
LEGISLATIVE APPROPRIATIONS REQUEST

FOR FISCAL YEARS 2014 AND 2015

ERS

EMPLOYEES RETIREMENT
SYSTEM OF TEXAS

SUBMITTED TO

THE GOVERNOR'S OFFICE OF BUDGET, PLANNING AND POLICY
AND THE LEGISLATIVE BUDGET BOARD

BY

THE EMPLOYEES RETIREMENT SYSTEM OF TEXAS

AUGUST 30, 2012

**EMPLOYEES RETIREMENT SYSTEM OF TEXAS
 LEGISLATIVE APPROPRIATION REQUEST
 FOR FISCAL YEARS 2014 AND 2015**

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ADMINISTRATOR'S STATEMENT 83RD REGULAR SESSION, FISCAL YEARS 2014 AND 2015

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. The LAR requests funding to provide retirement and insurance benefits to more than 500,000 State of Texas employees, retirees, and their eligible family members. These benefits support the State's goal to recruit, retain, and reward the high-quality workforce Texas needs to help make our state such a desirable place to live and work. The programs provide financial security for more than 84,000 retired Texans and health care for one of every 47 Texans. The benefits we provide to our customers also enhance the lives and livelihoods of all Texans, through the impact of pension payments spent in the state and medical claim payments to Texas doctors, hospitals, and pharmacies.

This request supports:

- Four retirement plans: service retirement for state employees, elected state officials, and district attorneys (ERS), law enforcement and custodial officers (LECOS), and 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 continues to operate a model benefits program, made possible by the ongoing commitment and careful stewardship of the State in combination with prudent contract and investment management by ERS staff. The pension benefits we provide support more than 200 agency employers in recruiting and retaining staff in more than 137,000 positions that help citizens throughout Texas achieve self-sufficiency, health, and safety. As one of the largest and fastest-growing states in the union – both economically and in population – Texas relies on a diverse and high-quality workforce, with positions ranging from judges to highway engineers. The benefits we offer compete with those offered by other private and public employers to attract and retain a qualified state workforce, and must do so at a cost Texas taxpayers can support. With this in mind, ERS manages its programs with efficiency and a sharp focus on our customers, achieving relatively low costs without sacrificing quality or value.

Currently, the agency serves more than 545,000 employees, retirees and dependents participating in the Texas Employees Group Benefits Program, 137,856 employees contributing to their pensions, and 84,000 retirees and beneficiaries receiving pension annuities.

This past biennium, ERS implemented a number of initiatives to better provide quality benefits to current and former state employees while maintaining lower-than-average costs. To ensure the long-term sustainability of both our pension and group benefits (insurance) programs, and as mandated by the 82nd Legislature, ERS undertook two comprehensive interim legislative studies that outline multiple options for the Legislature to consider to improve

the sustainability of the Texas Employees Group Benefits Program (GBP) and the retirement program. The reports include options that allow the State to provide reliable and cost-effective benefits for decades to come.

Following are key findings of the insurance report:

- Health insurance benefits are a crucial factor in recruiting and retaining qualified employees.
- Sustainability of the GBP depends on shared responsibility among the State, employers and members.
- Sustainability also depends on predictable rates.
- A flexible approach offering both choice and financial incentives will facilitate changes in the GBP.
- There is a difference between cost management and cost shifting.
- Decisions and changes must be made with long-term effects in mind.

Key findings of the pension report include the following:

- Without action, the unfunded liability will continue to increase and make today's manageable situation unmanageable.
- A better balance of the revenue/expenses formula will make the current plan sustainable.
- Any plan modification or structural change carries legal risk that increases as more members are included.
- Establishing an alternative retirement plan could fulfill specific workforce needs, but will cost more and does not erase the unfunded liabilities in the existing Defined Benefit (DB) plan.
- Retirement benefits are critical in attracting and retaining employees who are particularly qualified for state positions.
- The private sector employs a different workforce, uses a wider variety of compensation tools, and faces different pension regulations – making private/public comparisons difficult.
- The DB plan is a good value for Texas.
- Changes to other parts of the compensation package can impact the retirement plan.

We look forward to working with the 83rd Legislature to determine how we can administer the GBP and retirement program to best meet the needs of the State, its active and retired workforce, employer agencies/institutions, and Texas residents.

I am pleased to report that in FY2011, the ERS pension program achieved investment returns of 12.58%, exceeding both the overall markets and our 12.02% policy benchmark. As of July 30, 2012, we have realized an average return of 6.44% for FY 2012. Given the current economic environment and the market volatility that characterized the past fiscal period, this is a notable accomplishment for the ERS Trust – one that benefits both the State and our customers. (It is important to note, however, that the FY 2012 average does not include August 2012. ERS will report fiscal year data in our Comprehensive Annual Financial Report based on the August 31, 2012 snapshot of the fund.) To make sure we continue to invest our funds prudently, ERS initiated an asset/liability study in FY2012. Building on past efforts, we are conducting the current study in a highly collaborative way – holding joint working sessions to draw on the guidance of the ERS Board of Trustees, the Investment Advisory Committee, and the internal Investments staff. The asset/liability study will guide ERS' future investment strategy and expected returns.

The past fiscal period saw significant activity in the GBP, as we sought ways to further improve program management and offerings to our customers. ERS already achieves efficiency, spending only 3% of the program's costs on administration, with the rest paying directly for our members' health care. In this regard we far outperform the industry standard; for example, the federal Patient Protection and Affordable Care Act (ACA) stipulates that large employer health plans can pay up to (but no more than) 15% for administrative costs.

Nonetheless, we continually strive to improve and to that end undertook a number of initiatives during the biennium:

- ERS contracted with a new third-party administrator for the HealthSelect employee (and dependent) health insurance plan, with an estimated value approximately \$41 million lower than the other proposals over the four-year term of the contract.
- Medicare-eligible retirees were automatically enrolled in a Medicare Advantage preferred provider organization (MA-PPO) plan, which provides the same level of coverage at a lower cost to both the State and retirees. Although members are allowed to opt out, 62% remained enrolled in the MA options in FY2012. We anticipate that approximately 70% of members will be enrolled in the new plan by the end of the biennium.
- ERS conducted an eligibility audit to confirm that all dependents covered by ERS plans actually meet eligibility requirements. We estimate that as a result of the audit, ERS will prevent more than \$14.8 million in health expenditures for ineligible dependents, redirecting funds to pay for costs incurred by eligible plan participants.
- In accordance with legislation passed by the 82nd Legislature, ERS introduced new premiums for tobacco users starting on January 1, 2012. All employees, retirees, and dependents who use tobacco pay an additional \$30 to \$90 per month for their health insurance, depending on how many tobacco users in their families are covered in the plan. The intention is not only to offset some of the additional health costs from tobacco use, but also to provide further incentive for the users we cover to quit.
- ERS began preparations to implement Medicare's Employer Group Waiver Plan with a wraparound supplemental plan, which should help offset costs of providing drug coverage to Medicare-eligible retirees. The program could begin as early as January 1, 2013 and could net annual savings of \$27 million for ERS.
- To realize even more savings on prescription drug coverage, ERS renegotiated its contract with Caremark. We anticipate saving an additional \$14 million over the extended two years of the agreement.
- ERS received more than \$70 million from the Early Retiree Reinsurance Program (ERRP), an initiative of the ACA, to offset some of our expenses in covering retirees who are not yet eligible for Medicare. Although this was a short-lived federal program from which no further payments are anticipated, and the money ERS received has already been expended, the agency will still benefit from this additional revenue going into the next biennium.

EXTERNAL CHALLENGES

The continuing struggles of the global economy and the resulting volatility in the markets remained significant challenges for ERS. Given this economic environment, we credit ERS' positive long-term performance to our traditionally conservative investment approach, long-term focus, and diversified portfolio. During the biennium, we added the hedge fund asset class and expanded the new private equity and real estate portfolios. This was a good period for diversifying into these asset classes, and ERS continues to build out our portfolios in these areas. With no plans for significant changes to our investment strategy, the ERS trust fund should remain reasonably protected from the volatility of the market.

Like many other public pension programs, ERS has an unfunded liability, meaning that our fund is short of the total amount needed to provide all current and future pension obligations. The liability of the ERS fund is relatively low, with an unfunded ratio of only 17.4%. New standards approved by the Governmental Accounting Standards Board (GASB) in June 2012, however, will change the ways unfunded liabilities are reported beginning in FY2015. It is estimated that the changes will cause reported funded ratios to appear to decline. 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. Even if the new GASB requirements increase the size of unfunded liabilities that must be reported, Texas is in relatively good shape – with a low level of debt relative to reserves, which reduces concerns that unfunded liabilities could damage its bond rating in the long term.

Despite ERS' relatively good standing, the funded status of the ERS trust fund will continue to decline without increased program revenue or lower plan costs.

With the Supreme Court's decision in June 2012 to uphold the ACA, full implementation of the law is proceeding. This LAR includes increased costs as a result of those requirements.

As in years past, ERS faces challenges in the GBP due to the rising costs associated with health care delivery, which remain a problem across the United States. Although the nationwide rate of increase has declined in recent years – meaning costs didn't rise as much as they had in the 1990s and early 2000s – health care costs continue to rise faster than national income and the overall rate of inflation. Three major factors contribute most significantly to cost increases: expensive new technologies (and, to a lesser extent, prescription medications), a rise in chronic diseases due in part to the aging population and the escalating obesity epidemic, and administrative costs in both government programs and private insurance. While ERS cannot avoid many impacts of rising health costs, we have successfully kept our administrative costs low.

RETIREMENT APPROPRIATION REQUEST

The state starts funding retirement benefits as soon as a worker enters the system. This funds the benefits throughout an employee's working career. The normal cost 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 normal cost as of August 31, 2011 is 12.31%. Beginning September 1, 2012, the State will contribute 6.5% and system members will continue to contribute 6.5%, for a total of 13%.

The unfunded liability of a system is adversely affected when the system does not consistently receive enough contributions to pay the normal cost of providing benefits and pay down any unfunded liability. To cover this unfunded liability, contributions must increase to an actuarially sound contribution (ASC) rate. The current ASC for the ERS employee retirement trust fund is 17.47% based on the valuation as of August 31, 2011.

The 82nd Legislature decreased state contributions to the pension programs administered by ERS. The baseline requests assumes contribution rates will continue at the lower levels that were appropriated in FY2013. The baseline request covers the normal cost of benefits for ERS, but is well below normal costs for LECOS and JRS 2. These levels are not enough to pay off outstanding liabilities. As a result, the trusts' funded ratios will decline and the State's unfunded liabilities will continue to grow. The exceptional item request is the most economical way for the State to address the outstanding liabilities, as it would generate investment earnings over the long term to pay down the unfunded balance.

Both the normal cost and the ASC rate will change based on the fiscal year-end actuarial valuation of the trust fund. In addition to the fiscal year update, a special mid-year actuarial updated valuation of the fund will be done as of February 28, 2013 to provide the Legislature with the most current estimates. Please note that the normal costs provided below are accurate as of August 31, 2011; updated numbers will be available following the audited financial report for FY2012.

BASELINE REQUESTS FOR THE RETIREMENT PROGRAM:

- Employee and elected class retirement

\$749.8 million to fund the state retirement contribution at the base line of 6.5%.

The member contribution is assumed to remain at 6.5% for the biennium. This baseline request (13%) slightly exceeds the current normal cost of 12.31%. This amount does not equal the ASC rate as set by state law and accounting standards. That means it is not enough to amortize the unfunded accrued liability, or even pay the interest on the liability.

- Law Enforcement and Custodial Officer Supplemental Retirement Trust Fund (LECOS)

\$15 million to fund the LECOS program at the base line of 0.5%.

LECOS members began contributing to the LECOS retirement fund on September 1, 2009. The LECOS member contribution is assumed to remain at 0.5% of payroll for the biennium. This baseline request (1%) is less than the current normal cost of 2.07%, and it is not sufficient to amortize the unfunded accrued liability over a measurable period.

- JRS Plan I

\$53.1 million to fund the Judicial Retirement Plan 1 at current levels.

JRS I is a closed plan that receives appropriations equal to benefit payments.

- JRS Plan II

\$8.8 million to fund the Judicial Retirement Plan 2 at the base line of 6.5%.

The JRS 2 member contribution is assumed to remain at 6.0% of payroll for the biennium. This baseline request (12.5%) is significantly lower than the current normal cost of 20.38%, and is not sufficient to amortize the unfunded accrued liability over a measurable period

- Chapter 615

\$10.9 million to fund public safety officer death benefits at current levels.

- Retiree death benefit

\$16.7 million to fund retiree lump sum death benefits at current levels.

EXCEPTIONAL ITEM REQUESTS FOR THE RETIREMENT PROGRAM:

- Current Actuarially Sound Contribution for ERS Retirement Trust Fund (subject to constitutional limit)

\$403.3 million to provide close to the ASC rate as required in Sec. 811.006 of the Texas Government Code.

The current ASC rate is 17.47%, requiring the constitutionally allowed maximum State contribution of 10%, in addition to the member contribution of 6.5% – and still falling short of the actuarially sound rate by about 1%. The ASC rate is made up of the normal cost of 12.31%, and the contributions needed to erase the unfunded liability over 31 years. The current difference between the normal cost and the ASC rate is 5.16%. It is important to note that, although the proposed State contribution of 10% and the employee contribution of 6.5% fall short of the actuarially sound rate, increasing the State rate to 10% will put the Retirement Trust Fund on a path to pay down the unfunded liability, likely within 55 years. As it stands at the current State contribution of 6.5%, the unfunded liability will continue in perpetuity.

The system first reported an unfunded liability in 2003, following years of below-normal cost 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 \$5.1 billion as of August 31, 2011 – in large part due to asset losses in the recent underperforming financial markets, but also because the fund has not received enough contributions to cover the normal cost and pay down the unfunded debt, as well as demographic and actuarial assumption changes resulting from increased retirement rates. The growth in unfunded liability has been somewhat offset by plan changes made in 2009 and the lack of regular salary increases.

- Current Actuarially Required Contribution for Law Enforcement and Custodial Officers Supplemental Fund

\$51.7 million for the LECOS fund to provide the ASC rate as required in Sec. 811.006 of the Texas Government Code. The current ASC rate is 2.72%, requiring an employer contribution of 2.22%, in addition to the member contribution of 0.5%.

