

Legislative Appropriations Request For Fiscal Years 2016 – 2017

Submitted to the Governor's Office of Budget, Planning and Policy And the Legislative Budget Board



By The Employees Retirement System of Texas
August 25, 2014

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**EMPLOYEES RETIREMENT SYSTEM OF TEXAS
LEGISLATIVE APPROPRIATION REQUEST
FOR FISCAL YEARS 2016 AND 2017**

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**ADMINISTRATOR'S STATEMENT
84TH REGULAR SESSION, FISCAL YEARS 2016-2017**

Agency Code: 327

Agency Name: Employees Retirement System of Texas

Ann S. Bishop, Executive Director

I am pleased to present the Legislative Appropriations Request (LAR) for the Employees Retirement System of Texas (ERS). This LAR requests the funding necessary to provide retirement and insurance benefits to more than 530,000 State of Texas employees, retirees, and eligible family members. These benefits support the State's goal to recruit, retain, and reward the high-quality workforce Texas needs to contribute to the State's economic growth and prosperity. The programs help provide financial security for more than 100,000 retired Texans and health care for one of about 50 Texans. The benefits we provide to ERS customers enhance the lives and livelihoods of countless Texans, with the impact of pension payments reinvested into local communities and by medical claim payments delivered to Texas doctors, hospitals, and pharmacies.

As detailed in this document, ERS faces unique funding challenges related to both the long-term investment environment and continuing changes in national health care structures and trends. This request acknowledges these considerations and presents a plan to support the full operations of the agency, including:

- four distinct retirement plans: service retirement for state employees, elected state officials, and district attorneys (ERS), law enforcement and custodial officers supplemental retirement program (LECOS), and judicial service retirement for state district and appellate judges (JRS 1 and 2);
- disability retirement benefits – occupational and non-occupational – that are a part of each plan;
- two death benefit programs: a \$5,000 lump-sum death benefit paid to survivors of state retirees and a \$250,000 special death benefit paid to the survivors of certain Texas public safety officers killed in the line of duty; and
- two insurance programs: health insurance and basic life insurance, both of which are provided to employees and retirees.

ACCOMPLISHMENTS

ERS operates a point of service benefits program, which has been successful and made possible by the ongoing commitment and careful stewardship of the State in combination with prudent contract and investment management by agency staff. ERS serves 534,762 employees, retirees and dependents participating in the Texas Employees Group Benefits Program (GBP), 133,669 employees contributing to pension accounts, and 91,367 retirees and beneficiaries receiving pension annuities. ERS benefit programs support state agencies and institutions of higher education in recruiting and retaining staff in more than 226,181 positions that help citizens throughout Texas achieve self-sufficiency, promote positive health outcomes, and enjoy dependable public safety. As one of the largest and fastest-growing states in the union, Texas relies on a diverse and comprehensive workforce, with positions ranging from State Troopers to Child Protective Services caseworkers. State benefits must compete with those offered by numerous public and private employers to attract and retain a qualified state workforce, but must do so at an efficient and sustainable cost to Texas taxpayers. With this in mind, ERS manages its programs efficiently with an unwavering focus on our members' needs, besting industry average cost models without sacrificing quality or value. We credit ERS' positive long-term investment

performance to our traditionally conservative investment approach, long-term focus, and diversified portfolio. ERS continues to build out our portfolios in high growth areas that allow the trust to benefit from shifting market influences. With no plans for significant changes to our investment strategy, the ERS trust fund should remain reasonably secure from future volatility in the market.

During the 2014-15 biennium, the ERS pension program continued to achieve above average investment returns, exceeding both the overall markets and internal policy benchmarks. Investment returns in FY13 totaled 10.07%, and returns so far in FY14 are even stronger – well above the current investment return assumption of 8% annually. Given the current economic environment and the market volatility that characterized the past fiscal period, this is a notable accomplishment for the ERS Trust, benefiting both the State and our retirees. ERS regularly reviews the full investment portfolio and continually balances funds between asset classes to achieve the highest risk adjusted returns possible given existing market conditions.

This past biennium, ERS continued to pursue a number of initiatives to improve provision of quality health-care benefits to both current employees and retirees while maintaining lower-than-average costs. ERS spends just three cents of every dollar on administrative costs for the primary health-care plan, HealthSelect of Texas, far below the 15 cent maximum allowed by the Affordable Care Act implementation and the 14 cent US average spending to administer health care claims. Simultaneously, the GBP's cost per employee is more than \$2,000 less than similar employer-based plans nationwide. To achieve these results, ERS engages in aggressive contracting practices, monitors cost management opportunities, identifies and addresses emerging cost drivers, focuses on encouraging behavior changes, and diligently maintains low administrative costs. These general strategies can be seen in the specific cost-savings initiatives implemented by the agency, including:

- renegotiating the Pharmacy Benefit Manager Contract for FY3-14 (\$41.0 million);
- implementing a new Medicare-primary retiree drug plan in Plan Year 2014 (\$40.3 million);
- initiating Patient-Centered Medical Home projects from FY12-14 (\$31.5 million);
- increasing HealthSelect of Texas network provider discounts (\$15.0 million); and
- auditing past retiree drug subsidy claims (\$7.0 million).

Per the requirements of Rider 14, Senate Bill 1, 83rd Legislature, Regular Session, ERS is also finalizing the results of a study on the impacts of offering alternative healthcare plan choices. The related report, to be released on September 1, 2014, will address potential premiums for basic coverage to members and dependents, actuarial impacts to existing group programs, and identify applicable requirements or impacts of the Affordable Care Act.

APPROPRIATIONS REQUEST FOR THE RETIREMENT PROGRAM

Texas begins funding retirement benefits as soon as a worker enters the system, funding the benefits throughout an employee's working career at a percentage of the employee's 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. The current normal cost for the ERS employee retirement trust fund is 11.57%. Beginning September 1, 2014, the State will contribute 7.5%, agencies will contribute 0.5%, and system members will contribute 6.9%, for a total of 14.9%.

While this may at first appear to provide a healthy funding level for the program it does not take into account existing unfunded liabilities. The unfunded liability of a system is adversely affected when the system does not consistently receive enough contributions to pay the cost of

providing benefits and pay down any unfunded liability. The trust fund has not received adequate contributions in 19 of the past 20 years, significantly contributing to the current unfunded liability of \$7.2 billion. While the contribution rate increases enacted last session -- from both the state and employees-- were helpful they were not sufficient to eliminate the unfunded liability. The trust currently has just 74 cents of every dollar needed to pay future benefits. To cover this unfunded liability, contributions would need to increase to an actuarially sound contribution (ASC) rate. The projected ASC for the ERS employee retirement trust fund is 19.79%. If not addressed this session, this liability is projected to increase another \$2.4 billion, to \$9.6 billion by FY2018, a steep price to pay for inaction.

Because actuarial calculations are based on assumptions of expected levels of investment returns, the negative impact of underfunded contribution rates is compounded on an annual basis; the sooner corrections begin the less costly they will be. Even though ERS investment operations are currently realizing higher than average returns, the gains are applied to a smaller fund balance than needed to cover future expenditures. To eliminate the unfunded liability strictly through investment returns, with no increase to contribution rates, would require consistent returns of 11% per year for at least 10 years, with 8% returns in subsequent years. Even with above average performance, it would be imprudent to target an 11% return in the current market environment. Without some form of intervention, the trust is anticipated to run out of funds in 2052, around the same time a current 25-year-old state employee will be considering retirement.

In addition to inadequate contribution rates, investment losses during the economic downturn in 2008 and a decrease in the employee population have also contributed to the trust being underfunded. Recent changes to government accounting standards will soon compound the impact of these factors even further, and could have a negative impact on larger statewide financing structures. New regulations from the Governmental Accounting Standards Board (GASB), GASB 67 and 68, impact the way pension funds must account for and report certain information. It is important to remember that accounting changes do not alter the underlying fundamentals; what is owed to a plan member under current standards will not change under the new standards. Among other changes, these regulations will require ERS to report the market value of assets rather than their actuarial value, and to use a blended rate of investment returns when assets do not fully cover liabilities. These changes are expected to increase the unfunded liability ERS reports from \$7.2 billion to \$14.2 billion. This change in reporting – increasing pension liabilities to an amount equal to 93% of the State's outstanding general obligation debt – could begin to influence changes to Texas' historically strong credit ratings, potentially increasing the cost of debt financing in other areas of the budget. GASB 67 and 68 require that these changes be included in the State's reported balance sheets in FY 2015. Returning to a plan for fully funding actuarial sound contribution rates will not only provide stability and security to the ERS trust but could ensure other state financing programs are not impacted. Providing funding for ERS exceptional item requests is the most economical way for the state to address the outstanding liabilities, as it would generate greater investment earnings over time to help pay down liabilities.

BASELINE REQUEST FOR THE RETIREMENT PROGRAM

- Employee and Elected Class Retirement Trust Fund: **\$592 million GR/GRD** (\$910.3 million All Funds)

The baseline assumes a continued state contribution of 7.5% per year. The statutory member contribution is assumed at 7.2% in FY16 and 7.5% in FY17, and the agency contribution of 0.5%, instituted in FY14, is assumed to continue. This baseline request (total employer and employee contribution rates of 15.2% and 15.5% respectively) exceeds the current normal cost of 11.57%; however, it does not cover the ASC rate of 19.79% and is not sufficient to amortize the unfunded accrued liability.

- LECOS Trust Fund: **\$14.2 million GR/GRD** (\$16.2 million All Funds)

The baseline assumes a state contribution of 0.5%, a statutory member contribution of 0.5%, and an additional contribution from state court fees of approximately 1.2%. This baseline request (2.2%) is higher than the current normal cost of 1.8% but is lower than the ASC of 3.16% and is not sufficient to amortize the unfunded accrued liability.

- Judicial Retirement System Plan 1 (JRS 1): \$53.1 million GR

JRS 1 is a closed plan for justices assuming the bench prior to September 1, 1985 and receives appropriations equal to current benefit payments.

- Judicial Retirement System Plan 2 (JRS 2): \$15.1 million GR (\$24.3 million All Funds)

The baseline assumes a state contribution of 15.663% and a member contribution of 7.2% in FY2016 and 7.5% in FY2017. This baseline request (22.863% and 23.163%) is higher than the current normal cost of 20.96% but is lower than the ASC of 24.29% and is not sufficient to amortize the unfunded accrued liability.

- Financial Assistance to Survivors of Certain Law Enforcement Officers and Fire Fighters: \$10.9 million GR/GRD

The baseline assumes benefit funding at the FY15 appropriated level.

- Retiree Death Benefit: \$19.5 million GR

The baseline assumes lump-sum benefit funding at the FY 2014 actual level.

EXCEPTIONAL ITEM REQUESTS FOR THE RETIREMENT PROGRAM

- Actuarially Sound Contribution for ERS Retirement Trust: \$350.2 million GR/GRD (\$ 538.4 million All Funds)

Texas Government Code, Sec. 811.006 requires funding of an actuarially sound contribution rate (ASC). The projected ASC rate is 19.79%, comprised of the normal cost of 11.57% and the additional contributions needed to erase the unfunded liability over 31 years. The current difference between the normal cost and the ASC rate is 8.22%. Maintaining the State's current contribution of 7.5% is projected to result in a trust fund depletion date of 2052. A 10% state contribution funding level would extend the projected trust fund depletion date by 28 years to FY 2080. An 11.94% state contribution funding level would make the fund actuarially sound by 2046 assuming continued funding at the ASC level.

The system first reported an unfunded liability in 2003, following years of reduced contributions, the impact of retirement incentives, and two years of negative investment returns. The unfunded liability has continued to grow – from \$500 million as of August 31, 2003 to \$7.2 billion as of August 31, 2013 – in part due to asset losses in the recent underperforming financial markets, but also because the fund has not received sufficient contributions to cover the normal cost and pay down the unfunded debt. Increased retirement rates as a result of State policy changes have also played a role in the liability calculations. The growth in unfunded liability was partially offset by plan design changes made in 2009, and 2013, and the lack of regular salary increases.

We offer the following four options to bring the trust into actuarial soundness for the first time since FY03 and meet the GASB tests for asset depletion, reducing any potential burden on general state financial ratings from increasing pension liabilities. These options are not mutually exclusive and any combination of these options could be used to achieve actuarial soundness.

- **Appropriate the Full ASC Rate to ERS:** Funding benefits at the ASC will allow investment earnings to compound and grow over the employee's working career.
 - **Adjust the Annual Membership Fee:** For the current biennium, ERS was appropriated an annual membership fee of \$3.00 per contributing member. To fill the remaining funding gap and meet the full ASC rate of 19.79%, the membership fee could be increased. A membership fee increase of \$454 is equivalent to a 1% contribution rate increase. While there is a statutory minimum for the fee, \$2 per member per year, there is no established maximum amount for an annual retirement membership fee.
 - **Reduce Employee Benefits through Plan Design Changes:** The Legislature may pass benefit design changes to reduce the total cost of the program. Because of the amount of cost reductions that would be required, and the significant balance of the existing unfunded liability, changes or reductions in benefit levels would need to be made to both new employees and existing employees to effectively address the trust's actuarial soundness. Due to the importance of ERS benefit programs to maintaining a strong and responsive state workforce, benefit design changes could increase statewide employee turnover – increasing costs related to recruitment, retention, and training – and negatively impact state agencies' ability to provide needed services through employees, such as State Troopers, Child Protective Service caseworkers, oil rig inspectors, correctional officers, and transportation maintenance workers.
 - **Increase Member Contributions:** During the 83rd Legislative session, member contributions were increased to 6.6% in 2014, 6.9% in 2015, 7.2% in 2016 and 7.5% in 2017.
- Actuarially Sound Contribution for LECOS Fund: \$27.3 million GR/GRD (\$31.0 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 1.96%, requiring an employer contribution of 1.46%, in addition to the member contribution of 0.5% and the additional court fee contribution of approximately 1.2%.
 - Current Actuarially Sound Contribution for Judicial Retirement Plan 2: \$1.2 million GR (\$2.0 million All Funds)

This request provides the full ASC rate as required in Sec. 840.106 of the Texas Government Code. The current JRS2 ASC rate is 24.29%, requiring a total employer contribution of 16.94% in addition to the member contribution of 7.2 % and 7.5% for Fiscal Years 2016 and 2017. JRS 2 was actuarially sound within 13 years as of August 31, 2010; however, due to decreased state contributions in FY12-13, the plan is no longer sound within an infinite amortization period.

Both the normal cost and the ASC rate will change based on the fiscal year-end actuarial valuation of the trust fund. Please note the normal costs and ASC rate are accurate as of August 31, 2013; updated numbers will be available following the audited financial report for FY14.

APPROPRIATIONS REQUEST FOR THE TEXAS EMPLOYEES GROUP BENEFITS PROGRAM (HEALTH COVERAGE)

ERS continues to face significant challenges in the GBP due to rising costs associated with health care delivery nationally. Although the nationwide rate of increase has declined in recent years – falling below cost trends of the 1990s and early 2000s – health care costs continue to rise faster than national income and the overall rate of inflation. The average annual health benefit cost trend is projected to be 8.5% from FY15 through FY17. Three major factors contribute most significantly to cost increases: the development of expensive new technologies and medical procedures; a rise in chronic diseases due in part to the aging population and the escalating obesity epidemic; and increases in both the cost and use of pharmaceuticals, particularly compound and specialty drugs. For example, in the past five years the cost of compound drugs prescribed in the HealthSelect of Texas plan has increased 4,600%, from \$660,000 in FY09 to \$31.3 million in FY14. While many of the factors of recent health care cost increases are beyond ERS' control, we have successfully kept our administrative costs low, allowing more funding to flow into direct health care services. In addition to maintaining impressively low average administrative costs, we were able to lower direct medical expenses in FY13 by \$5.5 billion through careful utilization management, prepayment claims editing, participant cost sharing, improved coordination of benefits, and other cost management tools.

Given the stress of health care cost trends, maintaining funding levels at baseline levels for FY16-17 will be insufficient, leading to a significant funding gap within the first year. During the 83rd Regular Session, legislators made use of the Contingency Reserve Fund to fill \$86.1 million in projected health care expenditures. Texas Government Code, Sec. 1551.211 requires ERS to seek to maintain a balance equal to 60 days of claims expenditures in the Contingency Reserve Fund. Health plan expenditure estimates for FY16-17 significantly exceed baseline funding. To ensure ERS is able to maintain a stable and secure health care program without reducing or restricting member benefit options, we request the legislature provide the following exceptional item funding beyond the baseline request.

BASELINE REQUEST FOR THE GROUP BENEFITS PROGRAM: \$3.27 BILLION ALL FUNDS

The baseline request, prescribed by the Legislative Budget Board, is calculated according to previous ERS funding levels not plan needs, and is insufficient to cover projected FY16-17 benefit costs. Funding at this level would not maintain existing plan benefits or structure and would require changes to benefit design. Baseline funding also does not address required appropriations to bring the Contingency Reserve Fund up to the statutory level as required by Texas Government Code 1551.211.

EXCEPTIONAL ITEM REQUESTS FOR THE GROUP BENEFITS PROGRAM

- Provide Benefits to State Employees at Existing Levels: **\$190.5 million GR /GRD** (\$289.9 million All Funds)

In addition to the baseline request, the GBP requires \$289.8 million in All Funds to operate the program at a level sufficient to maintain existing health plan benefits and cover projected health care industry cost trends of 8.5% per year. The request reflects an increase of 6.9% funding and assumes expending the contingency funds down to \$100 million at the end of the biennium.

Without funding of this exceptional item, the ERS Board will need to implement benefit design changes to reduce the total cost of the program over the biennium, potentially reducing benefits or shifting health care costs directly to employees. Since ERS benefit programs are important to maintaining a strong and responsive state workforce, benefit design changes could increase statewide employee turnover – increasing

costs related to recruitment, retention, and training – and negatively impact state agencies' ability to provide needed services through employees, such as State Troopers, Child Protective Service caseworkers, oil rig inspectors, correctional officers, and transportation maintenance workers.

- Replenish Statutory Contingency Reserve Fund: \$217.1 million GR/GRD (\$330.4 million All Funds)

Texas Government Code, Sec. 1551.211 requires ERS to maintain the Contingency Reserve Fund at a balance equal to 60 days of claims expenditures for the upcoming biennium, and to request from the legislature such any appropriation necessary to meet this purpose. This exceptional item request, in combination with additional funding from (a) higher education institutions, (b) other employers participating in the program, and (c) members who elect dependent coverage, is estimated to be sufficient to meet the statutory minimum requirement.

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 Chief Operating Officer, 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.

CONCLUSION

ERS is proud of its role in supporting the dynamic Texas economic engine and mission of the State. We look forward to working with the 84th Legislature to determine how ERS programs can continue to best meet the needs of the State, its active and retired workforce, employer agencies, and Texas residents.

EMPLOYEES RETIREMENT SYSTEM OF TEXAS

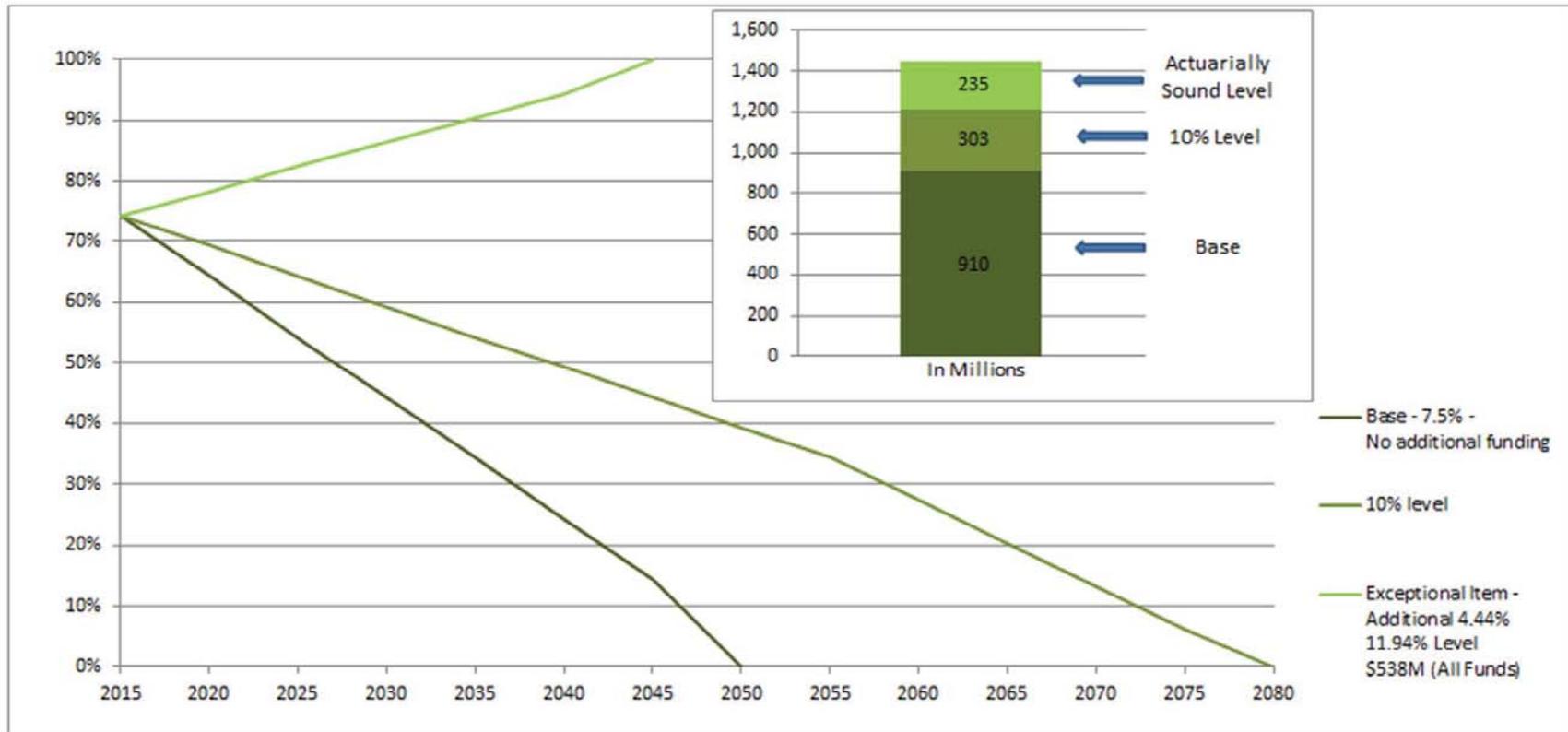
Board Members	Dates of Terms	Hometown
Brian D. Ragland, Chair	September 1, 2011 – August 31, 2017	Austin
Frederick E. "Shad" Rowe, Vice-Chair	November 28, 2011 – August 31, 2014	Dallas
Yolanda Griego	September 1, 2009 – August 31, 2015	El Paso
Craig Hester	November 1, 2005 – August 31, 2016	Austin
Cydney C. Donnell	June 20, 2007 – August 31, 2018	College Station
Cheryl MacBride	October 19, 2009 – August 31, 2019	Austin

