

# Benefits Update 2019

Porter Wilson, Executive Director

Staying Connected Retiree Fair – San Antonio

August 30, 2019



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

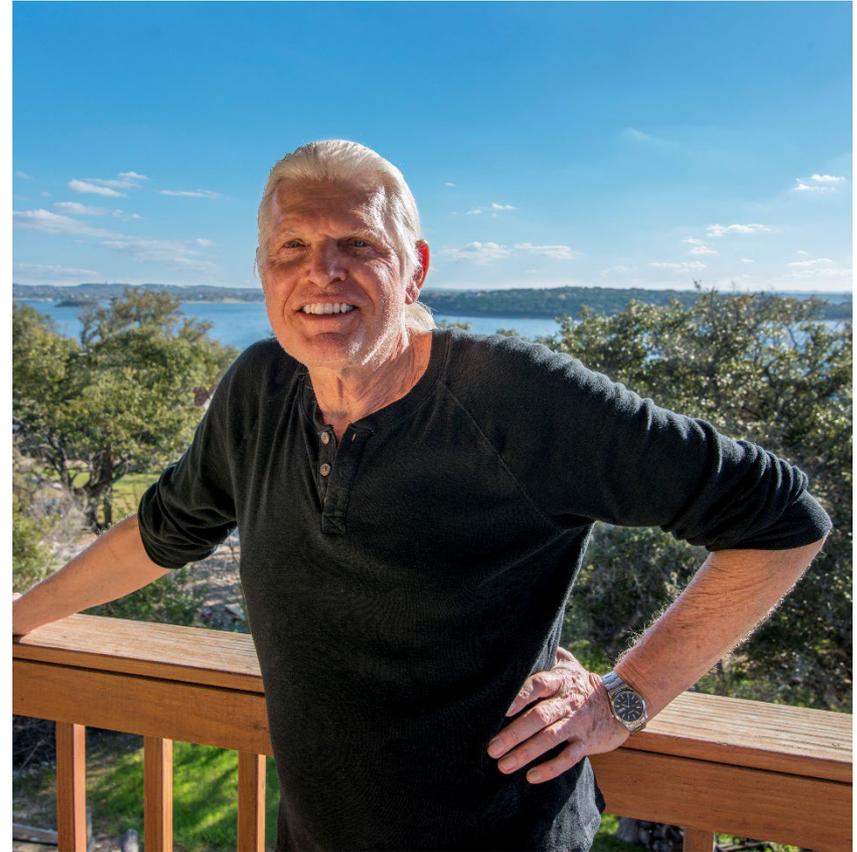
# The value of your benefits

*A lifetime of financial security*



**JoAnn Norman**

*A “blessed life” that wouldn’t be possible without ERS benefits*



**Charlie Keen**

*“Owning a home was my dream. My ERS benefits allow me to try to enjoy every day in this gem of a place.”*

- Recap of the 86<sup>th</sup> Texas Legislature and plans for the interim
- Retirement updates
- Insurance updates
- Other ERS news

# 86<sup>th</sup> Texas Legislature

**How much did the state contribute to ERS retirement and health care in the FY18-19 biennium?**

- A.** \$ 3.82 billion
- B.** \$ 4.55 billion
- C.** \$ 5.35 billion



**How much did the state contribute to ERS retirement and health care in the FY18-19 biennium?**

**C.** \$ 5.35 billion

- The contribution included almost **\$1.4 billion** for retirement annuities, and about **\$4 billion** for medical and pharmaceutical costs.

# What happened with ERS during session?



## A lot of engagement, not much change

- Billions appropriated for health insurance and pensions
- Full funding for health insurance
  - Most members will still pay **\$0** for premiums for themselves
- Extensive meetings with key legislators
  - Focus on retirement (but ultimately no changes to funding or benefits)
  - Encouragement for future action
- Very little legislation with direct impact on ERS members
  - Some insurance changes that benefit members
- Session-long focus on education and property taxes