- Current Actuarially Sound Contribution for Judicial Retirement Plan 2

\$12.5 million for the JRS 2 fund to provide the ASC rate as required in Sec. 840.106 of the Texas Government Code. The current ASC rate is 21.76%, requiring an employer contribution of 15.76% in addition to the member contribution of 6.5%. As a result of decreased state contributions to this plan, it has gone from being actuarially sound with a 12.6 year amortization period as of August 31, 2010 to a plan that is not sound with an infinite amortization period.

GROUP BENEFITS (INSURANCE) PROGRAM APPROPRIATIONS REQUEST

BASELINE REQUESTS FOR THE GROUP BENEFITS PROGRAM:

- \$2.7 billion to fund the program at the prescribed base level, below the current spending levels

The baseline request for the FY2014-2015 is calculated according to the funding ERS received last session and is not enough to cover FY2014-15 benefit costs or expected medical cost increases. It also does not replace the supplemental funding from the contingency reserve fund and the one-time revenue sources the plan relied on during the past biennium.

The baseline request of \$2.7 billion is prescribed by the Legislative Budget Board and is less than anticipated FY2013 spending levels. Funding at this level would not be enough to maintain the existing plan benefits or structure.

EXCEPTIONAL ITEM REQUESTS FOR THE GROUP BENEFITS PROGRAM:

- Funding to maintain existing benefits and cover cost increases:

In addition to the baseline funding request, the program needs \$382.4 million to fund the program at a level sufficient to maintain existing health plan benefits, cover projected increases in health plan costs due to medical inflation and provisions of the ACA, and replace funding provided in the current biennium from the contingency reserve fund and one-time ERRP revenue.

State appropriations are only part of the GBP funding each biennium. For example, they amounted to less than half of FY2012 funding, with 57.9% from other sources, including:

- Member contributions for dependent premiums and out-of-pocket costs (34.1%),
 - Contributions from higher education institutions and other employers (19%), and
 - Supplemental revenue (4.8%), such as from the contingency reserve fund and the ERRP reimbursement.
- Funding to meet statutory requirement for the GBP contingency reserve fund:

\$297.8 million to re-establish the contingency reserve fund as required under Section 1551.211 of the Texas Insurance Code.

The statute requires ERS to request funding necessary to maintain a contingency reserve fund adequate to cover self-funded expenditures for an average 60-day period in the next biennium, or a balance of about \$585.3 million as of August 31, 2015. This funding request, together with additional funding from (a) higher education institutions, (b) other employers participating in the program, and (c) members who elect dependent coverage, is expected to be sufficient to meet the statutory minimum.

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) for all job applicants. The criminal history information may be used 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.

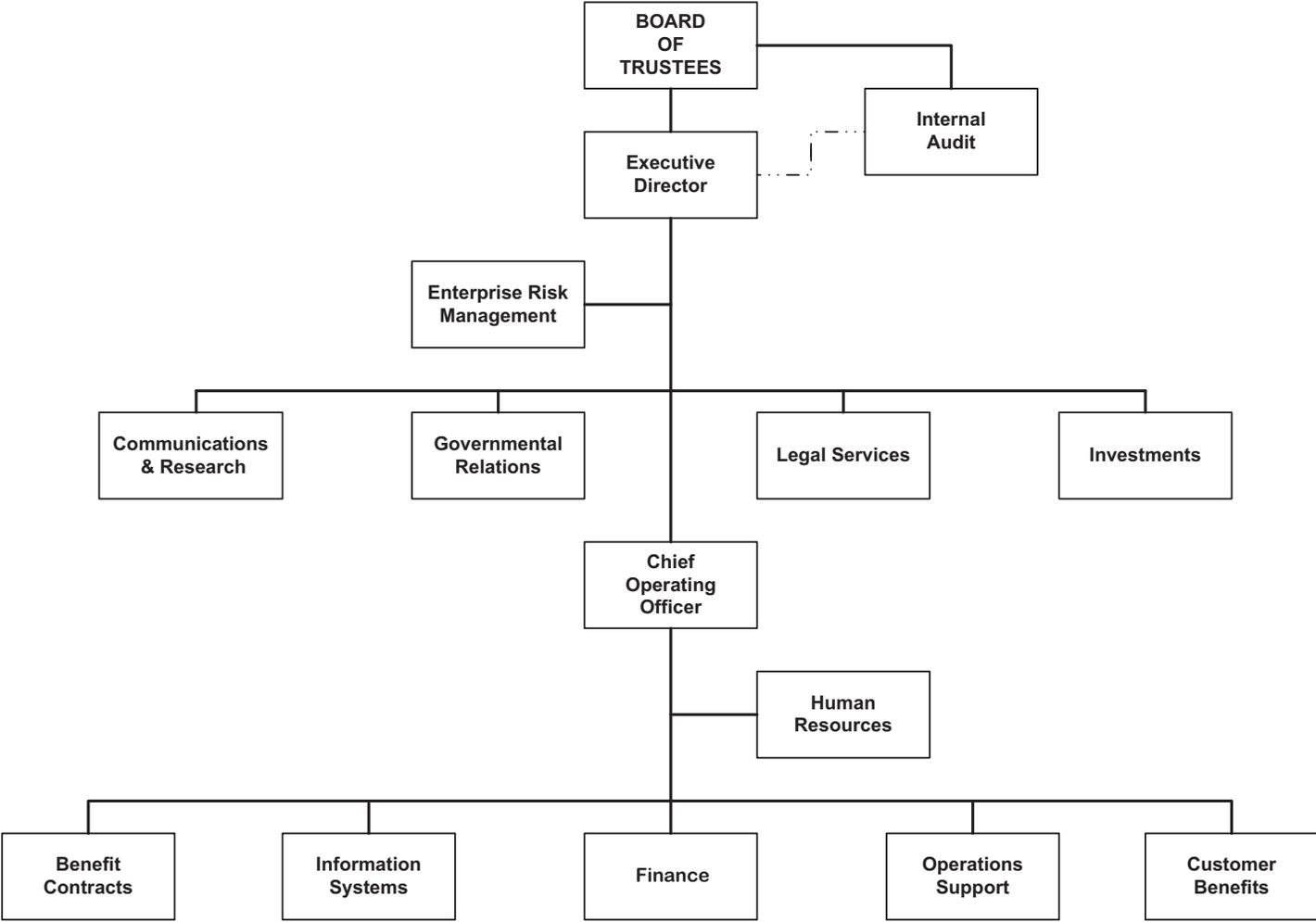
The ERS will review all criminal convictions on a case-by-case basis based on several factors including:

- The nature and seriousness of each offense and its relationship to the duties of the position.
- The number of offenses committed by the individual.
- The length of time since the offense,
- The individual’s work performance and/or history,
- The accuracy of the information on the individual’s employment application, and
- The explanation the candidate provides in the event of a criminal conviction.

EMPLOYEES RETIREMENT SYSTEM OF TEXAS

Board Members	Dates of Terms	Hometown
Yolanda "Yoly" Griego, Chair	September 1, 2009 – August 31, 2015	El Paso, Texas
Craig Hester, Vice-Chair	November 1, 2005 – August 31, 2016	Austin, Texas
Cydney C. Donnell	June 20, 2007 – August 31, 2012	College Station, Texas
Cheryl MacBride	October 19, 2009 – August 31, 2013	Austin, Texas
Brian D. Ragland	September 1, 2011 – August 31, 2017	Austin, Texas
Frederick E. "Shad" Rowe	November 28, 2011 – August 31, 2014	Dallas, Texas

EMPLOYEES RETIREMENT SYSTEM OF TEXAS
AGENCY ORGANIZATION CHART



EMPLOYEES RETIREMENT SYSTEM OF TEXAS 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 five, 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 Relations, Investments, Communications and Research, and Legal Services staff report to the Executive Director.

3) INTERNAL AUDIT

The Director of Internal Audit directs a staff of two. 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 RELATIONS

The Director of Governmental Relations directs a staff of three. Governmental Relations 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) COMMUNICATIONS AND RESEARCH

The Director of Communications and Research directs a staff of 15. 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 benefits fairs.

7) INVESTMENTS

The Deputy Executive Director of Investments directs a staff of 60. 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 and real estate.

8) **CHIEF OPERATING OFFICER**

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

9) **HUMAN RESOURCES**

The Human Resources Director directs a staff of three. The Human Resources Division is responsible for administering the personnel program for ERS. It is responsible for hiring and retaining a competent, quality work force.

10) **BENEFIT CONTRACTS**

The Director of Benefit Contracts directs a staff of 20. 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 34. 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, Purchasing, Investment Accounting and Revenue Processing.

12) **CUSTOMER BENEFITS**

The Director of Customer Benefits directs a staff of 96. 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 65. 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.

327 Employees Retirement System

Goal / Objective / STRATEGY	Exp 2011	Est 2012	Bud 2013	Req 2014	Req 2015
1 To Administer Comprehensive and Actuarially Sound Retirement Programs					
1 Ensure Actuarially Sound Retirement Programs					
1 ERS - RETIREMENT	410,490,526	351,007,060	374,880,438	374,880,438	374,880,438
2 LECOS RETIREMENT PROGRAM	24,181,269	0	7,520,372	7,520,372	7,520,372
3 JUDICIAL RETIREMENT SYSTEM - PLAN 2	11,920,603	4,148,151	4,389,743	4,389,743	4,389,743
4 JUDICIAL RETIREMENT SYSTEM - PLAN 1	26,990,997	26,566,486	26,566,486	26,566,486	26,566,486
5 PUBLIC SAFETY BENEFITS	4,534,459	4,895,494	6,048,207	5,471,850	5,471,851
6 RETIREE DEATH BENEFITS	7,885,117	8,660,924	8,088,040	8,374,482	8,374,482
TOTAL, GOAL 1	\$486,002,971	\$395,278,115	\$427,493,286	\$427,203,371	\$427,203,372
2 Provide Employees & Retirees with Quality Health Program					
1 Manage GBP for State & Higher Education Employees					
1 GBP - GENERAL STATE EMPLOYEES	1,272,571,141	1,251,432,211	1,409,486,940	1,330,459,575	1,330,459,576
2 POST RETIREMENT HEALTH BENEFITS	0	0	0	0	0
TOTAL, GOAL 2	\$1,272,571,141	\$1,251,432,211	\$1,409,486,940	\$1,330,459,575	\$1,330,459,576
TOTAL, AGENCY STRATEGY REQUEST	\$1,758,574,112	\$1,646,710,326	\$1,836,980,226	\$1,757,662,946	\$1,757,662,948
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				\$0	\$0
GRAND TOTAL, AGENCY REQUEST	\$1,758,574,112	\$1,646,710,326	\$1,836,980,226	\$1,757,662,946	\$1,757,662,948

327 Employees Retirement System

Goal / Objective / STRATEGY	Exp 2011	Est 2012	Bud 2013	Req 2014	Req 2015
<u>METHOD OF FINANCING:</u>					
General Revenue Funds:					
1 General Revenue Fund	1,048,837,968	992,828,048	1,106,282,559	1,060,188,169	1,060,188,171
SUBTOTAL	\$1,048,837,968	\$992,828,048	\$1,106,282,559	\$1,060,188,169	\$1,060,188,171
General Revenue Dedicated Funds:					
469 Crime Victims Comp Acct	1,750,000	1,500,000	1,875,000	1,696,324	1,696,324
994 GR Dedicated Accounts	63,696,835	64,923,718	71,353,483	68,562,967	68,562,967
SUBTOTAL	\$65,446,835	\$66,423,718	\$73,228,483	\$70,259,291	\$70,259,291
Federal Funds:					
555 Federal Funds	331,247,783	302,992,328	337,131,222	321,791,370	321,791,371
SUBTOTAL	\$331,247,783	\$302,992,328	\$337,131,222	\$321,791,370	\$321,791,371
Other Funds:					
6 State Highway Fund	299,608,191	271,878,558	306,413,714	292,312,862	292,312,862
573 Judicial Fund	3,576,181	1,659,260	1,755,897	1,755,897	1,755,897
998 Other Special State Funds	9,857,154	10,928,414	12,168,351	11,355,357	11,355,356
SUBTOTAL	\$313,041,526	\$284,466,232	\$320,337,962	\$305,424,116	\$305,424,115
TOTAL, METHOD OF FINANCING	\$1,758,574,112	\$1,646,710,326	\$1,836,980,226	\$1,757,662,946	\$1,757,662,948

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

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE

8/30/2012 10:23:26AM

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 327 Agency name: Employees Retirement System

METHOD OF FINANCING	Exp 2011	Est 2012	Bud 2013	Req 2014	Req 2015
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GENERAL REVENUE

1 General Revenue Fund

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2010-11 GAA)

	\$1,002,108,979	\$0	\$0	\$0	\$0
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Regular Appropriations from MOF Table (2012-13 GAA)

	\$0	\$1,020,382,278	\$1,100,262,788	\$0	\$0
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Estimated Appropriation Revision

	\$19,449,674	\$2,131,691	\$0	\$0	\$0
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Regular Appropriations

	\$0	\$0	\$0	\$1,060,188,169	\$1,060,188,171
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RIDER APPROPRIATION

Art IX, Sec 17.01, Schedule C Pay Raises (2010-11 GAA)

	\$73,612	\$0	\$0	\$0	\$0
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Art IX, Sec 17.02(a), Additional Appropriation for Employees Benefits

	\$1,315,372	\$0	\$0	\$0	\$0
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2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE

8/30/2012 10:23:26AM

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 327

Agency name: Employees Retirement System

METHOD OF FINANCING	Exp 2011	Est 2012	Bud 2013	Req 2014	Req 2015
<u>GENERAL REVENUE</u>					
Art IX, Sec 17.02(b), Additional Appropriation for Employees Benefits	\$11,883,072	\$0	\$0	\$0	\$0
<i>TRANSFERS</i>					
Art IX, Sec 17.13(a), One Time Payments	\$17,527,155	\$0	\$0	\$0	\$0
<i>SUPPLEMENTAL, SPECIAL OR EMERGENCY APPROPRIATIONS</i>					
SB 2, Sec 2, 82nd Leg, 1st Called Session	\$0	\$0	\$6,698,395	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>					
Lapsed Appropriations	\$(3,519,896)	\$(29,685,921)	\$(678,624)	\$0	\$0
TOTAL, General Revenue Fund	\$1,048,837,968	\$992,828,048	\$1,106,282,559	\$1,060,188,169	\$1,060,188,171
TOTAL, ALL GENERAL REVENUE	\$1,048,837,968	\$992,828,048	\$1,106,282,559	\$1,060,188,169	\$1,060,188,171