ERS Retirement Trust Fund

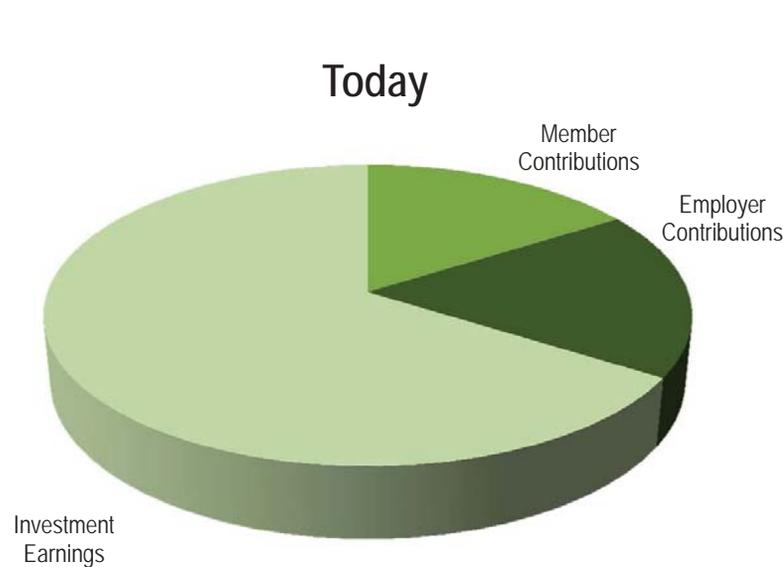
Impact of Base and Exceptional Funding Levels



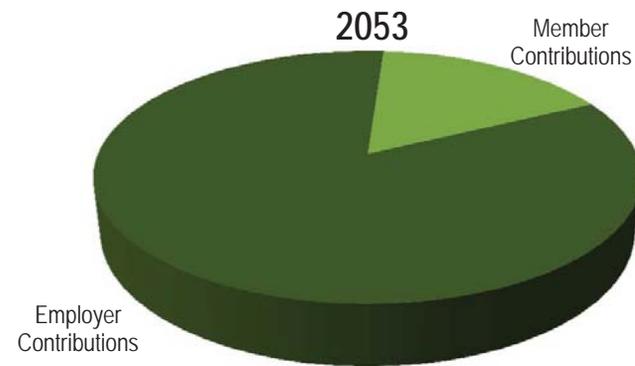
Additional Funding Changes Course of Plan



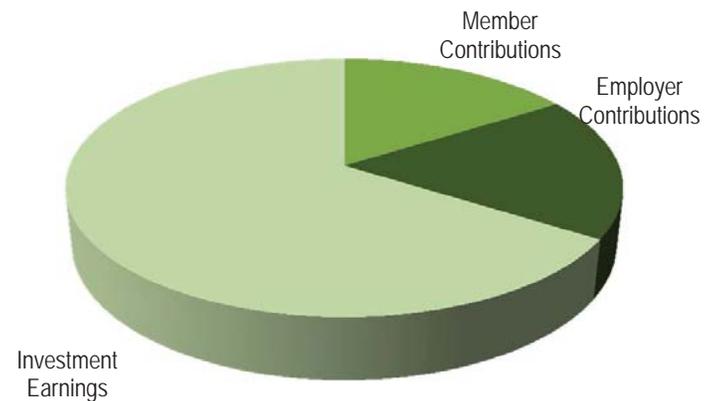
Compounded investment earnings minimize the amount of employer contributions



Investment earnings are about two-thirds of Trust fund revenue

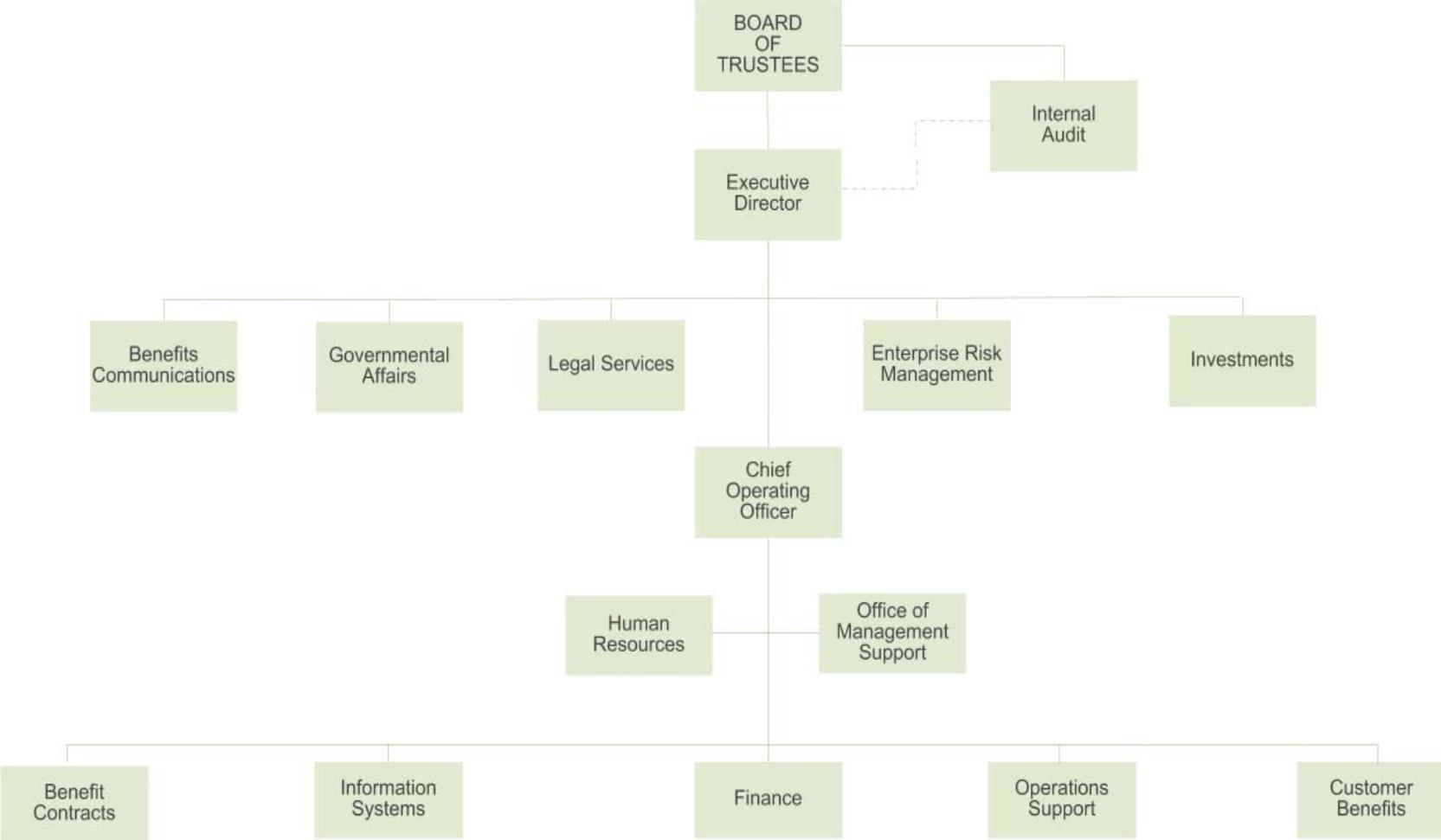


Assuming No Additional Funding



Assuming Funded At Actuarially Sound Level 2016-2052

EMPLOYEES RETIREMENT SYSTEM OF TEXAS
AGENCY ORGANIZATION CHART



**EMPLOYEES RETIREMENT SYSTEM OF TEXAS (ERS)
ORGANIZATIONAL CHART SUPPLEMENTARY INFORMATION**

1) BOARD OF TRUSTEES

The board is composed of six members and headed by the Chairperson. It is responsible for formulating the basic policies, rules and regulations consistent with the purposes, policies, principles and standards stated in the statutes. The board members serve as fiduciaries of all trust funds administered by the ERS. The Executive Director and Internal Audit report to the Board of Trustees.

2) EXECUTIVE DIRECTOR

The Executive Director, who manages a staff of six, is appointed by the Board of Trustees. The Executive Director advises and recommends to the board what will be needed to transact the business of the ERS. The Executive Director is responsible for the preparation of an annual operating budget indicating the amount needed to pay the retirement system's expenses for the following fiscal year. This budget is submitted to the board for review and adoption. Governmental Affairs, Investments, Benefits Communications, Enterprise Risk Management and Legal Services staff report to the Executive Director.

3) INTERNAL AUDIT

The Director of Internal Audit directs a staff of three. Internal Audit provides independent, objective assurance and advisory services to the agency.

4) LEGAL SERVICES

The General Counsel & Chief Compliance Officer directs a staff of 16. The Legal Services division advises the Board of Trustees, the Executive Director and Division Directors regarding all legal matters affecting ERS and the programs it administers. Division staff represents ERS and the Board of Trustees in administrative appeals related to members and retirees claims for insurance benefits and disability retirement.

5) GOVERNMENTAL AFFAIRS

The Director of Governmental Affairs directs a staff of eight. Governmental Affairs serves as the key contact and liaison for requests and inquiries from the Governor's office, Legislature, and legislative agencies. It monitors and reports on ERS related legislation, legislative studies, and studies or reports conducted by other state agencies.

6) BENEFITS COMMUNICATIONS

The Director of Benefit Communications directs a staff of 11. The Division coordinates communication campaigns to engage stakeholders for informed decision making. The Division manages communications with ERS members and participants including employees, retirees and human resources staff of the employers served by ERS. Writers, graphic designers, trainers, and speakers educate these audiences through print publications, the ERS website, face-to-face presentations, webcasts and benefit fairs.

7) INVESTMENTS

The Chief Investments Officer directs a staff of 71. The Investments Division supports retirement security by maintaining a professional and diversified investment program. It is responsible for managing fund assets including research and portfolio management of fixed income, public equity, and alternative investments such as private equity, private real estate, and hedge funds.

8) CHIEF OPERATING OFFICER

The Chief Operating Officer, who directs a staff of seven, is responsible for the daily operations of the ERS. Benefit Contracts, Finance, Customer Benefits, Human Resources, Information Systems, Operations Support, and the Office of Management Support staff report to the Chief Operating Officer.

9) HUMAN RESOURCES

The Human Resources Director directs a staff of four. The Human Resources Division is responsible for administering the personnel program for ERS.

10) BENEFIT CONTRACTS

The Director of Benefit Contracts directs a staff of 21. The Benefit Contracts division is responsible for the administration of contracts with vendors to sustain competitive group benefits programs to ERS customers. The group benefits program includes HealthSelect and HMOs, a pharmacy benefit manager, dental insurance, and short and long term disability. The Division also oversees the flexible benefits and deferred compensation programs.

11) FINANCE

The Chief Financial Officer directs a staff of 36. The Finance division enhances agency performance and accountability by performing the accounting, financial reporting and budgeting functions for the agency. The division includes Budget, General Accounting, Client Reconciliation, Purchasing, Investment Accounting, and Revenue Processing.

12) CUSTOMER BENEFITS

The Director of Customer Benefits directs a staff of 99. The Customer Benefits division provides customer service to members through the contact center and counseling and responds to benefit related inquiries from ERS customers. Division staff calculates and pays annuity and survivor benefits, and processes insurance transactions.

13) INFORMATION SYSTEMS

The Chief Information Officer directs a staff of 73. The Information Systems division is responsible for the development and operation of all automated systems in support of the agency's mission. It supports baseline operations and strategic initiatives by providing information security, business analysis, project management, development and quality control services. The division also provides production control of automated systems.

14) OPERATIONS SUPPORT

The Operations Support Director directs a staff of 15. The Operations Support division provides support services such as records management, printing, mail and building maintenance.

2.A. Summary of Base Request by Strategy

8/22/2014 7:58:08PMb

84th Regular Session, Agency Submission, Version 1 b

Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

Goal / Objective / STRATEGYi	Exp 2013i	Est 2014i	Bud 2015i	eq 2016i	eq 2017i
1i To Administer Comprehensive and Actuarially Sound Retirement Programsb					
1i Ensure Actuarially Sound Retirement Programs					
1 ERS - RETIREMENT i	367,480,423	441,363,230b	455,140,887b	455,140,887b	455,140,887b
2 LECOS RETIREMENT PROGRAM i	7,145,311b	7,467,326b	8,078,024b	8,078,024b	8,078,024b
3 JUDICIAL RETIREMENT SYSTEM - PLAN 2 i	4,549,182b	12,161,723	12,161,723	12,161,723	12,161,723
4 JUDICIAL RETIREMENT SYSTEM - PLAN 1 i	25,578,389b	27,730,042b	27,107,854b	26,738,031b	26,322,813
5 PUBLIC SAFETY BENEFITS i	7,527,386b	8,164,428b	5,471,851b	5,471,851b	5,471,851b
6 RETIREE DEATH BENEFITS i	9,123,515b	9,770,000b	9,770,000b	9,770,000b	9,770,000b
TOTAL, GOALi 1i	\$421,404,206i	\$506,656,749i	\$517,730,339i	\$517,360,516i	\$516,945,298i
2i Provide Employees & Retirees with Quality Health Programb					
1i Manage GBP for State & Higher Education Employees					
1 GBP - GENERAL STATE EMPLOYEES i	1,348,805,998b	1,458,893,462b	1,635,936,581b	1,636,514,013	1,636,514,013
2 POST RETIREMENT HEALTH BENEFITS i	0b	0b	0b	0b	0b

2.A. Summary of Base Request by Strategy

8/22/2014 7:58:08PMb

84th Regular Session, Agency Submission, Version 1 b

Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

Goal / Objective / STRATEGY	Exp 2013i	Est 2014i	Bud 2015i	eq 2016i	eq 2017i
TOTAL, GOAL 2i	\$1,348,805,998i	\$1,458,893,462i	\$1,635,936,581i	\$1,636,514,013i	\$1,636,514,013i
TOTAL, AGENCY STRATEGY REQUEST	\$1,770,210,204i	\$1,965,550,211i	\$2,153,666,920i	\$2,153,874,529i	\$2,153,459,311i
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				\$0 i	\$0 i
GRAND TOTAL, AGENCY REQUEST	\$1,770,210,204i	\$1,965,550,211i	\$2,153,666,920i	\$2,153,874,529i	\$2,153,459,311i

2.A. Summary of Base Request by Strategy

8/22/2014 7:58:08PMb

84th Regular Session, Agency Submission, Version 1 b

Automated Budget and Evaluation System of Texas (ABEST)b

327 Employees Retirement Systemi

Goal / Objective / STRATEGYi	Exp 2013i	Est 2014i	Bud 2015i	eq 2016i	eq 2017i
<u>METHOD OF FINANCING:b</u>					
General Revenue Funds:i					
1 General Revenue Fundb	1,067,140,511 b	1,226,593,596 b	1,346,722,114 b	1,346,929,723	1,346,514,505 b
SUBTOTALi	\$1,067,140,511 i	\$1,226,593,596 i	\$1,346,722,114 i	\$1,346,929,723 i	\$1,346,514,505 i
General Revenue Dedicated Funds:i					
994 GR Dedicated Accountsb	70,665,538 b	74,027,215 b	81,149,428 b	81,149,428 b	81,149,428 b
SUBTOTALi	\$70,665,538 i	\$74,027,215 i	\$81,149,428 i	\$81,149,428 i	\$81,149,428 i
Federal Funds:i					
555 Federal Fundsb	324,223,314 b	351,282,879 b	379,194,724 b	379,194,724 b	379,194,724 b
SUBTOTALi	\$324,223,314 i	\$351,282,879 i	\$379,194,724 i	\$379,194,724 i	\$379,194,724 i
Other Funds:i					
6 State Highway Fundb	294,633,607 b	300,154,790 b	332,303,148 b	332,303,148 b	332,303,148 b
573 Judicial Fundb	1,819,673	4,629,968 b	4,629,968 b	4,629,968 b	4,629,968 b
998 Other Special State Fundsb	11,727,561 b	8,861,763	9,667,538 b	9,667,538 b	9,667,538 b
SUBTOTALi	\$308,180,841 i	\$313,646,521 i	\$346,600,654 i	\$346,600,654 i	\$346,600,654 i
TOTAL, METHOD OF FINANCINGi	\$1,770,210,204 i	\$1,965,550,211 i	\$2,153,666,920 i	\$2,153,874,529 i	\$2,153,459,311 i

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

2.B. Summary of Base Request by Method of Finance1
 84th Regular Session, Agency Submission, Version 1 ,
 Automated Budget and Evaluation System of Texas (ABEST),

8/22/2014 7:58:08PM,

Agency code:, **3271**

Agency name:, **Employees Retirement System1**

METHOD OF FINANCING1	Exp 20131	Est 20141	Bud 20151	eq 20161	eq 20171
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GENERAL REVENUE1

General Revenue Fund,

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2012-13 GAA),

\$1,100,262,788 ,	\$0 ,	\$0 ,	\$0 ,	\$0 ,
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Regular Appropriations from MOF Table (2014-15 GAA),

\$0 ,	\$1,194,641,620 ,	\$1,318,609,742 ,	\$0 ,	\$0 ,
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Estimated Appropriation Revision from MOF Table (2012-13 GAA),

\$2,485,317 ,	\$0 ,	\$0 ,	\$0 ,	\$0 ,
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Estimated Appropriation Revision from MOF Table (2014-15 GAA),

\$0 ,	\$4,432,952 ,	\$2,044,050 ,	\$0 ,	\$0 ,
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Regular Appropriations,

\$0 ,	\$0 ,	\$0 ,	\$1,346,929,723 ,	\$1,346,514,505 ,
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RIDER APPROPRIATION

Art IV, Spec Provisions, Sec 11, Judicial Compensation, (2014-2015 GAA),

\$0 ,	\$3,801,602 ,	\$3,801,602 ,	\$0 ,	\$0 ,
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2.B. Summary of Base Request by Method of Finance1
 84th Regular Session, Agency Submission, Version 1 ,
 Automated Budget and Evaluation System of Texas (ABEST),

8/22/2014 7:58:08PM,

Agency code:, **3271**

Agency name:, **Employees Retirement System1**

METHOD OF FINANCING1	Exp 20131	Est 20141	Bud 20151	eq 20161	eq 20171
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GENERAL REVENUE1

Art IX, Sec 17.12 Additional Appropriation for Employee Benefits (2014-15 GAA),	\$0 ,	\$15,108,415 ,	\$16,314,087 ,	\$0 ,	\$0 ,
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SB 1, 83rd Leg, Regular Session Art I Rider 4b, (2014-15 GAA),	\$(33,891,305),	\$34,369,027 ,	\$0 ,	\$0 ,	\$0 ,
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TRANSFERS

Art IX, Sec 17.07 Salary Increases for State Employees in Salary Schedule C (2014-15 GAA),	\$0 ,	\$165,101 ,	\$337,811 ,	\$0 ,	\$0 ,
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SB 1, 83rd Leg, Regular Session Art I Rider 4b, (2014-15 GAA),	\$(6,413,897),	\$0 ,	\$0 ,	\$0 ,	\$0 ,
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Art IX, Sec 17.06 Salary Increase for General State Employees (2014-15 GAA),	\$0 ,	\$4,012,066 ,	\$8,186,668 ,	\$0 ,	\$0 ,
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SUPPLEMENTAL, SPECIAL OR EMERGENCY APPROPRIATIONS

SB 2, 82nd Leg, 1st Called Session Sec 2 LECOS Retirement Fund,(2012-13 GAA),	\$6,698,395 ,	\$0 ,	\$0 ,	\$0 ,	\$0 ,
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2.B. Summary of Base Request by Method of Finance1
 84th Regular Session, Agency Submission, Version 1 ,
 Automated Budget and Evaluation System of Texas (ABEST),

8/22/2014 7:58:08PM,

Agency code:, **3271**

Agency name:, **Employees Retirement System1**

METHOD OF FINANCING1	Exp 20131	Est 20141	Bud 20151	eq 20161	eq 20171
<u>GENERAL REVENUE1</u>					
<i>LAPSED APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2012-13 GAA),	\$ (2,000,787),	\$ 0 ,	\$ 0 ,	\$ 0 ,	\$ 0 ,
Regular Appropriations from MOF Table (2014-15 GAA),	\$ 0 ,	\$ (29,937,187),	\$ (2,571,846),	\$ 0 ,	\$ 0 ,
TOTAL, 1 General Revenue Fund1	\$1,067,140,511 1	\$1,226,593,596 1	\$1,346,722,1 4 1	\$1,346,929,723 1	\$1,346,514,505 1
TOTAL, ALL1 GENERAL REVENUE1	\$1,067,140,511 1	\$1,226,593,596 1	\$1,346,722,1 4 1	\$1,346,929,723 1	\$1,346,514,505 1

GENERAL REVENUE FUND - DEDICATED1

9941 General Revenue Dedicated Accounts,

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2012-13 GAA),	\$73,132,222 ,	\$ 0 ,	\$ 0 ,	\$ 0 ,	\$ 0 ,
Regular Appropriations from MOF Table (2014-15 GAA),	\$ 0 ,	\$71,411,911 ,	\$79,074,827 ,	\$ 0 ,	\$ 0 ,

2.B. Summary of Base Request by Method of Finance1
 84th Regular Session, Agency Submission, Version 1 ,
 Automated Budget and Evaluation System of Texas (ABEST),

8/22/2014 7:58:08PM,

Agency code:, **3271**

Agency name:, **Employees Retirement System1**

METHOD OF FINANCING1	Exp 20131	Est 20141	Bud 20151	eq 20161	eq 20171
<u>GENERAL REVENUE FUND - DEDICATED1</u>					
Estimated Appropriation Revision from MOF Table (2012-13 GAA),	\$125,000 ,	\$0 ,	\$0 ,	\$0 ,	\$0 ,
Estimated Appropriation Revision from MOF Table (2014-15 GAA),	\$0 ,	\$303,676 ,	\$0 ,	\$0 ,	\$0 ,
Regular Appropriations,	\$0 ,	\$0 ,	\$0 ,	\$81,149,428 ,	\$81,149,428 ,
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 17.12 Additional Appropriation for Employee Benefits (2014-15 GAA),	\$0 ,	\$980,197 ,	\$1,033,862 ,	\$0 ,	\$0 ,
SB 1, 83rd Leg, Regluar Session Art I Rider 4b, (2014-15 GAA),	\$(2,262,595),	\$2,482,727 ,	\$0 ,	\$0 ,	\$0 ,
<i>TRANSFERS</i>					
Art IX, Sec 17.07 Salary Increases for State Employees in Salary Schedule C (2014-15 GAA),	\$0 ,	\$220,013 ,	\$450,116 ,	\$0 ,	\$0 ,

2.B. Summary of Base Request by Method of Finance1
 84th Regular Session, Agency Submission, Version 1 ,
 Automated Budget and Evaluation System of Texas (ABEST),

8/22/2014 7:58:08PM,

Agency code:, **3271**

Agency name:, **Employees Retirement System**

METHOD OF FINANCING1	Exp 20131	Est 20141	Bud 20151	eq 20161	eq 20171
<u>GENERAL REVENUE FUND - DEDICATED1</u>					
Art IX, Sec 17.06 Salary Increase for General State Employees (2014-15 GAA),	\$0 ,	\$243,673 ,	\$590,623 ,	\$0 ,	\$0 ,
<i>SUPPLEMENTAL, SPECIAL OR EMERGENCY APPROPRIATIONS</i>					
SB 2, 82nd Leg, 1st Called Session Sec 2 LECOS Retirement Fund,(2012-13 GAA),	\$96,261 ,	\$0 ,	\$0 ,	\$0 ,	\$0 ,
<i>LAPSED APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2012-13 GAA),	\$(425,350),	\$0 ,	\$0 ,	\$0 ,	\$0 ,
Regular Appropriations from MOF Table (2014-15 GAA),	\$0 ,	\$(1,614,982),	\$0 ,	\$0 ,	\$0 ,
TOTAL, 1 General Revenue Dedicated Accounts	\$70,665,538 1	\$74,027,215	\$81,149,428 1	\$81,149,428 1	\$81,149,428 1
TOTAL, ALL1 GENERAL REVENUE FUND - DEDICATED1	\$70,665,538 1	\$74,027,215 1	\$81,149,428 1	\$81,149,428 1	\$81,149,428 1
TOTAL, 1 GR & GR-DEDICATED FUNDS	\$1,137,806,049 1	\$1,300,620,811 1	\$1,427,871,542 1	\$1,428,079,151 1	\$1,427,663,933 1

