative Budget Board, on a form prescribed by the Legislative Budget Board, which includes:</p> <p style="margin-left: 40px;"> a. information regarding the nature, term, amount, and the vendor(s) awarded the contract, including an explanation of the contract term if the contract automatically renews or has an open-ended term;  b. (1) a certification signed by the executive director of the agency stating that the process used to award the contract complied with or was consistent with the following: </p> <p style="margin-left: 80px;"> (A) State of Texas Contract Management Guide;  (B) State of Texas Procurement Manual; </p>

### 3.B. Rider Revisions and Additions Request

<b>Agency Code:</b> 327	<b>Agency Name:</b> Employees Retirement System	<b>Prepared By:</b> Machelle Pharr	<b>Date:</b> August 24, 2018	<b>Request Level:</b> Base
<b>Current Rider Number</b>	<b>Page Number in 2018 - 2019 GAA</b>	<b>Proposed Rider Language</b>		

		<p>(C) all applicable statutes, rules, policies and procedures related to the procurement and contracting of goods and services, including compliance with conflict of interest disclosure requirements; and</p> <p>D) the agency's evaluation process; or</p> <p>(2) if the process to award the contract did not comply with the requirements of Subsection (1)(A), (B), (C), and (D), the agency shall provide an explanation for the alternative process utilized, legal justification for the alternative process, and identify the individual(s) directing the use of an alternative process;</p> <p>c. certification by the executive director of the agency that the agency has a process for:</p> <ul style="list-style-type: none"> <li>(1) verification of vendor performance and deliverables;</li> <li>(2) payment for goods and services only within the scope of the contract or procurement order;</li> <li>(3) calculation and collection of any liquidated damages associated with vendor performance, including specified eligibility criteria, processes, documentation for evaluating and approving any reductions to vendor performance penalties; and</li> <li>(4) when, why, or how to apply corrective action plans for continuing poor vendor performance; and</li> </ul> <p>d. any other information requested by the Legislative Budget Board before or after the Legislative Budget Board receives such notice.</p> <p><u>ERS is also subject to these particular requirements under Section 7.12: notification of contracts identified under Section 7.12(b)(2) and the notification provided under Section 7.12(d)(1) for all contracts identified under Section 7.12(b).</u></p>
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### 3.B. Rider Revisions and Additions Request

<b>Agency Code:</b> 327	<b>Agency Name:</b> Employees Retirement System	<b>Prepared By:</b> Machelle Pharr	<b>Date:</b> August 24, 2018	<b>Request Level:</b> Base
<b>Current Rider Number</b>	<b>Page Number in 2018 - 2019 GAA</b>	<b>Proposed Rider Language</b>		

		<p>The agency shall provide the <del>two</del> types of notice without regard to source of funds or method of finance associated with the expenditure, including a contract for which only non-appropriated funds will be expended.</p> <p><b>Justification for change:</b> At one time, ERS contracts were not subject to some of the Article IX contracting riders as those riders were limited to appropriated funds. Article IX contracting riders now apply to all funds. ERS proposes to eliminate the rider. If the rider is not eliminated ERS, requests that the timeframe for submission to the LBB is modified to thirty days to be more consistent with the Article IX riders and that this rider more clearly define which Section 7.12 requirements ERS subject to (those provisions which are not repetitive or conflict with this ERS-specific rider). These revisions also ensure ERS is not reporting repetitive information but only providing information that has changed from one Request For Proposal (RFP) to the next.</p>
14	I-37	<p><b>Consumer Directed HealthSelect Data Analysis.</b> Out of funds appropriated above and elsewhere in this Act for the Group Benefits Program, the Employees Retirement System shall collect, track, and analyze Consumer Directed HealthSelect health plan participants' healthcare costs and utilization data. ERS shall compare the data and results from this analysis to similar data available from other health plans, including traditional HealthSelect, Medicare Advantage, and HMO plans, in order to determine participants' healthcare costs and utilization differences across health plans. Where applicable ERS shall develop recommendations for the Legislature and implement best practices based upon the results of this analysis.</p> <p><b>No Change.</b></p>
15	I-37	<p><del><b>Freestanding Emergency Rooms.</b> It is the intent of the Legislature that the Employees Retirement System, within the Group Benefits Program appropriations above and elsewhere in this Act, implement measures to reduce participants' use of out-of-network independent freestanding emergency medical care facilities as defined by Health and Safety Code, Section 254.001(5), in order to save \$26,100,000 in General Revenue and \$42,200,000 in All Funds in the biennium. Measures may include increasing the copayment amount for each use by a participant of an out-of-network freestanding emergency medical care facility beginning on September 1, 2017.</del></p> <p><del>Out of funds appropriated above and elsewhere in this act, the Employees Retirement System shall notify</del></p>

### 3.B. Rider Revisions and Additions Request

<b>Agency Code:</b> 327	<b>Agency Name:</b> Employees Retirement System	<b>Prepared By:</b> Machelle Pharr	<b>Date:</b> August 24, 2018	<b>Request Level:</b> Base
<b>Current Rider Number</b>	<b>Page Number in 2018 - 2019 GAA</b>	<b>Proposed Rider Language</b>		