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE

8/30/2012 10:23:26AM

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 327 Agency name: Employees Retirement System

METHOD OF FINANCING	Exp 2011	Est 2012	Bud 2013	Req 2014	Req 2015
<u>GENERAL REVENUE FUND - DEDICATED</u>					
<u>469</u> GR Dedicated - Compensation to Victims of Crime Account No. 469					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2010-11 GAA)	\$2,208,940	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2012-13 GAA)	\$0	\$1,875,000	\$1,875,000	\$0	\$0
Regular Appropriations	\$0	\$0	\$0	\$1,696,324	\$1,696,324
<i>LAPSED APPROPRIATIONS</i>					
Lapsed Appropriations	\$(458,940)	\$(375,000)	\$0	\$0	\$0
TOTAL, GR Dedicated - Compensation to Victims of Crime Account No. 469	\$1,750,000	\$1,500,000	\$1,875,000	\$1,696,324	\$1,696,324
<u>994</u> General Revenue Dedicated Accounts					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2010-11 GAA)	\$59,010,447	\$0	\$0	\$0	\$0

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE

8/30/2012 10:23:26AM

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 327

Agency name: Employees Retirement System

METHOD OF FINANCING	Exp 2011	Est 2012	Bud 2013	Req 2014	Req 2015
<u>GENERAL REVENUE FUND - DEDICATED</u>					
Regular Appropriations from MOF Table (2012-13 GAA)	\$0	\$66,679,468	\$71,257,222	\$0	\$0
Estimated Appropriation Revision	\$2,330,879	\$113,047	\$0	\$0	\$0
Regular Appropriations	\$0	\$0	\$0	\$68,562,967	\$68,562,967
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 17.01, Schedule C Pay Raises (2010-11 GAA)	\$102,837	\$0	\$0	\$0	\$0
Art IX, Sec 17.02(a), Additional Appropriation for Employees Benefits	\$2,252,672	\$0	\$0	\$0	\$0
<i>SUPPLEMENTAL, SPECIAL OR EMERGENCY APPROPRIATIONS</i>					
SB 2, Sec 2, 82nd Leg, 1st Called Session	\$0	\$0	\$96,261	\$0	\$0

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE

8/30/2012 10:23:26AM

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

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

METHOD OF FINANCING	Exp 2011	Est 2012	Bud 2013	Req 2014	Req 2015
<u>GENERAL REVENUE FUND - DEDICATED</u>					
<i>LAPSED APPROPRIATIONS</i>					
Lapsed Appropriations	\$0	\$(1,868,797)	\$0	\$0	\$0
TOTAL, General Revenue Dedicated Accounts	\$63,696,835	\$64,923,718	\$71,353,483	\$68,562,967	\$68,562,967
TOTAL, ALL GENERAL REVENUE FUND - DEDICATED	\$65,446,835	\$66,423,718	\$73,228,483	\$70,259,291	\$70,259,291
TOTAL, GR & GR-DEDICATED FUNDS	\$1,114,284,803	\$1,059,251,766	\$1,179,511,042	\$1,130,447,460	\$1,130,447,462

FEDERAL FUNDS

555 Federal Funds

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2010-11 GAA)

\$317,737,242 \$0 \$0 \$0 \$0

Regular Appropriations from MOF Table (2012-13 GAA)

\$0 \$311,590,869 \$337,101,892 \$0 \$0

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE

8/30/2012 10:23:26AM

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 327

Agency name: Employees Retirement System

METHOD OF FINANCING	Exp 2011	Est 2012	Bud 2013	Req 2014	Req 2015
<u>FEDERAL FUNDS</u>					
Estimated Appropriation Revision	\$11,067,436	\$463,877	\$0	\$0	\$0
Regular Appropriations	\$0	\$0	\$0	\$321,791,370	\$321,791,371
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 17.01, Schedule C Pay Raises (2010-11 GAA)	\$48,656	\$0	\$0	\$0	\$0
Art IX, Sec 17.02(a), Additional Appropriation for Employees Benefits	\$2,394,449	\$0	\$0	\$0	\$0
<i>SUPPLEMENTAL, SPECIAL OR EMERGENCY APPROPRIATIONS</i>					
SB 2, Sec 2, 82nd Leg, 1st Called Session	\$0	\$0	\$29,330	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>					
Lapsed Appropriations	\$0	\$(9,062,418)	\$0	\$0	\$0

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE

8/30/2012 10:23:26AM

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 327

Agency name: Employees Retirement System

METHOD OF FINANCING	Exp 2011	Est 2012	Bud 2013	Req 2014	Req 2015
<u>OTHER FUNDS</u>					
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 17.01, Schedule C Pay Raises (2010-11 GAA)	\$740,896	\$0	\$0	\$0	\$0
Art IX, Sec 17.02(a), Additional Appropriation for Employees Benefits	\$582,859	\$0	\$0	\$0	\$0
Art IX, Sec 17.02(b), Additional Appropriation for Employees Benefits	\$(11,883,072)	\$0	\$0	\$0	\$0
<i>SUPPLEMENTAL, SPECIAL OR EMERGENCY APPROPRIATIONS</i>					
SB 2, Sec 2, 82nd Leg, 1st Called Session	\$0	\$0	\$696,386	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>					
Lapsed Appropriations	\$0	\$(8,231,259)	\$0	\$0	\$0
TOTAL, State Highway Fund No. 006	\$299,608,191	\$271,878,558	\$306,413,714	\$292,312,862	\$292,312,862

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE

8/30/2012 10:23:26AM

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

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

METHOD OF FINANCING	Exp 2011	Est 2012	Bud 2013	Req 2014	Req 2015
<u>OTHER FUNDS</u>					
<u>573</u> Judicial Fund No. 573					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2010-11 GAA)	\$3,377,577	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2012-13 GAA)	\$0	\$1,620,828	\$1,755,897	\$0	\$0
Estimated Appropriation Revision	\$198,604	\$38,432	\$0	\$0	\$0
Regular Appropriations	\$0	\$0	\$0	\$1,755,897	\$1,755,897
TOTAL, Judicial Fund No. 573	\$3,576,181	\$1,659,260	\$1,755,897	\$1,755,897	\$1,755,897
<u>998</u> Other Special State Funds					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2010-11 GAA)	\$8,744,923	\$0	\$0	\$0	\$0

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE

8/30/2012 10:23:26AM

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 327

Agency name: Employees Retirement System

METHOD OF FINANCING	Exp 2011	Est 2012	Bud 2013	Req 2014	Req 2015
<u>OTHER FUNDS</u>					
Regular Appropriations from MOF Table (2012-13 GAA)	\$0	\$11,196,700	\$12,168,351	\$0	\$0
Estimated Appropriation Revision	\$379,718	\$23,320	\$0	\$0	\$0
Regular Appropriations	\$0	\$0	\$0	\$11,355,357	\$11,355,356
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 17.02(a), Additional Appropriation for Employees Benefits	\$732,513	\$0	\$0	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>					
Lapsed Appropriations	\$0	\$(291,606)	\$0	\$0	\$0
TOTAL, Other Special State Funds	\$9,857,154	\$10,928,414	\$12,168,351	\$11,355,357	\$11,355,356
TOTAL, ALL OTHER FUNDS	\$313,041,526	\$284,466,232	\$320,337,962	\$305,424,116	\$305,424,115

2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE

8/30/2012 10:23:26AM

83rd Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: **327**

Agency name: **Employees Retirement System**

METHOD OF FINANCING	Exp 2011	Est 2012	Bud 2013	Req 2014	Req 2015
GRAND TOTAL	\$1,758,574,112	\$1,646,710,326	\$1,836,980,226	\$1,757,662,946	\$1,757,662,948
FULL-TIME-EQUIVALENT POSITIONS					
REGULAR APPROPRIATIONS					
Regular Appropriations from MOF Table (2010-11 GAA)	312.3	0.0	0.0	0.0	0.0
Regular Appropriations from MOF Table (2012-13 GAA)	0.0	332.0	332.0	0.0	0.0
Regular Appropriations	0.0	0.0	0.0	332.0	332.0
TOTAL, ADJUSTED FTES	312.3	332.0	332.0	332.0	332.0
NUMBER OF 100% FEDERALLY FUNDED FTEs	0.0	0.0	0.0	0.0	0.0

2.C. SUMMARY OF BASE REQUEST BY OBJECT OF EXPENSE

8/30/2012 10:24:27AM

83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

OBJECT OF EXPENSE	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
1002 OTHER PERSONNEL COSTS	\$473,583,395	\$381,721,697	\$413,357,039	\$413,357,039	\$413,357,039
2009 OTHER OPERATING EXPENSE	\$1,272,571,141	\$1,251,432,211	\$1,409,486,940	\$1,330,459,575	\$1,330,459,576
3001 CLIENT SERVICES	\$12,419,576	\$13,556,418	\$14,136,247	\$13,846,332	\$13,846,333
OOE Total (Excluding Riders)	\$1,758,574,112	\$1,646,710,326	\$1,836,980,226	\$1,757,662,946	\$1,757,662,948
OOE Total (Riders)					
Grand Total	\$1,758,574,112	\$1,646,710,326	\$1,836,980,226	\$1,757,662,946	\$1,757,662,948

2.D. SUMMARY OF BASE REQUEST OBJECTIVE OUTCOMES

8/30/2012 10:25:09AM

83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation system of Texas (ABEST)

327 Employees Retirement System

Goal/ Objective / Outcome	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
1 To Administer Comprehensive and Actuarially Sound Retirement Programs					
1 Ensure Actuarially Sound Retirement Programs					
KEY 1 % of ERS Retirees Expressing Satisfaction with Member Benefit Services					
	95.10%	97.00%	97.00%	97.00%	97.00%
2 # of Years to Amortize the ERS Unfunded Actuarial Accrued Liability					
	999,999,999.99	999,999,999.99	999,999,999.99	999,999,999.99	999,999,999.99
3 # Years to Amortize the LECOS Unfunded Actuarial Accrued Liability					
	999,999,999.99	999,999,999.99	999,999,999.99	999,999,999.99	999,999,999.99
4 # of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability					
	999,999,999.99	999,999,999.99	999,999,999.99	999,999,999.99	999,999,999.99
5 ERS Time-weighted Rate of Return (5 Year Rolling Basis)					
	4.03%	2.94%	5.52%	8.00%	8.00%
6 ERS Annual Operating Expense Per Member					
	61.68	59.90	59.90	61.00	61.00
7 Investment Expense as Basis Points of Net Assets					
	11.80	14.08	16.00	16.00	16.00
8 Percent of Time the ERS On-line System is Available to Customers					
	96.40	96.00	96.00	96.00	96.00
2 Provide Employees & Retirees with Quality Health Program					
1 Manage GBP for State & Higher Education Employees					
KEY 1 Percent of HealthSelect Participants Satisfied with Network Services					
	86.00%	92.00%	89.00%	89.00%	89.00%

2.E. SUMMARY OF EXCEPTIONAL ITEMS REQUEST

83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/30/2012

TIME : 10:25:53AM

Agency code: 327

Agency name: **Employees Retirement System**

Priority	Item	2014			2015			Biennium	
		GR and GR/GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds
1	ERS Ret Plan Constitutional Maximum	\$130,226,347	\$201,802,250		\$130,226,346	\$201,471,582		\$260,452,693	\$403,273,832
2	LECOS Plan Actuarially Sound	\$23,373,617	\$25,870,080		\$23,373,617	\$25,870,080		\$46,747,234	\$51,740,160
3	JRS II Plan Actuarially Sound	\$3,752,217	\$6,253,695		\$3,752,217	\$6,253,695		\$7,504,434	\$12,507,390
4	GBP Cost Increases	\$78,348,173	\$124,434,143		\$162,419,097	\$257,957,274		\$240,767,270	\$382,391,417
5	GBP 60 Day Reserve Fund	\$89,794,013	\$142,612,657		\$97,733,309	\$155,222,007		\$187,527,322	\$297,834,664
Total, Exceptional Items Request		\$325,494,367	\$500,972,825		\$417,504,586	\$646,774,638		\$742,998,953	\$1,147,747,463

Method of Financing

General Revenue	\$305,875,542	\$305,875,542		\$392,246,212	\$392,246,212		\$698,121,754	\$698,121,754
General Revenue - Dedicated	19,618,825	19,618,825		25,258,374	25,258,374		44,877,199	44,877,199
Federal Funds		88,166,845			115,793,034			203,959,879
Other Funds		87,311,613			113,477,018			200,788,631
	\$325,494,367	\$500,972,825		\$417,504,586	\$646,774,638		\$742,998,953	\$1,147,747,463

Full Time Equivalent Positions

Number of 100% Federally Funded FTEs

0.0

0.0

2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY
 83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/30/2012
 TIME : 10:26:51AM