FEDERAL FUNDS1

2.B. Summary of Base Request by Method of Finance1
 84th Regular Session, Agency Submission, Version 1 ,
 Automated Budget and Evaluation System of Texas (ABEST),

8/22/2014 7:58:08PM,

Agency code:, **3271**

Agency name:, **Employees Retirement System1**

METHOD OF FINANCING1	Exp 20131	Est 20141	Bud 20151	eq 20161	eq 20171
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FEDERAL FUNDS1

5551 Federal Funds,

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2012-13 GAA),	\$337,101,892 ,	\$0 ,	\$0 ,	\$0 ,	\$0 ,
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Regular Appropriations from MOF Table (2014-15 GAA),	\$0 ,	\$344,738,440 ,	\$373,128,625 ,	\$0 ,	\$0 ,
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Regular Appropriations,	\$0 ,	\$0 ,	\$0 ,	\$379,194,724 ,	\$379,194,724 ,
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RIDER APPROPRIATION

Art IX, Sec 17.12 Additional Appropriation for Employee Benefits (2014-15 GAA),	\$0 ,	\$3,229,110 ,	\$3,929,955 ,	\$0 ,	\$0 ,
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SB 1, 83rd Leg, Regular Session Art I Rider 4b, (2014-15 GAA),	\$(10,844,566),	\$10,385,427 ,	\$0 ,	\$0 ,	\$0 ,
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TRANSFERS

Art IX, Sec 17.06 Salary Increase for General State Employees (2014-15 GAA),					
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2.B. Summary of Base Request by Method of Finance1
 84th Regular Session, Agency Submission, Version 1 ,
 Automated Budget and Evaluation System of Texas (ABEST),

8/22/2014 7:58:08PM,

Agency code:, **3271**

Agency name:, **Employees Retirement System1**

METHOD OF FINANCING1	Exp 20131	Est 20141	Bud 20151	eq 20161	eq 20171
<u>FEDERAL FUNDS1</u>					
	\$0 ,	\$1,299,384 ,	\$2,136,144 ,	\$0 ,	\$0 ,
<i>SUPPLEMENTAL, SPECIAL OR EMERGENCY APPROPRIATIONS</i>					
SB 2, 82nd Leg, 1st Called Session Sec 2 LECOS Retirement Fund (2012-13 GAA),	\$29,330 ,	\$0 ,	\$0 ,	\$0 ,	\$0 ,
<i>LAPSED APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2012-13 GAA),	\$(2,063,342),	\$0 ,	\$0 ,	\$0 ,	\$0 ,
Regular Appropriations from MOF Table (2014-15 GAA),	\$0 ,	\$(8,369,482),	\$0 ,	\$0 ,	\$0 ,
TOTAL, 1 Federal Funds1	\$324,223,314 1	\$351,282,879 1	\$379,194,724 1	\$379,194,724 1	\$379,194,724 1
TOTAL, ALL1 FEDERAL FUNDS1	\$324,223,314 1	\$351,282,879 1	\$379,194,724 1	\$379,194,724 1	\$379,194,724 1

OTHER FUNDS1

61 State Highway Fund No. 006,

REGULAR APPROPRIATIONS

2.B. Summary of Base Request by Method of Finance1
 84th Regular Session, Agency Submission, Version 1 ,
 Automated Budget and Evaluation System of Texas (ABEST),

8/22/2014 7:58:08PM,

Agency code:, **3271**

Agency name:, **Employees Retirement System1**

METHOD OF FINANCING1	Exp 20131	Est 20141	Bud 20151	eq 20161	eq 20171
<u>OTHER FUNDS1</u>					
Regular Appropriations from MOF Table (2012-13 GAA),	\$305,717,328 ,	\$0 ,	\$0 ,	\$0 ,	\$0 ,
Regular Appropriations from MOF Table (2014-15 GAA),	\$0 ,	\$294,702,921 ,	\$326,518,937 ,	\$0 ,	\$0 ,
Regular Appropriations,	\$0 ,	\$0 ,	\$0 ,	\$332,303,148 ,	\$332,303,148 ,
<i>RIDER APPROPRIATION</i>					
SB 1, 83rd Leg, Regular Session Art I Rider 4b, (2014-15 GAA),	\$(9,853,676),	\$9,571,281 ,	\$0 ,	\$0 ,	\$0 ,
<i>TRANSFERS</i>					
Art IX, Sec 17.07 Salary Increases for State Employees in Salary Schedule C (2014-15 GAA),	\$0 ,	\$1,786,485 ,	\$3,655,173 ,	\$0 ,	\$0 ,
Art IX, Sec 17.06 Salary Increase for General State Employees (2014-15 GAA),	\$0 ,	\$878,376 ,	\$2,129,038 ,	\$0 ,	\$0 ,
<i>SUPPLEMENTAL, SPECIAL OR EMERGENCY APPROPRIATIONS</i>					

2.B. Summary of Base Request by Method of Finance1
 84th Regular Session, Agency Submission, Version 1 ,
 Automated Budget and Evaluation System of Texas (ABEST),

8/22/2014 7:58:08PM,

Agency code:, 3271		Agency name:, Employees Retirement System			
METHOD OF FINANCING1	Exp 20131	Est 20141	Bud 20151	eq 20161	eq 20171
<u>OTHER FUNDS1</u>					
SB 2, 82nd Leg, 1st Called Session Sec 2 LECOS Retirement Fund,(2012-13 GAA), \$696,386 ,		\$0 ,	\$0 ,	\$0 ,	\$0 ,
<i>LAPSED APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2012-13 GAA),	\$(1,926,431),	\$0 ,	\$0 ,	\$0 ,	\$0 ,
Regular Appropriations from MOF Table (2014-15 GAA),	\$0 ,	\$(6,784,273),	\$0 ,	\$0 ,	\$0 ,
TOTAL, 1					
State Highway Fund No. 006	\$294,633,607 1	\$300,154,790	\$332,303,148 1	\$332,303,148 1	\$332,303,148 1
<u>5731</u> Judicial Fund No. 573,					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2012-13 GAA),	\$1,755,897 ,	\$0 ,	\$0 ,	\$0 ,	\$0 ,
Regular Appropriations from MOF Table (2014-15 GAA),	\$0 ,	\$4,231,171 ,	\$4,231,171 ,	\$0 ,	\$0 ,

2.B. Summary of Base Request by Method of Finance1
 84th Regular Session, Agency Submission, Version 1 ,
 Automated Budget and Evaluation System of Texas (ABEST),

8/22/2014 7:58:08PM,

Agency code:, **3271**

Agency name:, **Employees Retirement System1**

METHOD OF FINANCING1	Exp 20131	Est 20141	Bud 20151	eq 20161	eq 20171
<u>OTHER FUNDS1</u>					
Estimated Appropriation Revision from MOF Table (2012-13 GAA),	\$63,776 ,	\$0 ,	\$0 ,	\$0 ,	\$0 ,
Estimated Appropriation Revision from MOF Table (2014-15 GAA),	\$0 ,	\$398,797 ,	\$398,797 ,	\$0 ,	\$0 ,
Regular Appropriations,	\$0 ,	\$0 ,	\$0 ,	\$4,629,968 ,	\$4,629,968 ,
TOTAL, 1					
Judicial Fund No. 5731	\$1,819,673 1	\$4,629,968 1	\$4,629,968 1	\$4,629,968 1	\$4,629,968 1

9981 Other Special State Funds,

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2012-13 GAA),	\$12,168,351 ,	\$0 ,	\$0 ,	\$0 ,	\$0 ,
Regular Appropriations from MOF Table (2014-15 GAA),	\$0 ,	\$8,586,251 ,	\$9,549,745 ,	\$0 ,	\$0 ,
Regular Appropriations,					

2.B. Summary of Base Request by Method of Finance1
 84th Regular Session, Agency Submission, Version 1 ,
 Automated Budget and Evaluation System of Texas (ABEST),

8/22/2014 7:58:08PM,

Agency code:, **3271**

Agency name:, **Employees Retirement System1**

METHOD OF FINANCING1	Exp 20131	Est 20141	Bud 20151	eq 20161	eq 20171
<u>OTHER FUNDS1</u>	\$0 ,	\$0 ,	\$0 ,	\$9,667,538 ,	\$9,667,538 ,
<i>RIDER APPROPRIATION</i>					
SB 1, 83rd Leg, Regular Session Art I Rider 4b, (2014-15 GAA),	\$(374,211),	\$417,891 ,	\$0 ,	\$0 ,	\$0 ,
<i>TRANSFERS</i>					
Art IX, Sec 17.06 Salary Increase for General State Employees (2014-15 GAA),	\$0 ,	\$48,598 ,	\$117,793 ,	\$0 ,	\$0 ,
<i>LAPSED APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2012-13 GAA),	\$(66,579),	\$0 ,	\$0 ,	\$0 ,	\$0 ,
Regular Appropriations from MOF Table (2014-15 GAA),	\$0 ,	\$(190,977),	\$0 ,	\$0 ,	\$0 ,
TOTAL, 1 Other Special State Funds1	\$1 ,727,561 1	\$8,861,763 1	\$9,667,538 1	\$9,667,538 1	\$9,667,538 1
TOTAL, ALL1 OTHER FUNDS1	\$308,180,841 1	\$313,646,521 1	\$346,600,654 1	\$346,600,654 1	\$346,600,654 1

2.B. Summary of Base Request by Method of Finance1
 84th Regular Session, Agency Submission, Version 1 ,
 Automated Budget and Evaluation System of Texas (ABEST),

8/22/2014 7:58:08PM,

Agency code:, 3271		Agency name:, Employees Retirement System				
METHOD OF FINANCING1	Exp 20131	Est 20141	Bud 20151	eq 20161	eq 20171	
GA AND TOTAL1	\$1,770,210,204 1	\$1,965,550,211 1	\$2,153,666,920 1	\$2,153,874,529 1	\$2,153,459,311 1	
FULL-TIME-EQUIVALENT POSITIONS1						
REGULAR APPROPRIATIONS,						
Regular Appropriations from MOF Table , (2012-13 GAA),	316.9 ,	0.0 ,	0.0 ,	0.0 ,	0.0 ,	
Regular Appropriations from MOF Table , (2014-15 GAA),	0.0 ,	332.0 ,	349.0 ,	0.0 ,	0.0 ,	
Regular Appropriations,	0.0 ,	0.0 ,	0.0 ,	356.0 ,	360.0 ,	
TOTAL, ADJUSTED FTES1	316.9 1	332.0 1	349.0 1	356.0 1	360.0 1	
NUMBER OF 100% FEDERALLY 1 FUNDED FTES1						

2.C. Summary of Base Request by Object of Expense
 84th Regular Session, Agency Submission, Version 1 b
 Automated Budget and Evaluation System of Texas (ABEST)b

8/22/2014 7:58:08PMb

327 Employees Retirement Systemy

OBJECT OF EXPENSEy	Exp 2013y	Est 2014y	Bud 2015y	BL 2016y	BL 2017y
1002 OTHER PERSONNEL COSTSb	\$404,753,305 b	\$488,722,321 b	\$502,488,488 b	\$502,118,665 b	\$501,703,447 b
2009 OTHER OPERATING EXPENSEb	\$1,348,805,998 b	\$1,458,893,462 b	\$1,635,936,581 b	\$1,636,514,013 b	\$1,636,514,013 b
3001 CLIENT SERVICESb	\$16,650,901 b	\$17,934,428 b	\$15,241,851 b	\$15,241,851 b	\$15,241,851 b
OOE Total (Excluding Riders)y	\$1,770,210,204 y	\$1,965,550,211 y	\$2,153,666,920 y	\$2,153,874,529 y	\$2,153,459,311 y
OOE Total (Riders)y					
Grand Totaly	\$1,770,210,204 y	\$1,965,550,211 y	\$2,153,666,920 y	\$2,153,874,529 y	\$2,153,459,311 y

2.D. Summary of Base Request Objective OutcomesD
 84th Regular Session, Agency Submission, Version 1,
 Automated Budget and Evaluation system of Texas (ABEST),

8/22/2014 7:58:08PM,

327 Employees Retirement SystemD

<i>Goal/ Objective / OutcomeD</i>	Exp 2013D	Est 2014D	Bud 2015D	BL 2016D	BL 2017D
1, To Administer Comprehensive and Actuarially Sound Retirement Programs, <i>Ensure Actuarially Sound Retirement ProgramsH</i>					
KEY 1D % of ERS Retirees Expressing Satisfaction with Member Benefit ServicesD					
	97.00,%,	97.00 %,	97.00 %,	97.00,%,	97.00 %,
2D # of Years to Amortize the ERS Unfunded Actuarial Accrued LiabilityD					
	999,999,999.99,	999,999,999.99,	999,999,999.99,	999,999,999.99,	999,999,999.99,
3D # Years to Amortize the LECOS Unfunded Actuarial Accrued LiabilityD					
	999,999,999.99,	999,999,999.99,	999,999,999.99,	999,999,999.99,	999,999,999.99,
4D # of Years to Amortize the JRS-2 Unfunded Actuarial Accrued LiabilityD					
	999,999,999.99,	999,999,999.99,	999,999,999.99,	999,999,999.99,	999,999,999.99,
5D ERS Time-weighted Rate of Return (5 Year Rolling Basis)D					
	5.96,%,	8.00 %,	8.00 %,	8.00,%,	8.00 %,
6D ERS Annual Operating Expense Per MemberD					
	58.12,	59.00,	60.00,	61.00,	62.00,
KEY 7D Investment Expense as Basis Points of Net PositionD					
	14.11,	15.00,	17.00,	17.00,	18.00,
8D Percent of Time the ERS On-line System is Available to CustomersD					
	95.06,	95.00,	95.00,	95.00,	95.00,
2, Provide Employees & Retirees with Quality Health Program, <i>Manage GBP for State & Higher Education EmployeesH</i>					
KEY 1D Percent of HealthSelect Participants Satisfied with Network ServicesD					
	78.40,%,	85.50 %,	85.50 %,	85.50,%,	85.50 %,

2.E. Summary of Exceptional Items Request3
 84th Regular Session, Agency Submission, Version 1T
 Automated Budget and Evaluation System of Texas (ABEST)T

DATE: 8/22/2014
 IME : 7:58:09PM3

Agency code: 3273

Agency name: **Employees Retirement System3**

Priority3	Item3	20163			20173			Biennium3	
		GR and3 GR/GR Dedicated3	All Funds3	FTEs3	GR and3 GR Dedicated3	All Funds3	FTEs 3	GR and3 GR Dedicated	All Funds3
1T	ERS Ret Plan- Actuarially SoundT	\$175,076,586 T	\$269,206,008 T		\$175,076,586 T	\$269,206,008 T		\$350,153,172 T	\$538,412,016 T
2T	LECOS Plan Actuarially SoundT	\$13,672,259 T	\$15,509,807 T		\$13,672,259 T	\$15,509,807 T		\$27,344,518 T	\$31,019,614 T
3T	JRS 2 Plan Actuarially SoundT	\$614,069 T	\$991,542 T		\$614,069 T	\$991,542 T		\$1,228,138 T	\$1,983,084 T
4T	GBP Cost IncreasesT	\$54,921,355 T	\$83,589,442 T		\$135,534,083 T	\$206,280,750 T		\$190,455,438 T	\$289,870,192 T
5T	GBP 60 Day Reserve FundT	\$104,917,528 T	\$159,682,834 T		\$112,156,837 T	\$170,700,949 T		\$217,074,365 T	\$330,383,783 T
Total, Exceptional Items Request3		\$349,201,797 3	\$528,979,633 3		\$437,053,834 3	\$662,689,056 3		\$786,255,631 3	\$1,191,668,689 3
Method of Financing3									
	General RevenueT	\$328,325,563 T	\$328,325,563 T		\$411,325,714 T	\$411,325,714 T		\$739,651,277 T	\$739,651,277 T
	General Revenue - DedicatedT	20,876,234 T	20,876,234 T		25,728,120 T	25,728,120 T		46,604,354 T	46,604,354 T
	Federal FundsT		91,112,736 T			115,702,630 T			206,815,366 T
	Other FundsT		88,665,100 T			109,932,592 T			198,597,692 T
		\$349,201,797 3	\$528,979,633 3		\$437,053,834 3	\$662,689,056 3		\$786,255,631 3	\$1,191,668,689 3

Full Time Equivalent Positions3

Number of 100% Federally Funded FTEs3

2.F. Summary of Total Request by Strategy
 84th Regular Session, Agency Submission, Version 1 R
 Automated Budget and Evaluation System of Texas (ABEST)R

DATE : 8/22/2014g
 TIME : 7:58:09PMg

Agency code:R	327g	Agency name:R	Employees Retirement Systemg				
Goal/Objective/STRATEGYg		Baseg 2016g	Baseg 2017g	Exceptionalg 2016	Exceptionalg 2017g	Total Requestg 2016g	Total Requestg 2017g
1g To Administer Comprehensive and Actuarially Sound Retirement ProR							
1g <i>sure Actuarially Sound Retirement Programsh</i>							
1 ERS - RETIREMENTR		\$455,140,887 R	\$455,140,887	\$269,206,008	\$269,206,008 R	\$724,346,895	\$724,346,895
2 LECOS RETIREMENT PROGRAMR							
3 JUDICIAL RETIREMENT SYSTEM - PLAN 2		8,078,024 R	8,078,024	15,509,807	15,509,807 R	23,587,831	23,587,831
4 JUDICIAL RETIREMENT SYSTEM - PLAN 1R		12,161,723 R	12,161,723	991,542	991,542	13,153,265	13,153,265
5 PUBLIC SAFETY BENEFITSR		26,738,031 R	26,322,813	0	0 R	26,738,031	26,322,813
6 RETIREE DEATH BENEFITSR		5,471,851 R	5,471,851	0	0 R	5,471,851	5,471,851
TOTAL, GOAL 1g		9,770,000 R \$517,360,516 g	9,770,000 \$516,945,298 g	0 \$285,707,357	0 R \$285,707,357 g	9,770,000 \$803,067,873 g	9,770,000 \$802,652,655 g
2g							
Provide Employees & Retirees with Quality Health ProgramR 1g <i>Manage GBP for State & Higher Education Employeeesh</i>							
1 GBP - GENERAL STATE EMPLOYEEESR							
2 POST RETIREMENT HEALTH BENEFITSR		1,636,514,013 R	1,636,514,013	243,272,276	376,981,699 R	1,879,786,289	2,013,495,712
TOTAL, GOAL 2g		0 R \$1,636,514,013 g	0 \$1,636,514,013 g	0 \$243,272,276	0 R \$376,981,699 g	0 \$1,879,786,289 g	0 \$2,013,495,712 g
TOTAL, AGENCY g							
STRATEGY REQUESTg		\$2,153,874,529 g	\$2,153,459,311 g	\$528,979,633	\$662,689,056 g	\$2,682,854,162 g	\$2,816,148,367 g
TOTAL, AGENCY RIDER g							
APPROPRIATIONS REQUESTg							
GRAND TOTAL, AGENCY REQUESTg		\$2,153,874,529 g	\$2,153,459,311 g	\$528,979,633 g	\$662,689,056 g	\$2,682,854,162 g	\$2,816,148,367 g

2.F. Summary of Total Request by Strategy
 84th Regular Session, Agency Submission, Version 1 R
 Automated Budget and Evaluation System of Texas (ABEST)R

DATE : 8/22/2014g
 TIME : 7:58:09PMg

Agency code:R 327g	Agency name:R Employees Retirement Systemg					
Goal/Objective/STRATEGYg	Baseg 2016g	Baseg 2017g	Exceptionalg 2016g	Exceptionalg 2017g	Total Requestg 2016g	Total Requestg 2017g
General Revenue Funds:g						
1RGeneral Revenue FundR	\$1,346,929,723 R	\$1,346,514,505 F	\$328,325,563 R	\$411,325,714 R	\$1,675,255,286 R	\$1,757,840,219 R
	\$1,346,929,723 g	\$1,346,514,505 g	\$328,325,563 g	\$411,325,714 g	\$1,675,255,286 g	\$1,757,840,219 g
General Revenue Dedicated Funds:g						
994RGR Dedicated AccountsR		81,149,428 F	,876,234 R	,728,120 R		,877,548 R
	81,149,428 R		20	25	102,025,662	106
	\$81,149,428 g	\$81,149,428 g	\$20,876,234 g	\$25,728,120 g	\$102,025,662 g	\$106,877,548 g
Federal Funds:g						
555RFederal FundsR		379,194,724 F	,112,736 R	,702,630 R		,897,354 R
	379,194,724 R		91	115	470,307,460 R	494
	\$379,194,724 g	\$379,194,724 g	\$91,112,736 g	\$115,702,630 g	\$470,307,460 g	\$494,897,354 g
Other Funds:g						
6RState Highway FundR		332,303,148 F	,369,815 R	,120,387 R		,423,535 R
573RJudicial FundR	332,303,148 R	4,629,968 F	85,473 R	106,473 R	417,672,963 R	438,007,441 R
998ROther Special State FundsR	4,629,968 R	9,667,538 F	377,917,812	377,434,732	5,007,441 R	5,102,270 R
	9,667,538 R		2	3	12,585,350 R	13
	\$346,600,654 g	\$346,600,654 g	\$88,665,100 g	\$109,932,592 g	\$435,265,754 g	\$456,533,246 g
TOTAL, METHOD OF FINANCINGg	\$2,153,874,529 g	\$2,153,459,311 g	\$528,979,633 g	\$662,689,056 g	\$2,682,854,162 g	\$2,816,148,367 g
FULL TIME EQUIVALENT POSITIONSg	356.0g	360.0g	0.0g	0.0g	356.0g	360.0g

2.G. Summary of Total Request Objective OutcomesB
 84th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation system of Texas (ABEST)h

Date : 8/22/2014B
 Time: 17:58:09PMB

Agency code: 1327B

Agency name: Employees Retirement System B

Goal/ Objective / OutcomeB

	J. B. 2016	J. B. 2017B	Excp B 2016B	Excp B 2017B	Total B Request B 2016B	Total B Request B 2017B
1h	To Administer Comprehensive and Actuarially Sound Retirement Programsh					
1h	nsure Actuarially Sound Retirement Programs					
KEYB	1B% of ERS Retirees Expressing Satisfaction with Member Benefit ServicesB					
	97.00 %h	97.00 %h			97.00 %h	97.00 %h
	2B# of Years to Amortize the ERS Unfunded Actuarial Accrued LiabilityB					
	999,999,999.99h	999,999,999.99h	31.00h	31.00h	31.00h	31.00h
	3B# Years to Amortize the LECOS Unfunded Actuarial Accrued LiabilityB					
	999,999,999.99h	999,999,999.99h	31.00h	31.00h	31.00h	31.00h
	4B# of Years to Amortize the JRS-2 Unfunded Actuarial Accrued LiabilityB					
	999,999,999.99h	999,999,999.99h	31.00h	31.00h	31.00h	31.00h
	5BERS Time-weighted Rate of Return (5 Year Rolling Basis)B					
	8.00 %h	8.00 %h			8.00 %h	8.00 %h
	6BERS Annual Operating Expense Per MemberB					
	61.00h	62.00h			61.00h	62.00h
KEYB	7BInvestment Expense as Basis Points of Net PositionB					
	17.00h	18.00h			17.00h	18.00h
	8BPercent of Time the ERS On-line System is Available to CustomersB					
	95.00h	95.00h			95.00h	95.00h
2h	Provide Employees & Retirees with Quality Health Programh					