		<p><del>participants of the measures to be implemented regarding freestanding emergency medical care facilities, particularly the definition of and copayment associated with in-network and out-of-network freestanding emergency medical care facilities, in writing no later than August 15, 2017.</del></p> <p><b>Justification for deletion:</b> ERS notified HealthSelect of Texas and Consumer Directed HealthSelect members of the measures implemented regarding the freestanding emergency medical care facilities. The notifications were provided in writing, using the following communications channels: email, newsletter articles and a page on ERS' public website. The information is still available on the website at <a href="https://ers.texas.gov/HealthSelect-freestanding-ERS">https://ers.texas.gov/HealthSelect-freestanding-ERS</a>.</p>
16	I-37	<p><del><b>High Deductible Health Plan.</b> Out of funds appropriated above and elsewhere in this Act, the Employees Retirement System shall research and develop options for a health plan that is similar to, but with a higher deductible and higher Health Savings Account contributions than, the existing Consumer Directed HealthSelect plan implemented through Insurance Code §1551.45<del>21</del>, <b>Subchapter J</b>, State Consumer-Directed Health Plan. The Employees Retirement System may consider reducing or waiving members' monthly premiums, increasing the state's Health Savings Account contributions, or raising the plan's deductible. Plan options shall remain cost neutral and comply with existing state and federal law.</del></p> <p><del>The Employees Retirement System shall report to the Legislature on the additional options for high deductible health plans by August 31, 2018.</del></p> <p><b>Justification of deletion:</b> The research for the High Deductible Health Plan is completed. The report will be submitted by the due date.</p>
17	I-37	<p><del><b>Health Clinic at a State Agency or Institution of Higher Education.</b> Out of appropriations made in this and other articles of this Act for the Group Benefits Program, the board of trustees may operate or contract with a person to operate an onsite, or near-site, health clinic at a state agency or institution of higher education. The board may only operate or contract for a clinic if the board determines that:</del></p> <ul style="list-style-type: none"> <li><del>a. The clinic can be operated on a cost-neutral or cost-positive basis to the health plan.</del></li> <li><del>b. There is sufficient health plan participation in the area where the proposed clinic will operate.</del></li> </ul>

### 3.B. Rider Revisions and Additions Request

<b>Agency Code:</b> 327	<b>Agency Name:</b> Employees Retirement System	<b>Prepared By:</b> Machelle Pharr	<b>Date:</b> August 24, 2018	<b>Request Level:</b> Base
<b>Current Rider Number</b>	<b>Page Number in 2018 - 2019 GAA</b>	<b>Proposed Rider Language</b>		

		<p>c. No funds will be spent by the board for the cost of acquiring or building the clinic, capital expenses, or acquiring equipment.</p> <p><b>No Change.</b></p>
18	I-37	<p><b>Health Related Institutions Savings.</b> It is the intent of the legislature that the HealthSelect of Texas network administered under the Employees Retirement System of Texas Group Benefits Program shall <u>partner with Health Related Institutions receiving appropriations under this Act and Baylor College of Medicine to implement cost containment initiatives. The Employees Retirement System shall evaluate contracted provider rates and may utilize innovative value-based plan design models with Health Related Institutions and Baylor College of Medicine in these partnerships. save \$35,000,000 in All Funds and \$21,875,000 in General Revenue Related Funds in the biennium in its contractual provider relationships with Health Related Institutions receiving appropriations under this Act. In order to obtain the specified savings, the Employees Retirement System shall reduce contracted provider rates and may initiate innovative value based plan design models with Health Related Institutions.</u></p> <p><b>Justification of change:</b> Revised language. ERS anticipates achieving the savings required in Rider 18 for FY 18-19 and does not anticipate additional savings of that level are achievable. ERS would like to retain a version of the rider to ensure ongoing partnerships with the Health Related Institutions to continue working on favorable cost containment and provider reimbursement agreements.</p>
Sec. 17.03	IX-79	<p><b>-Payroll Contribution for Group Health Insurance.</b></p> <p>(a) Notwithstanding any other provision of this Act, out of appropriations made elsewhere in this Act to state agencies and institutions of higher education for the state fiscal biennium beginning September 1, 201<del>7</del><u>9</u>, each agency and institution of higher education shall contribute, in an amount equal to 1.0 percent of the total base wages and salaries for each benefits eligible employee of a state agency or institution of higher education during the state fiscal biennium beginning September 1, 201<del>7</del><u>9</u> to the Employees Retirement System's Group Benefits Program.</p> <p>(b) For purposes of this section "institution of higher education" does not include components within the University of Texas and Texas A&amp;M Systems.</p>

### 3.B. Rider Revisions and Additions Request

<b>Agency Code:</b> 327	<b>Agency Name:</b> Employees Retirement System	<b>Prepared By:</b> Machelle Pharr	<b>Date:</b> August 24, 2018	<b>Request Level:</b> Base
<b>Current Rider Number</b>	<b>Page Number in 2018 - 2019 GAA</b>	<b>Proposed Rider Language</b>		

		<p>(c) State agencies and institutions of higher education shall contribute pursuant to this section to the Employees Retirement System to increase state funding for group health coverage by the value of the 1.0 percent contribution, estimated to be <del>\$128,329,503</del> <u>\$144,632,026</u> in All Funds for state agencies and <del>\$82,570,608</del> <u>\$85,076,368</u> in All Funds for institutions of higher education for the <del>2018-19</del><u>2020-21</u> biennium.</p> <p>(d) The calculation of base salary for purposes of the reductions made under this section excludes longevity pay, hazardous duty pay, benefit replacement pay, overtime pay, and other payments that are not part of the base salary of the employee.</p> <p>(e) Transfers made under this section shall be consistent with provisions requiring salaries and benefits to be proportional to the source of funds.</p> <p>(f) The Texas Higher Education Coordinating Board shall administer the requirements of this section for public community/junior colleges.</p> <p>(g) The Comptroller of Public Accounts shall promulgate rules and regulations as necessary to administer this section.</p> <p><b>Justification for change:</b> Updated years.</p>
<b>Sec. 17.06</b>	<b>IX-80</b>	<p><b>Additional Payroll Contribution for Retirement Contribution.</b></p> <p>(a) Notwithstanding any other provision of this Act, out of appropriations made elsewhere in this Act to state agencies for the state fiscal biennium beginning September 1, 201<del>79</del>, each agency shall contribute, in an amount equal to 0.5 percent of the total base wages and salaries for each eligible employee of a state agency during the state fiscal biennium beginning September 1, 201<del>79</del> to the Employees Retirement System's Retirement Program.</p> <p>(b) State agencies shall contribute pursuant to this section to the Employees Retirement System to increase the state contribution for retirement by the value of the 0.5 percent contribution, estimated to be <del>\$66,707,581</del> <u>\$69,283,107</u> for state agencies for the <del>2018-19</del><u>2020-21</u> biennium.</p> <p>(c) The calculation of base salary for purposes of the reductions made under this section excludes longevity</p>