Agency code: 327 Agency name: Employees Retirement System

Goal/Objective/STRATEGY	Base 2014	Base 2015	Exceptional 2014	Exceptional 2015	Total Request 2014	Total Request 2015
1 To Administer Comprehensive and Actuarially Sound Retirement Programs						
<i>1 Ensure Actuarially Sound Retirement Programs</i>						
1 ERS - RETIREMENT	\$374,880,438	\$374,880,438	\$201,802,250	\$201,471,582	\$576,682,688	\$576,352,020
2 LECOS RETIREMENT PROGRAM	7,520,372	7,520,372	25,870,080	25,870,080	33,390,452	33,390,452
3 JUDICIAL RETIREMENT SYSTEM - PLAN 2	4,389,743	4,389,743	6,253,695	6,253,695	10,643,438	10,643,438
4 JUDICIAL RETIREMENT SYSTEM - PLAN 1	26,566,486	26,566,486	0	0	26,566,486	26,566,486
5 PUBLIC SAFETY BENEFITS	5,471,850	5,471,851	0	0	5,471,850	5,471,851
6 RETIREE DEATH BENEFITS	8,374,482	8,374,482	0	0	8,374,482	8,374,482
TOTAL, GOAL 1	\$427,203,371	\$427,203,372	\$233,926,025	\$233,595,357	\$661,129,396	\$660,798,729
2 Provide Employees & Retirees with Quality Health Program						
<i>1 Manage GBP for State & Higher Education Employees</i>						
1 GBP - GENERAL STATE EMPLOYEES	1,330,459,575	1,330,459,576	267,046,800	413,179,281	1,597,506,375	1,743,638,857
2 POST RETIREMENT HEALTH BENEFITS	0	0	0	0	0	0
TOTAL, GOAL 2	\$1,330,459,575	\$1,330,459,576	\$267,046,800	\$413,179,281	\$1,597,506,375	\$1,743,638,857
TOTAL, AGENCY STRATEGY REQUEST	\$1,757,662,946	\$1,757,662,948	\$500,972,825	\$646,774,638	\$2,258,635,771	\$2,404,437,586
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST						
GRAND TOTAL, AGENCY REQUEST	\$1,757,662,946	\$1,757,662,948	\$500,972,825	\$646,774,638	\$2,258,635,771	\$2,404,437,586

2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY
 83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/30/2012
 TIME : 10:26:51AM

Agency code: 327		Agency name: Employees Retirement System				
Goal/Objective/STRATEGY	Base 2014	Base 2015	Exceptional 2014	Exceptional 2015	Total Request 2014	Total Request 2015
General Revenue Funds:						
1 General Revenue Fund	\$1,060,188,169	\$1,060,188,171	\$305,875,542	\$392,246,212	\$1,366,063,711	\$1,452,434,383
	\$1,060,188,169	\$1,060,188,171	\$305,875,542	\$392,246,212	\$1,366,063,711	\$1,452,434,383
General Revenue Dedicated Funds:						
469 Crime Victims Comp Acct	1,696,324	1,696,324	0	0	1,696,324	1,696,324
994 GR Dedicated Accounts	68,562,967	68,562,967	19,618,825	25,258,374	88,181,792	93,821,341
	\$70,259,291	\$70,259,291	\$19,618,825	\$25,258,374	\$89,878,116	\$95,517,665
Federal Funds:						
555 Federal Funds	321,791,370	321,791,371	88,166,845	115,793,034	409,958,215	437,584,405
	\$321,791,370	\$321,791,371	\$88,166,845	\$115,793,034	\$409,958,215	\$437,584,405
Other Funds:						
6 State Highway Fund	292,312,862	292,312,862	81,275,719	106,619,018	373,588,581	398,931,880
573 Judicial Fund	1,755,897	1,755,897	2,501,478	2,501,478	4,257,375	4,257,375
998 Other Special State Funds	11,355,357	11,355,356	3,534,416	4,356,522	14,889,773	15,711,878
	\$305,424,116	\$305,424,115	\$87,311,613	\$113,477,018	\$392,735,729	\$418,901,133
TOTAL, METHOD OF FINANCING	\$1,757,662,946	\$1,757,662,948	\$500,972,825	\$646,774,638	\$2,258,635,771	\$2,404,437,586
FULL TIME EQUIVALENT POSITIONS	332.0	332.0	0.0	0.0	332.0	332.0

2.G. SUMMARY OF TOTAL REQUEST OBJECTIVE OUTCOMES

Date : 8/30/2012

83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation system of Texas (ABEST)

Time: 10:27:29AM

Agency code: 327 Agency name: Employees Retirement System

Goal/ Objective / Outcome

	BL 2014	BL 2015	Excp 2014	Excp 2015	Total Request 2014	Total Request 2015
1	To Administer Comprehensive and Actuarially Sound Retirement Programs					
1	Ensure Actuarially Sound Retirement Programs					
KEY	1 % of ERS Retirees Expressing Satisfaction with Member Benefit Services					
	97.00%	97.00%			97.00%	97.00 %
	2 # of Years to Amortize the ERS Unfunded Actuarial Accrued Liability					
	999,999,999.99	999,999,999.99	55.00	54.00	55.00	54.00
	3 # Years to Amortize the LECOS Unfunded Actuarial Accrued Liability					
	999,999,999.99	999,999,999.99	31.00	30.00	31.00	30.00
	4 # of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability					
	999,999,999.99	999,999,999.99	31.00	30.00	31.00	30.00
	5 ERS Time-weighted Rate of Return (5 Year Rolling Basis)					
	8.00%	8.00%			8.00%	8.00 %
	6 ERS Annual Operating Expense Per Member					
	61.00	61.00			61.00	61.00
	7 Investment Expense as Basis Points of Net Assets					
	16.00	16.00			16.00	16.00
	8 Percent of Time the ERS On-line System is Available to Customers					
	96.00	96.00			96.00	96.00
2	Provide Employees & Retirees with Quality Health Program					

2.G. SUMMARY OF TOTAL REQUEST OBJECTIVE OUTCOMES

Date : 8/30/2012

83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation system of Texas (ABEST)

Time: 10:27:29AM

Agency code: 327

Agency name: **Employees Retirement System**

Goal/ Objective / Outcome

	BL 2014	BL 2015	Excp 2014	Excp 2015	Total Request 2014	Total Request 2015
1 <i>Manage GBP for State & Higher Education Employees</i>						
KEY 1 Percent of HealthSelect Participants Satisfied with Network Services	89.00%	89.00%			89.00%	89.00 %

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015	
Output Measures:							
	1	Number of ERS Retirees Added to Annuity Payroll	4,533.00	4,760.00	4,998.00	5,248.00	5,510.00
KEY	2	Number of ERS Accounts Maintained	228,059.00	224,919.00	228,000.00	231,000.00	234,000.00
Explanatory/Input Measures:							
	1	Number of ERS Annuitants	80,079.00	84,200.00	88,100.00	92,100.00	96,200.00
Objects of Expense:							
	1002	OTHER PERSONNEL COSTS	\$410,490,526	\$351,007,060	\$374,880,438	\$374,880,438	\$374,880,438
TOTAL, OBJECT OF EXPENSE			\$410,490,526	\$351,007,060	\$374,880,438	\$374,880,438	\$374,880,438
Method of Financing:							
	1	General Revenue Fund	\$241,666,898	\$210,845,934	\$225,268,317	\$225,268,317	\$225,268,317
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)			\$241,666,898	\$210,845,934	\$225,268,317	\$225,268,317	\$225,268,317
Method of Financing:							
	994	GR Dedicated Accounts	\$17,187,950	\$15,878,141	\$16,648,261	\$16,648,261	\$16,648,261
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)			\$17,187,950	\$15,878,141	\$16,648,261	\$16,648,261	\$16,648,261
Method of Financing:							
	555	Federal Funds					

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
	00.327.001 ERS Retirement	\$80,302,192	\$65,154,024	\$69,363,714	\$69,363,714	\$69,363,714
CFDA Subtotal, Fund	555	\$80,302,192	\$65,154,024	\$69,363,714	\$69,363,714	\$69,363,714
SUBTOTAL, MOF (FEDERAL FUNDS)		\$80,302,192	\$65,154,024	\$69,363,714	\$69,363,714	\$69,363,714
Method of Financing:						
6	State Highway Fund	\$68,401,267	\$55,853,578	\$60,077,242	\$60,077,242	\$60,077,242
998	Other Special State Funds	\$2,932,219	\$3,275,383	\$3,522,904	\$3,522,904	\$3,522,904
SUBTOTAL, MOF (OTHER FUNDS)		\$71,333,486	\$59,128,961	\$63,600,146	\$63,600,146	\$63,600,146
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$374,880,438	\$374,880,438
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$410,490,526	\$351,007,060	\$374,880,438	\$374,880,438	\$374,880,438
FULL TIME EQUIVALENT POSITIONS:		312.3	332.0	332.0	332.0	332.0

STRATEGY DESCRIPTION AND JUSTIFICATION:

The Employees Retirement System of Texas (ERS) is the administrative body for the State Employees Retirement System; authorized by Article XVI, Section 67(b) 3, Texas Constitution, and governed by Title 8, Subtitle B, Texas Government code. That retirement system covers employees of most state agencies, statewide elected officials, and legislators.

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

The retirement program administered by the ERS is a defined benefit retirement plan. ERS members contribute 6.5% of their salary. The state contributes 6.5%. The contributions are held in a trust fund and combined with investment earnings 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.

Assumptions:

The above funding request assumes 6.5% state contribution, 6.5% member contribution and no growth in payroll for Fiscal year 2014 and 2015. The appropriation is requested to be “estimated” since it is payroll driven.

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

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
Output Measures:						
1	Number of LECOS Retirees Added to Annuity Payroll	664.00	697.00	732.00	769.00	807.00
2	Number of LECOS Accounts Maintained	57,417.00	54,185.00	54,905.00	55,625.00	56,345.00
Explanatory/Input Measures:						
1	Number of LECOS Annuitants	7,815.00	8,100.00	8,500.00	8,900.00	9,300.00
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$24,181,269	\$0	\$7,520,372	\$7,520,372	\$7,520,372
TOTAL, OBJECT OF EXPENSE		\$24,181,269	\$0	\$7,520,372	\$7,520,372	\$7,520,372
Method of Financing:						
1	General Revenue Fund	\$21,538,343	\$0	\$6,698,395	\$6,698,395	\$6,698,395
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$21,538,343	\$0	\$6,698,395	\$6,698,395	\$6,698,395
Method of Financing:						
994	GR Dedicated Accounts	\$309,568	\$0	\$96,261	\$96,261	\$96,261
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$309,568	\$0	\$96,261	\$96,261	\$96,261
Method of Financing:						
555	Federal Funds					

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
	00.327.003 LECOS Retirement	\$94,917	\$0	\$29,330	\$29,330	\$29,330
CFDA Subtotal, Fund	555	\$94,917	\$0	\$29,330	\$29,330	\$29,330
SUBTOTAL, MOF (FEDERAL FUNDS)		\$94,917	\$0	\$29,330	\$29,330	\$29,330
Method of Financing:						
	6 State Highway Fund	\$2,238,441	\$0	\$696,386	\$696,386	\$696,386
SUBTOTAL, MOF (OTHER FUNDS)		\$2,238,441	\$0	\$696,386	\$696,386	\$696,386
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$7,520,372	\$7,520,372
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$24,181,269	\$0	\$7,520,372	\$7,520,372	\$7,520,372

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

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

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

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:

The above funding request assumes 0.5% state contribution, 0.5% member contribution and no growth in payroll for Fiscal Years 2014 and 2015. The appropriation is requested to be “estimated” since it is payroll driven.

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
Output Measures:						
1	Number of JRS-2 Retirees Added to Annuity Payroll	43.00	13.00	30.00	15.00	35.00
2	Number of JRS-2 Accounts Maintained	695.00	693.00	702.00	711.00	720.00
Explanatory/Input Measures:						
1	Number of JRS-2 Annuitants	213.00	226.00	235.00	245.00	270.00
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$11,920,603	\$4,148,151	\$4,389,743	\$4,389,743	\$4,389,743
TOTAL, OBJECT OF EXPENSE		\$11,920,603	\$4,148,151	\$4,389,743	\$4,389,743	\$4,389,743
Method of Financing:						
1	General Revenue Fund	\$8,344,422	\$2,488,891	\$2,633,846	\$2,633,846	\$2,633,846
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$8,344,422	\$2,488,891	\$2,633,846	\$2,633,846	\$2,633,846
Method of Financing:						
573	Judicial Fund	\$3,576,181	\$1,659,260	\$1,755,897	\$1,755,897	\$1,755,897
SUBTOTAL, MOF (OTHER FUNDS)		\$3,576,181	\$1,659,260	\$1,755,897	\$1,755,897	\$1,755,897

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$4,389,743	\$4,389,743
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$11,920,603	\$4,148,151	\$4,389,743	\$4,389,743	\$4,389,743

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

The ERS is the administrator of the Judicial Retirement System of Texas, Plan Two (JRSII), created under Article XVI, section 67, of the Texas Constitution and governed by Title 8, Subtitle E, Texas Government Code. The JRS II covers state judicial officers who first took office on or after September 1, 1985. Members of the JRS II contribute 6 percent of salary. Under Sections 840.103 and 840.106, Texas Government Code, the State contributes a percentage of the members' aggregate state compensation sufficient to finance any actuarial 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:

Like the State employees system, the JRS II program is a defined benefit pension plan. The funding of a defined benefit program is calculated by making actuarial assumptions about the future demographics of the covered employee group and about trust fund investment earnings. Any significant deviation between experience and actuarial assumptions can affect the funding calculation. A few of the many factors which can affect the program include pay raises for judicial officers, significant turns in the investment markets, and legislation which increases the number of covered positions.

Assumptions:

The above funding request assumes 6.5% state contribution, 6% member contribution and no growth in payroll for Fiscal Years 2014 and 2015. The appropriation is requested to be "estimated" since it is payroll driven.

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
Output Measures:						
1	Number of JRS-1 Retirees Added to Annuity Payroll	6.00	5.00	5.00	5.00	5.00
2	Number of JRS-1 Accounts Maintained	34.00	21.00	16.00	11.00	6.00
Explanatory/Input Measures:						
1	Number of JRS-1 Annuitants	459.00	450.00	435.00	420.00	405.00
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$26,990,997	\$26,566,486	\$26,566,486	\$26,566,486	\$26,566,486
TOTAL, OBJECT OF EXPENSE		\$26,990,997	\$26,566,486	\$26,566,486	\$26,566,486	\$26,566,486
Method of Financing:						
1	General Revenue Fund	\$26,990,997	\$26,566,486	\$26,566,486	\$26,566,486	\$26,566,486
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$26,990,997	\$26,566,486	\$26,566,486	\$26,566,486	\$26,566,486
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$26,566,486	\$26,566,486
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$26,990,997	\$26,566,486	\$26,566,486	\$26,566,486	\$26,566,486
FULL TIME EQUIVALENT POSITIONS:						

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
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STRATEGY DESCRIPTION AND JUSTIFICATION:

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

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

External factors affecting the JRS I program include pay raises for state judicial officers and the demographics of the Plan's membership.