# What happens next?

- Implementation
- Ongoing conversations
- Interim charges still to come

# Retirement

**What portion of your annuity is paid from investment earnings?**

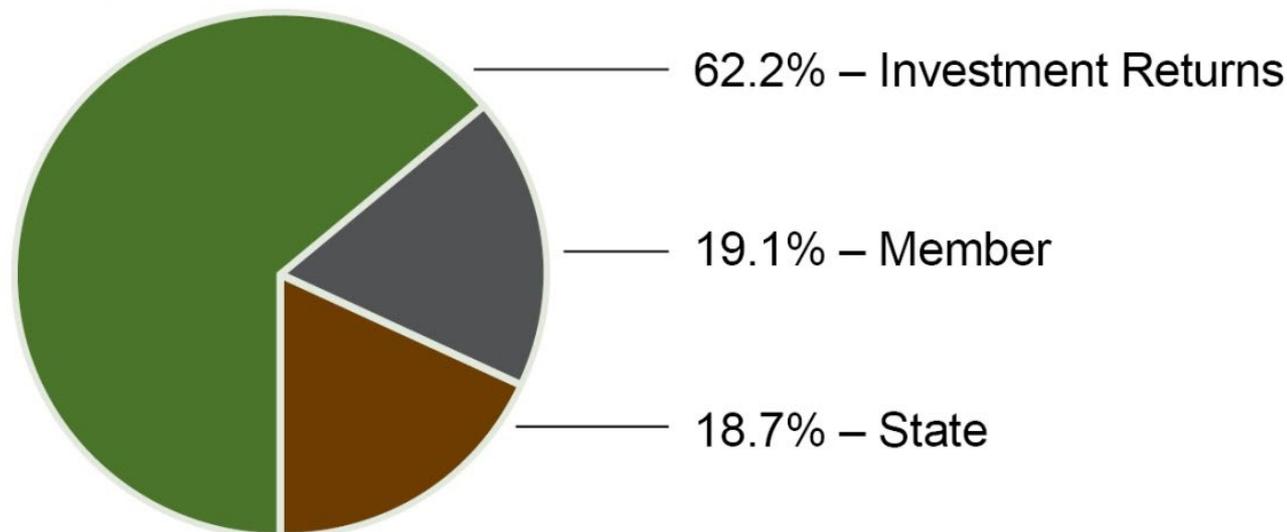
- A.** About half
- B.** About two-thirds
- C.** About three-quarters



**What portion of your annuity is paid from investment earnings?**

**B.** About two-thirds

ERS Retirement Trust Assets by Revenue Source,  
Fiscal Years 1998-2018



# Investments Overview

*Video on each asset class*



Want information about how we invest the retirement fund?  
Watch our videos at  
[ers.texas.gov/About-ERS/ERS-Investments-overview](https://ers.texas.gov/About-ERS/ERS-Investments-overview)

# Pension Plan Sustainability

*State law doesn't allow enhancements until plan is sound*



**Contributions + Investments = Benefits + Expenses**

## **Investments**

about **two-thirds** of Trust's value



## **Contributions**

about **one-third** of Trust's value



## **Benefits**

**stable for life**



## **Expenses**

ERS' operating costs – **very small percentage** of Trust Fund

***Even without balance, retiree benefits continue.***

# Pension Funding Guidelines and Priorities

*Approved May 2018 by ERS Board*



- **Purpose:** Enhance communications and provide transparent, accurate information to the Legislature, plan members and retirees regarding Board positions on plan administration.
- **Goal:** Define the principles and methods needed to achieve and maintain actuarial soundness for the plan.
- **Content:** Defines Board policies on:
  - Determining plan costs
  - Goals for funding security
  - Criteria for benefit adjustments

# ERS Funding Guidelines and Priorities



The Board policy seeks contributions to cover the normal cost of the plan and to:

1. Avoid trust fund depletion.
2. Meet current statutory standard of a 31-year funding period.
3. Match funding period to the average years of service at retirement (currently 21.7 years for ERS Retirement Fund), once a 31-year funding period is achieved.