### 3.B. Rider Revisions and Additions Request

<b>Agency Code:</b> 327	<b>Agency Name:</b> Employees Retirement System	<b>Prepared By:</b> Machelle Pharr	<b>Date:</b> August 24, 2018	<b>Request Level:</b> Base
<b>Current Rider Number</b>	<b>Page Number in 2018 - 2019 GAA</b>	<b>Proposed Rider Language</b>		
		<p>pay, hazardous duty pay, benefit replacement pay, overtime pay, and other payments that are not part of the base salary of the employee.</p> <p>(d) Transfers made under this section shall be consistent with provisions requiring salaries and benefits to be proportional to the source of funds.</p> <p>(e) The Comptroller of Public Accounts shall promulgate rules and regulations as necessary to administer this section.</p> <p><b>Justification for change:</b> Updated years.</p>		

**4.A. Exceptional Item Request Schedule**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2018  
 TIME: 10:12:07PM

Agency code: 327

Agency name: **Employees Retirement System**

CODE	DESCRIPTION	Excp 2020	Excp 2021
	<b>Item Name:</b> ERS Actuarially Sound Level <b>Item Priority:</b> 1 <b>IT Component:</b> No <b>Anticipated Out-year Costs:</b> Yes <b>Involve Contracts &gt; \$50,000:</b> No <b>Includes Funding for the Following Strategy or Strategies:</b> 01-01-01 Provide Retirement Program for Employees and Retirees. Estimated.		

**OBJECTS OF EXPENSE:**

1002	OTHER PERSONNEL COSTS	265,513,015	265,513,015
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$265,513,015</b>	<b>\$265,513,015</b>

**METHOD OF FINANCING:**

1	General Revenue Fund	186,778,898	186,778,898
6	State Highway Fund	25,398,181	25,398,181
555	Federal Funds		
00.327.001	ERS Retirement	40,345,348	40,345,348
994	GR Dedicated Accounts	10,978,126	10,978,126
998	Other Special State Funds	2,012,462	2,012,462
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$265,513,015</b>	<b>\$265,513,015</b>

**DESCRIPTION / JUSTIFICATION:**

This request is part of the ERS' goal of administering comprehensive and actuarially sound retirement programs and supports the objective of obtaining proper funding for the program. The 84th Legislature increased the state contribution to 9.5% and 9.5% for member contributions which the 85th Legislature continued. These actions improved the fund's status. However, in order to obtain actuarial soundness for the fund as set forth in Sec Government Code, a 13.33% state contribution rate (increase of 3.83%) would be required along with the 9.5% member contribution, and 0.5% employing agency contribution.

**EXTERNAL/INTERNAL FACTORS:**

The above request assumes funding of 13.33% state contribution, employing agency contribution of 0.5% and the member contribution of 9.5% for a total of 23.33%. The Actuarially Sound Contribution (ASC) rate is accurate as of August 31, 2017; updated numbers will be available after the 2018 actuarial valuation.

**PCLS TRACKING KEY:**

**4.A. Exceptional Item Request Schedule**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/24/2018**  
 TIME: **10:12:07PM**

Agency code: **327**

Agency name:  
**Employees Retirement System**

<b>CODE</b>	<b>DESCRIPTION</b>	<b>Excp 2020</b>	<b>Excp 2021</b>
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**DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :**

Continued funding is anticipated.

**ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:**

	<b>2022</b>	<b>2023</b>	<b>2024</b>
	\$265,513,015	\$265,513,015	\$265,513,015

**4.A. Exceptional Item Request Schedule**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2018  
 TIME: 10:12:07PM

Agency code: 327 Agency name: Employees Retirement System

CODE	DESCRIPTION	Excp 2020	Excp 2021
	<b>Item Name:</b> LECOS Actuarially Sound Level <b>Item Priority:</b> 2 <b>IT Component:</b> No <b>Anticipated Out-year Costs:</b> Yes <b>Involve Contracts &gt; \$50,000:</b> No <b>Includes Funding for the Following Strategy or Strategies:</b> 01-01-02 Provide Retirement Program for Law Enf and Corr Officers. Estimated.		

**OBJECTS OF EXPENSE:**

1002	OTHER PERSONNEL COSTS	37,785,998	37,785,998
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$37,785,998</b>	<b>\$37,785,998</b>

**METHOD OF FINANCING:**

1	General Revenue Fund	37,128,908	37,128,908
555	Federal Funds		
00.327.003	LECOS Retirement	121,581	121,581
994	GR Dedicated Accounts	535,509	535,509
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$37,785,998</b>	<b>\$37,785,998</b>

**DESCRIPTION / JUSTIFICATION:**

This request is part of the ERS' goal of administering comprehensive and actuarially sound retirement programs and supports the objective of obtaining proper funding for the program.

The funded ratio for the LECOS fund is declining and fell below 100% in Fiscal Year 2007 and is currently on a path to eventual depletion. The LECOS funded ratio decline is a result of benefit enhancements, negative market returns at the beginning of the decade, and the level of State funding. The state did not contribute to this supplemental fund between 1993 and 2008. Contributions were decreased by the 82nd Legislature to 0.5%. In order to restore the fund to the actuarially sound level of funding set forth in Sec. 811.006 of the Texas Government Code, a 2.56% state contribution rate would be required along with the 0.5% member contribution and the continuation of the court fee contribution, estimated at \$18.8 million. A state contribution increase of 2.06% is needed in Fiscal Years 2020 and 2021.

**EXTERNAL/INTERNAL FACTORS:**

The above funding request assumes a state contribution of 2.56%, 0.5% member contribution, and court fees estimated at \$18.8 million. No growth in payroll for Fiscal Years 2020 and 2021 is assumed.

The Actuarially Sound Contribution (ASC) rate is accurate as of August 31, 2017; updated numbers will be available after the 2018 actuarial valuation.