2.G. Summary of Total Request Objective Outcomes
 84th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation system of Texas (ABEST)

Date : 8/22/2014
 Time: 17:58:09

Agency code: 1327

Agency name: Employees Retirement System

Goal/ Objective / Outcome

	BL 2016	BL 2017	Excp 2016	Excp 2017	Total B Request 2016	Total B Request 2017
1h <i>Manage GBP for State & Higher Education Employees</i>						
KEYB 1Percent of HealthSelect Participants Satisfied with Network Services	85.50 %h	85.50 %h			85.50 %h	85.50 %h

3.A. Strategy Request5
 84th Regular Session, Agency Submission, Version 1c
 Automated Budget and Evaluation System of Texas (ABEST)c

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327 Employees Retirement System5

GOAL:c	1c	To Administer Comprehensive and Actuarially Sound Retirement Programsc	Statewide Goal/Benchmark:c	8c	0c
OBJECTIVE:c	1c	Ensure Actuarially Sound Retirement Programsc	Service Categories:c		
STRATEGY:c	1c	Provide an Actuarially Sound Level of Funding As Defined by State Lawc	Service:c 06c	Income:cA.2	Age:cB.3

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175	
Output Measures:5							
	1	Number of ERS Retirees Added to Annuity Payrollc	5,898.00 c	6,089.00 c	6,327.00 c	6,580.00 c	6,843.00 c
KEY	2	Number of ERS Ac ounts Maintained	231,110.00 c	233,000.00 c	235,000.00 c	237,000.00 c	239,000.00 c
Explanatory/Input Measures:5							
	1	Number of ERS Annuitantsc	91,367.00 c	93,860.00 c	96,675.00 c	99,575.00 c	102,562.00 c
Objects of Expense:5							
	1002c	OTHER PERSONNEL COSTSc	\$367,480,423 c	\$441,363,230 c	\$455,140,887 c	\$455,140,887 c	\$455,140,887 c
TOTAL, OBJECT OF EXPENSE5			\$367,480,423 5	\$441,363,230 5	\$45 ,140,887 5	\$45 ,140,887 5	\$45 ,140,887 5
Method of Financing:5							
	1c	General Revenue Fund	\$220,818,986 c	\$265,074,370 c	\$276,032,794 c	\$276,032,794 c	\$276,032,794 c
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)5			\$220,818,986 5	\$265,074,370 5	\$276,032,794 5	\$276,032,794 5	\$276,032,794 5
Method of Financing:5							
	994c	GR Dedicated Ac ountsc	\$16,316,131 c	\$19,148,102 c	\$19,965,477 c	\$19,965,477 c	\$19,965,477 c
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)5			\$16,316,131 5	\$19,148,102 5	\$19,965,477 5	\$19,965,477 5	\$19,965,477 5
Method of Financing:5							
	555c	Federal Fundsc					

3.A. Strategy Request5
 84th Regular Session, Agency Submission, Version 1c
 Automated Budget and Evaluation System of Texas (ABEST)c

8/22/2014 7:58:10PMc

327 Employees Retirement System5

GOAL:c	1c	To Administer Comprehensive and Actuarially Sound Retirement Programsc	Statewide Goal/Benchmark:c	8c	0c
OBJECTIVE:c	1c	Ensure Actuarially Sound Retirement Programsc	Service Categories:c		
STRATEGY:c	1c	Provide an Actuarially Sound Level of Funding As Defined by State Lawc	Service:c 06c	Income:c A.2c	Age:c B.3

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
	00.327.001cERS Retirement	\$67,983,878 c	\$80,098,599 c	\$78,307,710 c	\$78,307,710 c	\$78,307,710 c
CFDA Subtotal, Fundc	555c	\$67,983,878 c	\$80,098,599 c	\$78,307,710 c	\$78,307,710 c	\$78,307,710 c
SUBTOTAL, MOF (FEDERAL FUNDS)5		\$67,983,878 5	\$80,098,599 5	\$78,307,710 5	\$78,307,710 5	\$78,307,710 5
Method of Financing:5						
	6c State Highway Fundc	\$58,907,112 c	\$73,819,324 c	\$77,491,888 c	\$77,491,888 c	\$77,491,888 c
	998c Other Special State Fundsc	\$3,454,316 c	\$3,222,835 c	\$3,343,018 c	\$3,343,018 c	\$3,343,018 c
SUBTOTAL, MOF (OTHER FUNDS)5		\$62,361,428 5	\$77,042,159 5	\$80,834,906 5	\$80,834,906 5	\$80,834,906 5
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)5					\$45 ,140,887 5	\$45 ,140,887 5
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)5		\$367,480,423 5	\$441,363,230 5	\$45 ,140,887 5	\$45 ,140,887 5	\$45 ,140,887 5
FULL TIME EQUIVALENT POSITIONS:5		316.9 5	332.0 5	349.0 5	356.0 5	360.0 5

STRATEGY DESCRIPTION AND JUSTIFICATION:5

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, a Texas Constitution, and governed by Title 8, Subtitle B, and Texas Government Code. This system covers employees of most state agencies, statewide elected officials, c and legislators.c

3.A. Strategy Request5
 84th Regular Session, Agency Submission, Version 1c
 Automated Budget and Evaluation System of Texas (ABEST)c

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327 Employees Retirement System5

GOAL:c	1c	To Administer Comprehensive and Actuarially Sound Retirement Programsc	Statewide Goal/Benchmark:c	8c	0c
OBJECTIVE:c	1c	Ensure Actuarially Sound Retirement Programsc	Service Categories:c		
STRATEGY:c	1c	Provide an Actuarially Sound Level of Funding As Defined by State Lawc	Service:c 06c	Income:c A.2c	Age:c B.3

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:5

The retirement program administered by the ERS is a defined benefit retirement plan. ERS member's contribution rate is 7.2% for 2016 and 7.5% for 2017. The state contributes 7.5%. The contributions are held in the trust fund and combined with investment earning to fund retirement benefits. The funding is calculated by making actuarial assumptions about the future demographics of the members and the trust fund earnings. Any significant deviation between experience and actuarial assumptions can affect the funding calculation. Among the many factors that can affect the program are across-the-board pay raises that are above or below assumptions, significant turns in the investment markets, and retirement rates of state employees that are different than the assumptions such as accelerated retirements as a result of a retirement incentive program. At the base level of funding, the projected trust fund depletion date is FY 2052.

Assumptions:c

The above funding request assumes 7.5% state contribution in both years of the biennium, 7.2% and 7.5% member contribution in 2016 and 2017 respectively and no growth in payroll for Fiscal Years 2016 and 2017. The appropriation is requested to be "estimated" since it is payroll driven. The above funding request does not include the 0.5% agency contribution which is included in the individual agencies' appropriations.

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

3.A. Strategy Request5
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 Automated Budget and Evaluation System of Texas (ABEST)c

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327 Employees Retirement System5

GOAL:c 1c To Administer Comprehensive and Actuarially Sound Retirement Programsc Statewide Goal/Benchmark:c 8c 0c
 OBJECTIVE:c 1c Ensure Actuarially Sound Retirement Programsc Service Categories:c
 STRATEGY:c 2c LECOS Retirement Programc Service:c 06c Income:cA.2 Age:cB.3

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
Output Measures:5						
1	Number of LECOS Retirees Added to Annuity Payrollc	939.00 c	951.00 c	987.00 c	1,024.00 c	1,062.00 c
2	Number of LECOS Accounts Maintainedc	56,725.00 c	55,625.00 c	56,000.00 c	57,000.00 c	58,000.00 c
Explanatory/Input Measures:5						
1	Number of LECOS Annuitantsc	9,089.00 c	10,344.00 c	10,810.00 c	11,295.00 c	11,800.00 c
Objects of Expense:5						
1002c	OTHER PERSONNEL COSTSc	\$7,145,311 c	\$7,467,326 c	\$8,078,024 c	\$8,078,024 c	\$8,078,024 c
TOTAL, OBJECT OF EXPENSE5		\$7,145,311 5	\$7,467,326 5	\$8,078,024 5	\$8,078,024 5	\$8,078,024 5
Method of Financing:5						
1c	General Revenue Fund	\$6,364,329 c	\$6,574,234 c	\$6,996,219 c	\$6,996,219 c	\$6,996,219 c
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)5		\$6,364,329 5	\$6,574,234 5	\$6,996,219 5	\$6,996,219 5	\$6,996,219 5
Method of Financing:5						
994c	GR Dedicated Accountsc	\$91,460 c	\$103,796 c	\$124,749 c	\$124,749 c	\$124,749 c
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)5		\$91,460 5	\$103,796 5	\$124,749 5	\$124,749 5	\$124,749 5
Method of Financing:5						
555c	Federal Fundsc					

327 Employees Retirement System5

GOAL:c 1c To Administer Comprehensive and Actuarially Sound Retirement Programsc Statewide Goal/Benchmark:c 8c 0c
 OBJECTIVE:c 1c Ensure Actuarially Sound Retirement Programsc Service Categories:c
 STRATEGY:c 2c LECOS Retirement Programc Service:c 06c Income:c A.2c Age:c B.3

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
	00.327.003cLECOS Retirement	\$27,867 c	\$27,629 c	\$29,330 c	\$29,330 c	\$29,330 c
CFDA Subtotal, Fundc	555c	\$27,867 c	\$27,629 c	\$29,330 c	\$29,330 c	\$29,330 c
SUBTOTAL, MOF (FEDERAL FUNDS)5		\$27,867 5	\$27,629 5	\$29,330 5	\$29,330 5	\$29,330 5
Method of Financing:5						
6c	State Highway Fundc	\$661,655 c	\$761,667 c	\$927,726 c	\$927,726 c	\$927,726 c
SUBTOTAL, MOF (OTHER FUNDS)5		\$661,65 5	\$761,667 5	\$927,726 5	\$927,726 5	\$927,726 5
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)5					\$8,078,024 5	\$8,078,024 5
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)5		\$7,145,311 5	\$7,467,326 5	\$8,078,024 5	\$8,078,024 5	\$8,078,024 5

FULL TIME EQUIVALENT POSITIONS:5

STRATEGY DESCRIPTION AND JUSTIFICATION:5

The ERS is the administrator of the Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOSRF) governed by Title 8, Subtitle B, and Texas Government Code. The program provides supplemental retirement benefits to certified peace officers or custodial officers employed by the Texas Department of Public Safety, the Texas Alcoholic Beverage Commission, the Texas State Board of Pharmacy, the Texas Juvenile Justice Department, the Texas Parks and Wildlife Department, and the Texas Department of Criminal Justice.c

327 Employees Retirement System5

GOAL:c	1c	To Administer Comprehensive and Actuarially Sound Retirement Programsc	Statewide Goal/Benchmark:c	8c	0c
OBJECTIVE:c	1c	Ensure Actuarially Sound Retirement Programsc	Service Categories:c		
STRATEGY:c	2c	LECOS Retirement Programc	Service:c 06c	Income:cA.2c	Age:cB.3

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:5

The LECOSRF is a defined benefit retirement plan. As such, it is dependent on advance actuarial funding. The funding is analyzed each year through an Actuarial Valuation, 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.

Assumptions:c

The above funding request assumes 0.5% state contribution, 0.5% member contribution and no growth in payroll for Fiscal Years 2016 and 2017. The appropriation is requested to be "estimated" since it is payroll driven.

3.A. Strategy Request5
 84th Regular Session, Agency Submission, Version 1c
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327 Employees Retirement System5

GOAL:c	1c	To Administer Comprehensive and Actuarially Sound Retirement Programsc	Statewide Goal/Benchmark:c	8c 0c
OBJECTIVE:c	1c	Ensure Actuarially Sound Retirement Programsc	Service Categories:c	
STRATEGY:c	3c	Maintain Retirement Program for State Judicial Officersc	Service:c 06c	Income:cA.2 Age:cB.3

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
Output Measures:5						
1	Number of JRS-2 Retirees Added to Annuity Payrollc	34.00 c	15.00 c	35.00 c	15.00 c	35.00 c
2	Number of JRS-2 Accounts Maintainedc	732.00 c	737.00 c	752.00 c	760.00 c	775.00 c
Explanatory/Input Measures:5						
1	Number of JRS-2 Annuitantsc	254.00 c	297.00 c	309.00 c	321.00 c	333.00 c
Objects of Expense:5						
1002c	OTHER PERSONNEL COSTSc	\$4,549,182 c	\$12,161,723 c	\$12,161,723 c	\$12,161,723 c	\$12,161,723 c
TOTAL, OBJECT OF EXPENSE5		\$4,549,182 5	\$12,161,723 5	\$12,161,723 5	\$12,161,723 5	\$12,161,723 5
Method of Financing:5						
1c	General Revenue Fund	\$2,729,509 c	\$7,531,755 c	\$7,531,755 c	\$7,531,755 c	\$7,531,755 c
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)5		\$2,729,509 5	\$7,531,75 5	\$7,531,75 5	\$7,531,75 5	\$7,531,75 5
Method of Financing:5						
573c	Judicial Fundc	\$1,819,673 c	\$4,629,968 c	\$4,629,968 c	\$4,629,968 c	\$4,629,968 c
SUBTOTAL, MOF (OTHER FUNDS)5		\$1,819,673 5	\$4,629,968 5	\$4,629,968 5	\$4,629,968 5	\$4,629,968 5

327 Employees Retirement System5

GOAL:c	1c	To Administer Comprehensive and Actuarially Sound Retirement Programsc	Statewide Goal/Benchmark:c	8c	0c
OBJECTIVE:c	1c	Ensure Actuarially Sound Retirement Programsc	Service Categories:c		
STRATEGY:c	3c	Maintain Retirement Program for State Judicial Officersc	Service:c 06c	Income:c A.2c	Age:c B.3

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)5					\$12,161,723 5	\$12,161,723 5
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)5		\$4,549,182 5	\$12,161,723 5	\$12,161,723 5	\$12,161,723 5	\$12,161,723 5

FULL TIME EQUIVALENT POSITIONS:5

STRATEGY DESCRIPTION AND JUSTIFICATION:5

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. The JRS 2 member contribution rate is 6.6 percent of salary in 2014, 6.9% in 2015, 7.2% in 2016 and 7.5% in 2017. 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:5

3.A. Strategy Request5
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327 Employees Retirement System5

GOAL:c	1c	To Administer Comprehensive and Actuarially Sound Retirement Programsc	Statewide Goal/Benchmark:c	8c	0c
OBJECTIVE:c	1c	Ensure Actuarially Sound Retirement Programsc	Service Categories:c		
STRATEGY:c	3c	Maintain Retirement Program for State Judicial Officersc	Service:c 06c	Income:cA.2c	Age:cB.3

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
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Like the State employees system, the JRS 2 program is a defined benefit pension plan. The funding of a defined benefit program is calculated by making actuarial c assumptions about the future demographics of the covered employee group and about trust fund investment earnings. Any significant deviation between experience and c 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 c the investment markets, and legislation which increases the number of covered positions.c

Assumptions:c

The above funding request assumes 15.663 state contribution for each year of the biennium, 7.2% and 7.5% member contribution for 2016 and 2017 respectively and no c payroll growth for Fiscal Years 2016 and 2017. The appropriation is requested to be "estimated" since it is payroll driven.c

3.A. Strategy Request5
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327 Employees Retirement System5

GOAL:c	1c	To Administer Comprehensive and Actuarially Sound Retirement Programsc	Statewide Goal/Benchmark:c	8c	0c
OBJECTIVE:c	1c	Ensure Actuarially Sound Retirement Programsc	Service Categories:c		
STRATEGY:c	4c	Provide for the Payment of JRS-1 Benefits as Required by Lawc	Service:c 06c	Income:c A.2c	Age:c B.2

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
Output Measures:5						
1	Number of JRS-1 Retirees Added to Annuity Payrollc	4.00 c	3.00 c	5.00 c	4.00 c	3.00 c
2	Number of JRS-1 Accounts Maintainedc	21.00 c	18.00 c	13.00 c	9.00 c	6.00 c
Explanatory/Input Measures:5						
1	Number of JRS-1 Annuitantsc	421.00 c	417.00 c	404.00 c	391.00 c	379.00 c
Objects of Expense:5						
1002c	OTHER PERSONNEL COSTSc	\$25,578,389 c	\$27,730,042 c	\$27,107,854 c	\$26,738,031 c	\$26,322,813 c
TOTAL, OBJECT OF EXPENSE5		\$25,578,389 5	\$27,730,042 5	\$27,107,854 5	\$26,738,031 5	\$26,322,813 5
Method of Financing:5						
1c	General Revenue Fund	\$25,578,389 c	\$27,730,042 c	\$27,107,854 c	\$26,738,031 c	\$26,322,813 c
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)5		\$25,578,389 5	\$27,730,042 5	\$27,107,854 5	\$26,738,031 5	\$26,322,813 5
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)5					\$26,738,031 5	\$26,322,813 5
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)5		\$25,578,389 5	\$27,730,042 5	\$27,107,854 5	\$26,738,031 5	\$26,322,813 5
FULL TIME EQUIVALENT POSITIONS:5						

3.A. Strategy Request5
 84th Regular Session, Agency Submission, Version 1c
 Automated Budget and Evaluation System of Texas (ABEST)c

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327 Employees Retirement System5

GOAL:c	1c	To Administer Comprehensive and Actuarially Sound Retirement Programsc	Statewide Goal/Benchmark:c	8c	0c
OBJECTIVE:c	1c	Ensure Actuarially Sound Retirement Programsc	Service Categories:c		
STRATEGY:c	4c	Provide for the Payment of JRS-1 Benefits as Required by Lawc	Service:c 06c	Income:cA.2c	Age:cB.2

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
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STRATEGY DESCRIPTION AND JUSTIFICATION:5

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 c 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 c held office before September 1, 1985 are eligible for membership in the JRS 1. This is a closed plan that has not had any newc
 took office for the first time on or after September 1, 1985 are in the JRS 2 plan.c
 overed members since 1985. Judges who c

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:5

External Factors affecting the JRS 1 program include pay raisesc for state judicial officers and the demographics of the Plan'smembership.c

Assumptions:c

Funding for Fiscal Years 2016 and 2017 is requested with a slight declining rate from the Fiscal Year 2014-2015 base. JRS 1 membership refunds are also paid out of this c appropriation. The appropriation is requested to be "estimated" since it is a pay-as-you-go plan.c

3.A. Strategy Request5
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327 Employees Retirement System5

GOAL:c	1c	To Administer Comprehensive and Actuarially Sound Retirement Programsc	Statewide Goal/Benchmark:c	8c 0c
OBJECTIVE:c	1c	Ensure Actuarially Sound Retirement Programsc	Service Categories:c	
STRATEGY:c	5c	Provide Death Benefits to Beneficiaries of Public Safety Workeresc	Service:c 06c	Income:c A.2 Age:c B.3

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
Output Measures:5						
1	Number of Death Benefit Claims Processedc	33.00 c	32.00 c	26.00 c	26.00 c	26.00 c
2	Number of Beneficiaries Receiving Benefitsc	127.00 c	153.00 c	158.00 c	163.00 c	168.00 c
Objects of Expense:5						
3001c	CLIENT SERVICESc	\$7,527,386 c	\$8,164,428 c	\$5,471,851 c	\$5,471,851 c	\$5,471,851 c
TOTAL, OBJECT OF EXPENSE5		\$7,527,386 5	\$8,164,428 5	\$5,471,851 5	\$5,471,851 5	\$5,471,851 5
Method of Financing:5						
1c	General Revenue Fund	\$5,527,386 c	\$6,164,428 c	\$3,775,527 c	\$3,775,527 c	\$3,775,527 c
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)5		\$5,527,386 5	\$6,164,428 5	\$3,775,527 5	\$3,775,527 5	\$3,775,527 5
Method of Financing:5						
994c	GR Dedicated Ac ountsc	\$2,000,000 c	\$2,000,000 c	\$1,696,324 c	\$1,696,324 c	\$1,696,324 c
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)5		\$2,000,000 5	\$2,000,000 5	\$1,696,324 5	\$1,696,324 5	\$1,696,324 5

327 Employees Retirement System5

GOAL:c	1c	To Administer Comprehensive and Actuarially Sound Retirement Programsc	Statewide Goal/Benchmark:c	8c	0c
OBJECTIVE:c	1c	Ensure Actuarially Sound Retirement Programsc	Service Categories:c		
STRATEGY:c	5c	Provide Death Benefits to Beneficiaries of Public Safety Workeresc	Service:c 06c	Income:cA.2c	Age:cB.3

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)5					\$5,471,851 5	\$5,471,851 5
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)5		\$7,527,386 5	\$8,164,428 5	\$5,471,851 5	\$5,471,851 5	\$5,471,851 5

FULL TIME EQUIVALENT POSITIONS:5

STRATEGY DESCRIPTION AND JUSTIFICATION:5

Chapter 615 Texas Government Code provides for payment by the state of a \$250,000 lump sum, plus monthly dependent benefits, to the survivors of public law c 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 c administrative body for this program.c

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:5

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.c

Assumptions:c

Funding for Fiscal Year 2016 and 2017 is requested with no growth assumption from the 2015 base. The appropriation is requested to be “estimated” since it is event c riven.c

3.A. Strategy Request5
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GOAL:c	1c	To Administer Comprehensive and Actuarially Sound Retirement Programsc	Statewide Goal/Benchmark:c	8c	0c
OBJECTIVE:c	1c	Ensure Actuarially Sound Retirement Programsc	Service Categories:c		
STRATEGY:c	6c	Provide Lump-sum Retiree Death Benefits. Estimated.c	Service:c 06c	Income:c A.2c	Age:c B.2

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
Output Measures:5						
1	Number of Retiree Death Benefits Paidc	2,237.00 c	2,062.00 c	2,150.00 c	2,150.00 c	2,150.00 c
Efficiency Measures:5						
1	Average Number of Days to Process Retiree Death c Benefitsc	3.49 c	7.00 c	7.00 c	7.00 c	7.00 c
Objects of Expense:5						
3001c	CLIENT SERVICESc	\$9,123,515 c	\$9,770,000 c	\$9,770,000 c	\$9,770,000 c	\$9,770,000 c
TOTAL, OBJECT OF EXPENSE5		\$9,123,515 5	\$9,770,000 5	\$9,770,000 5	\$9,770,000 5	\$9,770,000 5
Method of Financing:5						
1c	General Revenue Fund	\$9,123,515 c	\$9,770,000 c	\$9,770,000 c	\$9,770,000 c	\$9,770,000 c
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)5		\$9,123,515 5	\$9,770,000 5	\$9,770,000 5	\$9,770,000 5	\$9,770,000 5
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)5					\$9,770,000 5	\$9,770,000 5
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)5		\$9,123,515 5	\$9,770,000 5	\$9,770,000 5	\$9,770,000 5	\$9,770,000 5
FULL TIME EQUIVALENT POSITIONS:5						

327 Employees Retirement System5

GOAL:c	1c	To Administer Comprehensive and Actuarially Sound Retirement Programsc	Statewide Goal/Benchmark:c	8c	0c
OBJECTIVE:c	1c	Ensure Actuarially Sound Retirement Programsc	Service Categories:c		
STRATEGY:c	6c	Provide Lump-sum Retiree Death Benefits. Estimated.c	Service:c 06c	Income:cA.2c	Age:cB.2

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
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STRATEGY DESCRIPTION AND JUSTIFICATION:5

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 c retirement programs administered by the ERS Board of Trustees.c

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:5

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

Assumptions:c

Funding for Fiscal Years 2016 and 2017 is requested with no growth assumption from the Fiscal Year 2015 base. The appropriation is requested to be “estimated” since it c is event driven.c