# Actuarial Valuation Results - ERS



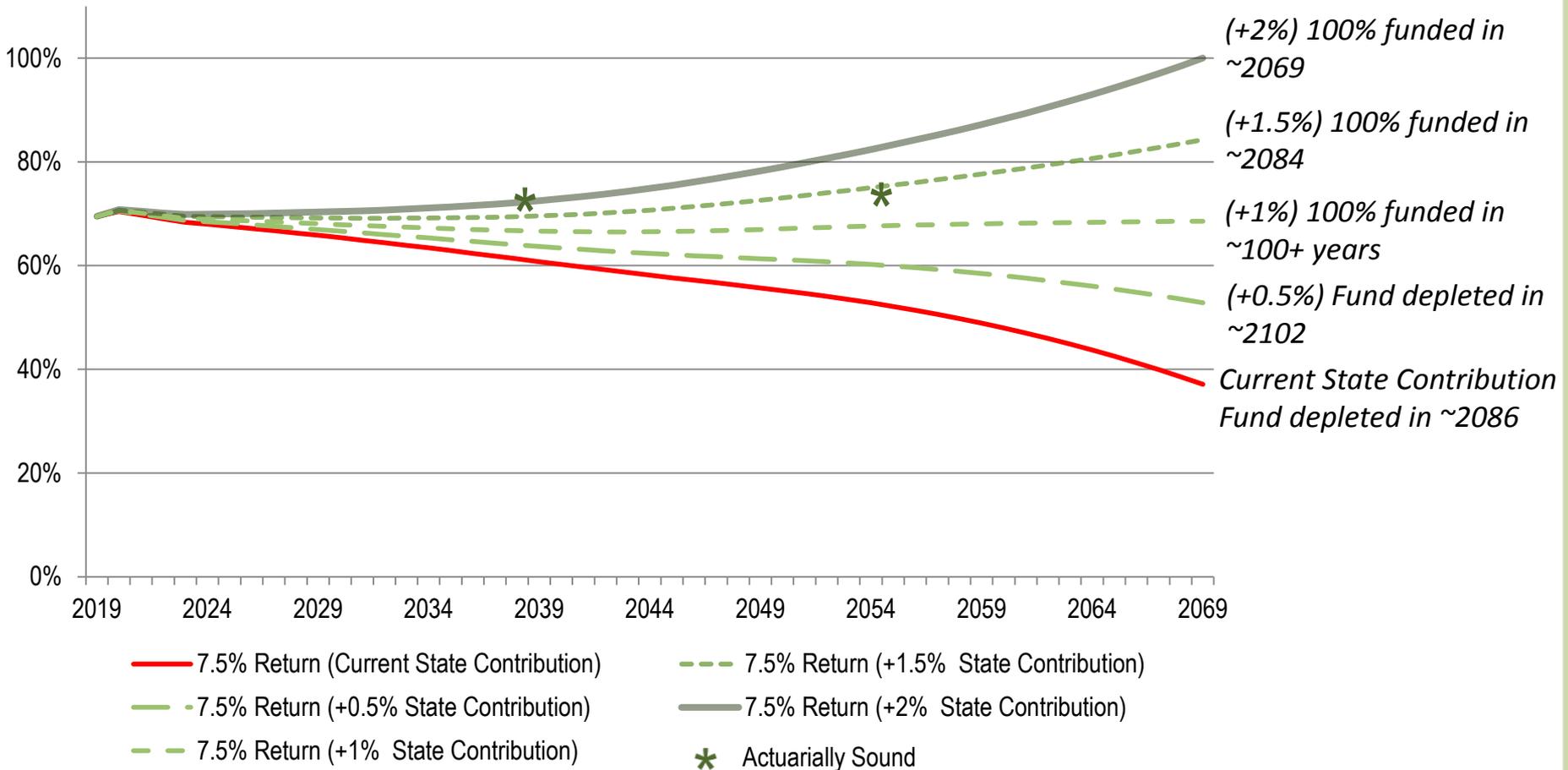
Current Status	
Unfunded Liability	\$11.63 billion
Funded Ratio	70.2%

Funding Metrics (as of August 31, 2018 for FY19)		Meets Funding Guidelines and Priorities
Normal Cost*	13.86%	✓
Depletion Date	2096	✗
31-Year ASC Rate*	23.12%	✗
Funding Period	Never	✗

\*Percent of payroll

**With a projected depletion date, none of the key funding goals are being met.**

# Impact of Increases to State Contribution



State contribution rate changes assumed effective for FY2020. Projections based on required February Update and assume no changes to current assumptions, including the assumption that the actuarial value will return 7.5% in all future years. Unrecognized gains and losses are assumed to be offset by future investment returns.