**PCLS TRACKING KEY:**

**4.A. Exceptional Item Request Schedule**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2018  
 TIME: 10:12:07PM

Agency code: 327

Agency name:  
**Employees Retirement System**

CODE	DESCRIPTION	Excp 2020	Excp 2021
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**DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :**

Continued funding is anticipated.

**ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:**

	2022	2023	2024
	\$37,785,998	\$37,785,998	\$37,785,998

**4.A. Exceptional Item Request Schedule**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/24/2018**  
 TIME: **10:12:07PM**

Agency code: **327** Agency name: **Employees Retirement System**

CODE	DESCRIPTION	Excp 2020	Excp 2021
	<b>Item Name:</b> JRS 2 Actuarially Sound Level <b>Item Priority:</b> 3 <b>IT Component:</b> No <b>Anticipated Out-year Costs:</b> Yes <b>Involve Contracts &gt; \$50,000:</b> No <b>Includes Funding for the Following Strategy or Strategies:</b> 01-01-03 Provide Retirement Program for State Judicial Officers. Estimated.		

**OBJECTS OF EXPENSE:**

1002	OTHER PERSONNEL COSTS	704,881	704,881
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$704,881</b>	<b>\$704,881</b>

**METHOD OF FINANCING:**

1	General Revenue Fund	436,533	436,533
573	Judicial Fund	268,348	268,348
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$704,881</b>	<b>\$704,881</b>

**DESCRIPTION / JUSTIFICATION:**

This funding request is part of the ERS' goal of administering comprehensive and actuarially sound retirement program and supports the objective of obtaining proper funding for the programs.

Prior to the 82nd legislature, state contributions had been set at 16.83% of payroll with members contributing 6.0%, and the plan was actuarially sound with a 12.6 year amortization period as of August 31, 2010. The 82nd Legislature reduced state contributions to 6.5% for a total contribution of 12.5%, well below the normal cost of 20.38% based on the August 2011 Actuarial Valuation. The 83rd Legislature increased the state contribution to 15.663% and the member rate to 6.9% for 2015, 7.2% for 2016 and 7.5% for 2017. The 84th Legislature continued the state contribution of 15.663% and the member contribution of 7.2% for 2016 and 7.5% for 2017.

In order to restore the fund to the actuarially sound level as set forth in Sec. 840.106 of the Texas Government Code, a 16.55% state contribution rate would be required along with the effective member contribution rate of 7.43 as a result of some members electing to cease contributions to the plan and ceasing to accrue additional benefits. A state contribution increase of .887% is requested in Fiscal Years 2020 and 2021.

**EXTERNAL/INTERNAL FACTORS:**

The above funding request assumes an additional .887% for a total 16.55% state contribution. The member contribution for 2018 and the 2019 was 7.5%. No growth in payroll is assumed for Fiscal Years 2020 and 2021.

The Actuarially Sound Contribution (ASC) rate is accurate as of August 31, 2017; updated numbers will be available after the 2018 actuarial valuation.

**4.A. Exceptional Item Request Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/24/2018  
TIME: 10:12:07PM

Agency code: 327

Agency name:  
**Employees Retirement System**

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<u>CODE</u>	<u>DESCRIPTION</u>	<u>Excp 2020</u>	<u>Excp 2021</u>
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PCLS TRACKING KEY:

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**DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :**

Continued funding is anticipated.

**ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:**

<u>2022</u>	<u>2023</u>	<u>2024</u>
\$704,881	\$704,881	\$704,881

Agency code: 327 Agency name: Employees Retirement System

Code	Description	Excp 2020	Excp 2021
<b>Item Name:</b>		ERS Actuarially Sound Level	
<b>Allocation to Strategy:</b>		1-1-1 Provide Retirement Program for Employees and Retirees. Estimated.	
<b>OBJECTS OF EXPENSE:</b>			
1002	OTHER PERSONNEL COSTS	265,513,015	265,513,015
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$265,513,015</b>	<b>\$265,513,015</b>
<b>METHOD OF FINANCING:</b>			
1	General Revenue Fund	186,778,898	186,778,898
6	State Highway Fund	25,398,181	25,398,181
555	Federal Funds		
	00.327.001 ERS Retirement	40,345,348	40,345,348
994	GR Dedicated Accounts	10,978,126	10,978,126
998	Other Special State Funds	2,012,462	2,012,462
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$265,513,015</b>	<b>\$265,513,015</b>

Agency code: 327 Agency name: Employees Retirement System

Code	Description	Excp 2020	Excp 2021
<b>Item Name:</b> LECOS Actuarially Sound Level			
<b>Allocation to Strategy:</b> 1-1-2 Provide Retirement Program for Law Enf and Corr Officers. Estimated.			
<b>OBJECTS OF EXPENSE:</b>			
1002	OTHER PERSONNEL COSTS	37,785,998	37,785,998
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$37,785,998</b>	<b>\$37,785,998</b>
<b>METHOD OF FINANCING:</b>			
1	General Revenue Fund	37,128,908	37,128,908
555	Federal Funds		
00.327.003	LECOS Retirement	121,581	121,581
994	GR Dedicated Accounts	535,509	535,509
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$37,785,998</b>	<b>\$37,785,998</b>

Agency code: 327 Agency name: Employees Retirement System

Code	Description	Excp 2020	Excp 2021
<b>Item Name:</b> JRS 2 Actuarially Sound Level			
<b>Allocation to Strategy:</b> 1-1-3 Provide Retirement Program for State Judicial Officers. Estimated.			
<b>OBJECTS OF EXPENSE:</b>			
1002	OTHER PERSONNEL COSTS	704,881	704,881
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$704,881</b>	<b>\$704,881</b>
<b>METHOD OF FINANCING:</b>			
1	General Revenue Fund	436,533	436,533
573	Judicial Fund	268,348	268,348
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$704,881</b>	<b>\$704,881</b>

**4.C. Exceptional Items Strategy Request**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

**DATE: 8/24/2018**  
**TIME: 7:37:50PM**

Agency Code: **327** Agency name: **Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs

OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs

Service Categories:

STRATEGY: 1 Provide Retirement Program for Employees and Retirees. Estimated.