3.A. Strategy Request5
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 Automated Budget and Evaluation System of Texas (ABEST)c

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327 Employees Retirement System5

GOAL:c 2c Provide Employees & Retirees with Quality Health Programc Statewide Goal/Benchmark:c 8c 0c
 OBJECTIVE:c 1c Manage GBP for State & Higher Education Employeesc Service Categories:c
 STRATEGY:c 1c Provide Basic Insurance Program to General State Employees. Estimatedc Service:c 06c Income:c A.2 Age:c B.3

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
Output Measures:5						
1	In-Network Services as a Percentage of Total Servicesc	89.90 %c	91.75 c%c	91.75 c%c	91.75 c%c	91.75 c%c
2	Mental Health/Substance Abuse Costs as % of Total HealthSelect Costsc	1.80 %c	1.90 c%c	1.90 c%c	1.90 c%c	1.90 c%c
3	Prescription Drug Program Costs as Percent of Total HealthSelect Costsc	18.90 %c	22.22 c%c	22.22 c%c	22.22 c%c	22.22 c%c
Efficiency Measures:5						
KEY 1	Percent of Medical Claims Processed within Thirty Daysc	99.80 %c	99.00 c%c	99.00 c%c	99.00 c%c	99.00 c%c
2	Percent of All Electronic Pharmacy Claims Paid Within 21 Daysc	100.00 %c	100.00 c%c	100.00 c%c	100.00 c%c	100.00 c%c
KEY 3	Total Cost Paid Per HealthSelect Member for Admin & Claims Processingc	17.78 c				
4	Total Cost Paid/HealthSelect Member/ Pharmacy Admin & Claims Processc	2.37 c	2.36 c	2.36 c	2.36 c	2.36 c
Explanatory/Input Measures:5						
1	# Employees, Retirees & Dependents Covered by GBP Health Care Plansc	516,619.00 c	520,936.00 c	520,936.00 c	520,936.00 c	520,936.00 c
2	Percent of Participants in HMOsc	5.10 %c	4.99 c%c	4.99 c%c	4.99 c%c	4.99 c%c
Objects of Expense:5						

3.A. Strategy Request5
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 Automated Budget and Evaluation System of Texas (ABEST)c

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327 Employees Retirement System5

GOAL:c 2c Provide Employees & Retirees with Quality Health Program Statewide Goal/Benchmark:c 8c 0c
 OBJECTIVE:c 1c Manage GBP for State & Higher Education Employeesc Service Categories:c
 STRATEGY:c 1c Provide Basic Insurance Program to General State Employees. Estimatedc Service:c 06c Income:c A.2c Age:c B.3

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
998c	Other Special State Fundsc	\$8,273,245 c	\$5,638,928 c	\$6,324,520 c	\$6,324,520 c	\$6,324,520 c
SUBTOTAL, MOF (OTHER FUNDS)5		\$243,338,085 5	\$231,212,727 5	\$260,208,054 5	\$260,208,054 5	\$260,208,054 5
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)5					\$1,636,514,013 5	\$1,636,514,013 5
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)5		\$1,348,805,998 5	\$1,458,893,462 5	\$1,635,936,581 5	\$1,636,514,013 5	\$1,636,514,013 5

FULL TIME EQUIVALENT POSITIONS:5

STRATEGY DESCRIPTION AND JUSTIFICATION:5

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 c 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 c state funds. This strategy supports the ERS goal of providing a comprehensive health care program and the attendant objectivec of efficiently managing the program.c

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:5

327 Employees Retirement System5

GOAL:c	2c	Provide Employees & Retirees with Quality Health Programc	Statewide Goal/Benchmark:c	8c	0c
OBJECTIVE:c	1c	Manage GBP for State & Higher Education Employeesc	Service Categories:c		
STRATEGY:c	1c	Provide Basic Insurance Program to General State Employees. Estimatedc	Service:c 06c	Income:cA.2c	Age:cB.3

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
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This strategy is affected by a variety of elements, ranging from state policy toward its employees, to rising medical costs through the United State. Beginning September 1, c 1992, the ERS created a self-funded managed care program, HealthSelect, to help ensure that state employees will continue to have access to affordable health insurance.c

Assumptions:c

The \$3.3 billion in the ERS base request is calculated based onthe 2015 budgeted base level with no state contribution increases for 2016 and 2017. This baseline funding c request is not sufficient to provide the same level of insurance benefits currently provided by the plan and would require changes to the current plan structure and benefits c design. Additional funding is requested in our Exceptional items to maintain existing benefits. c

The current contribution strategy provides for full funding forthe monthly premium contributions for full-time state employees and eligible retirees and a 50% contribution c 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' c appropriations.c

3.A. Strategy Request5
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327 Employees Retirement System5

GOAL:c	2c	Provide Employees & Retirees with Quality Health Programc	Statewide Goal/Benchmark:c	8c	0c
OBJECTIVE:c	1c	Manage GBP for State & Higher Education Employeesc	Service Categories:c		
STRATEGY:c	2c	Provide Supplement to Post Retirement Health Benefits. Estimatedc	Service:c 06c	Income:cA.1c	Age:cB.3

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
Objects of Expense:5						
2009c	OTHER OPERATING EXPENSEc	\$0 c				
TOTAL, OBJECT OF EXPENSE5		\$0 5				
Method of Financing:5						
1c	General Revenue Fund	\$0 c				
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)5		\$0 5				
Method of Financing:5						
994c	GR Dedicated Ac ountsc	\$0 c				
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)5		\$0 5				
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)5					\$0 5	\$0 5
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)5					\$0 5	\$0 5
FULL TIME EQUIVALENT POSITIONS:5						

3.A. Strategy Request5
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327 Employees Retirement System5

GOAL:c	2c	Provide Employees & Retirees with Quality Health Program	Statewide Goal/Benchmark:c	8c	0c
OBJECTIVE:c	1c	Manage GBP for State & Higher Education Employeesc	Service Categories:c		
STRATEGY:c	2c	Provide Supplement to Post Retirement Health Benefits. Estimatedc	Service:c 06c	Income:cA.1c	Age:cB.3

CODE5	DESCRIPTION5	Exp 20135	Est 20145	Bud 2015	BL 20165	BL 20175
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STRATEGY DESCRIPTION AND JUSTIFICATION:5

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 c for that program. The program provides insurance benefits to active employees and eligible retired employees. In the General Appropriations Act of the 80th Legislature, c Regular Session, funds were appropriated to the ERS to cover costs of research and implementation of a separate insurance program for retired employees. The separation c of the programs was to comply with possible federal requirements and reporting of post retirement benefits.c

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:5

This strategy was affected by a variety of elements, ranging from state policy toward its retirees, to interpretation of federal regulations and reporting requirements. The end c result was no change to current processes, and therefore, therecwas no additional cost to the state. The appropriation was lapsed at the end of Fiscal Year 2009.c

3.A. Strategy Request5

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Automated Budget and Evaluation System of Texas (ABEST)c

SUMMARY TOTALS:5

OBJECTS OF EXPENSE:5	\$1,770,210,204 5	\$1,965,5 0,211 5	\$2,153,666,920 5	\$2,153,874,529 5	\$2,153,459,311 5
METHODS OF FINANCE (INCLUDING RIDERS):5				\$2,153,874,529 5	\$2,153,459,311 5
METHODS OF FINANCE (EXCLUDING RIDERS):5	\$1,770,210,204 5	\$1,965,5 0,211 5	\$2,153,666,920 5	\$2,153,874,529 5	\$2,153,459,311 5
FULL TIME EQUIVALENT POSITIONS:5	316.9 5	332.0 5	349.0 5	356.0 5	360.0 5

3.B. Rider Revisions and Additions Request

Agency Code:	Agency Name: Employees Retirement System	Prepared By: Michael C. Wheeler	Date: August 25, 2014	Request Level: Base
Current Rider Number 327	Page Number in 2014–15 GAA	Proposed Rider Language		

2	I-36	<p>Performance Measure Targets. 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="width: 70%;"></th> <th style="width: 10%; text-align: center;">2014</th> <th style="width: 10%; text-align: center;">2016</th> <th style="width: 10%; text-align: center;">2015</th> <th style="width: 10%; text-align: center;">2017</th> </tr> </thead> <tbody> <tr> <td>A. Goal: ADMINISTER RETIREMENT PROGRAM</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Outcome (Results/Impact):</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Percent of ERS Retirees Expressing Satisfaction with</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> ERS Retirement Fund Investment Expense as Basis Points</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Benefit Services</td> <td style="text-align: center;">97%</td> <td></td> <td></td> <td></td> </tr> <tr> <td> Net Assets</td> <td style="text-align: center;">45.0</td> <td style="text-align: center;">17.0</td> <td style="text-align: center;">97%</td> <td style="text-align: center;">—</td> </tr> <tr> <td> A.1.1. Strategy: RETIREMENT CONTRIBUTIONS</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Output (Volume):</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Number of ERS Accounts Maintained</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">15.0</td> <td style="text-align: center;">18.0</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: center;">243</td> <td style="text-align: center;">239,000</td> </tr> <tr> <td>B. Goal: PROVIDE HEALTH PROGRAM</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Outcome (Results/Impact):</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Percent of HealthSelect Participants Satisfied with Network Services</td> <td></td> <td></td> <td style="text-align: center;">80</td> <td style="text-align: center;">85.5%</td> </tr> <tr> <td> B.1.1. Strategy: GROUP INSURANCE</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Efficiencies:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Percent of Claims Processed within Thirty Days</td> <td></td> <td style="text-align: center;">99%</td> <td></td> <td></td> </tr> <tr> <td> Total Cost Paid per HealthSelect Member for Administration and Claims Processing</td> <td style="text-align: center;">\$ 48.04</td> <td style="text-align: center;">\$ 17.78</td> <td style="text-align: center;">\$ 48.76</td> <td style="text-align: center;">\$ 17.78</td> </tr> </tbody> </table>		2014	2016	2015	2017	A. Goal: ADMINISTER RETIREMENT PROGRAM					Outcome (Results/Impact):					Percent of ERS Retirees Expressing Satisfaction with					ERS Retirement Fund Investment Expense as Basis Points					Benefit Services	97%				Net Assets	45.0	17.0	97%	—	A.1.1. Strategy: RETIREMENT CONTRIBUTIONS					Output (Volume):					Number of ERS Accounts Maintained	—	—	15.0	18.0				243	239,000	B. Goal: PROVIDE HEALTH PROGRAM					Outcome (Results/Impact):					Percent of HealthSelect Participants Satisfied with Network Services			80	85.5%	B.1.1. Strategy: GROUP INSURANCE					Efficiencies:					Percent of Claims Processed within Thirty Days		99%			Total Cost Paid per HealthSelect Member for Administration and Claims Processing	\$ 48.04	\$ 17.78	\$ 48.76	\$ 17.78
	2014	2016	2015	2017																																																																																								
A. Goal: ADMINISTER RETIREMENT PROGRAM																																																																																												
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3	I-37	<p>Updated Actuarial Valuation. 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 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>																																																																																										
4	I-37	<p>State Contribution to Employees Retirement Program.</p> <p>a. The amount specified above in A.1.1, Retirement Contributions, is based on a state contribution of 6.5 <u>7.5</u> percent of payroll in fiscal year 2014 <u>2016</u> and 7.5 percent of payroll in fiscal year 2015 <u>2017</u>, including annual membership fees of \$3 for contributing members for each fiscal year.</p>																																																																																										

3.B. Rider Revisions and Additions Request

Agency Code:	Agency Name: Employees Retirement System	Prepared By: Michael C. Wheeler	Date: August 25, 2014	Request Level: Base
Current Rider Number 327	Page Number in 2014–15 GAA	Proposed Rider Language		

		<p>b. Contingent on enactment of SB 1459, or similar legislation relating to contributions to, benefits from, and programs administered by the Employees Retirement System of Texas, by the Eighty-third Legislature, Regular Session, 2013, an amount not to exceed \$57,226,353 out of unexpended balances from estimated appropriations in Strategy A.1.1, Retirement Contributions, and in B.1.1, Group Insurance, are appropriated to Strategy A.1.1, Retirement Contributions, to increase the state contribution rate for retirement in fiscal year 2014 up to 7.5 percent of payroll. Any General Revenue funds out of unexpended balances in excess of the amount required to provide for a state contribution rate of 7.5 percent in fiscal year 2014 are appropriated for deposit to the Employees Life, Accident, and Health Insurance and Benefits Fund.</p> <p>e. Notwithstanding the state rate for retirement contributions established in subsection (a) above and contingent on passage and enactment of SB 1459, the state contribution rate for fiscal year 2014 shall be established at a rate not to exceed 7.5 percent of payroll or a lesser amount corresponding to the level of funding available for this purpose, but no less than 6.5 percent, as determined by the Employees Retirement System. The Employees Retirement System shall submit the state contribution rate determined under this subsection to the Legislative Budget Board and the Governor's Office for approval prior to expenditure of funds.</p> <p>d. Notwithstanding subsection (a) of this provision, should SB 1459 fail to pass or be enacted, any unexpended balances from estimated appropriations in Strategy A.1.1, Retirement Contributions, and in B.1.1, Group Insurance, for fiscal year 2013 are appropriated for deposit to the Employees Life, Accident, and Health Insurance and Benefits Fund, and the state contribution rate shall be established at 6.5 percent of payroll for fiscal year 2014 and fiscal year 2015.</p>
5	I-38	State Contribution to Judicial Retirement Program (JRS-2). 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 2014-15 2016-17 biennium for contributing members.
6	I-38	<p>State Contribution to Group Insurance for General State Employees. Funds identified above for group insurance are intended to fund:</p> <p>a. the total cost of the basic life and health coverage for all active and retired employees;</p> <p>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</p> <p>c. the incentive program to waive participation in the Group Benefits Plan (Opt-Out). 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>

3.B. Rider Revisions and Additions Request

Agency Code:	Agency Name: Employees Retirement System	Prepared By: Michael C. Wheeler	Date: August 25, 2014	Request Level: Base
Current Rider Number 32	Page Number in 2014–15 GAA	Proposed Rider Language		

		<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 Plan 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 Insurance. 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, 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 2014-15 2016-17 biennium.</p>
10	I-38	<p>Appropriations for the Deferred Compensation Trust Fund and the TexaSaver Trust Fund. All money deposited into the Deferred Compensation Trust Fund, Employees Retirement System No. 0945 and the TexaSaver Trust Fund No. 0946 pursuant to §609.512 Government Code are hereby appropriated to the system for the 2014-15 2016-17 biennium for the purposes authorized by law.</p>
11	I-39	<p>Tobacco User Monthly Premium Fee. The Employees Retirement System, pursuant to the provisions of Government 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 \$7,906,000 <u>\$14,724,785</u> in fiscal year 2014 2016 and \$8,046,000 <u>\$14,724,785</u> in fiscal year 2015 2017) into the Employees Life, Accident, Health Insurance and Benefits Trust Account.</p>
12	I-39	<p>State Contribution to the Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOS). The amount specified above in A.1.2 Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOS), is based on 0.5 percent of covered payroll each fiscal year of the 2014-15 2016-17 biennium for LECOS members.</p>
14	I-39	<p>Basic Life and Health Coverage. Out of funds appropriated elsewhere in this Act for Group Insurance, the Employees Retirement System (ERS) shall use simulation modeling or similar methods to project the effects of making basic life and basic health plans available to members. The model shall identify and consider premiums for basic coverage for both members and dependents, the applicability of the Affordable Care Act, potential implications to the plans' actuarial soundness, and how a basic plan option would affect enrollment and related</p>

3.B. Rider Revisions and Additions Request

Agency Code:	Agency Name: Employees Retirement System	Prepared By: Michael C. Wheeler	Date: August 25, 2014	Request Level: Base
Current Rider Number 327	Page Number in 2014–15 GAA	Proposed Rider Language		

		risk pools in the group insurance plans. ERS shall provide a report to the Legislature no later than September 1, 2014 2015 addressing the above as well as any necessary changes to statute to provide basic life and health coverage as modeled.
Sec. 17.05	IX-65	<p>Payroll Contribution for Group Health Insurance.</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, 2013 2015, 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, 2013 2015 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&M Systems.</p> <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 \$111,000,000 <u>\$118,418,629</u> for state agencies and \$65,200,000 <u>\$70,275,159</u> for institutions of higher education for the 2014-15 2016-17 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</p>
Sec. 17.13	IX-71	<p>Sec. 17.13. Additional Payroll Contribution for Retirement Contribution.</p> <p>Section 17.13 is contingent on the passage of Senate Bill 1459, or similar legislation relating to contributions to, benefits from, and programs administered by the Employees Retirement System of Texas, and notwithstanding any other provision of this Act, out Out of appropriations made elsewhere in this Act to state agencies for the state fiscal biennium beginning September 1, 2013 2015, 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</p>

3.B. Rider Revisions and Additions Request

Agency Code:	Agency Name: Employees Retirement System	Prepared By: Michael C. Wheeler	Date: August 25, 2014	Request Level: Base
Current Rider Number 32	Page Number in 2014-15 GAA	Proposed Rider Language		

		<p>fiscal biennium beginning September 1, 2013 <u>2015</u> 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 \$55,500,000 <u>\$60,631,984</u> for state agencies for the 2014-15 <u>2016-17</u> biennium.</p> <p>c. 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>d. Transfers made under this section shall be consistent with provisions requiring salaries and benefits to be proportionate 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>
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4.A. Exceptional Item Request Schedule/
 84th Regular Session, Agency Submission, Version 1h
 Automated Budget and Evaluation System of Texas (ABEST)h

DATE:h 8/22/2014/
 TIME:h 7:58:10PM/

Agency code:h 327/

Agency name:h

Employees Retirement System/

CODE / DESCRIPTION/	Excp 2016/	Excp 2017/
Item Name:/ ERS Retirement Plan at Actuarially Sound Level:h		
Item Priority:/ 1:h		
Includes Funding for the Following Strategy or Strategies:/ 01-01-01h Provide an Actuarially Sound Level of Funding As Defined by State Law:h		
OBJECTS OF EXPENSE:/		
1002 h OTHER PERSONNEL COSTSh	269,206,008h	269,206,008h
TOTAL, OBJECT OF EXPENSE/	\$269,206,008/	\$269,206,008/
METHOD OF FINANCING:/		
1h General Revenue Fundh	163,267,438h	163,267,438h
6h State Highway Fundh	45,834,779h	45,834,779h
555h Federal Fundsh		
00.327.001h ERS Retirementsh	46,317,320h	46,317,320h
994h GR Dedicated Accountsh	11,809,148h	11,809,148h
998h Other Special State Fundsh	1,977,323h	1,977,323h
TOTAL, METHOD OF FINANCING/	\$269,206,008/	\$269,206,008/

DESCRIPTION / JUSTIFICATION:/

This request is part of the ERS' goal of administering comprehensively and actuarially sound retirement programs and supports the objective of retaining proper funding and investment growth for the programs.

The funded ratio for the ERS retirement fund has declined steadily since 2001, driven downward by negative market returns at the beginning of this decade and in 2008 and 2009. The decline was exacerbated by the ongoing need to fund benefit enhancements that were approved in the 1990's when earnings on the trust exceeded 8% per annum. The 81st Legislature passed new plan provisions that reduced plan liabilities and lowered the normal cost of the plan. The 81st Legislature also increased contribution requirements for both the state and the member. The 82nd Legislature slightly lowered the contribution rate to 13.0% (State 6.5% plus member 6.5%). The 83rd legislature increased this to 7.5% state contribution for 2015 and to 6.6 % for 2014, 6.9% for 2015, 7.2% for 2016 and 7.5% for 2017 for member contributions. This contribution level is not sufficient to amortize the unfunded liability over 31 years (19.79%). In order to restore the fund to the actuarially sound level of funding set forth in Sec. 811.006 of the Texas Government Code, an 11.94% state contribution rate would be required along with the 7.2% and 7.5% member contribution. A 10% state contribution funding level would extend the projected trust fund depletion date by 28 years to FY 2080. An 11.94% state contribution funding level would make the fund actuarially sound by 2046.

EXTERNAL/INTERNAL FACTORS:/

4.A. Exceptional Item Request Schedule/
84th Regular Session, Agency Submission, Version 1h
Automated Budget and Evaluation System of Texas (ABEST)h

DATE:h **8/22/2014/**
TIME:h **7:58:10PM/**

Agency code:h **327/**

Agency name:h

Employees Retirement System/

CODE / DESCRIPTION/

Excp 2016/

Excp 2017/

Assumptions:h

The above funding request assumes an additional 4.44% in 2016 and 2017 respectively for a total 11.94% state contribution, 7.2% and 7.5% member contribution in 2016 h and 2017 respectively, no growth in payroll for Fiscal Years 2016 and 2017 and continuation of the 0.5% agency contribution.h

The ASC rate provided is accurate as of August 31, 2013; updated numbers will be available following the audited financial report for FY14.h

4.A. Exceptional Item Request Schedule/
 84th Regular Session, Agency Submission, Version 1h
 Automated Budget and Evaluation System of Texas (ABEST)h

DATE:h **8/22/2014/**
 TIME:h **7:58:10PM/**

Agency code:h **327/**

Agency name:h

Employees Retirement System/

CODE / DESCRIPTION/	Excp 2016/	Excp 2017/
Item Name:/ LECOS Plan Actuarially Soundh		
Item Priority:/ 2h		
Includes Funding for the Following Strategy or Strategies:/ 01-01-02h LECOS Retirement Programh		
OBJECTS OF EXPENSE:/		
1002 h OTHER PERSONNEL COSTS	15,509,807h	15,509,807h
TOTAL, OBJECT OF EXPENSE/	\$15,509,807/	\$15,509,807/
METHOD OF FINANCING:/		
1h General Revenue Fundh	13,432,741h	13,432,741h
6h State Highway Fundh	1,781,234h	1,781,234h
555h Federal Fundsh		
00.327.003h LECOS Retirementsh	56,314h	56,314h
994h GR Dedicated Accountsh	239,518h	239,518h
TOTAL, METHOD OF FINANCING/	\$15,509,807/	\$15,509,807/

DESCRIPTION / JUSTIFICATION:/

This funding request is part of the ERS' goal of administering comprehensive and actuarially sound retirement programs and supports the objective of retaining proper h funding and investment growth for the programs.h

The funded ratio for the LECOS fund is declining and fell below 100% in Fiscal Year 2007. The LECOS funded ratio decline is a result of benefit enhancements, negative h market returns at the beginning of the decade, and the level of State funding. The State had not contributed to this supplemental fund since 1993 until contributions resumed h in Fiscal Year 2008. The 82nd Legislature reduced contributions to 0.5%. In order to restore the fund to the actuarially sound level of funding set forth in Sec. 811.006 of h the Texas Government Code, a 1.96% state contribution rate would be required along with the 0.5% member contribution and the additional court fee contribution of h approximately 1.2%. A state contribution increase of 1.46% is needed in Fiscal Years 2016 and 2017 according to the actuarial valuation for August 2015.h

EXTERNAL/INTERNAL FACTORS:/

Assumptions:h

The above funding request assumes an additional 1.46% for a total of 1.96% state contribution, 0.5% member contribution, court fee contribution of approximately 1.20% h and no growth in payroll for Fiscal Years 2016 and 2017.h

The ASC rate is accurate as of August 31, 2013; updated numbers will be available following the audited financial report for FY14.h

4.A. Exceptional Item Request Schedule/
 84th Regular Session, Agency Submission, Version 1h
 Automated Budget and Evaluation System of Texas (ABEST)h