# Insurance

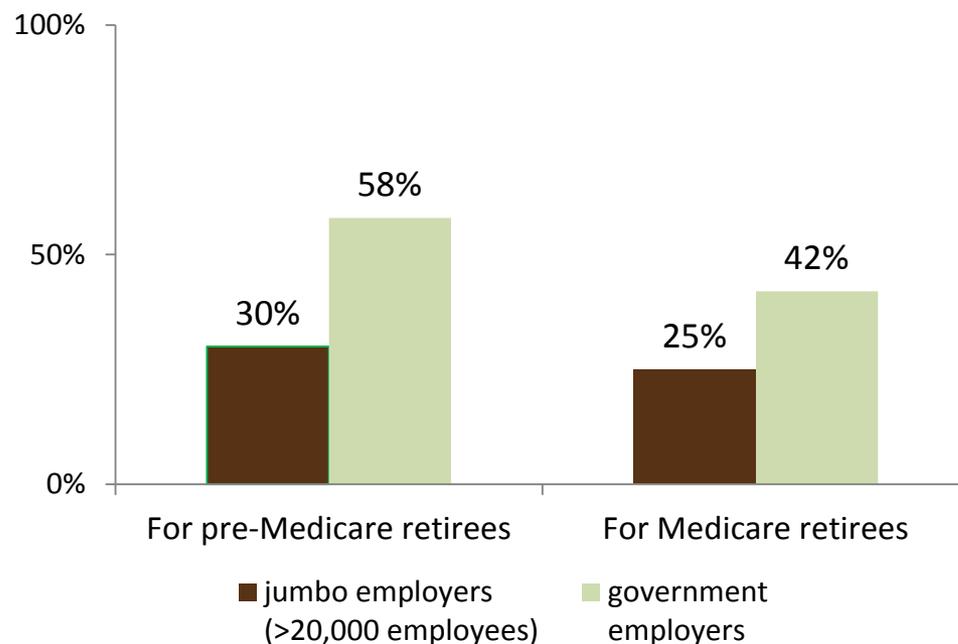
# ERS Retiree Health Coverage, in Comparison



*An increasingly rare benefit*

- 70% of “jumbo” employers do not cover retirees.
- Government employers are more likely to than private employers.
- The State of Texas offers insurance for retirees with 10 years of GBP participation.

**Percentage of employers that offer retiree coverage**



Source: Mercer

# ERS Retiree Health Coverage, in Comparison

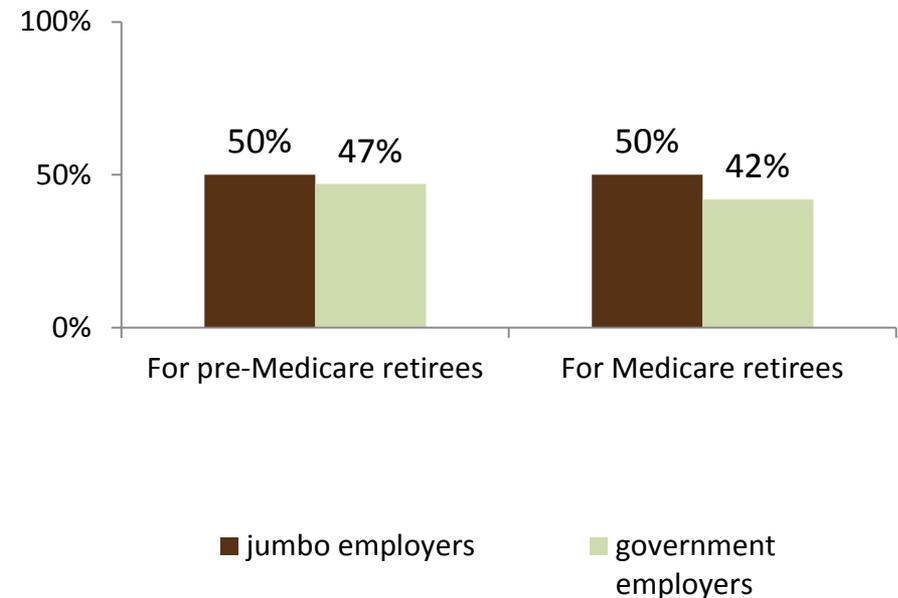
## Premiums



- About one-third of plan sponsors that offer retiree coverage require retirees to pay the full cost.
- The state currently shares the cost for retirees with 10-20 years of service (based upon availability of funding).
  - 20+ years = 100% state contribution
  - 15-20 years = 75% state contribution
  - 10-15 years = 50% state contribution