Service: 06 Income: A.2 Age: B.3

<b>CODE DESCRIPTION</b>	<b>Excp 2020</b>	<b>Excp 2021</b>
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**STRATEGY IMPACT ON OUTCOME MEASURES:**

<u>2</u> # of Years to Amortize the ERS Unfunded Actuarial Accrued Liability	31.00	31.00
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**OBJECTS OF EXPENSE:**

1002 OTHER PERSONNEL COSTS	265,513,015	265,513,015
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<b>Total, Objects of Expense</b>	<b>\$265,513,015</b>	<b>\$265,513,015</b>
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**METHOD OF FINANCING:**

1 General Revenue Fund	186,778,898	186,778,898
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6 State Highway Fund	25,398,181	25,398,181
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555 Federal Funds		
00.327.001 ERS Retirement	40,345,348	40,345,348

994 GR Dedicated Accounts	10,978,126	10,978,126
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998 Other Special State Funds	2,012,462	2,012,462
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<b>Total, Method of Finance</b>	<b>\$265,513,015</b>	<b>\$265,513,015</b>
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**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

ERS Actuarially Sound Level

**4.C. Exceptional Items Strategy Request**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

**DATE:** 8/24/2018  
**TIME:** 7:37:50PM

Agency Code: **327** Agency name: **Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs

OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs

Service Categories:

STRATEGY: 2 Provide Retirement Program for Law Enf and Corr Officers. Estimated.

Service: 06 Income: A.2 Age: B.3

<b>CODE DESCRIPTION</b>	<b>Exp 2020</b>	<b>Exp 2021</b>
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**STRATEGY IMPACT ON OUTCOME MEASURES:**

<u>3</u> # Years to Amortize the LECOS Unfunded Actuarial Accrued Liability	31.00	31.00
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**OBJECTS OF EXPENSE:**

1002 OTHER PERSONNEL COSTS	37,785,998	37,785,998
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<b>Total, Objects of Expense</b>	<b>\$37,785,998</b>	<b>\$37,785,998</b>
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**METHOD OF FINANCING:**

1 General Revenue Fund	37,128,908	37,128,908
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555 Federal Funds		
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00.327.003 LECOS Retirement	121,581	121,581
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994 GR Dedicated Accounts	535,509	535,509
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<b>Total, Method of Finance</b>	<b>\$37,785,998</b>	<b>\$37,785,998</b>
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**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

LECOS Actuarially Sound Level

Agency Code: **327** Agency name: **Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs

OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs

Service Categories:

STRATEGY: 3 Provide Retirement Program for State Judicial Officers. Estimated.

Service: 06 Income: A.2 Age: B.3

<b>CODE DESCRIPTION</b>	<b>Excp 2020</b>	<b>Excp 2021</b>
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**STRATEGY IMPACT ON OUTCOME MEASURES:**

<u>4</u> # of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability	31.00	31.00
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**OBJECTS OF EXPENSE:**

1002 OTHER PERSONNEL COSTS	704,881	704,881
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<b>Total, Objects of Expense</b>	<b>\$704,881</b>	<b>\$704,881</b>
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**METHOD OF FINANCING:**

1 General Revenue Fund	436,533	436,533
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573 Judicial Fund	268,348	268,348
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<b>Total, Method of Finance</b>	<b>\$704,881</b>	<b>\$704,881</b>
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**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

JRS 2 Actuarially Sound Level

**6.A. Historically Underutilized Business Supporting Schedule**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

Date: **8/24/2018**  
 Time: **7:39:29PM**

Agency Code: **327**      Agency: **Employees Retirement System**

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

**A. Fiscal Year 2016 - 2017 HUB Expenditure Information**

Statewide HUB Goals	Procurement Category	% Goal	HUB Expenditures FY 2016			Total Expenditures FY 2016		HUB Expenditures FY 2017			Total Expenditures FY 2017	
			% Actual	Diff	Actual \$	% Goal	% Actual	Diff	Actual \$	FY 2017		
11.2%	Heavy Construction	0.0 %	0.0%	0.0%	\$0	\$0	0.0 %	0.0%	0.0%	\$0	\$0	
21.1%	Building Construction	2.0 %	0.0%	-2.0%	\$0	\$22,005	2.0 %	78.2%	76.2%	\$6,047	\$7,732	
32.9%	Special Trade	17.0 %	41.5%	24.5%	\$64,657	\$155,690	32.9 %	38.5%	5.6%	\$54,382	\$141,305	
23.7%	Professional Services	8.0 %	0.0%	-8.0%	\$0	\$1,290,410	0.0 %	0.0%	0.0%	\$0	\$1,434,313	
26.0%	Other Services	5.0 %	27.4%	22.4%	\$4,347,799	\$15,856,515	26.0 %	29.0%	3.0%	\$4,962,327	\$17,096,463	
21.1%	Commodities	24.0 %	31.7%	7.7%	\$650,560	\$2,055,462	21.1 %	50.4%	29.3%	\$1,186,971	\$2,354,266	
	<b>Total Expenditures</b>		<b>26.1%</b>		<b>\$5,063,016</b>	<b>\$19,380,082</b>		<b>29.5%</b>		<b>\$6,209,727</b>	<b>\$21,034,079</b>	

**B. Assessment of Fiscal Year 2016 - 2017 Efforts to Meet HUB Procurement Goals**

**Attainment:**

- For fiscal year 2016, the agency exceeded the HUB procurement goal for Special Trade by 24.5%, Other Services by 22.4% and Commodities by 7.7%.
- For fiscal year 2017, the agency exceeded the HUB procurement goal for Building Construction by 76.2%, Special Trade by 5.6%, Other Services by 3.0% and Commodities by 29.3%.

**Applicability:**

- The Heavy Construction category is not applicable to agency operations in either fiscal year 2016 or 2017 since the agency did not have any strategies or programs related to this category of construction.

**Factors Affecting Attainment:**

- In fiscal year 2016, the goal of Building Construction procurement category was not met due to the results of competitive bidding processes in which the three contracts were awarded to non-HUB vendors.
- In fiscal year 2016, the goal of Professional Services procurement category was not met. The majority of ERS' services for this year involved professional services that did not lend themselves to subcontracting nor did they have ready, willing, and able HUBs, such as specialized actuarial and auditing services for pension and group insurance program.