DATE:h **8/22/2014/**
 TIME:h **7:58:10PM/**

Agency code:h **327/**

Agency name:h

Employees Retirement System/

CODE / DESCRIPTION/	Excp 2016/	Excp 2017/
Item Name:/ JRS 2 Plan Actuarially Sound:h		
Item Priority:/ 3:h		
Includes Funding for the Following Strategy or Strategies:/ 01-01-03h Maintain Retirement Program for State Judicial Officers:h		
OBJECTS OF EXPENSE:/		
1002 h OTHER PERSONNEL COSTSh	991,542h	991,542h
TOTAL, OBJECT OF EXPENSE/	\$991,542/	\$991,542/
METHOD OF FINANCING:/		
1h General Revenue Fundh	614,069h	614,069h
573h Judicial Fundh	377,473h	377,473h
TOTAL, METHOD OF FINANCING/	\$991,542/	\$991,542/

DESCRIPTION / JUSTIFICATION:/

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

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 h 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% h based on the August 2011 Actuarial Valuation. The 83rd Legislature increased the state contribution to 15.663% and the member rate to 6.6% for 2014, 6.9% for 2015, 7.2 h for 2016 and 7.5% for 2017. In order to restore the fund to the actuarially sound level of funding set forth in Sec. 840.106 of the Texas Government Code, a 16.94% state h contribution rate would be required along with the 7.2% and 7.5% member contribution. A state contribution increase of 1.277% is requested in Fiscal Years 2016 and 2017.h

EXTERNAL/INTERNAL FACTORS:/

Assumptions:h

The above funding request assumes an additional 1.277% for a total 16.94% state contribution, 7.2% and 7.5% member contribution and no growth in payroll for Fiscal h Years 2016 and 2017.h

The ASC rate is accurate as of August 31, 2013; updated numbers will be available after the audited financial report for FY14.h

4.A. Exceptional Item Request Schedule/
 84th Regular Session, Agency Submission, Version 1h
 Automated Budget and Evaluation System of Texas (ABEST)h

DATE:h 8/22/2014/
 TIME:h 7:58:10PM/

Agency code:h 327/

Agency name:h

Employees Retirement System/

CODE / DESCRIPTION/	Excp 2016/	Excp 2017/
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Item Name:/ Group Benefit Program Cost Increases:h

Item Priority:/ 4:h

Includes Funding for the Following Strategy or Strategies:/ 02-01-01h Provide Basic Insurance Program to General State Employees. Estimated:h

OBJECTS OF EXPENSE:/

2009 h OTHER OPERATING EXPENSEh	83,589,442h	206,280,750h
TOTAL, OBJECT OF EXPENSE/	\$83,589,442/	\$206,280,750/

METHOD OF FINANCING:/

1h General Revenue Fundh	51,888,163h	128,048,817h
6h State Highway Fundh	12,972,375h	32,013,029h
555h Federal Fundsh		
00.327.002h ERS Insuranceh	15,372,556h	37,936,158h
994h GR Dedicated Accountsh	3,033,192h	7,485,266h
998h Other Special State Fundsh	323,156h	797,480h
TOTAL, METHOD OF FINANCING/	\$83,589,442/	\$206,280,750/

DESCRIPTION / JUSTIFICATION:/

This funding request is part of the ERS' goal of providing employees and retirees high quality health programs and supports the objective of managing the Group Benefits h Program for state and higher education employees.h

To sustain the current GBP plan benefits and structure, cost increases for the insurance program will require funding that exceeds baseline funding. Health benefit cost h increase of 8.5% each year will be partially offset by spending down plan contingency reserves (estimated at \$331 million at the start of the biennium) by \$231 million (state h agency portion is \$131.5 million). The contribution increase required for the State to maintain the health insurance plan as it is currently structured is 6.9% in FY 2016 and h 6.9% in FY 2017.h

EXTERNAL/INTERNAL FACTORS:/

Assumptions:h

The above request is based on state contribution increases of 6.9% in FY 2016 and 6.9% increase in 2017 and \$231 million (state agency portion is \$131.5 million) available h for spend-down from the GBP contingency reserve. The project balance in the GP contingency reserve would be \$100 million (state agency portion is \$67 million) at the end h of Fiscal Year 2017. Health benefit cost trend is projected at 8.5% each year for FY 2016 and 2017. No growth in enrollment is assumed for FY 2016 and FY2017.h

4.A. Exceptional Item Request Schedule/
 84th Regular Session, Agency Submission, Version 1h
 Automated Budget and Evaluation System of Texas (ABEST)h

DATE:h **8/22/2014/**
 TIME:h **7:58:10PM/**

Agency code:h **327/**

Agency name:h

Employees Retirement System/

CODE /	DESCRIPTION/	Excp 2016/	Excp 2017/
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Item Name:/ Group Benefit Program 60 Day Reserve Fund:h

Item Priority:/ 5:h

Includes Funding for the Following Strategy or Strategies:/ 02-01-01h Provide Basic Insurance Program to General State Employees. Estimated:h

OBJECTS OF EXPENSE:/

2009 h	OTHER OPERATING EXPENSEh	159,682,834h	170,700,949h
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TOTAL, OBJECT OF EXPENSE/

	159,682,834/	170,700,949/
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METHOD OF FINANCING:/

1h	General Revenue Fundh	99,123,152h	105,962,649h
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6h	State Highway Fundh	24,781,427h	26,491,345h
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555h	Federal Fundsh		
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00.327.002h	ERS Insuranceh	29,366,546h	31,392,838h
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994h	GR Dedicated Accountsh	5,794,376h	6,194,188h
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998h	Other Special State Fundsh	617,333h	659,929h
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TOTAL, METHOD OF FINANCING/

	159,682,834/	170,700,949/
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DESCRIPTION / JUSTIFICATION:/

This funding request is part of the ERS' goal of providing employees and retirees high quality health programs and supports the objective of managing the Group Benefits h Program for state and higher education employees.h

Chapter 1551, Section 211 of the Texas Insurance Code requires the ERS to request funding necessary to maintain a reserve adequate to pay 60 days of claims in the h self-funded health insurance program. At the end of fiscal year 2015, this fund is expected to have a balance of \$331 million. In order to maintain the fiscally prudent 60-day h reserve fund, the ERS requests an additional \$330.4 million for the general state agency portion of the required contribution increase. The claims reserve fund also receives h contributions from higher education, the Texas Municipal Retirement System, the Texas County and District Retirement System, the Community Supervision and Correction h Department and the Windham School District, all of which participate in the Group Benefits Program. Employees also contribute a portion of the funding through h out-of-pocket premium costs.h

EXTERNAL/INTERNAL FACTORS:/

Assumptions:h

The above funding request is based on a 16.5% state contribution increase in FY 2016 and 6.9% state contribution increase in FY 2017 to achieve the GBP reserve balance h to \$692.4 million, equivalent to 60 days of claims at the end of Fiscal Year 2017. No growth in enrollment is assumed for FY 2016 and FY 2017h

4.B. Exceptional Items Strategy Allocation Schedulea
 84th Regular Session, Agency Submission, Version 1 0
 Automated Budget and Evaluation System of Texas (ABEST)0

DATE:08/22/2014a
 TIME:07:58:10PMa

Agency code:0 **327a** Agency name: **Employees Retirement Systema**

Code	Description0	Excp 20160	Excp 2017
Item Name:a	ERS Retirement Plan at Actuarially Sound Level0		
Allocation to Strategy:a	1-1-10 Provide an Actuarially Sound Level of Funding As Defined by State Law0		
OBJECTS OF EXPENSE:a			
10 20	OTHER PERSONNEL COSTS	269,206,0 80	269,206,0 80
TOTAL, OBJECT OF EXPENSEa		\$269,206,008	\$269,206,008
ETHOD OF FINANCING:a			
10	General Revenue Fund	163,267,4380	163,267,4380
60	State Highway Fund	45,834,7790	45,834,7790
555	Federal Funds		
0,327,0 10	ERS Retirement0	46,317,320	46,317,32
9940	GR Dedicated Accounts	11,809,1480	11,809,1480
9980	Other Special State Funds	1,977,3230	1,977,3230
TOTAL, METHOD OF FINANCINGa		\$269,206,008	\$269,206,008

4.B. Exceptional Items Strategy Allocation Schedulea
 84th Regular Session, Agency Submission, Version 1 0
 Automated Budget and Evaluation System of Texas (ABEST)0

DATE:08/22/2014a
 TIME:07:58:10PMa

Agency code:0 **327a** Agency name:0 **Employees Retirement Systema**

Code	Description0	Excp 20160	Excp 20170
Item Name:a	LECOS Plan Actuarially Sound0		
Allocation to Strategy:a	1-1-20 LECOS Retirement Program0		
STRATEGY IMPACT ON OUTCOME MEASURES:a			
3a	# Years to Amortize the LECOS Unfunded Actuarial Accrued Liability0	31.0	31.0
OBJECTS OF EXPENSE:a			
10 20	OTHER PERSONNEL COSTS0	15,509,8070	15,509,8070
TOTAL, OBJECT OF EXPENSEa		\$15,509,807a	\$15,509,807a
ETHOD OF FINANCING:a			
10	General Revenue Fund0	13,432,7410	13,432,7410
60	State Highway Fund0	1,781,2340	1,781,2340
555	Federal Funds0		
	30 LECOS Retirement0	56,3140	56,3140
9940	GR Dedicated Accounts0	239,5180	239,5180
TOTAL, METHOD OF FINANCINGa		\$15,509,807a	\$15,509,807a

4.B. Exceptional Items Strategy Allocation Schedulea
 84th Regular Session, Agency Submission, Version 1 0
 Automated Budget and Evaluation System of Texas (ABEST)0

DATE:08/22/2014a
 TIME:07:58:10PMa

Agency code:0 **327a** Agency name: **Employees Retirement Systema**

Code	Description0	Excp 20160	Excp 2017
Item Name:a	JRS 2 Plan Actuarially Sound0		
Allocation to Strategy:a	1-1-30 Maintain Retirement Program for State Judicial Officers		
STRATEGY IMPACT ON OUTCOME MEASURES:a			
4a	# of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability0	31.	31.
OBJECTS OF EXPENSE:a			
	10 20 OTHER PERSONNEL COSTS	991,5420	991,5420
TOTAL, OBJECT OF EXPENSEa		\$991,542	\$991,542
ETHOD OF FINANCING:a			
	10 General Revenue Fund	614,0690	614,0690
	5730 Judicial Fund	377,4730	377,4730
TOTAL, METHOD OF FINANCINGa		\$991,542	\$991,542

4.B. Exceptional Items Strategy Allocation Schedulea
 84th Regular Session, Agency Submission, Version 1 0
 Automated Budget and Evaluation System of Texas (ABEST)0

DATE:08/22/2014a
 TIME:07:58:10PMa

Agency code:0 **327a** Agency name: **Employees Retirement Systema**

Code	Description0	Excp 20160	Excp 2017
Item Name:a	Group Benefit Program Cost Increases0		
Allocation to Strategy:a	2-1-10 Provide Basic Insurance Program to General State Employees. Estimated0		
OBJECTS OF EXPENSE:a			
	20 90 OTHER OPERATING EXPENSE	83,589,4420	206,280,750
TOTAL, OBJECT OF EXPENSEa		\$83,589,442	\$206,280,750
ETHOD OF FINANCING:a			
	10 General Revenue Fund	51,888,1630	128,048,8170
	60 State Highway Fund	12,972,3750	32,013,0290
	555 Federal Funds		
	0,327.0 20 ERS Insurance0	15,372,5560	37,936,158
	9940 GR Dedicated Accounts	3,033,1920	7,485,2660
	9980 Other Special State Funds	323,1560	797,480
TOTAL, METHOD OF FINANCINGa		\$83,589,442	\$206,280,750

4.B. Exceptional Items Strategy Allocation Schedulea
 84th Regular Session, Agency Submission, Version 1 0
 Automated Budget and Evaluation System of Texas (ABEST)0

DATE:08/22/2014a
 TIME:07:58:10PMa

Agency code:0 **327a** Agency name:0 **Employees Retirement Systema**

Code	Description0	Excp 20160	Excp 20170
Item Name:a	Group Benefit Program 60 Day Reserve Fund0		
Allocation to Strategy:a	2-1-10 Provide Basic Insurance Program to General State Employees. Estimated0		
OBJECTS OF EXPENSE:a			
	20 90 OTHER OPERATING EXPENSE0	159,682,8340	170,700,9490
TOTAL, OBJECT OF EXPENSEa		\$159,682,834a	\$170,700,949a
ETHOD OF FINANCING:a			
	10 General Revenue Fund0	99,123,1520	105,962,6490
	60 State Highway Fund0	24,781,4270	26,491,3450
	555 Federal Funds0		
	20 ERS Insurance0	29,366,5460	31,392,8380
	9940 CR Dedicated Accounts0	5,794,3760	6,194,1880
	9980 Other Special State Funds0	617,3330	659,9290
TOTAL, METHOD OF FINANCINGa		\$159,682,834a	\$170,700,949a

6.A. Historically Underutilized Business Supporting Schedule c
 84th Regular Session, Agency Submission, Version 1,
 Automated Budget and Evaluation System of Texas (ABEST),

Date:, 8/22/2014c
 Time:, 7:58:11PMc

Agency Code:, 327c Agency: , Employees Retirement Systemc

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS,

A. Fiscal Year 2012 - 2013 HUB Expenditure Informationc

Statewidec HUB Goalsc	Procurementc Categoryc	% Goalc	HUB Expenditures FY 2012c			Total c Expenditures c FY 2012c		HUB Expenditures FY 2013c			Total c Expenditures c FY 2013c	
			% Actualc	Diffc	Actual \$c	% Goalc	% Actualc	Diffc	Actual \$c	% Actualc	Diffc	Actual \$c
11.2%,	Heavy Construction	0.0 %,	0.0%	0.0%,	\$0	\$0,	0.0 %,	0.0%,	0.0%,	\$0	\$0,	
21.1%,	uilding Construction	2.0 %,	0.0%	-2.0%,	\$0	\$15,057,	2.0 %,	0.0%,	-2.0%,	\$0	\$155,131,	
32.7%,	Special Trade Construction	17.0 %,	2.6%	-14.4%,	\$10,395	\$398,200,	17.0 %,	10.0%,	-7.0%,	\$24,179	\$240,928,	
23.6%,	Professional Services	8.0 %,	0.0%	-8.0%,	\$0	\$2,112,829,	8.0 %,	0.0%,	-8.0%,	\$0	\$2,312,805,	
24.6%,	Other Services	5.0 %,	7.0%	2.0%,	\$1,765,792	\$25,288,469,	5.0 %,	14.1%,	9.1%,	\$1,860,592	\$13,153,137,	
21.0%,	Commodities	24.0 %,	8.1%	-15.9%,	\$172,413	\$2,134,163,	24.0 %,	8.8%,	-15.2%,	\$171,564	\$1,957,043,	
	Total Expendituresc		6.5%^c		\$1,948,600	\$29,948,718^c		11.5%^c		\$2,056,335	\$17,819,044^c	

B. Assessment of Fiscal Year 2012 - 2013 Efforts to Meet HUB Procurement Goalsc

Attainment:c

- For fiscal year 2012, we exceeded our agency goal for Other Services by 2.0%.,
- For fiscal year 2013, we exceeded our agency goal for Other Services by 9.1%.,

Applicability:c

- The "Heavy Construction" category is not applicable to agency operations in either fiscal year 2012 or 2013 since the agency did not have any strategies or programs , related to this category of construction.,
- Employees Retirement System of Texas operates from trust funds and does not receive any appropriation from the State Legislature for its operating buget.,

Factors Affecting Attainment:c

- In both fiscal years, the goal of "Special Trade Construction" procurement category was not met. Most of the contracts involved building renovation and , improvements.,
- In both fiscal years, the goal of "Professional Services" procurement category was not met. The majority of ERS' required services involve actuarial and auditing , services for pension and group insurance program.,
- In both fiscal years, the statewide goal of "Other Services", procurement category was not met. Most of the contracts involve investment services for the State , retirement fund and insurance services for State employees. However, in both fiscal years ERS exceeded our agency goal.,

6.A. Historically Underutilized Business Supporting Schedulec
84th Regular Session, Agency Submission, Version 1,
Automated Budget and Evaluation System of Texas (ABEST),

Date:, 8/22/2014c
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Agency Code:, 327c Agency: , Employees Retirement Systemc

"Good-Faith" Efforts:c

The agency made the following efforts to comply with the statewide HUB procurement goals per TAC §20.13(b):,

- Ensured the contract specifications and terms and conditions were clearly stated, reflected the agency's actual requirement, and did not impose any unreasonable or , unnecessary requirements.,
- When applicable, potential bidders are provided with lists of certified HUB's for subcontracting opportunities.,
- Attended HUB conferences and prepared and distributed information on how to contract with ERS in order to encourage and increase participation.,
- ERS sponsored several exhibit booths at HUB forums and bid fairs.,
- ERS meets regularly with HUB vendors to provide information for doing business with the agency and the State of Texas.,
- Purchasing staff directly solicits more certified HUBs than required on all applicable bid opportunities.,
- Whenever possible, HUBs are contacted exclusively for procurement's that are under the competitive procurement threshold for bidding.,

6.C. Federal Funds Supporting ScheduleA
 84th Regular Session, Agency Submission, Version 1 r
 Automated Budget and Evaluation System of Texas (ABEST)r

8/22/2014 7:58:11PMr

		327 Employees Retirement SystemA				
CFDA NUMBER/ STRATEGYr		Exp 2013A	Est 2014A	Bud 2015A	BL 2016A	BL 2017A
00.327.001A	ERS Retirement					
1r -1r -1	ERS - RETIREMENT	67,983,878r	80,098,599r	78,307,710r	78,307,710r	78,307,710r
	TOTAL, ALL STRATEGIESA	\$67,983,878A	\$80,098,599A	\$78,307,710A	\$78,307,710A	\$78,307,710A
	DDL FED FNDS FOR EMPL BENEFITSA	0r	0r	0r	0r	0r
	TOTAL, FEDERAL FUNDS	\$67,983,878A	\$80,098,599A	\$78,307,710	\$78,307,710A	\$78,307,710A
	ADDL GR FOR EMPL BENEFITSA	\$0A	\$0A	\$0A	\$0A	\$0A
00.327.002A	ERS Insurancer					
2r -1r -1	GBP - GENERAL STATE EMPLOYEES	256,211,569r	271,156,651r	300,857,684r	300,857,684r	300,857,684r
	TOTAL, ALL STRATEGIESA	\$256,211,569A	\$271,156,651A	\$300,857,684A	\$300,857,684A	\$300,857,684A
	DDL FED FNDS FOR EMPL BENEFITSA	0r	0r	0r	0r	0r
	TOTAL, FEDERAL FUNDS	\$256,211,569A	\$271,156,651A	\$300,857,684	\$300,857,684A	\$300,857,684A
	ADDL GR FOR EMPL BENEFITSA	\$0A	\$0A	\$0A	\$0A	\$0A
00.327.003A	LECOS Retirementr					
1r -1r -2	LECOS RETIREMENT PROGRAM	27,867r	27,629r	29,330r	29,330r	29,330r
	TOTAL, ALL STRATEGIESA	\$27,867A	\$27,629A	\$29,330A	\$29,330A	\$29,330A
	DDL FED FNDS FOR EMPL BENEFITSA	0r	0r	0r	0r	0r
	TOTAL, FEDERAL FUNDS	\$27,867A	\$27,629A	\$29,330	\$29,330A	\$29,330A
	ADDL GR FOR EMPL BENEFITSA	\$0A	\$0A	\$0A	\$0A	\$0A

6.C. Federal Funds Supporting Schedule A
 84th Regular Session, Agency Submission, Version 1 r
 Automated Budget and Evaluation System of Texas (ABEST)r

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CFDA NUMBER/ STRATEGYr	327 Employees Retirement SystemA	Exp 2013A	Est 2014A	Bud 2015A	BL 2016A	BL 2017A
SUMMARY LISTING OF FEDERAL PROGRAM AMOUNTS A						
00.327.001r	ERS Retirementr	67,983,878r	80,098,599r	78,307,710r	78,307,710r	78,307,710r
00.327.002r	ERS Insurancr	256,211,569r	271,156,651r	300,857,684r	300,857,684r	300,857,684r
00.327.003r	LECOS Retirementr	27,867r	27,629r	29,330r	29,330r	29,330r
TOTAL, ALL STRATEGIESA		\$324,223,314r	\$351,282,879r	\$379,194,724r	\$379,194,724r	\$379,194,724r
TOTAL , ADDL FED FUNDS FOR EMPL BENEFITSA		0r	0r	0r	0r	0r
TOTAL, FEDERAL FUNDSA		\$324,223,314A	\$351,282,879A	\$379,194,724A	\$379,194,724A	\$379,194,724A
TOTAL, ADDL GR FOR EMPL BENEFITSA		\$0A	\$0A	\$0A	\$0A	\$0A

SUMMARY OF SPECIAL CONCERNS/ISSUESA

The method of finance reflects proportionality as provided by the LBB.
Assumptions and Methodology:A

Potential Loss:A

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

ESTIMATED GRAND TOTAL OF AGENCY FUNDS OUTSIDE THE 2016-17 GAA BILL PATTERN	\$	40,486,973,714
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Retirement Trust Fund (0955)

Estimated Beginning Balance in FY 2014	\$	22,868,542,011
Estimated Revenues FY 2014	\$	3,809,869,265
Estimated Revenues FY 2015	\$	3,061,471,921
FY 2014-15 Total	\$	29,739,883,197
Estimated Beginning Balance in FY 2016	\$	25,620,857,545
Estimated Revenues FY 2016	\$	3,222,538,271
Estimated Revenues FY 2017	\$	3,396,489,928
FY 2016-17 Total	\$	32,239,885,744

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 2015 level for FY 2016-17. Investment Income is calculated using the 8% return assumption used in the ERS actuarial valuation report for August 31, 2013. State contributions are estimated at the LAR Base Level of 7.50%. Zero payroll growth is assumed for FY 2016-17.

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

LECOS Trust Fund (0977)

Estimated Beginning Balance in FY 2014	\$	780,669,686
Estimated Revenues FY 2014	\$	157,290,225
Estimated Revenues FY 2015	\$	<u>71,175,927</u>
FY 2014-15 Total	\$	1,009,135,838
Estimated Beginning Balance in FY 2016	\$	892,014,168
Estimated Revenues FY 2016	\$	112,944,375
Estimated Revenues FY 2017	\$	<u>119,898,917</u>
FY 2016-17 Total	\$	1,124,857,460

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 2016 and FY 2017 will be established at the current level of 0.50%. Investment income is calculated using the 8% return assumption used in the ERS actuarial valuation report for August 31, 2013. Payroll is assumed to remain at the FY 2015 level with no payroll growth for FY 2016-17.

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

Insurance Fund (0973)

Estimated Beginning Balance in FY 2014	\$	325,412,026
Estimated Revenues FY 2014	\$	2,936,255,121
Estimated Revenues FY 2015	\$	<u>3,141,768,452</u>
FY 2014-15 Total	\$	6,403,435,599
Estimated Beginning Balance in FY 2016	\$	331,005,098
Estimated Revenues FY 2016	\$	3,141,768,452
Estimated Revenues FY 2017	\$	<u>3,141,768,452</u>
FY 2016-17 Total	\$	6,614,542,002

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 2016 will be at the FY 2015 levels with no increase in enrollment.