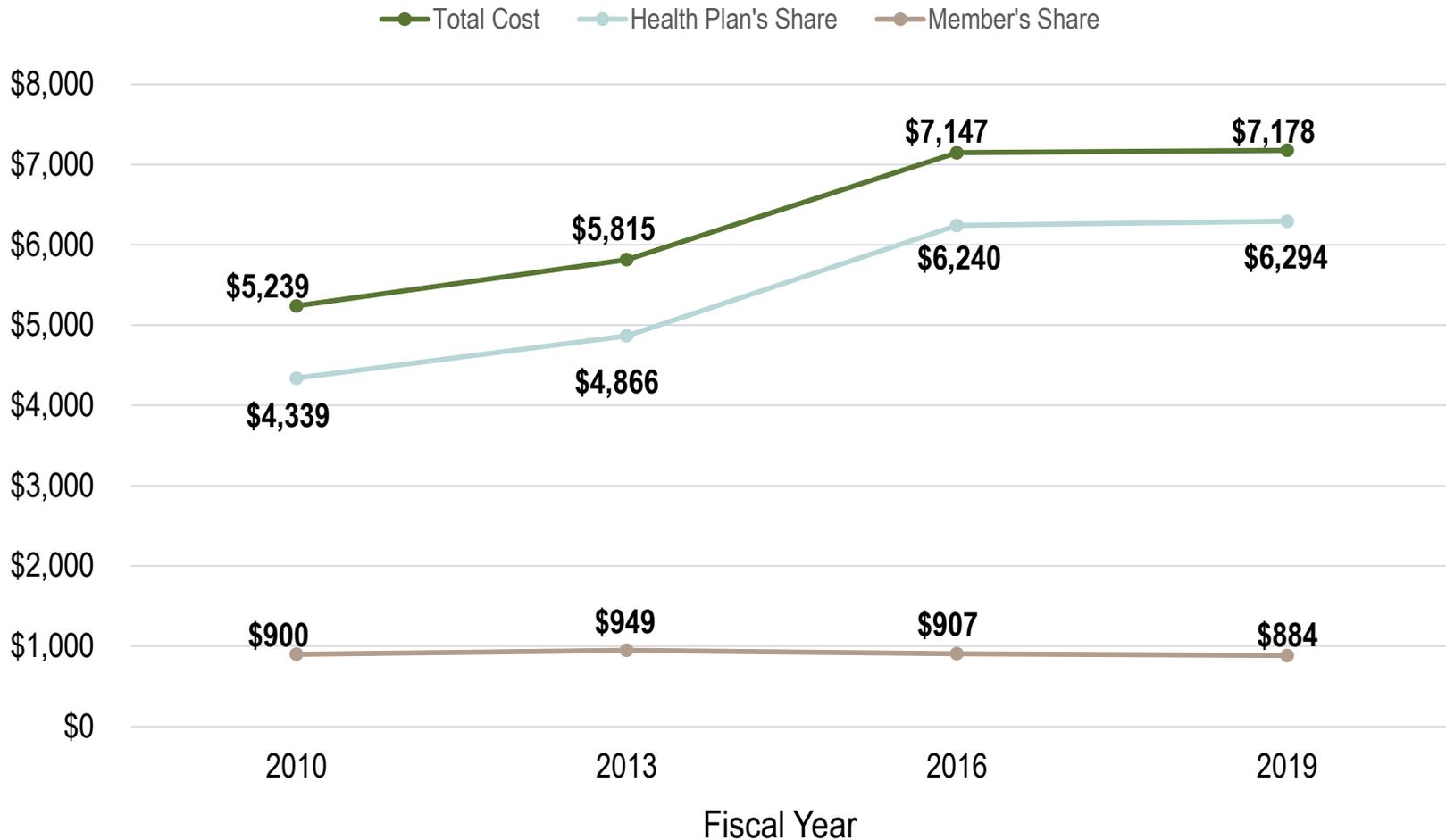
**Of employers offering retiree coverage, percentage that share the premium cost for individual coverage**

(Source: Mercer)