Assumptions:

Funding for Fiscal Years 2014 and 2015 is requested with no growth assumption from the Fiscal Year 2012/2013 base. JRS I membership refunds are also paid out of this appropriation. The appropriation is requested to be "estimated" since it is a pay-as-you-go plan.

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
Output Measures:						
1	Number of Death Benefit Claims Processed	16.00	20.00	20.00	20.00	20.00
2	Number of Beneficiaries Receiving Benefits	116.00	135.00	140.00	145.00	150.00
Objects of Expense:						
3001	CLIENT SERVICES	\$4,534,459	\$4,895,494	\$6,048,207	\$5,471,850	\$5,471,851
TOTAL, OBJECT OF EXPENSE		\$4,534,459	\$4,895,494	\$6,048,207	\$5,471,850	\$5,471,851
Method of Financing:						
1	General Revenue Fund	\$2,784,459	\$3,395,494	\$4,173,207	\$3,775,526	\$3,775,527
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$2,784,459	\$3,395,494	\$4,173,207	\$3,775,526	\$3,775,527
Method of Financing:						
469	Crime Victims Comp Acct	\$1,750,000	\$1,500,000	\$1,875,000	\$1,696,324	\$1,696,324
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$1,750,000	\$1,500,000	\$1,875,000	\$1,696,324	\$1,696,324

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$5,471,850	\$5,471,851
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$4,534,459	\$4,895,494	\$6,048,207	\$5,471,850	\$5,471,851

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

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 enforcement or fire fighting personnel who are killed in the line of duty. In addition, certain survivors qualify for the payment of funeral expenses. The ERS is the administrative body for this program.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

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.

Assumptions:

Funding for Fiscal Years 2014 and 2015 is requested with no growth assumption from the Fiscal year 2012/2013 base. The appropriation is requested to be "estimated" since it is event driven.

3.A. STRATEGY REQUEST

8/30/2012 10:27:56AM

83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
Output Measures:						
1	Number of Retiree Death Benefits Paid	2,000.00	2,350.00	2,550.00	2,650.00	2,800.00
Efficiency Measures:						
1	Average Number of Days to Process Retiree Death Benefits	3.50	3.50	7.00	7.00	7.00
Objects of Expense:						
3001	CLIENT SERVICES	\$7,885,117	\$8,660,924	\$8,088,040	\$8,374,482	\$8,374,482
TOTAL, OBJECT OF EXPENSE		\$7,885,117	\$8,660,924	\$8,088,040	\$8,374,482	\$8,374,482
Method of Financing:						
1	General Revenue Fund	\$7,885,117	\$8,660,924	\$8,088,040	\$8,374,482	\$8,374,482
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$7,885,117	\$8,660,924	\$8,088,040	\$8,374,482	\$8,374,482
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$8,374,482	\$8,374,482
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$7,885,117	\$8,660,924	\$8,088,040	\$8,374,482	\$8,374,482
FULL TIME EQUIVALENT POSITIONS:						

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
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STRATEGY DESCRIPTION AND JUSTIFICATION:

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

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

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

Assumptions:

Funding for Fiscal Years 2014 and 2015 is requested with no growth assumption from the Fiscal year 2012/2013 base. The appropriation is requested to be “estimated” since it is event driven.

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
Output Measures:						
1	In-Network Services as a Percentage of Total Services	95.60 %	95.40 %	95.50 %	95.50 %	95.50 %
2	Mental Health/Substance Abuse Costs as % of Total HealthSelect Costs	2.43 %	1.90 %	2.00 %	2.00 %	2.00 %
3	Prescription Drug Program Costs as Percent of Total HealthSelect Costs	16.90 %	17.80 %	17.80 %	17.80 %	17.80 %
Efficiency Measures:						
KEY 1	Percent of Medical Claims Processed within Thirty Days	99.30 %	99.30 %	99.00 %	99.00 %	99.00 %
2	Percent of All Electronic Pharmacy Claims Paid Within 21 Days	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
KEY 3	Total Cost Paid Per HealthSelect Member for Admin & Claims Processing	17.35	17.61	17.78	17.78	17.78
4	Total Cost Paid/HealthSelect Member/ Pharmacy Admin & Claims Process	1.34	1.37	1.37	1.37	1.42
Explanatory/Input Measures:						
1	# Employees, Retirees & Dependents Covered by GBP Health Care Plans	527,266.00	514,511.00	514,511.00	514,511.00	514,511.00
2	Percent of Participants in HMOs	5.60 %	5.30 %	5.30 %	5.30 %	5.30 %

Objects of Expense:

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
2009	OTHER OPERATING EXPENSE	\$1,272,571,141	\$1,251,432,211	\$1,409,486,940	\$1,330,459,575	\$1,330,459,576
TOTAL, OBJECT OF EXPENSE		\$1,272,571,141	\$1,251,432,211	\$1,409,486,940	\$1,330,459,575	\$1,330,459,576
Method of Financing:						
1	General Revenue Fund	\$739,627,732	\$740,870,319	\$832,854,268	\$786,871,117	\$786,871,118
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$739,627,732	\$740,870,319	\$832,854,268	\$786,871,117	\$786,871,118
Method of Financing:						
994	GR Dedicated Accounts	\$46,199,317	\$49,045,577	\$54,608,961	\$51,818,445	\$51,818,445
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$46,199,317	\$49,045,577	\$54,608,961	\$51,818,445	\$51,818,445
Method of Financing:						
555	Federal Funds					
	00.327.002 ERS Insurance	\$250,850,674	\$237,838,304	\$267,738,178	\$252,398,326	\$252,398,327
CFDA Subtotal, Fund	555	\$250,850,674	\$237,838,304	\$267,738,178	\$252,398,326	\$252,398,327
SUBTOTAL, MOF (FEDERAL FUNDS)		\$250,850,674	\$237,838,304	\$267,738,178	\$252,398,326	\$252,398,327
Method of Financing:						
6	State Highway Fund	\$228,968,483	\$216,024,980	\$245,640,086	\$231,539,234	\$231,539,234

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
998	Other Special State Funds	\$6,924,935	\$7,653,031	\$8,645,447	\$7,832,453	\$7,832,452
SUBTOTAL, MOF (OTHER FUNDS)		\$235,893,418	\$223,678,011	\$254,285,533	\$239,371,687	\$239,371,686
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$1,330,459,575	\$1,330,459,576
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$1,272,571,141	\$1,251,432,211	\$1,409,486,940	\$1,330,459,575	\$1,330,459,576

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

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

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

This strategy is affected by a variety of elements, ranging from state policy toward its employees, to rising medical cost throughout the United States. Beginning September 1, 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.

Assumptions:

The \$2.7 billion in the ERS base request is calculated based on the Fiscal Year 2012 estimated and Fiscal Year 2013 budgeted base level with no state contribution increases for Fiscal Years 2014 and 2015. This baseline funding request is not enough to provide the same level of insurance benefits currently provided by the plan and would require changes to the current plan structure and benefits design. Additional funding is requested in our Exceptional Items to maintain existing benefits. The current contribution strategy provides for full funding for the monthly premium contributions for full-time state employees and eligible retirees and a 50% contribution for eligible dependents of employees and retirees.

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
Objects of Expense:						
2009	OTHER OPERATING EXPENSE	\$0	\$0	\$0	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$0	\$0	\$0	\$0	\$0
Method of Financing:						
1	General Revenue Fund	\$0	\$0	\$0	\$0	\$0
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$0	\$0	\$0	\$0	\$0
Method of Financing:						
994	GR Dedicated Accounts	\$0	\$0	\$0	\$0	\$0
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$0	\$0	\$0	\$0	\$0
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$0	\$0
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$0	\$0	\$0	\$0	\$0
FULL TIME EQUIVALENT POSITIONS:		0.0	0.0	0.0	0.0	0.0

327 Employees Retirement System

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

CODE	DESCRIPTION	Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
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STRATEGY DESCRIPTION AND JUSTIFICATION:

Chapter 1551, § 1551.211 of the Texas Insurance Code, created the Texas Employees Group Benefits Program (GBP) and established the ERS as the administrative body for that program. The program provides insurance benefits to active employees and eligible retired employees. In the General Appropriations Act of the 80th Legislature, 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 of the programs was to comply with possible federal requirements and reporting of post retirement benefits.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

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 result was no change to current processes, and therefore, there was no additional cost to the state. The appropriation was lapsed at the end of FY2009.

3.A. STRATEGY REQUEST

8/30/2012 10:27:56AM

83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

SUMMARY TOTALS:

OBJECTS OF EXPENSE:	\$1,758,574,112	\$1,646,710,326	\$1,836,980,226	\$1,757,662,946	\$1,757,662,948
METHODS OF FINANCE (INCLUDING RIDERS):				\$1,757,662,946	\$1,757,662,948
METHODS OF FINANCE (EXCLUDING RIDERS):	\$1,758,574,112	\$1,646,710,326	\$1,836,980,226	\$1,757,662,946	\$1,757,662,948
FULL TIME EQUIVALENT POSITIONS:	312.3	332.0	332.0	332.0	332.0

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Michael C. Wheeler	Date: August 30, 2012	Request Level: Base
Current Rider Number	Page Number in 2012-2013 GAA	Proposed Rider Language		
4	I-38	<p>State Contribution to Employees Retirement Program. The amount specified above in A.1.1, Retirement Contributions, is based on a state contribution of 6.06.5 6.5 percent of payroll in fiscal year 20122014 and 6.5 percent of payroll in fiscal year 20132015, including annual membership fees of \$3 for contributing members for each fiscal year.</p>		
5	I-38	<p>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 6.0 6.5 percent of payroll in fiscal year 20122014 and 6.5 percent of payroll in fiscal year 20132015 for contributing members.</p>		
6	I-38	<p>State Contribution to Group Insurance for General State Employees. Funds identified above for group insurance are intended to fund:</p> <ul style="list-style-type: none"> a. the total cost of the basic life and health coverage for all active and retired employees; 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 c. the incentive program to waive participation in the Group Benefit Plan (Opt-Out). <p>In no event shall the total amount of state contributions allocated to fund coverage in an optional health plan exceed the actuarially determined total amount of state contributions that would be required to fund basic health coverage for those active employees and retirees who have elected to participate in that optional health plan.</p> <p>During each fiscal year, the state’s monthly contribution shall be determined by multiplying (1) the per capita monthly contribution as certified herein by (2) the total number of full-time active and retired employees 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</p>		

3.B. Rider Revisions and Additions Request

Agency Code:	Agency Name:	Prepared By:	Date:	Request Level:
327	Employees Retirement System	Michael C. Wheeler	August 30, 2012	Base
Current Rider Number	Page Number in 2012-2013 GAA	Proposed Rider Language		
		<p>Contributions. The waived participant may apply up to \$60 per month towards the cost of the optional coverage.</p> <p>Each year, upon adoption of group insurance rates by the Board of Trustees, the Employees Retirement System must notify the Comptroller, the Legislative Budget Board, and the Governor of the per capita monthly contribution required in accordance with this rider for each full-time active and retired employee enrolled for coverage during the fiscal year.</p> <p>It is the intent of the Legislature that the Employees Retirement System control the cost of the group insurance program by not providing rate increases to health care providers participating in HealthSelect during the 2012-13 <u>2014-2015</u> biennium.</p>		
10	I-39	<p>Appropriation 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 2012-2013 <u>2014-2015</u> biennium for the purposes authorized by law.</p>		
11	I-39	<p>Tobacco User Monthly Premium Fee. Contingent upon enactment of House Bill 1166 or similar legislation relating to the creation of a tobacco user monthly premium fee, by the Eighty-Second Legislature, Regular Session, 2011 the The Employees Retirement System shall apply a \$30 monthly tobacco user fee to any tobacco user covered under the state health plan. Also contingent upon the enactment of this legislation, the The Comptroller of Public Accounts shall deposit revenue from the fee (estimated to be \$16,720,343 <u>\$7,906,000</u> in fiscal year 2012<u>2014</u> and \$25,080,514 <u>\$8,046,000</u> in fiscal year 2013<u>2015</u>) into the Employees Life, Accident, Health Insurance and Benefits Trust Account.</p>		
12	I-39	<p>Implement Changes for Medicare-Eligible Retirees. It is the intent of the Legislature that the Employees Retirement System shall either implement a Medicare Advantage program for Medicare-eligible retirees, or shall change their policy for coordination of benefits with Medicare for Medicare-eligible retirees in the HealthSelect group insurance plan as described in the 2010 Government Effectiveness and Efficiency Report, Implement a Tiered Coinsurance Plan for State Employees. In order to share costs of and reduce utilization of medical procedures, this would have Medicare-eligible retirees</p>		

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Michael C. Wheeler	Date: August 30, 2012	Request Level: Base
Current Rider Number	Page Number in 2012-2013 GAA	Proposed Rider Language		
		pay 30 percent of the remaining costs after Medicare determines and makes payment for covered medical services. ERS should limit the coinsurance maximum to \$1,500 for Medicare eligible retirees whose household income levels fall below 200 percent of the Federal Poverty Level. Implementing the change in coordination of benefits with Medicare will produce estimated savings of \$34,043,401 in All Funds, which consists of \$19,520,687 in General Revenue Funds, \$1,225,339 in General Revenue dedicated Funds, \$6,749,850 in Federal Funds, and \$6,547,525 in Other Funds during the 2012-13 biennium.		
13	1-39	Group Insurance Program Study. Out of amounts appropriated elsewhere in this Act for the Group Insurance Program, the Employees Retirement System shall conduct a study of the current group insurance program that includes, but is not limited to, the current plan design and funding of the group insurance program. The study shall include potential plan design and other changes that would improve the long term sustainability of the group insurance program. A report of the study shall be submitted by the Employees Retirement System to the Legislative Budget Board and the Governor no later than September 1, 2012.		
14	1-39	Contingency for Senate Bill 1811. Contingent on enactment of Senate Bill 1811, or similar legislation relating to state contributions to the Law Enforcement and Custodial Officer Supplemental Retirement Fund from Operators and Chauffeurs License Account No. 99, by the Eighty-second Legislature, Regular Session, in addition to amounts appropriated above in Strategy A.1.2, Law Enforcement and Custodial Officer Supplemental Retirement Fund, the Employees Retirement System is hereby appropriated an estimated \$7,520,372 out of Operators and Chauffeurs License Account No. 99 in fiscal year 2013 for a state contribution of 0.5 percent to the Law Enforcement and Custodial Officer Supplemental Retirement Program in fiscal year 2013.		
Sec. 18.03	IX-72	Pension Plan Changes Study. Out of funds appropriated elsewhere in the Act, the Employees Retirement system and the Teacher Retirement System shall each individually report on the actuarial and fiscal impacts from potential changes to the state, university and school district pension plans as of August 31, 2011, including but not limited to: retirement eligibility; final average salary; benefit multiplier; and the creation of a hybrid plan that includes defined benefit and defined contribution features such as a two-part plan or a cash balance plan. The report shall be submitted to the Legislative Budget board and the Governor no later than September 1, 2012. A pension plan study is required of the Employees Retirement System and the Teacher Retirement System only if the legislature does not otherwise implement actuarially		