**"Good-Faith" Efforts:**

- The agency made the following good-faith efforts to comply with statewide HUB procurement goals per 34 TAC §20.284(b):
- When applicable, potential bidders are provided with a link to certified HUBs for subcontracting opportunities.

**6.A. Historically Underutilized Business Supporting Schedule**  
86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: **8/24/2018**  
Time: **7:39:29PM**

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Agency Code: **327** Agency: **Employees Retirement System**

- Attended HUB conferences and prepared and distributed a brochure with information on how to contract with ERS in order to encourage and increase participation.
- Sponsored several exhibit booth at HUB forums and bid fairs.
- Solicited more certified HUBs than required on all applicable bid opportunities.
- Whenever possible, HUBs are contacted directly for procurements that are under the competitive procurement threshold for bidding.

**6.C. Federal Funds Supporting Schedule**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

8/24/2018 7:41:32PM

		<b>327 Employees Retirement System</b>				
<b>CFDA NUMBER/ STRATEGY</b>		<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>BL 2020</b>	<b>BL 2021</b>
<b>00.327.001</b>	ERS Retirement					
1 - 1 - 1	ERS RETIREMENT PROGRAM	112,634,149	97,601,195	98,496,000	98,496,000	98,496,000
	<b>TOTAL, ALL STRATEGIES</b>	<b>\$112,634,149</b>	<b>\$97,601,195</b>	<b>\$98,496,000</b>	<b>\$98,496,000</b>	<b>\$98,496,000</b>
	<b>ADDL FED FNDS FOR EMPL BENEFITS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>TOTAL, FEDERAL FUNDS</b>	<b>\$112,634,149</b>	<b>\$97,601,195</b>	<b>\$98,496,000</b>	<b>\$98,496,000</b>	<b>\$98,496,000</b>
	<b>ADDL GR FOR EMPL BENEFITS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>00.327.002</b>	ERS Insurance					
2 - 1 - 1	GROUP BENEFITS PROGRAM	311,407,214	279,539,000	288,428,215	288,428,215	288,428,215
	<b>TOTAL, ALL STRATEGIES</b>	<b>\$311,407,214</b>	<b>\$279,539,000</b>	<b>\$288,428,215</b>	<b>\$288,428,215</b>	<b>\$288,428,215</b>
	<b>ADDL FED FNDS FOR EMPL BENEFITS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>TOTAL, FEDERAL FUNDS</b>	<b>\$311,407,214</b>	<b>\$279,539,000</b>	<b>\$288,428,215</b>	<b>\$288,428,215</b>	<b>\$288,428,215</b>
	<b>ADDL GR FOR EMPL BENEFITS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>00.327.003</b>	LECOS Retirement					
1 - 1 - 2	LECOS RETIREMENT PROGRAM	28,810	28,032	28,032	28,032	28,032
	<b>TOTAL, ALL STRATEGIES</b>	<b>\$28,810</b>	<b>\$28,032</b>	<b>\$28,032</b>	<b>\$28,032</b>	<b>\$28,032</b>
	<b>ADDL FED FNDS FOR EMPL BENEFITS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>TOTAL, FEDERAL FUNDS</b>	<b>\$28,810</b>	<b>\$28,032</b>	<b>\$28,032</b>	<b>\$28,032</b>	<b>\$28,032</b>
	<b>ADDL GR FOR EMPL BENEFITS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>CFDA NUMBER/ STRATEGY</b>		<b>327 Employees Retirement System</b>				
		<b>Exp 2017</b>	<b>Est 2018</b>	<b>Bud 2019</b>	<b>BL 2020</b>	<b>BL 2021</b>
 <b><u>SUMMARY LISTING OF FEDERAL PROGRAM AMOUNTS</u></b>						
00.327.001	ERS Retirement	112,634,149	97,601,195	98,496,000	98,496,000	98,496,000
00.327.002	ERS Insurance	311,407,214	279,539,000	288,428,215	288,428,215	288,428,215
00.327.003	LECOS Retirement	28,810	28,032	28,032	28,032	28,032
<b>TOTAL, ALL STRATEGIES</b>		<b>\$424,070,173</b>	<b>\$377,168,227</b>	<b>\$386,952,247</b>	<b>\$386,952,247</b>	<b>\$386,952,247</b>
<b>TOTAL, ADDL FED FUNDS FOR EMPL BENEFITS</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL, FEDERAL FUNDS</b>		<b>\$424,070,173</b>	<b>\$377,168,227</b>	<b>\$386,952,247</b>	<b>\$386,952,247</b>	<b>\$386,952,247</b>
<b>TOTAL, ADDL GR FOR EMPL BENEFITS</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**SUMMARY OF SPECIAL CONCERNS/ISSUES**

**Assumptions and Methodology:**

The method of finance reflects proportionality as provided by the LBB.

**Potential Loss:**

6.F.a. Advisory Committee Supporting Schedule ~ Part A

86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/24/2018  
 Time: 7:48:09PM

Agency Code: 327 Agency: Employees Retirement System

INVESTMENT ADVISORY COMMITTEE

Statutory Authorization: Tx Govt Code Section 815.509  
 Number of Members: 9  
 Committee Status: Ongoing  
 Date Created: 8/5/1966  
 Date to Be Abolished:  
 Strategy (Strategies): 1-1-1 ERS RETIREMENT PROGRAM  
 1-1-2 LECOS RETIREMENT PROGRAM  
 1-1-3 JUDICIAL RETIREMENT SYSTEM - PLAN 2