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

JRS II Trust Fund (0993)

Estimated Beginning Balance in FY 2014	\$	318,384,742
Estimated Revenues FY 2014	\$	68,232,207
Estimated Revenues FY 2015	\$	47,505,493
FY 2014-15 Total	\$	<u>434,122,442</u>
Estimated Beginning Balance in FY 2016	\$	400,799,946
Estimated Revenues FY 2016	\$	51,361,849
Estimated Revenues FY 2017	\$	55,526,713
FY 2016-17 Total	\$	<u>507,688,508</u>

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 8% return assumption used in the ERS actuarial valuation report for August 31, 2013. State contributions are estimated at the LAR baseline request level of 15.663%. Payroll is assumed to remain at the FY 2015 level with no payroll growth for FY 2016-17.

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP
 84th Regular Session, Agency Submission, Version 1b
 Automated Budget and Evaluation System of Texas (ABEST)b

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327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
<i>Item: 1 Change for Full State Contribution</i>						
Objects of ExpenseP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
2009 OTHER OPERATING EXPENSEb	\$2,732,441 b	\$2,922,910 b	\$3,127,481 b	\$3,346,433 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$2,732,441 P	\$2,922,910 P	\$3,127,481 P	\$3,346,433 P	\$0 P	\$0 P
TOTAL, Objects of ExpenseP	\$2,732,441 P	\$2,922,910 P	\$3,127,481 P	\$3,346,433 P	\$0 P	\$0 P
Method of FinancingP						
GENERAL REVENUE FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
1 General Revenue Fundb	\$1,692,680 b	\$1,814,396	\$1,941,384 b	\$2,077,300 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$1,692,680 P	\$1,814,396 P	\$1,941,384 P	\$2,077,300 P	\$0 P	\$0 P
SUBTOTAL, GENERAL REVENUE FUNDSP	\$1,692,680 P	\$1,814,396 P	\$1,941,384 P	\$2,077,300 P	\$0 P	\$0 P
GR DEDICATEDP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
994 GR Dedicated Accountsb	\$98,846	\$106,064 b	\$113,486	\$121,431 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$98,846 P	\$106,064 P	\$113,486 P	\$121,431 P	\$0 P	\$0 P
SUBTOTAL, GR DEDICATEDP	\$98,846 P	\$106,064 P	\$113,486 P	\$121,431 P	\$0 P	\$0 P
FEDERAL FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
555 Federal Fundsb						
00.327.002 ERS Insuranceb	\$507,864 b	\$537,539 b	\$575,161 b	\$615,427 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$507,864 P	\$537,539 P	\$575,161 P	\$615,427 P	\$0 P	\$0 P
SUBTOTAL, FEDERAL FUNDSP	\$507,864 P	\$537,539 P	\$575,161 P	\$615,427 P	\$0 P	\$0 P
OTHER FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP
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327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
6 State Highway Fundb	\$422,490 b	\$453,611 b	\$485,359 b	\$519,338 b	\$0 b	\$0 b
998 Other Special State Fundsb	\$10,561 b	\$11,300 b	\$12,091 b	\$12,937 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$433,051 P	\$464,911 P	\$497,450 P	\$532,275 P	\$0 P	\$0 P
SUBTOTAL, OTHER FUNDSP	\$433,051 P	\$464,911 P	\$497,450 P	\$532,275 P	\$0 P	\$0 P
TOTAL, Method of FinancingP	\$2,732,441 P	\$2,922,910 P	\$3,127,481 P	\$3,346,433 P	\$0 P	\$0 P

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:

H.R. 3590 (P.L. 111-148), Sec. 1513 and H.R. 4872 (P.L. 111-152), Sec. 1003b

DESCRIPTION/KEY ASSUMPTIONS:

1.b This provision of the law defines a full-time employee to be one working 30 or more hours per week. Under the GBP, prior to September 1, 2013, only employees working at least 40 hours per week receive the full state contribution for basic life and health insurance. Employees working 20-39 hours per week receive 50% of the state contribution. In order to assure compliance with the ACA, the 83rd Texas Legislature adopted SB 1459 that includes an amendment to the GBP statute specifying that employees working 30 or more hours per week will receive the full state contribution beginning September 1, 2013; i.e. for FY14 and subsequent years.

2.b Based on data provided by the State Comptroller, there were 266 part-time employees working 30-39 hours per week during FY13 who were enrolled in the GBP health plan. In addition, there were 438 such part-time employees who were not enrolled in the GBP. Effective September 1, 2013, these members qualified for a full state contribution. b

3.b The additional state contribution for current members affected by this change is estimated to be about \$295 per member per month (PMPM) in FY14 and about \$315 b PMPM in FY15. These amounts are expected to increase at a rate of 7% per year for FY16 and FY17.b

4.b The additional state contribution for part-time employees affected by this change who were not enrolled in FY13 will be about \$589 per month in FY14 and about \$630 b per month in FY15. These amounts are expected to increase at a rate of 7% per year for FY16 and FY17.b

5.b The additional cost associated with this change will be paid by the employers assuming continuation of the current contribution strategy.b

6.b The share of the additional employer cost attributable to appropriated state agency members is 67.7%.b

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP

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327 Employees Retirement SystemP

Est 2014P

d 2015P

L 2016P

L 2017P

Excp 2016P

Excp 2017P

CONCERNS:

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP
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 Automated Budget and Evaluation System of Texas (ABEST)b

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327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
<i>Item: 2 Eliminate Lifetime Maximum</i>						
Objects of ExpenseP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
2009 OTHER OPERATING EXPENSEb	\$180,545 b	\$195,260 b	\$212,240 b	\$230,917 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$180,545 P	\$195,260 P	\$212,240 P	\$230,917 P	\$0 P	\$0 P
TOTAL, Objects of ExpenseP	\$180,545 P	\$195,260 P	\$212,240 P	\$230,917 P	\$0 P	\$0 P
Method of FinancingP						
GENERAL REVENUE FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
1 General Revenue Fundb	\$111,843 b	\$121,208 b	\$131,748 b	\$143,342 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$111,843 P	\$121,208 P	\$131,748 P	\$143,342 P	\$0 P	\$0 P
SUBTOTAL, GENERAL REVENUE FUNDSP	\$111,843 P	\$121,208 P	\$131,748 P	\$143,342 P	\$0 P	\$0 P
GR DEDICATEDP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
994 GR Dedicated Accountsb	\$6,531 b	\$7,085 b	\$7,702 b	\$8,379 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$6,531 P	\$7,085 P	\$7,702 P	\$8,379 P	\$0 P	\$0 P
SUBTOTAL, GR DEDICATEDP	\$6,531 P	\$7,085 P	\$7,702 P	\$8,379 P	\$0 P	\$0 P
FEDERAL FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
555 Federal Fundsb						
00.327.002 ERS Insuranceb	\$33,557 b	\$35,909 b	\$39,032 b	\$42,467 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$33,557 P	\$35,909 P	\$39,032 P	\$42,467 P	\$0 P	\$0 P
SUBTOTAL, FEDERAL FUNDSP	\$33,557 P	\$35,909 P	\$39,032 P	\$42,467 P	\$0 P	\$0 P
OTHER FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP
 84th Regular Session, Agency Submission, Version 1b
 Automated Budget and Evaluation System of Texas (ABEST)b

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327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Exep 2016P	Exep 2017P
6 State Highway Fundb	\$27,916	\$30,303 b	\$32,937 b	\$35,836	\$0 b	\$0 b
998 Other Special State Fundsb	\$698 b	\$755 b	\$821 b	\$893 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$28,614 P	\$31,058 P	\$33,758 P	\$36,729 P	\$0 P	\$0 P
SUBTOTAL, OTHER FUNDSP	\$28,614 P	\$31,058 P	\$33,758 P	\$36,729 P	\$0 P	\$0 P
TOTAL, Method of FinancingP	\$180,545 P	\$195,260 P	\$212,240 P	\$230,917 P	\$0 P	\$0 P

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:

H.R. 3590, Sec. 1001(5) as amended by Sec. 10101(a) (adds Sec 2711(a)(1) of Public Health Serv. Act)b

DESCRIPTION/KEY ASSUMPTIONS:

- 1.b This provision of the law became applicable to the GBP September 1, 2010; i.e., for FY11.b
- 2.b This provision is estimated to increase GBP cost by approximately \$320,000 in FY14, \$345,000 in FY15, \$375,000 in FY16 and \$410,000 in FY17.b
- 3.b Since this change will increase the cost of coverage for members and dependents, the cost will be split between the employers and the members 83.6%/16.4%, as is the b current cost. b
- 4.b The share of the additional employer cost attributable to appropriated state agency members is 67.7%.b

CONCERNS:

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP
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 Automated Budget and Evaluation System of Texas (ABEST)b

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327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
<i>Item: 3 Expand Coverage of Depend to Age 26</i>						
Objects of ExpenseP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
2009 OTHER OPERATING EXPENSEb	\$4,683,795 b	\$5,195,276	\$5,642,321 b	\$6,145,790 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$4,683,795 P	\$5,195,276 P	\$5,642,321 P	\$6,145,790 P	\$0 P	\$0 P
TOTAL, Objects of ExpenseP	\$4,683,795 P	\$5,195,276 P	\$5,642,321 P	\$6,145,790 P	\$0 P	\$0 P
Method of FinancingP						
GENERAL REVENUE FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
1 General Revenue Fundb	\$2,901,496	\$3,224,969 b	\$3,502,472 b	\$3,815,000 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$2,901,496 P	\$3,224,969 P	\$3,502,472 P	\$3,815,000 P	\$0 P	\$0 P
SUBTOTAL, GENERAL REVENUE FUNDSP	\$2,901,496 P	\$3,224,969 P	\$3,502,472 P	\$3,815,000 P	\$0 P	\$0 P
GR DEDICATEDP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
994 GR Dedicated Accountsb	\$169,435 b	\$188,520 b	\$204,742 b	\$223,011 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$169,435 P	\$188,520 P	\$204,742 P	\$223,011 P	\$0 P	\$0 P
SUBTOTAL, GR DEDICATEDP	\$169,435 P	\$188,520 P	\$204,742 P	\$223,011 P	\$0 P	\$0 P
FEDERAL FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
555 Federal Fundsb						
00.327.002 ERS Insuranceb	\$870,552 b	\$955,440 b	\$1,037,654 b	\$1,130,244 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$870,552 P	\$955,440 P	\$1,037,654 P	\$1,130,244 P	\$0 P	\$0 P
SUBTOTAL, FEDERAL FUNDSP	\$870,552 P	\$955,440 P	\$1,037,654 P	\$1,130,244 P	\$0 P	\$0 P
OTHER FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						

327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Exep 2016P	Exep 2017P
6 State Highway Fundb	\$724,208 b	\$806,262 b	\$875,640 b	\$953,775 b	\$0 b	\$0 b
998 Other Special State Fundsb	\$18,104 b	\$20,085 b	\$21,813 b	\$23,760 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$742,312 P	\$826,347 P	\$897,453 P	\$977,535 P	\$0 P	\$0 P
SUBTOTAL, OTHER FUNDSP	\$742,312 P	\$826,347 P	\$897,453 P	\$977,535 P	\$0 P	\$0 P
TOTAL, Method of FinancingP	\$4,683,795 P	\$5,195,276 P	\$5,642,321 P	\$6,145,790 P	\$0 P	\$0 P

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:

H.R. 3590, Sec. 1001 (adds Sec 2714 of Public Health Services Act); H.R. 4872, Sec. 2301b

DESCRIPTION/KEY ASSUMPTIONS:

- 1.b This provision of the law became applicable to the GBP September 1, 2011; i.e., for FY12.b
- 2.b Based on enrollment data provided by ERS, we expect that 4,169 additional children are enrolled for health coverage during FY14, the third year for which this b requirement was applicable.b
- 3.b Based on expected enrollment growth of 2.48% for FY15, the number of additional children is expected to increase to 4,274 and remain at the level for FY16 and b FY17.b
- 4.b The cost of the additional children is assumed to be the same as the per capita cost of coverage for a HealthSelect member under age 30, \$3,320 for FY14. This amount b will increase annually at the health plan benefit cost trend, which is expected to average approximately 8.5% per year for the b period FY15-17. b
- 5.b Since this change will increase the cost of dependent coverage, the cost will be spread 50%/50% between the employers and the members assuming continuation of the b current funding strategy.b
- 6.b The share of the additional employer cost attributable to appropriated state agency members is 67.7%.b

CONCERNS:

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP
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 Automated Budget and Evaluation System of Texas (ABEST)b

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327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
<i>Item: 4 Preventive Care at 100%</i>						
Objects of ExpenseP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
2009 OTHER OPERATING EXPENSEb	\$15,926,403 b	\$17,266,485 b	\$18,265,460 b	\$19,322,231 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$15,926,403 P	\$17,266,485 P	\$18,265,460 P	\$19,322,231 P	\$0 P	\$0 P
TOTAL, Objects of ExpenseP	\$15,926,403 P	\$17,266,485 P	\$18,265,460 P	\$19,322,231 P	\$0 P	\$0 P
Method of FinancingP						
GENERAL REVENUE FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
1 General Revenue Fundb	\$9,866,017 b	\$10,718,174 b	\$11,338,288 b	\$11,994,279 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$9,866,017 P	\$10,718,174 P	\$11,338,288 P	\$11,994,279 P	\$0 P	\$0 P
SUBTOTAL, GENERAL REVENUE FUNDSP	\$9,866,017 P	\$10,718,174 P	\$11,338,288 P	\$11,994,279 P	\$0 P	\$0 P
GR DEDICATEDP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
994 GR Dedicated Accountsb	\$576,136	\$626,545 b	\$662,795 b	\$701,142 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$576,136 P	\$626,545 P	\$662,795 P	\$701,142 P	\$0 P	\$0 P
SUBTOTAL, GR DEDICATEDP	\$576,136 P	\$626,545 P	\$662,795 P	\$701,142 P	\$0 P	\$0 P
FEDERAL FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
555 Federal Fundsb						
00.327.002 ERS Insuranceb	\$2,960,155 b	\$3,175,401 b	\$3,359,118 b	\$3,553,464 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$2,960,155 P	\$3,175,401 P	\$3,359,118 P	\$3,553,464 P	\$0 P	\$0 P
SUBTOTAL, FEDERAL FUNDSP	\$2,960,155 P	\$3,175,401 P	\$3,359,118 P	\$3,553,464 P	\$0 P	\$0 P
OTHER FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP

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327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
6 State Highway Fundb	\$2,462,536	\$2,679,613 b	\$2,834,645 b	\$2,998,646	\$0 b	\$0 b
998 Other Special State Fundsb	\$61,559 b	\$66,752 b	\$70,614 b	\$74,700 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$2,524,095 P	\$2,746,365 P	\$2,905,259 P	\$3,073,346 P	\$0 P	\$0 P
SUBTOTAL, OTHER FUNDSP	\$2,524,095 P	\$2,746,365 P	\$2,905,259 P	\$3,073,346 P	\$0 P	\$0 P
TOTAL, Method of FinancingP	\$15,926,403 P	\$17,266,485 P	\$18,265,460 P	\$19,322,231 P	\$0 P	\$0 P

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:

H.R. 3590, Sec. 1001 (adds Sec 2713 of Public Health Services Act)b

DESCRIPTION/KEY ASSUMPTIONS:

327 Employees Retirement SystemP

Est 2014P

d 2015P

L 2016P

L 2017P

Exep 2016P

Exep 2017P

1.b This provision of the law became applicable to the GBP September 1, 2011; i.e., for FY12.b

2.b As a result of this provision, the plan is expected to incur additional costs of approximately \$53 for each GBP health plan participant in FY14. This per capita cost is b expected to increase annually at a rate of about 5.8% per year.bThis rate is below the health plan benefit cost trend since this provision is not expected to impact prescription b drug cost except as separately determined and discussed in Item 6 (Provide 100% coverage for contraceptives).b

3. b The projected average number of GBP health plan participants (members and dependents) used in developing the estimated expenses are as follows:b

a. b FY14: 527,200

b.b FY15: 540,300b

c. b FY16: 540,300b

d. b FY17: 540,300b

4. b Since this change will increase the cost of coverage for members and dependents, the cost will be split between the employers and the members 83.6%/16.4%, as is the b current cost.b

5.b The share of the additional employer cost attributable to appropriated state agency members is 67.7%.b

CONCERNS:

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP
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327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
<i>Item: 5 Patient Center Outcomes Annual Fee</i>						
Objects of ExpenseP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEESP						
2009 OTHER OPERATING EXPENSEb	\$596,761 b	\$642,169 b	\$675,806	\$709,444 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$596,761 P	\$642,169 P	\$675,806 P	\$709,444 P	\$0 P	\$0 P
TOTAL, Objects of ExpenseP	\$596,761 P	\$642,169 P	\$675,806 P	\$709,444 P	\$0 P	\$0 P
Method of FinancingP						
GENERAL REVENUE FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEESP						
1 General Revenue Fundb	\$369,679 b	\$398,627 b	\$419,507 b	\$440,387 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$369,679 P	\$398,627 P	\$419,507 P	\$440,387 P	\$0 P	\$0 P
SUBTOTAL, GENERAL REVENUE FUNDSP	\$369,679 P	\$398,627 P	\$419,507 P	\$440,387 P	\$0 P	\$0 P
GR DEDICATEDP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEESP						
994 GR Dedicated Accountsb	\$21,588 b	\$23,302 b	\$24,523 b	\$25,743 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$21,588 P	\$23,302 P	\$24,523 P	\$25,743 P	\$0 P	\$0 P
SUBTOTAL, GR DEDICATEDP	\$21,588 P	\$23,302 P	\$24,523 P	\$25,743 P	\$0 P	\$0 P
FEDERAL FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEESP						
555 Federal Fundsb						
00.327.002 ERS Insuranceb	\$110,917 b	\$118,098 b	\$124,284 b	\$130,471 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$110,917 P	\$118,098 P	\$124,284 P	\$130,471 P	\$0 P	\$0 P
SUBTOTAL, FEDERAL FUNDSP	\$110,917 P	\$118,098 P	\$124,284 P	\$130,471 P	\$0 P	\$0 P
OTHER FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEESP						

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP
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	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
6 State Highway Fundb	\$92,270 b	\$99,659 b	\$104,879 b	\$110,100 b	\$0 b	\$0 b
998 Other Special State Fundsb	\$2,307 b	\$2,483 b	\$2,613 b	\$2,743 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$94,577 P	\$102,142 P	\$107,492 P	\$112,843 P	\$0 P	\$0 P
SUBTOTAL, OTHER FUNDSP	\$94,577 P	\$102,142 P	\$107,492 P	\$112,843 P	\$0 P	\$0 P
TOTAL, Method of FinancingP	\$596,761 P	\$642,169 P	\$675,806 P	\$709,444 P	\$0 P	\$0 P

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:

H.R. 3590, Sec. 6301 (adds Secs. 9511 and 4376 of the Internal Revenue Code of 1986)b

DESCRIPTION/KEY ASSUMPTIONS:

327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
1.b This provision of the law became applicable to the GBP for FY13.b						
2.b H.R. 3590 requires payment of annual per capita fees for funding for the Patient Centered Outcomes Research Trust Fund to study the quality and relevance of b treatment received by patients. The annual per capita fees specified for FY13 and FY14 are \$1.00 and \$2.00 respectively. The b act specifies that fee will be adjusted b annually for medical inflation which is assumed to be 5% per year; e.g., the fee is estimated to be \$2.10 for FY15.b						
3.b The fee is to be assessed based on the average number of plan participants (members and dependents) during the fiscal year. b The average GBP health plan enrollment b is projected as follows.b						
a.b FY14: 527,200						
b.b FY15: 540,300b						
c.b FY16: 540,300b						
d.b FY17: 540,300b						
4.b Since this change will increase the cost of coverage for members and dependents, the cost will be split between the employers and the members 83.6%/16.4%, as is the b current cost. b						
5.b The share of the additional employer cost attributable to appropriated state agency members is 67.7%.b						
6.b These fees are shown in the year in which they will be incurred even though they will be paid in the year following the year b in which they were incurred.b						

CONCERNS:

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP
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	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
Item: 6 100% Coverage for Contraceptives						
Objects of ExpenseP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
2009 OTHER OPERATING EXPENSEb	\$5,494,850 b	\$6,042,571 b	\$6,508,818 b	\$6,993,716	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$5,494,850 P	\$6,042,571 P	\$6,508,818 P	\$6,993,716 P	\$0 P	\$0 P
TOTAL, Objects of ExpenseP	\$5,494,850 P	\$6,042,571 P	\$6,508,818 P	\$6,993,716 P	\$0 P	\$0 P
Method of FinancingP						
GENERAL REVENUE FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
1 General Revenue Fundb	\$3,403,925 b	\$3,750,927 b	\$4,040,350 b	\$4,341,351 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$3,403,925 P	\$3,750,927 P	\$4,040,350 P	\$4,341,351 P	\$0 P	\$0 P
SUBTOTAL, GENERAL REVENUE FUNDSP	\$3,403,925 P	\$3,750,927 P	\$4,040,350 P	\$4,341,351 P	\$0 P	\$0 P
GR DEDICATEDP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
994 GR Dedicated Accountsb	\$198,776	\$219,265 b	\$236,184 b	\$253,779 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$198,776 P	\$219,265 P	\$236,184 P	\$253,779 P	\$0 P	\$0 P
SUBTOTAL, GR DEDICATEDP	\$198,776 P	\$219,265 P	\$236,184 P	\$253,779 P	\$0 P	\$0 P
FEDERAL FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
555 Federal Fundsb						
00.327.002 ERS Insuranceb	\$1,021,298 b	\$1,111,262 b	\$1,197,007 b	\$1,286,183 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$1,021,298 P	\$1,111,262 P	\$1,197,007 P	\$1,286,183 P	\$0 P	\$0 P
SUBTOTAL, FEDERAL FUNDSP	\$1,021,298 P	\$1,111,262 P	\$1,197,007 P	\$1,286,183 P	\$0 P	\$0 P
OTHER FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP
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	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
6 State Highway Fundb	\$849,612 b	\$937,756	\$1,010,114 b	\$1,085,365 b	\$0 b	\$0 b
998 Other Special State Fundsb	\$21,239 b	\$23,361 b	\$25,163 b	\$27,038 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$870,851 P	\$961,117 P	\$1,035,277 P	\$1,112,403 P	\$0 P	\$0 P
SUBTOTAL, OTHER FUNDSP	\$870,851 P	\$961,117 P	\$1,035,277 P	\$1,112,403 P	\$0 P	\$0 P
TOTAL, Method of FinancingP	\$5,494,850 P	\$6,042,571 P	\$6,508,818 P	\$6,993,716 P	\$0 P	\$0 P

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:
 H.R. 3590, Sec. 1001 (adds Sec 2713 of Public Health Services Act)b

DESCRIPTION/KEY ASSUMPTIONS:

327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
1.b This provision of the law became applicable to the GBP on September 1, 2012; i.e., for FY13.Bb						
2.b This provision is expected to increase plan cost about \$21 for each participant enrolled in HealthSelect and the HMOs in FY14. This amount is expected to increase by Bb an average of about 7.5% per year for FY15-17. Note that this rate of increase is somewhat lower than the overall health planb although most of the additional cost is attributable to prescription drugs, the average cost of contraceptive drugs is increasing less rapidly than the average cost of other Bb prescription drugs which is influenced by the growing utilization of expensive specialty drugs.Bb						
3.b The projected average number of HealthSelect and HMO participants (members and dependents) used in developing the estimated expenses are as follows:Bb						
a.b FY14: 473,200B						
b.b FY15: 485,000b						
c.b FY16: 485,000b						
d.b FY17: 485,000b						
Note that this provision is not expected to impact the participants in the Medicare Advantage PPO due to the age of its enrollment.b						
4.b Since this change increases the cost of coverage for members and dependents, the cost will be split between the employers and the members 83.6%/16.4%, as is the b current cost. b						
5.b The share of the additional employer cost attributable to appropriated state agency members is 67.7%.b						