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Michael C. Wheeler	Date: August 30, 2012	Request Level: Base
Current Rider Number	Page Number in 2012-2013 GAA	Proposed Rider Language		
		<p>significant changes that increase the total plan contribution rate for the pension plans; make plan design changes to the current defined benefit plan structure for the pension plans; or establish a new plan structure for the pension plan in the form of a hybrid pension plan. The Legislative Budget Board will confirm for each agency by September 1, 2011 whether or not these conditions have been met, and if a pension plan study is required.</p>		
Sec. 18.09	IX-74	<p>Payroll Contribution for Group Health Insurance.</p> <ul style="list-style-type: none"> 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, 2011<u>2013</u>, each agency and institution of higher education shall contribute, in an amount equal to 1.0 percent of the total base wages and salaries for each benefits eligible employee of a state agency or institution of higher education during the state fiscal biennium beginning September 1, 2011 <u>2013</u> to the Employees Retirement System's Group Benefits Program. b. For purposes of this section "institution of higher education" does not include components within the University of Texas and Texas A&M Systems. 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 \$160,000,000 <u>\$110,500,000 for state agencies and \$62,500,000 for institutions of higher education</u> for the 2012-13 <u>2014-15</u> biennium. 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. e. Transfers made under this section shall be consistent with provisions requiring salaries and benefits to be <u>proportional to the source of funds.</u> 		

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Michael C. Wheeler	Date: August 30, 2012	Request Level: Base
Current Rider Number	Page Number in 2012-2013 GAA	Proposed Rider Language		
		<ul style="list-style-type: none"> f. The Texas Higher Education Coordinating Board shall administer the requirements of this section for public community/junior colleges. g. The Comptroller of Public Accounts shall promulgate rules and regulations as necessary to administer this section. 		
701	<u>I-Employees Retirement System</u>	<p><u>State Contribution to the Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOS).</u> The amount specified in A.1.2, Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOS), is based on a state contribution of 0.50 percent of payroll in fiscal year 2014 and 0.50 percent of payroll in fiscal year 2015.</p>		

4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE
 83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/30/2012**
 TIME: **10:39:10AM**

Agency code: **327**

Agency name:

Employees Retirement System

CODE	DESCRIPTION	Excp 2014	Excp 2015
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Item Name: ERS Retirement Plan Constitutional Maximum

Item Priority: 1

Includes Funding for the Following Strategy or Strategies: 01-01-01 Provide an Actuarially Sound Level of Funding As Defined by State Law

OBJECTS OF EXPENSE:

1002	OTHER PERSONNEL COSTS	201,802,250	201,471,582
TOTAL, OBJECT OF EXPENSE		201,802,250	201,471,582

METHOD OF FINANCING:

1	General Revenue Fund	121,264,406	121,264,405
6	State Highway Fund	32,340,238	32,216,118
555	Federal Funds		
00.327.001	ERS Retirement	37,339,248	37,206,936
994	GR Dedicated Accounts	8,961,941	8,961,941
998	Other Special State Funds	1,896,417	1,822,182
TOTAL, METHOD OF FINANCING		201,802,250	201,471,582

DESCRIPTION / JUSTIFICATION:

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.

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 which is now at 13.0% (State 6.5% plus member 6.5%). This contribution level exceeds the normal cost by 0.69% of payroll, but it is not enough to amortize the unfunded liability over 31 years (17.47%). In order to restore the fund to the actuarially sound level of funding set forth in Sec. 811.006 of the Texas Government Code, a 10.97% state contribution rate would be required along with the 6.5% member contribution. Because of the 10.0% constitutional limit on state contributions, ERS is requesting an additional 3.5% as an exceptional item for a total 10.0% state contribution. The requested contribution level would amortize the unfunded liability over 55 years.

EXTERNAL/INTERNAL FACTORS:

Assumptions:

The above request assumes an additional 3.5% for a total 10.0% state contribution, 6.5% member contribution, and no growth in payroll for Fiscal Years 2014 and 2015.

4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE
 83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/30/2012**
 TIME: **10:39:10AM**

Agency code: **327**

Agency name:

Employees Retirement System

CODE	DESCRIPTION	Excp 2014	Excp 2015
	Item Name: LECOS Plan Actuarially Sound		
	Item Priority: 2		
	Includes Funding for the Following Strategy or Strategies: 01-01-02 LECOS Retirement Program		
 OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	25,870,080	25,870,080
	TOTAL, OBJECT OF EXPENSE	\$25,870,080	\$25,870,080
 METHOD OF FINANCING:			
1	General Revenue Fund	23,042,479	23,042,479
6	State Highway Fund	2,395,568	2,395,568
555	Federal Funds		
00.327.003	LECOS Retirement	100,895	100,895
994	GR Dedicated Accounts	331,138	331,138
	TOTAL, METHOD OF FINANCING	\$25,870,080	\$25,870,080

DESCRIPTION / JUSTIFICATION:

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.

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 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 in Fiscal Year 2008. The 82nd Legislature reduced contributions to 0.5%, well below the normal cost of 2.07% based on the August 2011 Actuarial Valuation. In order to restore the fund to the actuarially sound level of funding set forth in Sec. 811.006 of the Texas Government Code, a 2.22% state contribution rate would be required along with the 0.5% member contribution. A contribution increase of 1.72% is needed in Fiscal Years 2014 and FY 2015 according to the actuarial valuation for August 2011. It should be noted that the August 2011 Actuarial Valuation did not consider additional funding for LECOS from court costs that is expected starting in Fiscal Year 2014 based on passage of SB 1664 of the 82nd legislature. Once there is more clarity regarding the amount and the reliability of this fund source, it may be incorporated into future valuations.

EXTERNAL/INTERNAL FACTORS:

Assumptions:

The above funding request assumes an additional 1.72% for a total 2.22% state contribution, 0.5% member contribution, and no growth in payroll for Fiscal Years 2014 and 2015.

4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE
 83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/30/2012**
 TIME: **10:39:10AM**

Agency code: **327**

Agency name:

Employees Retirement System

CODE	DESCRIPTION	Excp 2014	Excp 2015
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Item Name: JRS II Plan Actuarially Sound

Item Priority: 3

Includes Funding for the Following Strategy or Strategies: 01-01-03 Maintain Retirement Program for State Judicial Officers

OBJECTS OF EXPENSE:

1002	OTHER PERSONNEL COSTS	6,253,695	6,253,695
TOTAL, OBJECT OF EXPENSE		\$6,253,695	\$6,253,695

METHOD OF FINANCING:

1	General Revenue Fund	3,752,217	3,752,217
573	Judicial Fund	2,501,478	2,501,478
TOTAL, METHOD OF FINANCING		\$6,253,695	\$6,253,695

DESCRIPTION / JUSTIFICATION:

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.

Prior to the 82nd legislature state contributions had been set at 16.83% of payroll with members contributing 6.0%, and the plan was actuarially sound with a 12.6 year amortization period as of August 31, 2010. The 82nd Legislature reduced state contributions to 6.5%, for a total contribution of 12.5%, well below the normal cost of 20.38% based on the August 2011 Actuarial Valuation. 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 15.76% state contribution rate would be required along with the 6.0% member contribution for a total 21.76% actuarially sound contribution rate. A state contribution increase of 9.26% is requested in Fiscal Years 2014 and FY 2015.

EXTERNAL/INTERNAL FACTORS:

Assumptions:

The above funding request assumes an additional 9.26% for a total 15.76% state contribution, 6.0% member contribution, and no growth in payroll for Fiscal Years 2014 and 2015.

4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE
 83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/30/2012**
 TIME: **10:39:10AM**

Agency code: **327**

Agency name:

Employees Retirement System

CODE	DESCRIPTION	Excp 2014	Excp 2015
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Item Name: Group Benefit Program Cost Increases

Item Priority: 4

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

OBJECTS OF EXPENSE:

2009	OTHER OPERATING EXPENSE	124,434,143	257,957,274
TOTAL, OBJECT OF EXPENSE		\$124,434,143	\$257,957,274

METHOD OF FINANCING:

1	General Revenue Fund	73,547,791	152,467,701
6	State Highway Fund	21,685,915	44,955,824
555	Federal Funds		
00.327.002	ERS Insurance	23,636,807	49,000,107
994	GR Dedicated Accounts	4,800,382	9,951,396
998	Other Special State Funds	763,248	1,582,246
TOTAL, METHOD OF FINANCING		\$124,434,143	\$257,957,274

DESCRIPTION / JUSTIFICATION:

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

To sustain the current GBP plan benefits and structure, cost increases for the insurance program will require funding that exceeds baseline funding. Baseline funding (at the average of FY 2012-13) is below the FY 2013 plan spending level. Health benefit cost increases of 8.0% each year plus \$60.3 million additional federal healthcare reform costs, will be partially offset by spending down plan contingency reserves (\$198.5 million at the start of the biennium) by \$148.5 million (state agency portion is \$83.9 million). Contributions will need to increase by the amount of the health benefit cost trend (8.0%) to fund the current level of benefits. The contribution increase required for the State to maintain the health insurance plan as it is currently structured is 8.0% in FY 2014 and 8.0% in FY 2015.

EXTERNAL/INTERNAL FACTORS:

Assumptions:

The above request is based on state contribution increases of 8.0% in FY 2014 and 8.0% in FY 2015, and \$148.5 million (state agency portion is \$83.9 million) available for spend-down from the GBP contingency reserve. The projected balance in the GBP contingency reserve would be \$50 million (state agency portion is \$28.2 million) at the end of Fiscal Year 2015. Health benefit cost trend is projected at 8% each year for FY 2014 and FY 2015. No growth in enrollment is assumed for FY 2014 and for 2015, 0.77% enrollment growth is assumed due to the change in the waiting period required by federal health care reform.

4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE
 83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/30/2012**
 TIME: **10:39:10AM**

Agency code: **327**

Agency name:

Employees Retirement System

CODE	DESCRIPTION	Excp 2014	Excp 2015
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Item Name: Group Benefit Program 60 Day Reserve Fund

Item Priority: 5

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

OBJECTS OF EXPENSE:

2009	OTHER OPERATING EXPENSE	142,612,657	155,222,007
TOTAL, OBJECT OF EXPENSE		\$142,612,657	\$155,222,007

METHOD OF FINANCING:

1	General Revenue Fund	84,268,649	91,719,410
6	State Highway Fund	24,853,998	27,051,508
555	Federal Funds		
00.327.002	ERS Insurance	27,089,895	29,485,096
994	GR Dedicated Accounts	5,525,364	6,013,899
998	Other Special State Funds	874,751	952,094
TOTAL, METHOD OF FINANCING		\$142,612,657	\$155,222,007

DESCRIPTION / JUSTIFICATION:

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

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 self-funded health insurance program. At the end of fiscal year 2013, this fund is expected to have a balance of \$198.5 million. In order to maintain the fiscally prudent 60-day reserve fund, the ERS requests an additional \$297.8 million for the general state agency portion of the required contribution increase. The claims reserve fund also receives contributions from higher education, the Texas Municipal Retirement System, the Texas County and District Retirement System, the Community Supervision and Correction Department and the Windham School District, all of which participate in the Group Benefits Program. Employees also contribute a portion of the funding through their share of out-of-pocket premium costs.

EXTERNAL/INTERNAL FACTORS:

Assumptions:

The above funding request is based on an 18.2% state contribution increase in FY 2014 and an 8.0% increase in FY 2015 to increase the GBP reserve balance to \$585.2 million, equivalent to 60 days of claims at the end of Fiscal Year 2015. No growth in enrollment is assumed for FY 2014 and for 2015, 0.77% enrollment growth is assumed due to the change in the waiting period required by federal health care reform.