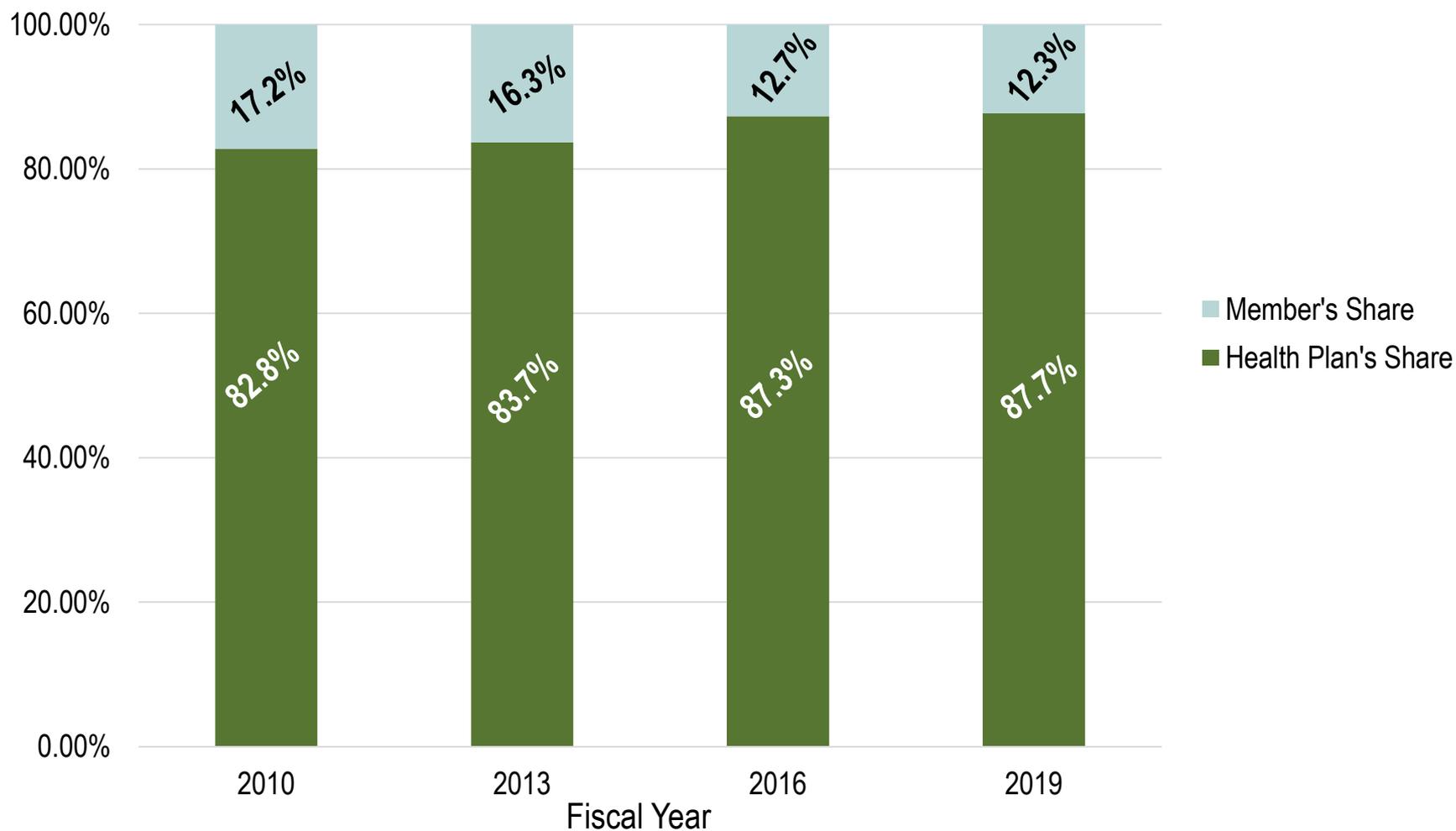
# Members' Cost Share Is Steady

*The state is picking up most of the increase*



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*The state is picking up most of the increase*



## How is dental coverage changing in Plan Year 2020?

- A.** There's a new administrator for dental insurance.
- B.** Dental discount is moving to the Discount Purchase Program.
- C.** Neither A nor B – dental coverage isn't changing.
- D.** Both A and B



## How is dental coverage changing in Plan Year 2020?

**D.** There's a new TPA for dental insurance and dental discount is moving to the Discount Purchase Program.

- Delta Dental takes over from HumanaDental.
- Sign up for a dental discount plan in the Discount Purchase Program starting September 1.