CONCERNS:

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP
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	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
<i>Item: 7 Change Effective Date of Coverage</i>						
Objects of ExpenseP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
2009 OTHER OPERATING EXPENSEb	\$0 b	\$13,160,921 b	\$14,082,207 b	\$15,068,439 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$0 P	\$13,160,921 P	\$14,082,207 P	\$15,068,439 P	\$0 P	\$0 P
TOTAL, Objects of ExpenseP	\$0 P	\$13,160,921 P	\$14,082,207 P	\$15,068,439 P	\$0 P	\$0 P
Method of FinancingP						
GENERAL REVENUE FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
1 General Revenue Fundb	\$0 b	\$8,169,644 b	\$8,741,533 b	\$9,353,737 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$0 P	\$8,169,644 P	\$8,741,533 P	\$9,353,737 P	\$0 P	\$0 P
SUBTOTAL, GENERAL REVENUE FUNDSP	\$0 P	\$8,169,644 P	\$8,741,533 P	\$9,353,737 P	\$0 P	\$0 P
GR DEDICATEDP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
994 GR Dedicated Accountsb	\$0 b	\$477,568 b	\$510,998 b	\$546,785 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$0 P	\$477,568 P	\$510,998 P	\$546,785 P	\$0 P	\$0 P
SUBTOTAL, GR DEDICATEDP	\$0 P	\$477,568 P	\$510,998 P	\$546,785 P	\$0 P	\$0 P
FEDERAL FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
555 Federal Fundsb						
00.327.002 ERS Insuranceb	\$0 b	\$2,420,365 b	\$2,589,795 b	\$2,771,168 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$0 P	\$2,420,365 P	\$2,589,795 P	\$2,771,168 P	\$0 P	\$0 P
SUBTOTAL, FEDERAL FUNDSP	\$0 P	\$2,420,365 P	\$2,589,795 P	\$2,771,168 P	\$0 P	\$0 P
OTHER FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						

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	Est 2014P	Est 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
6 State Highway Fundb	\$0 b	\$2,042,464 b	\$2,185,439 b	\$2,338,495 b	\$0 b	\$0 b
998 Other Special State Fundsb	\$0 b	\$50,880 b	\$54,442 b	\$58,254 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$0 P	\$2,093,344 P	\$2,239,881 P	\$2,396,749 P	\$0 P	\$0 P
SUBTOTAL, OTHER FUNDSP	\$0 P	\$2,093,344 P	\$2,239,881 P	\$2,396,749 P	\$0 P	\$0 P
TOTAL, Method of FinancingP	\$0 P	\$13,160,921 P	\$14,082,207 P	\$15,068,439 P	\$0 P	\$0 P

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:

H.R. 3590, Sec. 1201 (adds Sec 2708 of Public Health Services Act)b

DESCRIPTION/KEY ASSUMPTIONS:

1.b This provision of the law becomes applicable to the GBP on September 1, 2014; i.e., for FY15.b

2.b The ACA prohibits a waiting period of more than 90 days for plan years beginning on or after January 1, 2014. Currently, GBP health coverage becomes effective on the first of the month following completion of 90 days of employment; i.e., the actual waiting period is between 90 and 120 days of employment. In order to assure compliance with the law, the 83rd Texas Legislature adopted SB 459 that includes an amendment to the GBP statute specifying that GBP health coverage becomes effective on the first day of the month following completion of 60 days of employment; i.e., the actual waiting period will be between 60 and 90 days of employment effective September 1, 2014; i.e., for FY15 and subsequent years. This will result in a reduction in the waiting period of about 30 days on average.b

3.b Enrollment data indicates that about 2,430 new members join the GBP health plan each month. Therefore, a 30-day reduction in the waiting period is expected to increase FY15 enrollment by 2,430.b

4.b In FY15, the average state contribution is expected to be about \$7,990 for each additional member. This amount is expected to increase 7% per year in FY16 and b FY17. b

5.b The share of the additional employer cost attributable to appropriated state agency members is 67.7%.b

CONCERNS:

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP
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327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
Item: 8 Transitional Reinsurance Prog Fee						
Objects of ExpenseP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
2009 OTHER OPERATING EXPENSEb	\$10,523,344 b	\$12,871,662 b	\$8,352,389 b	\$2,294,054 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$10,523,344 P	\$12,871,662 P	\$8,352,389 P	\$2,294,054 P	\$0 P	\$0 P
TOTAL, Objects of ExpenseP	\$10,523,344 P	\$12,871,662 P	\$8,352,389 P	\$2,294,054 P	\$0 P	\$0 P
Method of FinancingP						
GENERAL REVENUE FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
1 General Revenue Fundb	\$6,518,954 b	\$7,990,087 b	\$5,184,747 b	\$1,424,034 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$6,518,954 P	\$7,990,087 P	\$5,184,747 P	\$1,424,034 P	\$0 P	\$0 P
SUBTOTAL, GENERAL REVENUE FUNDSP	\$6,518,954 P	\$7,990,087 P	\$5,184,747 P	\$1,424,034 P	\$0 P	\$0 P
GR DEDICATEDP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
994 GR Dedicated Accountsb	\$380,681 b	\$467,071 b	\$303,081 b	\$83,244 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$380,681 P	\$467,071 P	\$303,081 P	\$83,244 P	\$0 P	\$0 P
SUBTOTAL, GR DEDICATEDP	\$380,681 P	\$467,071 P	\$303,081 P	\$83,244 P	\$0 P	\$0 P
FEDERAL FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
555 Federal Fundsb						
00.327.002 ERS Insuranceb	\$1,955,917 b	\$2,367,169 b	\$1,536,050 b	\$421,889 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$1,955,917 P	\$2,367,169 P	\$1,536,050 P	\$421,889 P	\$0 P	\$0 P
SUBTOTAL, FEDERAL FUNDSP	\$1,955,917 P	\$2,367,169 P	\$1,536,050 P	\$421,889 P	\$0 P	\$0 P
OTHER FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						

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	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
6 State Highway Fundb	\$1,627,117 b	\$1,997,573 b	\$1,296,221 b	\$356,018 b	\$0 b	\$0 b
998 Other Special State Fundsb	\$40,675 b	\$49,762 b	\$32,290 b	\$8,869 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$1,667,792 P	\$2,047,335 P	\$1,328,511 P	\$364,887 P	\$0 P	\$0 P
SUBTOTAL, OTHER FUNDSP	\$1,667,792 P	\$2,047,335 P	\$1,328,511 P	\$364,887 P	\$0 P	\$0 P
TOTAL, Method of FinancingP	\$10,523,344 P	\$12,871,662 P	\$8,352,389 P	\$2,294,054 P	\$0 P	\$0 P

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:

H.R. 3590, Sec. 1341b

DESCRIPTION/KEY ASSUMPTIONS:

327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Exep 2016P	Exep 2017P
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- 1.b H.R. 3590 provides for collection of the following aggregate amounts from insurers and administrators of self-funded plans nationally: \$12 billion, \$8 billion and \$5 billion for Calendar Years (CY) 2014, 2015, and 2016, respectively.b
- 2.b US DHHS has established the fee at \$63 (\$5.25 per month) and \$44 (\$3.67 per month) per applicable participant per year for CY 2014 and CY 2015, respectively. The fee is projected to be \$27.50 for CY16 (\$2.29 per month).b
- 3.b This section of the law became applicable to the GBP for Calendar Year 2014. The fee is collected on a calendar year basis. Therefore, it impacts the GBP for the last eight months of FY14 and all of FY15 and FY16 and for the first four months of FY17.b
- 4.b The fee is not collected on Medicare-primary participants. The average GBP health plan enrollment, excluding Medicare-primary participants is projected as follows.b
- a.b FY14: 442,700
 - b.b FY15: 451,600b
 - c.b FY16: 447,200b
 - d.b FY17: 442,500b
- 6.b Since this change increases the cost of coverage for members and dependents, the cost will be split between the employers and the members 83.6%/16.4%, as is the current cost.b
- 7.b The share of the additional employer cost attributable to appropriated state agency members is 67.7%.b
- 8.b These fees are shown in the year in which they will be incurred even though they will be paid in the year following the year in which they were incurred.b

CONCERNS:

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP
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327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
<i>Item: 9 Health Insurance Provider Fee</i>						
Objects of ExpenseP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
2009 OTHER OPERATING EXPENSEb	\$5,501,850 b	\$10,578,901 b	\$11,669,855 b	\$13,525,218 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$5,501,850 P	\$10,578,901 P	\$11,669,855 P	\$13,525,218 P	\$0 P	\$0 P
TOTAL, Objects of ExpenseP	\$5,501,850 P	\$10,578,901 P	\$11,669,855 P	\$13,525,218 P	\$0 P	\$0 P
Method of FinancingP						
GENERAL REVENUE FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
1 General Revenue Fundb	\$3,408,261 b	\$6,566,855 b	\$7,244,065 b	\$8,395,781 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$3,408,261 P	\$6,566,855 P	\$7,244,065 P	\$8,395,781 P	\$0 P	\$0 P
SUBTOTAL, GENERAL REVENUE FUNDSP	\$3,408,261 P	\$6,566,855 P	\$7,244,065 P	\$8,395,781 P	\$0 P	\$0 P
GR DEDICATEDP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
994 GR Dedicated Accountsb	\$199,029 b	\$383,874 b	\$423,462 b	\$490,787 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$199,029 P	\$383,874 P	\$423,462 P	\$490,787 P	\$0 P	\$0 P
SUBTOTAL, GR DEDICATEDP	\$199,029 P	\$383,874 P	\$423,462 P	\$490,787 P	\$0 P	\$0 P
FEDERAL FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
555 Federal Fundsb						
00.327.002 ERS Insuranceb	\$1,022,599 b	\$1,945,518 b	\$2,146,150 b	\$2,487,362 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$1,022,599 P	\$1,945,518 P	\$2,146,150 P	\$2,487,362 P	\$0 P	\$0 P
SUBTOTAL, FEDERAL FUNDSP	\$1,022,599 P	\$1,945,518 P	\$2,146,150 P	\$2,487,362 P	\$0 P	\$0 P
OTHER FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP
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327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
6 State Highway Fundb	\$850,695 b	\$1,641,756	\$1,811,062 b	\$2,099,000 b	\$0 b	\$0 b
998 Other Special State Fundsb	\$21,266	\$40,898 b	\$45,116	\$52,288 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$871,961 P	\$1,682,654 P	\$1,856,178 P	\$2,151,288 P	\$0 P	\$0 P
SUBTOTAL, OTHER FUNDSP	\$871,961 P	\$1,682,654 P	\$1,856,178 P	\$2,151,288 P	\$0 P	\$0 P
TOTAL, Method of FinancingP	\$5,501,850 P	\$10,578,901 P	\$11,669,855 P	\$13,525,218 P	\$0 P	\$0 P

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:

H.R. 3590, Sec. 9010 as amended by Sec. 10905 and H.R. 4872 (P.L. 111-152), Sec. 1406

DESCRIPTION/KEY ASSUMPTIONS:

327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
1.b	This section of the law became applicable to the GBP for Calendar Year 2014. It will impact the last 8 months of FY14, and all subsequent fiscal years.b					
2.b	Under the ACA, the Health Insurance Providers (HIP) Fee applies to fully insured health plans including stand alone dental plans. In the GBP this includes the Medicare Advantage PPO (MA PPO), the MA HMO, Scott and White Health Plan (SWHP) and the DHMO. The HIP Fee is not applicable to another GBP HMO, b Community First Health Plan, since it is a governmental plan. Since the cost of DHMO coverage is paid for exclusively by the members, it will not generate any b ACA-related cost for the employers and has been excluded from this analysis. b					
3.b	The HIP Fees for these plans are as follows.b					
a.b	The MA PPO fees have been set at \$19.22 and \$26.35 PPPM for CY14 and CY15, respectively. These amounts are projected to be \$26.35 and \$33.41 in CY16 and b CY17, respectively. MA PPO enrollment is expected to average about 54,400 for CY14 and 55,300 for CY15-17.					
b.b	The MA HMO fees have been set at \$19.31 and \$19.38 PPPM for CY14 and CY15, respectively. These amounts are projected to be \$19.38 and \$23.84 in FY16 and b FY17, respectively. The MA HMO enrollment is expected to average just over 1,000 per year for CY14-17.b					
c.b	As a percentage of premiums, the effective fee for SWHP is estimated to be about 0.5% in FY14, 0.9% in FY15, 1.0% in FY16 and 1.2% in FY17. SWHP premiums b are expected to be \$98 million, \$112 million, \$121 million and \$130 million for FY14-17, respectively. b					
4.b	The increased cost attributable to the HIP Fee will be split between the employers and the members 91.3%/8.7% for the MA PPOb and the MA HMO and 83.6%/16.4% b for SWHP. The members pay 100% of the cost of the DHMO, so the employers will not experience additional cost as a result of the impact of the HIP Fee on those plans.b					
5.b	The share of the additional employer cost attributable to state agency members is 67.7%.b					

CONCERNS:

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP
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327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
Item: 10 Limit on Participant Cost Sharing						
Objects of ExpenseP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
2009 OTHER OPERATING EXPENSEb	\$0 b	\$583,185 b	\$1,518,292 b	\$1,580,596	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$0 P	\$583,185 P	\$1,518,292 P	\$1,580,596 P	\$0 P	\$0 P
TOTAL, Objects of ExpenseP	\$0 P	\$583,185 P	\$1,518,292 P	\$1,580,596 P	\$0 P	\$0 P
Method of FinancingP						
GENERAL REVENUE FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
1 General Revenue Fundb	\$0 b	\$362,012 b	\$942,480 b	\$981,155 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$0 P	\$362,012 P	\$942,480 P	\$981,155 P	\$0 P	\$0 P
SUBTOTAL, GENERAL REVENUE FUNDSP	\$0 P	\$362,012 P	\$942,480 P	\$981,155 P	\$0 P	\$0 P
GR DEDICATEDP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
994 GR Dedicated Accountsb	\$0 b	\$21,162 b	\$55,094 b	\$57,355 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$0 P	\$21,162 P	\$55,094 P	\$57,355 P	\$0 P	\$0 P
SUBTOTAL, GR DEDICATEDP	\$0 P	\$21,162 P	\$55,094 P	\$57,355 P	\$0 P	\$0 P
FEDERAL FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						
555 Federal Fundsb						
00.327.002 ERS Insuranceb	\$0 b	\$107,251 b	\$279,222 b	\$290,680 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$0 P	\$107,251 P	\$279,222 P	\$290,680 P	\$0 P	\$0 P
SUBTOTAL, FEDERAL FUNDSP	\$0 P	\$107,251 P	\$279,222 P	\$290,680 P	\$0 P	\$0 P
OTHER FUNDSP						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEEESP						

327 Employees Retirement SystemP

	Est 2014P	Est 2015P	L 2016P	L 2017P	Exep 2016P	Exep 2017P
6 State Highway Fundb	\$0 b	\$90,505 b	\$235,626	\$245,295 b	\$0 b	\$0 b
998 Other Special State Fundsb	\$0 b	\$2,255 b	\$5,870 b	\$6,111 b	\$0 b	\$0 b
SUBTOTAL, Strategy 2-1-1P	\$0 P	\$92,760 P	\$241,496 P	\$251,406 P	\$0 P	\$0 P
SUBTOTAL, OTHER FUNDSP	\$0 P	\$92,760 P	\$241,496 P	\$251,406 P	\$0 P	\$0 P
TOTAL, Method of FinancingP	\$0 P	\$583,185 P	\$1,518,292 P	\$1,580,596 P	\$0 P	\$0 P

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:

H.R. 3590, Sec 1201 adds Sec 2707(b) of Public Health Services Actb

DESCRIPTION/KEY ASSUMPTIONS:

1.b This section of the law will require the GBP to include a limit on participant cost sharing (copays, deductibles, and coinsurance) for network services beginning January 1, 2015.b

2.b For plans like HealthSelect for which medical benefits and prescription drug benefits are administered by independent administrators, the cost sharing limit applies only to medical benefits in 2015, but it will apply to medical and prescription drug benefits combined in 2016 and later.b

3.b The 2015 cost sharing limit will be \$6,350 for Member Only coverage and \$12,700 for family coverage (any coverage that includes spouse and/or children). For 2016 and subsequent years, the limit will be indexed.b

4.b This provision is expected to increase cost for each GBP health plan participant by \$1.91, \$4.97 and \$5.17 in FY15, FY16 and FY17, respectively. b

5.b Since this change will increase the cost of coverage for members and dependents, the cost will be split between the employers and the members 83.6%/16.4%, as is the current cost.b

6.b The share of the additional employer cost attributable to appropriated state agency members is 67.7%.b

CONCERNS:

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP

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327 Employees Retirement SystemP

	Est 2014P	d 2015P	L 2016P	L 2017P	Excp 2016P	Excp 2017P
TOTAL, ALL ITEMSP	\$45,639,989 P	\$69,459,340 P	\$70,054,869 P	\$69,216,838 P	\$0 P	\$0 P

6.J Part A Budgetary Impacts Related to Federal Health Care Reform ScheduleP
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		MOF RECAP				Excp 2016P	Excp 2017P
		Est 2014P	d 2015P	L 2016P	L 2017P		
327 Employees Retirement SystemP							
GENERAL REVENUE FUNDSP							
1	General Revenue Fundb	\$28,272,855 b	\$43,116,899 b	\$43,486,574 b	\$42,966,366	\$0 b	\$0 b
SUBTOTAL, GENERAL REVENUE FUNDSP		\$28,272,855 P	\$43,116,899 P	\$43,486,574 P	\$42,966,366 P	\$0 P	\$0 P
GR DEDICATEDP							
994	GR Dedicated Accountsb	\$1,651,022 b	\$2,520,456	\$2,542,067 b	\$2,511,656	\$0 b	\$0 b
SUBTOTAL, GR DEDICATEDP		\$1,651,022 P	\$2,520,456 P	\$2,542,067 P	\$2,511,656 P	\$0 P	\$0 P
FEDERAL FUNDSP							
555	Federal Fundsb	\$8,482,859 b	\$12,773,952 b	\$12,883,473 b	\$12,729,355 b	\$0 b	\$0 b
SUBTOTAL, FEDERAL FUNDSP		\$8,482,859 P	\$12,773,952 P	\$12,883,473 P	\$12,729,355 P	\$0 P	\$0 P
OTHER FUNDSP							
6	State Highway Fundb	\$7,056,844 b	\$10,779,502 b	\$10,871,922 b	\$10,741,868 b	\$0 b	\$0 b
998	Other Special State Fundsb	\$176,409 b	\$268,531 b	\$270,833 b	\$267,593 b	\$0 b	\$0 b
SUBTOTAL, OTHER FUNDSP		\$7,233,253 P	\$11,048,033 P	\$11,142,755 P	\$11,009,461 P	\$0 P	\$0 P
TOTAL, ALL ITEMSP		\$45,639,989 P	\$69,459,340 P	\$70,054,869 P	\$69,216,838 P	\$0 P	\$0 P

6.J Part B Summary of Budgetary Impacts Related to Federal Health Care Reform ScheduleB
 84th Regular Session, Agency Submission, Version 1h
 Automated Budget and Evaluation System of Texas (ABEST)h

DATE:h 8/22/2014B
 TIME:h 7:58:12PMB

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

ITEM ITEM NAME	Est 2014	Bud 2015	BL 2016	BL 2017B	Excp 2016B	Excp 2017B	Total B	Total B
							requestB 2016B	requestB 2017B
1h Change for Full State Contributionh	\$2,732,441 h	\$2,922,910 h	\$3,127,481 h	\$3,346,433 h	\$0 h	\$0 h	\$3,127,481 h	\$3,346,433 h
2h Eliminate Lifetime Maximumh	\$180,545 h	\$195,260 h	\$212,240 h	\$230,917 h	\$0 h	\$0 h	\$212,240 h	\$230,917 h
3h Expand Coverage of Depend to Age 26h	\$4,683,795 h	\$5,195,276 h	\$5,642,321 h	\$6,145,790 h	\$0 h	\$0 h	\$5,642,321 h	\$6,145,790 h
4h Preventive Care at 100%h	\$15,926,403 h	\$17,266,485 h	\$18,265,460 h	\$19,322,231 h	\$0 h	\$0 h	\$18,265,460 h	\$19,322,231 h
5h Patient Center Outcomes Annual Feeh	\$596,761 h	\$642,169 h	\$675,806 h	\$709,444 h	\$0 h	\$0 h	\$675,806 h	\$709,444 h
6h 100% Coverage for Contraceptivesh	\$5,494,850 h	\$6,042,571 h	\$6,508,818 h	\$6,993,716 h	\$0 h	\$0 h	\$6,508,818 h	\$6,993,716 h
7h Change Effective Date of Coverageh	\$0 h	\$13,160,921 h	\$14,082,207 h	\$15,068,439 h	\$0 h	\$0 h	\$14,082,207 h	\$15,068,439 h
8h Transitional Reinsurance Prog Feeh	\$10,523,344 h	\$12,871,662 h	\$8,352,389 h	\$2,294,054 h	\$0 h	\$0 h	\$8,352,389 h	\$2,294,054 h
9 Health Insurance Provider Feeh	\$5,501,850 h	\$10,578,901 h	\$11,669,855 h	\$13,525,218 h	\$0 h	\$0 h	\$11,669,855 h	\$13,525,218 h
10h Limit on Participant Cost Sharingh	\$0 h	\$583,185 h	\$1,518,292 h	\$1,580,596 h	\$0 h	\$0 h	\$1,518,292 h	\$1,580,596 h
Total, Cost Related to Health Care ReformB	\$45,639,989 B	\$69,459,340 B	\$70,054,869 B	\$69,216,838 B	\$0 B	\$0 B	\$70,054,869 B	\$69,216,838 B

6.J Part B Summary of Budgetary Impacts Related to Federal Health Care Reform ScheduleB
 84th Regular Session, Agency Submission, Version 1h
 Automated Budget and Evaluation System of Texas (ABEST)h

DATE:h 8/22/2014B
 TIME:h 7:58:12PMB

Agency code: **327B**

Agency name: **Employees Retirement System B**

ITEM ITEM NAMEB	Est 2014	Bud 2015	BL 2016	BL 2017B	Excp 2016B	Excp 2017B	Total B	Total B
							requestB 2016B	requestB 2017B
METHOD OF FINANCINGB								
GENERAL h	\$28,272,855 h	\$43,116,899 h	\$43,486,574 h	\$42,966,366 h	\$0 h	\$0 h	\$43,486,574 h	\$42,966,366 h
REVENUE FUNDS h								
GR DEDICATED h	\$1,651,022 h	\$2,520,456 h	\$2,542,067 h	\$2,511,656 h	\$0 h	\$0 h	\$2,542,067 h	\$2,511,656 h
SUBTOTAL, GR & GR - DEDICATED FUNDSB	\$29,923,877 B	\$45,637,355 B	\$46,028,641 B	\$45,478,022 B	\$0 B	\$0 B	\$46,028,641 B	\$46,028,641 B
FEDERAL FUNDS h	\$8,482,859 h	\$12,773,952 h	\$12,883,473 h	\$12,729,355 h	\$0 h	\$0 h	\$12,883,473 h	\$12,729,355 h
OTHER FUNDS h	\$7,233,253 h	\$11,048,033 h	\$11,142,755 h	\$11,009,461 h	\$0 h	\$0 h	\$11,142,755 h	\$11,009,461 h
TOTALB	\$45,639,989 B	\$69,459,340 B	\$70,054,869 B	\$69,216,838 B	\$0 B	\$0 B	\$70,054,869 B	\$69,216,838 B