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

DATE: 8/30/2012

83rd Regular Session, Agency Submission, Version 1

TIME: 10:29:12AM

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: **327**

Agency name: **Employees Retirement System**

Code	Description	Excp 2014	Excp 2015
Item Name: LECOS Plan Actuarially Sound			
Allocation to Strategy: 1-1-2 LECOS Retirement Program			
STRATEGY IMPACT ON OUTCOME MEASURES:			
	<u>3</u> # Years to Amortize the LECOS Unfunded Actuarial Accrued Liability	31.00	30.00
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	25,870,080	25,870,080
TOTAL, OBJECT OF EXPENSE		\$25,870,080	\$25,870,080
METHOD OF FINANCING:			
1	General Revenue Fund	23,042,479	23,042,479
6	State Highway Fund	2,395,568	2,395,568
555	Federal Funds		
	00.327.003 LECOS Retirement	100,895	100,895
994	GR Dedicated Accounts	331,138	331,138
TOTAL, METHOD OF FINANCING		\$25,870,080	\$25,870,080

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

DATE: 8/30/2012

83rd Regular Session, Agency Submission, Version 1

TIME: 10:29:12AM

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 327

Agency name: **Employees Retirement System**

Code	Description	Excp 2014	Excp 2015
Item Name: JRS II Plan Actuarially Sound			
Allocation to Strategy: 1-1-3 Maintain Retirement Program for State Judicial Officers			
STRATEGY IMPACT ON OUTCOME MEASURES:			
	<u>4</u> # of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability	31.00	30.00
OBJECTS OF EXPENSE:			
	1002 OTHER PERSONNEL COSTS	6,253,695	6,253,695
TOTAL, OBJECT OF EXPENSE		\$6,253,695	\$6,253,695
METHOD OF FINANCING:			
	1 General Revenue Fund	3,752,217	3,752,217
	573 Judicial Fund	2,501,478	2,501,478
TOTAL, METHOD OF FINANCING		\$6,253,695	\$6,253,695

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

DATE: 8/30/2012

83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

TIME: 10:29:12AM

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

Code	Description	Excp 2014	Excp 2015
Item Name: Group Benefit Program Cost Increases			
Allocation to Strategy: 2-1-1 Provide Basic Insurance Program to General State Employees. Estimated			
OBJECTS OF EXPENSE:			
2009	OTHER OPERATING EXPENSE	124,434,143	257,957,274
TOTAL, OBJECT OF EXPENSE		\$124,434,143	\$257,957,274
METHOD OF FINANCING:			
1	General Revenue Fund	73,547,791	152,467,701
6	State Highway Fund	21,685,915	44,955,824
555	Federal Funds		
	00.327.002 ERS Insurance	23,636,807	49,000,107
994	GR Dedicated Accounts	4,800,382	9,951,396
998	Other Special State Funds	763,248	1,582,246
TOTAL, METHOD OF FINANCING		\$124,434,143	\$257,957,274

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

DATE: **8/30/2012**

83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

TIME: **10:29:12AM**

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

Code	Description	Excp 2014	Excp 2015
Item Name: Group Benefit Program 60 Day Reserve Fund			
Allocation to Strategy: 2-1-1 Provide Basic Insurance Program to General State Employees. Estimated			
OBJECTS OF EXPENSE:			
2009	OTHER OPERATING EXPENSE	142,612,657	155,222,007
TOTAL, OBJECT OF EXPENSE		\$142,612,657	\$155,222,007
METHOD OF FINANCING:			
1	General Revenue Fund	84,268,649	91,719,410
6	State Highway Fund	24,853,998	27,051,508
555	Federal Funds		
	00.327.002 ERS Insurance	27,089,895	29,485,096
994	GR Dedicated Accounts	5,525,364	6,013,899
998	Other Special State Funds	874,751	952,094
TOTAL, METHOD OF FINANCING		\$142,612,657	\$155,222,007

4.C. EXCEPTIONAL ITEMS STRATEGY REQUEST
 83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/30/2012
TIME: 10:29:42AM

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

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

CODE DESCRIPTION	Excp 2014	Excp 2015
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STRATEGY IMPACT ON OUTCOME MEASURES:

<u>2</u> # of Years to Amortize the ERS Unfunded Actuarial Accrued Liability	55.00	54.00
<u>3</u> # Years to Amortize the LECOS Unfunded Actuarial Accrued Liability	31.00	30.00
<u>4</u> # of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability	31.00	30.00

OBJECTS OF EXPENSE:

1002 OTHER PERSONNEL COSTS	201,802,250	201,471,582
Total, Objects of Expense	\$201,802,250	\$201,471,582

METHOD OF FINANCING:

1 General Revenue Fund	121,264,406	121,264,405
6 State Highway Fund	32,340,238	32,216,118
555 Federal Funds		
00.327.001 ERS Retirement	37,339,248	37,206,936
994 GR Dedicated Accounts	8,961,941	8,961,941
998 Other Special State Funds	1,896,417	1,822,182
Total, Method of Finance	\$201,802,250	\$201,471,582

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

ERS Retirement Plan Constitutional Maximum

4.C. EXCEPTIONAL ITEMS STRATEGY REQUEST
 83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/30/2012
TIME: 10:29:42AM

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

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

CODE DESCRIPTION	Excp 2014	Excp 2015
OBJECTS OF EXPENSE:		
1002 OTHER PERSONNEL COSTS	25,870,080	25,870,080
Total, Objects of Expense	\$25,870,080	\$25,870,080

METHOD OF FINANCING:		
1 General Revenue Fund	23,042,479	23,042,479
6 State Highway Fund	2,395,568	2,395,568
555 Federal Funds		
00.327.003 LECOS Retirement	100,895	100,895
994 GR Dedicated Accounts	331,138	331,138
Total, Method of Finance	\$25,870,080	\$25,870,080

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

LECOS Plan Actuarially Sound

4.C. EXCEPTIONAL ITEMS STRATEGY REQUEST
 83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/30/2012
TIME: 10:29:42AM

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

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

CODE DESCRIPTION	Excp 2014	Excp 2015
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OBJECTS OF EXPENSE:

1002 OTHER PERSONNEL COSTS	6,253,695	6,253,695
Total, Objects of Expense	\$6,253,695	\$6,253,695

METHOD OF FINANCING:

1 General Revenue Fund	3,752,217	3,752,217
573 Judicial Fund	2,501,478	2,501,478
Total, Method of Finance	\$6,253,695	\$6,253,695

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

JRS II Plan Actuarially Sound

4.C. EXCEPTIONAL ITEMS STRATEGY REQUEST
 83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/30/2012
TIME: 10:29:42AM

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

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

CODE DESCRIPTION	Excp 2014	Excp 2015
OBJECTS OF EXPENSE:		
2009 OTHER OPERATING EXPENSE	267,046,800	413,179,281
Total, Objects of Expense	\$267,046,800	\$413,179,281

METHOD OF FINANCING:		
1 General Revenue Fund	157,816,440	244,187,111
6 State Highway Fund	46,539,913	72,007,332
555 Federal Funds		
00.327.002 ERS Insurance	50,726,702	78,485,203
994 GR Dedicated Accounts	10,325,746	15,965,295
998 Other Special State Funds	1,637,999	2,534,340
Total, Method of Finance	\$267,046,800	\$413,179,281

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Group Benefit Program Cost Increases
 Group Benefit Program 60 Day Reserve Fund

6.A. HISTORICALLY UNDERUTILIZED BUSINESS SUPPORTING SCHEDULE

83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/30/2012
 Time: 10:30:09AM

Agency Code: 327 Agency: Employees Retirement System

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

A. Fiscal Year 2010 - 2011 HUB Expenditure Information

Statewide HUB Goals	Procurement Category	% Goal	HUB Expenditures FY 2010			Total Expenditures FY 2010		HUB Expenditures FY 2011			Total Expenditures FY 2011	
			% Actual	Diff	Actual \$	% Goal	% Actual	Diff	Actual \$	FY 2011		
11.9%	Heavy Construction	0.0 %	0.0%	0.0%	\$0	\$0	0.0 %	0.0%	0.0%	\$0	\$0	
26.1%	Building Construction	0.6 %	0.6%	0.0%	\$2,883	\$445,348	0.0 %	0.0%	0.0%	\$0	\$79,805	
57.2%	Special Trade Construction	43.6 %	43.7%	0.1%	\$736,321	\$1,686,258	16.4 %	16.4%	0.0%	\$100,776	\$613,803	
20.0%	Professional Services	2.4 %	2.4%	0.0%	\$32,167	\$1,362,284	0.0 %	0.0%	0.0%	\$0	\$3,340,015	
33.0%	Other Services	7.1 %	7.1%	0.0%	\$1,540,570	\$21,705,881	7.3 %	7.3%	0.0%	\$1,829,119	\$25,066,443	
12.6%	Commodities	17.4 %	17.4%	0.0%	\$503,712	\$2,889,230	16.9 %	16.9%	0.0%	\$491,205	\$2,913,333	
	Total Expenditures		10.0%		\$2,815,653	\$28,089,001		7.6%		\$2,421,100	\$32,013,399	

B. Assessment of Fiscal Year 2010 - 2011 Efforts to Meet HUB Procurement Goals

Attainment:

- For fiscal year 2010, the agency exceeded the HUB procurement goal for Commodities by 4.8%.
- For fiscal year 2011, the agency exceeded the HUB procurement goal for Commodities by 4.3%.

Applicability:

- The "Heavy Construction" category is not applicable to agency operations in either fiscal year 2010 or 2011 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 budget.

Factors Affecting Attainment:

- 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 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.

"Good-Faith" Efforts:

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

6.A. HISTORICALLY UNDERUTILIZED BUSINESS SUPPORTING SCHEDULE

83rd Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: **8/30/2012**

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

requirements.

- When applicable, potential bidders are provided with lists of certified HUBs for subcontracting opportunities.
- Attended HUB conferences and prepared and distributed information on how to contract with ERS in order to encourage and increase participation.
- Sponsored several exhibit booths at HUB forums and bid fairs.
- Met 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 procurements that are under the competitive procurement threshold for bidding.

6.C. FEDERAL FUNDS SUPPORTING SCHEDULE
 83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/30/2012**
 TIME: **10:30:51AM**

Agency code:	327	Agency name:	Employees Retirement System				
CFDA NUMBER/ STRATEGY			Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015
00.327.001	ERS Retirement						
1 - 1 - 1	ERS - RETIREMENT		80,302,192	65,154,024	69,363,714	69,363,714	69,363,714
TOTAL, ALL STRATEGIES			\$80,302,192	\$65,154,024	\$69,363,714	\$69,363,714	\$69,363,714
ADDL FED FNDS FOR EMPL BENEFITS			0	0	0	0	0
TOTAL, FEDERAL FUNDS			\$80,302,192	\$65,154,024	\$69,363,714	\$69,363,714	\$69,363,714
ADDL GR FOR EMPL BENEFITS			\$0	\$0	\$0	\$0	\$0
00.327.002	ERS Insurance						
2 - 1 - 1	GBP - GENERAL STATE EMPLOYEES		250,850,674	237,838,304	267,738,178	252,398,326	252,398,327
TOTAL, ALL STRATEGIES			\$250,850,674	\$237,838,304	\$267,738,178	\$252,398,326	\$252,398,327
ADDL FED FNDS FOR EMPL BENEFITS			0	0	0	0	0
TOTAL, FEDERAL FUNDS			\$250,850,674	\$237,838,304	\$267,738,178	\$252,398,326	\$252,398,327
ADDL GR FOR EMPL BENEFITS			\$0	\$0	\$0	\$0	\$0
00.327.003	LECOS Retirement						
1 - 1 - 2	LECOS RETIREMENT PROGRAM		94,917	0	29,330	29,330	29,330
TOTAL, ALL STRATEGIES			\$94,917	\$0	\$29,330	\$29,330	\$29,330
ADDL FED FNDS FOR EMPL BENEFITS			0	0	0	0	0
TOTAL, FEDERAL FUNDS			\$94,917	\$0	\$29,330	\$29,330	\$29,330
ADDL GR FOR EMPL BENEFITS			\$0	\$0	\$0	\$0	\$0

6.C. FEDERAL FUNDS SUPPORTING SCHEDULE
 83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/30/2012**
 TIME: **10:30:51AM**

Agency code:	327	Agency name:	Employees Retirement System					
CFDA NUMBER/ STRATEGY			Exp 2011	Est 2012	Bud 2013	BL 2014	BL 2015	
<u>SUMMARY LISTING OF FEDERAL PROGRAM AMOUNTS</u>								
00.327.001	ERS Retirement		80,302,192	65,154,024	69,363,714	69,363,714	69,363,714	
00.327.002	ERS Insurance		250,850,674	237,838,304	267,738,178	252,398,326	252,398,327	
00.327.003	LECOS Retirement		94,917	0	29,330	29,330	29,330	
TOTAL, ALL STRATEGIES			<u>\$331,247,783</u>	<u>\$302,992,328</u>	<u>\$337,131,222</u>	<u>\$321,791,370</u>	<u>\$321,791,371</u>	
TOTAL , ADDL FED FUNDS FOR EMPL BENEFITS			0	0	0	0	0	
TOTAL, FEDERAL FUNDS			<u>\$331,247,783</u>	<u>\$302,992,328</u>	<u>\$337,131,222</u>	<u>\$321,791,370</u>	<u>\$321,791,371</u>	
TOTAL, ADDL GR FOR EMPL BENEFITS			\$0	\$0	\$0	\$0	\$0	\$0

SUMMARY OF SPECIAL CONCERNS/ISSUES

Assumptions and Methodology:

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

Potential Loss:

**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 2014-15 GAA BILL PATTERN	\$	34,614,074,890
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Retirement Trust Fund (0955)

Estimated Beginning Balance in FY 2012		\$	21,204,091,002
Estimated Revenues FY 2012		\$	2,060,824,970
Estimated Revenues FY 2013		\$	2,532,064,065
	FY 2012-13 Total	\$	25,796,980,037
Estimated Beginning Balance in FY 2014		\$	22,161,834,616
Estimated Revenues FY 2014		\$	2,657,570,257
Estimated Revenues FY 2015		\$	2,793,116,944
	FY 2014-15 Total	\$	27,612,521,817

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 2013 level for FY 2014-15. Investment Income is calculated using the 8% return assumption used in the ERS actuarial valuation report for August 31, 2011. State contributions are estimated at the LAR Base Level of 6.50%. Zero payroll growth is assumed for FY 2014-15.

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 2012	\$ 227,984,391
Estimated Revenues FY 2012	\$ 2,591,637,476
Estimated Revenues FY 2013	\$ 2,773,042,913
FY 2012-13 Total	\$ 5,592,664,780
Estimated Beginning Balance in FY 2014	\$ 198,521,227
Estimated Revenues FY 2014	\$ 2,773,042,913
Estimated Revenues FY 2015	\$ 2,773,042,913
FY 2014-15 Total	\$ 5,744,607,053

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 2014 will be at the FY 2013 levels with no increase in enrollment and 0.77% enrollment growth is assumed in FY 2015 due to the change in waiting period required by the Federal HCR.

**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 2012	\$	737,416,639
Estimated Revenues FY 2012	\$	56,521,876
Estimated Revenues FY 2013	\$	56,021,526
FY 2012-13 Total	\$	849,960,041
Estimated Beginning Balance in FY 2014	\$	751,177,034
Estimated Revenues FY 2014	\$	73,417,937
Estimated Revenues FY 2015	\$	76,328,514
FY 2014-15 Total	\$	900,923,485

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 2014 and FY 2015 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, 2011. Payroll is assumed to remain at the FY 2013 level with no payroll growth for FY 2014-15.