# Dental Plan Changes

## *Dental insurance with Delta Dental*



- Delta Dental becomes third-party administrator for State of Texas Dental Choice Plan PPO on September 1.
  - Large, two-tiered statewide network (PPO and Premier), considerable overlap with current HumanaDental network
- DeltaCare USA becomes the DHMO.
  - Similar coverage to HumanaDental DHMO



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DeltaCare<sup>®</sup> USA

Competitive contracting helped avoid premium increases.

# Dental Plan Changes

## *Discount dental plans*



- State of Texas Dental Discount Plan, administered by Careington, no longer exists as of September 1.
- Go to the Discount Purchase Program if you want to enroll in a similar plan:  
**[www.Beneplace.com/discountprogramers](http://www.Beneplace.com/discountprogramers)**.
- Enroll or drop out any time of the year – no need to wait for Summer or Fall Enrollment.



- Mental health virtual visits are now available in all HealthSelect plans, including Medicare Advantage PPO, along with the popular medical virtual visits.
- Rates in Medicare Advantage plans increase on January 1, 2020, mainly due to federal HIP fee (reinstated after waiver).

Full funding by the legislature and sound financial management by ERS means no premium increases in non-Medicare Advantage plans and smaller increases in Medicare Advantage plans.

# Health Plan and Other News



## *Upcoming legislative changes*

### **Protection from surprise medical bills, in some cases**

- For certain services provided on/after January 1, 2020:
  - Emergency care
  - Out-of-network providers at in-network facilities
- Lots of contingencies – read the provider’s paperwork!

### **Diagnostic mammograms**

- Covered the same as preventive, starting September 1, 2020
- Researching how it will be implemented in ERS plans

### **Long-term care insurance**

- After change in statute, exploring availability of individual policies
- Big changes in market since we last offered it

# Health Plan News

*Investing in wellness*



Lacy Wolff, health promotion administrator for the GBP, focuses on expanding access to wellness resources for ERS members in all phases of life.

Did you know you have access to:

- condition management programs,
- weight loss programs,
- health counselors and
- fitness programs?



# Fall Enrollment

*Medicare retirees and their dependents*



- October 28 – November 15
- Enroll in dental or vision insurance, apply for life insurance
- Enrollment fairs in major cities, and webinars

**Please join us at a fair!**

# Board of Trustees Updates

**Who is the newest member of the ERS Board of Trustees?**

- A.** Cora Bennett
- B.** Brian Barth
- C.** Catherine Melvin



## Who is the newest member of the ERS Board of Trustees?

**B.** Brian Barth



Barth, of TxDOT, was elected in June in a close race. He replaces Doug Danzeiser of TDI, and his term runs September 1, 2019 – August 31, 2025.

Voter turnout was less than 10%.

Retirees had the highest participation, making up 60% of voters.

# Other Board News



- James Kee, Ph.D., was appointed to the Board by Speaker Joe Straus in December 2019.
- There is one vacant seat, after Cydney Donnell's term expired.
  - She was appointed by Gov. Rick Perry in 2006.
- The 11-member Group Benefits Advisory Committee (GBAC) has been meeting twice a year.
  - The GBAC advises the Board on planning and development of GBP benefits, with input from participants, experts and professionals to ensure value, competitiveness and reasonable cost.
  - Two retiree representatives: James Dobbins and Gary White
  - **[GBACadmin@ers.texas.gov](mailto:GBACadmin@ers.texas.gov)**

## Other ERS News

**What year did ERS' original building open at the corner of 19<sup>th</sup> / Martin Luther King and San Jacinto?**

- A.** 1963
- B.** 1965
- C.** 1970



**What year did ERS' original building open at the corner of 19<sup>th</sup> / MLK and San Jacinto?**

**B.** 1965



In 1979, ERS completed its five-story main building and moved in there, renting the original building to another state agency. ERS occupied both buildings for the last several years, but was outgrowing them.

# Real Estate Development and Leasing Project



Leveraging a valuable ERS asset for two key benefits:

- Rental income from third-party tenants will generate returns for the Trust beyond the cost of the building.
- Additional space addresses needs of the growing agency.



# Building Development Timeline

December 2018



Approved final design  
and guaranteed  
maximum price

2019 - 2020



Tore down original  
building,  
constructing new  
building

Early 2021



Tenants (and  
some ERS  
departments)  
move into new  
building

Visiting ERS? Keep in mind construction, closed roads and limited parking in and around the Capitol Complex.

Questions?

Thank you for your service to Texas!  
ERS is honored to serve you.

