

Public Agenda Item #16

Review and Discussion of the Deferred Compensation Program
TexaSaver 401(k) and 457 Plans and Monitoring Strategy Overview

December 2, 2016

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TexaSaverSM 401(k) / 457 Program



Program Overview

- Consists of two distinct plans:
 - TexaSaver 457 Plan
 - TexaSaver 401(k) Plan
- \$2.65 billion in assets (August 31, 2016)
- No state-appropriated funds
 - 100% funded by participants
- Flexible contribution options
- Administered by Empower Retirement

TEXA\$AVER
401(k) / 457 Program

TexaSaverSM 401(k) / 457 Program

Key Statistics



As of August 31, 2016	401(k) Plan	457 Plan
Current Assets	\$1,984.7 million	\$670.0 million
Participant Balances		
Average	\$10,950	\$21,252
Median	689	2,214
Monthly Deferrals:		
Average	\$129	\$238
Median	37	50
Total eligible to participate	151,866¹	250,837²
Participants with a balance	181,249	31,515
Contributing	92,527 51%	17,052 54%
Non-contributing	88,722 49%	14,463 46%

¹ Includes state employees only

² Includes both state and higher education employees

TexaSaverSM 401(k) / 457 Program

Administrative Fees



Plan Administrative Fees

- Cover Program recordkeeping costs
- Assessed to the 401(k) and 457 plans separately
- Assessed to before-tax and Roth after-tax contributions separately

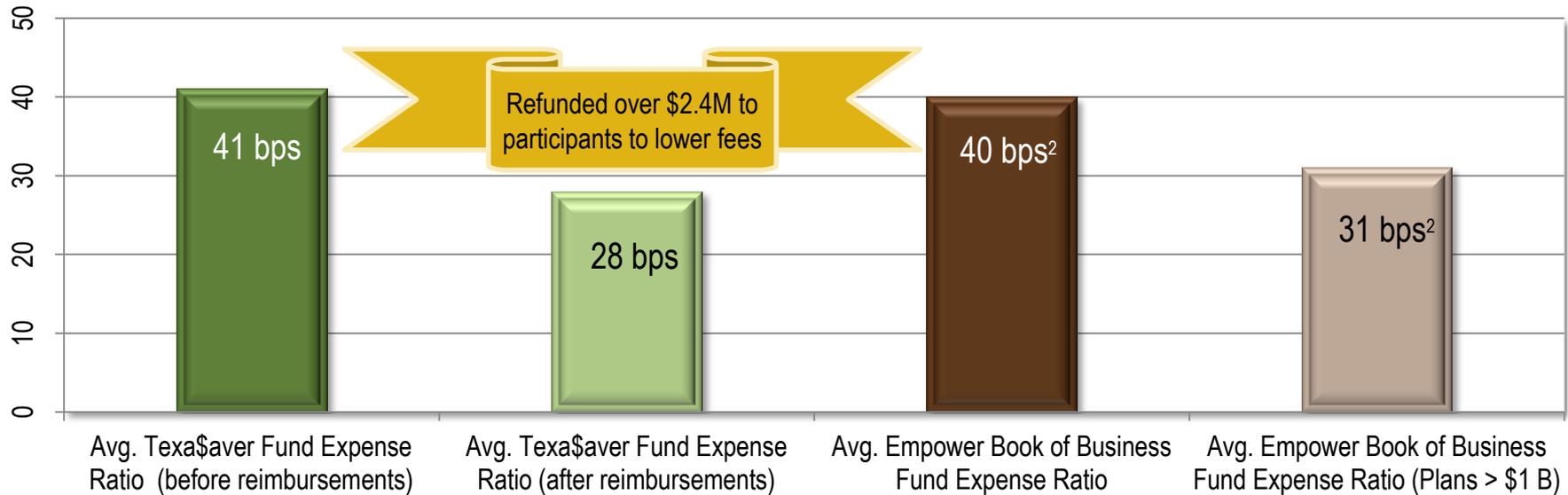
PARTICIPANT MONTHLY ADMINISTRATIVE FEES	
ACCOUNT BALANCE	AMOUNT (per account and per contribution type)
\$10.00 or less	No fees
Between \$10.01 and \$1,000.00	\$1.18
Between \$1,000.01 and \$16,000.00	\$3.99
Between \$16,000.01 and \$32,000.00	\$6.00
Between \$32,000.01 and \$48,000.00	\$8.17
Between \$48,000.01 and \$64,000.00	\$10.89
\$64,000.01 or more	\$13.62