Advisory Committee Costs	Expended Exp 2017	Estimated Est 2018	Budgeted Bud 2019	Requested BL 2020	Requested BL 2021
Committee Members Direct Expenses					
TRAVEL	\$11,248	\$19,000	\$19,000	\$19,000	\$19,000
PERSONNEL	0	0	0	0	0
OTHER OPERATING COSTS	12,400	18,000	18,000	18,000	18,000
Other Expenditures in Support of Committee Activities					
Agency Support Personnel	5,031	5,031	5,000	5,000	5,000
<b>Total, Committee Expenditures</b>	<b>\$28,679</b>	<b>\$42,031</b>	<b>\$42,000</b>	<b>\$42,000</b>	<b>\$42,000</b>
Method of Financing					
General Revenue Fund	\$28,679	\$42,031	\$42,000	\$42,000	\$42,000
<b>Total, Method of Financing</b>	<b>\$28,679</b>	<b>\$42,031</b>	<b>\$42,000</b>	<b>\$42,000</b>	<b>\$42,000</b>
<b>Meetings Per Fiscal Year</b>	4	4	4	4	4

**6.F.a. Advisory Committee Supporting Schedule ~ Part A**

86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/24/2018  
Time: 7:48:09PM

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Agency Code: **327** Agency: **Employees Retirement System**

**Description and Justification for Continuation/Consequences of Abolishing**

Established at the discretion of the Board of Trustees as authorized in the TAC subsection 63.17(b). Composed of at least 5 and not more than 9 members. The members are selected by the Board of Trustees on the basis of experience in the management of financial institution or other business in which investment decisions are made or as a prominent educator in the fields of economics, finance or other investment-related area.

6.F.a. Advisory Committee Supporting Schedule ~ Part A

86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/24/2018  
 Time: 7:48:09PM

Agency Code: 327 Agency: Employees Retirement System

**GROUP BENEFIT ADVISORY COMMITTEE**

Statutory Authorization: Tx Govt Code Section 815.509  
 Number of Members: 11  
 Committee Status: New  
 Date Created: 12/31/2017  
 Date to Be Abolished:  
 Strategy (Strategies): 2-1-1 GROUP BENEFITS PROGRAM

Advisory Committee Costs	Expended Exp 2017	Estimated Est 2018	Budgeted Bud 2019	Requested BL 2020	Requested BL 2021
Committee Members Direct Expenses					
Travel	\$0	\$1,950	\$8,000	\$8,000	\$8,000
Personnel	0	0	0	0	0
Other Operation Costs	0	0	0	0	0
Other Expenditures in Support of Committee Activities					
Agency Support Personnel	0	28,500	14,250	14,250	14,250
<b>Total, Committee Expenditures</b>	<b>\$0</b>	<b>\$30,450</b>	<b>\$22,250</b>	<b>\$22,250</b>	<b>\$22,250</b>
Method of Financing					
General Revenue Fund	\$0	\$30,450	\$22,250	\$22,250	\$22,250
<b>Total, Method of Financing</b>	<b>\$0</b>	<b>\$30,450</b>	<b>\$22,250</b>	<b>\$22,250</b>	<b>\$22,250</b>
<b>Meetings Per Fiscal Year</b>	0	1	2	2	2

**6.F.a. Advisory Committee Supporting Schedule ~ Part A**

86th Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/24/2018  
Time: 7:48:09PM

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Agency Code: **327** Agency: **Employees Retirement System**

**Description and Justification for Continuation/Consequences of Abolishing**

The Group Benefit Advisory Committee (GBAC) is a part of the agency's ongoing efforts to incorporate a full spectrum of stakeholder and expert input and opinions in the planning and development of employee benefit program offered under the Texas Employees Group Benefits Program (GBP).

**6.H. Estimated Total of All Agency Funds Outside the GAA Bill Pattern**  
**Employees Retirement System of Texas**

<b>ESTIMATED GRAND TOTAL OF AGENCY FUNDS OUTSIDE THE 2020-21 GAA BILL PATTERN</b>	<b>\$</b>	<b>45,446,713,446</b>
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**Retirement Trust Fund (0955)**

Beginning Balance in FY 2018		\$	26,371,827,298
Estimated Revenues FY 2018		\$	3,548,153,452
Estimated Revenues FY 2019		\$	3,697,380,150
	<b>FY 2018-19 Total</b>	<b>\$</b>	<b>33,617,360,899</b>
Estimated Beginning Balance in FY 2020		\$	28,542,607,764
Estimated Revenues FY 2020		\$	3,907,006,377
Estimated Revenues FY 2021		\$	4,133,402,703
	<b>FY 2020-21 Total</b>	<b>\$</b>	<b>36,583,016,843</b>

**Constitutional or Statutory Creation and Use of Funds:**

The ERS Retirement Trust Fund is created by Government Code, Section 815.310. Funds in the account are used to pay retirement annuities and to operate the retirement system.

**Method of Calculation and Revenue Assumptions:**

Revenues to the trust fund include member contributions, state contributions, investment income, and other revenues. Investment income can vary widely from year to year. State contributions are dependent upon legislative action. For this document, other revenue is assumed to remain constant at the FY 2018 level for FY 2020-21. Investment income is calculated using a 7.50% return assumption. State contributions are estimated at the LAR Base Level of 9.50%. No payroll growth is assumed for FY 2020-21.

**6.H. Estimated Total of All Agency Funds Outside the GAA Bill Pattern**  
**Employees Retirement System of Texas**

**LECOS Trust Fund (0977)**

Beginning Balance in FY 2017	\$	923,989,580
Estimated Revenues FY 2017	\$	106,693,307
Estimated Revenues FY 2018	\$	109,768,559
<b>FY 2016-17 Total</b>	<b>\$</b>	<b>1,140,451,446</b>
Estimated Beginning Balance in FY 2019	\$	982,232,970
Estimated Revenues FY 2019	\$	114,785,229
Estimated Revenues FY 2020	\$	120,010,564
<b>FY 2018-19 Total</b>	<b>\$</b>	<b>1,217,028,764</b>

**Constitutional or Statutory Creation and Use of Funds:**

The LECOS Trust Fund is created by Government Code, Section 815.317. Funds in the account are used to pay law enforcement and custodial officer supplemental retirement and death benefits to law enforcement and custodial officers and to pay for the administration of the fund.