TexaSaverSM 401(k) / 457 Program

Fund Expense Ratios & Reimbursements



Comparison of Average TexaSaver Fund Expense Ratio to Benchmarks
September 30, 2016



¹ TexaSaver works on a quarterly calendar year

² Provided by Empower Retirement

Texa\$averSM 401(k) / 457 Program

Monitoring



Monthly Monitoring Report (MMR)

- 16 Criteria are monitored for contractual compliance
- Criteria are organized into four major categories:



Account Management



Customer Service



Operations



Systems and Data Management

TEXA\$AVER

401(k) / 457 Program

Monthly Monitoring Report (MMR) Heat Map Summary

TexaSaver Deferred Compensation Program Empower Retirement

HEAT MAP COLOR LEGEND

No applicable activity.
Performance met standards.
Performance did not meet standards; PG assessment waived.
Performance did not meet standards; not a PG metric.
Performance did not meet standards; PG assessment pending.
Performance did not meet standards; PG assessed.

DESCRIPTION		Assessment Frequency	09-2015	10-2015	11-2015	12-2015	01-2016	02-2016	03-2016	04-2016	05-2016	06-2016	07-2016	08-2016
ACCOUNT MANAGEMENT	Annual participant satisfaction rate	Annually	≥ 90%											
	Written notice of changes	Any Incident	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Communication materials: quality, timeliness	Monthly	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Program reporting	Monthly	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Annual enrollment attendance	Any Incident												100%
CUSTOMER SERVICE	Respond to written correspondence	Quarterly	100%	100%			100%			100%			100%	
	Response online or escalated inquiries	Quarterly	100%	100%			100%			100%			100%	
	Answer calls within 30 seconds	Quarterly	100%	100%			100%			100%			100%	
OPERATIONS	Process financial transactions accurately	Monthly	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Manage statement activity: accuracy, timeliness	Quarterly	100%	100%			100%			100%			100%	
	Resolve statement errors accurately, timely	Quarterly	100%	100%			100%			100%			100%	
SYSTEMS and DATA MANAGEMENT	Process eligibility files accurately, timely	Any Incident	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Provide timely notification of file or transaction errors	Any Incident	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Ensure operational systems availability	Annual	≥ 99.5											
	Ensure website availability	Annual	≥ 99.5											
	Ensure data is maintained within the U.S.A.	Any Incident	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

TexaSaverSM 401(k) / 457 Program

Performance Guarantees



Level of Severity	Definition	Allocation of Risk
Severity 1 Emergency	<ul style="list-style-type: none">• Mission critical systems are down• Substantial loss of service• Business Operations have been severely disrupted	50% of the aggregate annual amount at risk
Severity 2 Critical	<ul style="list-style-type: none">• Major functionality is severely impaired• Operations can continue in a restricted fashion	25% of the aggregate annual amount at risk
Severity 3 Moderate	<ul style="list-style-type: none">• Business Operations are adversely impaired• Temporary work-around, acceptable to ERS, is immediately available	Occurrence 1: 3% Occurrence 2: 5% Occurrence 3: 6% Occurrence 4: 9%
Severity 4 Minor	<ul style="list-style-type: none">• Business Operations have been adversely affected in a limited manner• Modification of current policies and/or processes is required	2% of the aggregate annual amount at risk

Questions?