**Method of Calculation and Revenue Assumptions:**

Revenues to the trust fund include member contributions, state contributions, investment income, and other revenues. Investment income can vary widely from year to year. It is assumed that contributions from the state for FY 2018 and FY 2019 will be established at the current level of 0.50%. Investment income is calculated using a 7.50 % return assumption . Payroll is assumed to remain at the FY 2018 level with no payroll growth for FY 2020-21.

**6.H. Estimated Total of All Agency Funds Outside the GAA Bill Pattern**  
**Employees Retirement System of Texas**

**JRS II Trust Fund (0993)**

Beginning Balance in FY 2018	\$	420,850,181
Estimated Revenues FY 2018	\$	52,188,984
Estimated Revenues FY 2019	\$	54,630,567
<b>FY 2016-17 Total</b>	<b>\$</b>	<b>527,669,732</b>
Estimated Beginning Balance in FY 2020	\$	476,580,414
Estimated Revenues FY 2020	\$	58,435,744
Estimated Revenues FY 2021	\$	62,545,335
<b>FY 2018-19 Total</b>	<b>\$</b>	<b>597,561,493</b>

**Constitutional or Statutory Creation and Use of Funds:**

The JRS II Trust Fund is created by Government Code, Section 840.305. Funds in the account are used to pay judicial retirement benefits and administrative expenses.

**Method of Calculation and Revenue Assumptions:**

Revenues to the trust fund include member contributions, state contributions, investment income, and other revenues. Investment income can vary widely from year to year. State contributions are dependent upon legislative action. Investment income is calculated using the 7.50% return assumption used in the ERS actuarial valuation report for August 31, 2017. State contributions are estimated at the LAR baseline request level of 15.663%. Payroll is assumed to remain at the FY 2018 level with no payroll growth for FY 2020-21.

**6.H. Estimated Total of All Agency Funds Outside the GAA Bill Pattern**  
**Employees Retirement System of Texas**

**Insurance Fund (0973)/(3973)**

Beginning Balance in FY 2018	\$ 797,727,481
Estimated Revenues FY 2018	\$ 3,024,383,413
Estimated Revenues FY 2019	\$ 3,015,137,635
<b>FY 2018-19 Total</b>	<b>\$ 6,837,248,529</b>
Estimated Beginning Balance in FY 2020	\$ 1,018,831,076
Estimated Revenues FY 2020	\$ 3,015,137,635
Estimated Revenues FY 2021	\$ 3,015,137,635
<b>FY 2020-21 Total</b>	<b>\$ 7,049,106,346</b>

**Constitutional or Statutory Creation and Use of Funds:**

The Insurance Fund is created by Insurance Code, Section 1551.401. Funds in the account are used for all payments of any coverages provided for under the Group Benefits Program and for payment of expenses of administering the program.

**Method of Calculation and Revenue Assumptions:**

Revenues to the trust fund include member contributions, state contributions, investment income, and other revenues. It is assumed that contributions from the state and the members for FY 20-21 continue at the FY 19 level with no increase in enrollment.

**6.K. Part A Budgetary Impacts Related to Recently Enacted State Legislation Schedule**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/6/2018  
 TIME: 1:15:19PM

Agency code: 327

Agency name: **Employees Retirement System**

		<b>Exp 2017</b>	<b>Bud 2018</b>	<b>Est 2019</b>	<b>Est 2020</b>	<b>Est 2021</b>
<b>Expanded or New Initiative:</b>						
	1. Provide benefits to survivors of peace officers employed by private institutions of higher education killed in the line of duty					
<b>Legal Authority for Item:</b>						
	85th Legislative Session, H.B. 1526					
	Government Code Section 615.003					
<b>Description/Key Assumptions (including start up/implementation costs and ongoing costs):</b>						
	Provides payments to survivors in a lump sum of \$500,000 and monthly annuity to the eligible surviving minor child					
<b>State Budget by Program:</b>	Public Safety Death Benefits					
<b>IT Component:</b>	No					
<b>Involve Contracts &gt; \$50,000:</b>	No					
<b>Objects of Expense</b>						
	<b>Strategy: 1-1-5 PUBLIC SAFETY DEATH BENEFITS</b>					
	3001 CLIENT SERVICES	\$0	\$0	\$500,000	\$0	\$500,000
	<b>SUBTOTAL, Strategy 1-1-5</b>	<b>\$0</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$500,000</b>
	<b>TOTAL, Objects of Expense</b>	<b>\$0</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$500,000</b>
<b>Method of Financing</b>						
	<b>GENERAL REVENUE FUNDS</b>					
	<b>Strategy: 1-1-5 PUBLIC SAFETY DEATH BENEFITS</b>					
	1 General Revenue Fund	\$0	\$0	\$500,000	\$0	\$500,000
	<b>SUBTOTAL, Strategy 1-1-5</b>	<b>\$0</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$500,000</b>
	<b>SUBTOTAL, GENERAL REVENUE FUNDS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$500,000</b>
	<b>TOTAL, Method of Financing</b>	<b>\$0</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$500,000</b>

**6.K. Part B Summary of Costs Related to Recently Enacted State Legislation**  
 86th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/6/2018  
 TIME: 1:16:44PM

Agency code: 327

Agency name: **Employees Retirement System**

<b>ITEM EXPANDED OR NEW INITIATIVE</b>	<b>Exp 2017</b>	<b>Bud 2018</b>	<b>Est 2019</b>	<b>Est 2020</b>	<b>Est 2021</b>
1 Provide benefits to survivors of peace officers employed by private institutions of higher education killed in the line of duty	\$0	\$0	\$500,000	\$0	\$500,000
<b>Total, Cost Related to Expanded or New Initiatives</b>	<b>\$0</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$500,000</b>
<b>METHOD OF FINANCING</b>					
GENERAL REVENUE FUNDS	\$0	\$0	\$500,000	\$0	\$500,000
<b>Total, Method of Financing</b>	<b>\$0</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$500,000</b>

**FULL-TIME-EQUIVALENTS (FTES):**





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EMPLOYEES RETIREMENT  
SYSTEM OF TEXAS

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