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 2012	\$	259,623,603
Estimated Revenues FY 2012	\$	27,477,903
Estimated Revenues FY 2013	\$	29,707,833
FY 2012-13 Total	\$	316,809,339
Estimated Beginning Balance in FY 2014	\$	290,406,019
Estimated Revenues FY 2014	\$	31,721,096
Estimated Revenues FY 2015	\$	33,895,420
FY 2014-15 Total	\$	356,022,535

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, 2011. State contributions are estimated at the LAR baseline request level of 6.50%. Payroll is assumed to remain at the FY 2013 level with no payroll growth for FY 2014-15.

327 Employees Retirement System

	Est 2012	Bud 2013	BL 2014	BL 2015	Excp 2014	Excp 2015
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*Item: 1 Early Retiree Reinsurance Prog ERRP***Objects of Expense****Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES**

2009 OTHER OPERATING EXPENSE	\$(23,006,000)	\$0	\$0	\$0	\$0	\$0
SUBTOTAL, Strategy 2-1-1	\$(23,006,000)	\$0	\$0	\$0	\$0	\$0
TOTAL, Objects of Expense	\$(23,006,000)	\$0	\$0	\$0	\$0	\$0

Method of Financing**GENERAL REVENUE FUNDS****Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES**

1 General Revenue Fund	\$(13,594,245)	\$0	\$0	\$0	\$0	\$0
SUBTOTAL, Strategy 2-1-1	\$(13,594,245)	\$0	\$0	\$0	\$0	\$0
SUBTOTAL, GENERAL REVENUE FUNDS	\$(13,594,245)	\$0	\$0	\$0	\$0	\$0

GR DEDICATED**Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES**

994 GR Dedicated Accounts	\$(890,332)	\$0	\$0	\$0	\$0	\$0
SUBTOTAL, Strategy 2-1-1	\$(890,332)	\$0	\$0	\$0	\$0	\$0
SUBTOTAL, GR DEDICATED	\$(890,332)	\$0	\$0	\$0	\$0	\$0

FEDERAL FUNDS**Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES**

555 Federal Funds						
00.327.002 ERS Insurance	\$(4,371,140)	\$0	\$0	\$0	\$0	\$0
SUBTOTAL, Strategy 2-1-1	\$(4,371,140)	\$0	\$0	\$0	\$0	\$0
SUBTOTAL, FEDERAL FUNDS	\$(4,371,140)	\$0	\$0	\$0	\$0	\$0

OTHER FUNDS

327 Employees Retirement System

	Est 2012	Bud 2013	BL 2014	BL 2015	Excp 2014	Excp 2015
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
6 State Highway Fund	\$(4,009,946)	\$0	\$0	\$0	\$0	\$0
998 Other Special State Funds	\$(140,337)	\$0	\$0	\$0	\$0	\$0
SUBTOTAL, Strategy 2-1-1	\$(4,150,283)	\$0	\$0	\$0	\$0	\$0
SUBTOTAL, OTHER FUNDS	\$(4,150,283)	\$0	\$0	\$0	\$0	\$0
TOTAL, Method of Financing	\$(23,006,000)	\$0	\$0	\$0	\$0	\$0

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:

H.R. 3590, Sec. 1102

DESCRIPTION/KEY ASSUMPTIONS:

1. Under this program, the GBP received partial reimbursement for claims incurred during FY 10 and FY 11 (\$17.0 million and \$23.0 million respectively) by eligible early retirees (retired members age 55-64 not eligible for Medicare). The FY 11 amount was received in FY 12.
2. Since ERRP funding reduced the cost of coverage for members and dependents, the reduction was split between the employers and the members 83.2%/16.8%, as is the current cost.
3. The share of the reduction in employer cost attributable to appropriated state agency members was 67.9%.
4. H.R. 3590 specifies that the ERRP is to operate through the earlier of December 31, 2013, or the expenditure of available funding. CMS announced in early 2012 that the available funding had been exhausted. Accordingly, ERS does not expect additional funding from this program.

CONCERNS:

327 Employees Retirement System

	Est 2012	Bud 2013	BL 2014	BL 2015	Excp 2014	Excp 2015
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*Item: 2 Eliminate Lifetime Maximum***Objects of Expense****Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES**

2009 OTHER OPERATING EXPENSE	\$153,000	\$165,000	\$159,000	\$159,000	\$19,000	\$33,000
SUBTOTAL, Strategy 2-1-1	\$153,000	\$165,000	\$159,000	\$159,000	\$19,000	\$33,000
TOTAL, Objects of Expense	\$153,000	\$165,000	\$159,000	\$159,000	\$19,000	\$33,000

Method of Financing**GENERAL REVENUE FUNDS****Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES**

1 General Revenue Fund	\$90,408	\$97,498	\$93,953	\$93,953	\$11,227	\$19,500
SUBTOTAL, Strategy 2-1-1	\$90,408	\$97,498	\$93,953	\$93,953	\$11,227	\$19,500
SUBTOTAL, GENERAL REVENUE FUNDS	\$90,408	\$97,498	\$93,953	\$93,953	\$11,227	\$19,500

GR DEDICATED**Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES**

994 GR Dedicated Accounts	\$5,921	\$6,385	\$6,153	\$6,153	\$735	\$1,277
SUBTOTAL, Strategy 2-1-1	\$5,921	\$6,385	\$6,153	\$6,153	\$735	\$1,277
SUBTOTAL, GR DEDICATED	\$5,921	\$6,385	\$6,153	\$6,153	\$735	\$1,277

FEDERAL FUNDS**Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES**

555 Federal Funds						
00.327.002 ERS Insurance	\$29,070	\$31,350	\$30,210	\$30,210	\$3,610	\$6,270
SUBTOTAL, Strategy 2-1-1	\$29,070	\$31,350	\$30,210	\$30,210	\$3,610	\$6,270
SUBTOTAL, FEDERAL FUNDS	\$29,070	\$31,350	\$30,210	\$30,210	\$3,610	\$6,270

OTHER FUNDS

327 Employees Retirement System

	Est 2012	Bud 2013	BL 2014	BL 2015	Excp 2014	Excp 2015
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
6 State Highway Fund	\$26,668	\$28,760	\$27,714	\$27,714	\$3,312	\$5,752
998 Other Special State Funds	\$933	\$1,007	\$970	\$970	\$116	\$201
SUBTOTAL, Strategy 2-1-1	\$27,601	\$29,767	\$28,684	\$28,684	\$3,428	\$5,953
SUBTOTAL, OTHER FUNDS	\$27,601	\$29,767	\$28,684	\$28,684	\$3,428	\$5,953
TOTAL, Method of Financing	\$153,000	\$165,000	\$159,000	\$159,000	\$19,000	\$33,000

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 Services

DESCRIPTION/KEY ASSUMPTIONS:

1. Estimated increases are \$270,000 in FY 12, \$292,000 in FY 13, \$315,000 in FY 14 and \$340,000 in FY 15.
2. Increase in the cost of coverage for members and dependents will be split between the employers and the members 83.2%/16.8%, as is the current costs.
3. The share of the additional employer cost attributable to state agency members is 67.9%.

CONCERNS:

327 Employees Retirement System

	Est 2012	Bud 2013	BL 2014	BL 2015	Excp 2014	Excp 2015
<i>Item: 3 Expand Coverage to Dep up to age 26</i>						
Objects of Expense						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
2009 OTHER OPERATING EXPENSE	\$2,653,000	\$4,292,000	\$3,472,500	\$3,472,500	\$1,162,500	\$1,533,500
SUBTOTAL, Strategy 2-1-1	\$2,653,000	\$4,292,000	\$3,472,500	\$3,472,500	\$1,162,500	\$1,533,500
TOTAL, Objects of Expense	\$2,653,000	\$4,292,000	\$3,472,500	\$3,472,500	\$1,162,500	\$1,533,500
Method of Financing						
GENERAL REVENUE FUNDS						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
1 General Revenue Fund	\$1,567,658	\$2,536,143	\$2,051,900	\$2,051,900	\$686,921	\$906,146
SUBTOTAL, Strategy 2-1-1	\$1,567,658	\$2,536,143	\$2,051,900	\$2,051,900	\$686,921	\$906,146
SUBTOTAL, GENERAL REVENUE FUNDS	\$1,567,658	\$2,536,143	\$2,051,900	\$2,051,900	\$686,921	\$906,146
GR DEDICATED						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
994 GR Dedicated Accounts	\$102,671	\$166,100	\$134,386	\$134,386	\$44,989	\$59,346
SUBTOTAL, Strategy 2-1-1	\$102,671	\$166,100	\$134,386	\$134,386	\$44,989	\$59,346
SUBTOTAL, GR DEDICATED	\$102,671	\$166,100	\$134,386	\$134,386	\$44,989	\$59,346
FEDERAL FUNDS						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
555 Federal Funds						
00.327.002 ERS Insurance	\$504,070	\$815,480	\$659,775	\$659,775	\$220,875	\$291,365
SUBTOTAL, Strategy 2-1-1	\$504,070	\$815,480	\$659,775	\$659,775	\$220,875	\$291,365
SUBTOTAL, FEDERAL FUNDS	\$504,070	\$815,480	\$659,775	\$659,775	\$220,875	\$291,365
OTHER FUNDS						

327 Employees Retirement System

	Est 2012	Bud 2013	BL 2014	BL 2015	Excp 2014	Excp 2015
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
6 State Highway Fund	\$462,418	\$748,096	\$605,257	\$605,257	\$202,624	\$267,289
998 Other Special State Funds	\$16,183	\$26,181	\$21,182	\$21,182	\$7,091	\$9,354
SUBTOTAL, Strategy 2-1-1	\$478,601	\$774,277	\$626,439	\$626,439	\$209,715	\$276,643
SUBTOTAL, OTHER FUNDS	\$478,601	\$774,277	\$626,439	\$626,439	\$209,715	\$276,643
TOTAL, Method of Financing	\$2,653,000	\$4,292,000	\$3,472,500	\$3,472,500	\$1,162,500	\$1,533,500

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:

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

DESCRIPTION/KEY ASSUMPTIONS:

1. This provision of the law became applicable to the GBP September 1, 2011; i.e., for FY 12. The additional enrollment averaged 2,862 during FY 12. The additional enrollment reached 4,288 children in August 2012, the stable level that will impact FY 13, FY 14 and FY 15.
2. The cost of additional children will be the same as per capita cost of coverage for a HealthSelect member under age 30, @2,730 for FY 12. This amount will increase annual at the health plan benefit cost trend, 8% per year.
3. 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 current funding strategy.
4. The share of the additional employer cost attributable to state agency members is 67.9%.
5. Expense amounts shown are the total projected increase in employer cost for state agency members only.

CONCERNS:

327 Employees Retirement System

	Est 2012	Bud 2013	BL 2014	BL 2015	Excp 2014	Excp 2015
<i>Item: 4 Preventive Care at 100%</i>						
Objects of Expense						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
2009 OTHER OPERATING EXPENSE	\$14,146,000	\$15,211,000	\$14,678,500	\$14,678,500	\$1,660,500	\$3,008,500
SUBTOTAL, Strategy 2-1-1	\$14,146,000	\$15,211,000	\$14,678,500	\$14,678,500	\$1,660,500	\$3,008,500
TOTAL, Objects of Expense	\$14,146,000	\$15,211,000	\$14,678,500	\$14,678,500	\$1,660,500	\$3,008,500
Method of Financing						
GENERAL REVENUE FUNDS						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
1 General Revenue Fund	\$8,358,871	\$8,988,180	\$8,673,525	\$8,673,525	\$981,190	\$1,777,722
SUBTOTAL, Strategy 2-1-1	\$8,358,871	\$8,988,180	\$8,673,525	\$8,673,525	\$981,190	\$1,777,722
SUBTOTAL, GENERAL REVENUE FUNDS	\$8,358,871	\$8,988,180	\$8,673,525	\$8,673,525	\$981,190	\$1,777,722
GR DEDICATED						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
994 GR Dedicated Accounts	\$547,450	\$588,666	\$568,058	\$568,058	\$64,261	\$116,429
SUBTOTAL, Strategy 2-1-1	\$547,450	\$588,666	\$568,058	\$568,058	\$64,261	\$116,429
SUBTOTAL, GR DEDICATED	\$547,450	\$588,666	\$568,058	\$568,058	\$64,261	\$116,429
FEDERAL FUNDS						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
555 Federal Funds						
00.327.002 ERS Insurance	\$2,687,740	\$2,890,090	\$2,788,915	\$2,788,915	\$315,495	\$571,615
SUBTOTAL, Strategy 2-1-1	\$2,687,740	\$2,890,090	\$2,788,915	\$2,788,915	\$315,495	\$571,615
SUBTOTAL, FEDERAL FUNDS	\$2,687,740	\$2,890,090	\$2,788,915	\$2,788,915	\$315,495	\$571,615
OTHER FUNDS						

327 Employees Retirement System

	Est 2012	Bud 2013	BL 2014	BL 2015	Exep 2014	Exep 2015
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
6 State Highway Fund	\$2,465,648	\$2,651,277	\$2,558,463	\$2,558,463	\$289,425	\$524,382
998 Other Special State Funds	\$86,291	\$92,787	\$89,539	\$89,539	\$10,129	\$18,352
SUBTOTAL, Strategy 2-1-1	\$2,551,939	\$2,744,064	\$2,648,002	\$2,648,002	\$299,554	\$542,734
SUBTOTAL, OTHER FUNDS	\$2,551,939	\$2,744,064	\$2,648,002	\$2,648,002	\$299,554	\$542,734
TOTAL, Method of Financing	\$14,146,000	\$15,211,000	\$14,678,500	\$14,678,500	\$1,660,500	\$3,008,500

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:

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

DESCRIPTION/KEY ASSUMPTIONS:

1. This provision of the law is assumed to incur additional cost of approximately \$48 for each GBP health plan participant in FY 12. The per capita cost is estimated to increase at a rate of about 7.4% per year.
2. The projected average number of GBP health plan participants used in developing the estimated expenses are 521,100 in FY 12, 521,600 in FY 13, 521,600 in FY 14 and 525,800 in FY 15.
3. Since this change will increase the cost of coverage for members and dependents, the cost will be split between the employers and the members 83.2%/16.8%, as is the current cost.
4. The share of the additional employer cost attributable to state agency members is 67.9%.

CONCERNS:

327 Employees Retirement System

	Est 2012	Bud 2013	BL 2014	BL 2015	Excp 2014	Excp 2015
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*Item: 5 Patient Center Outcomes Annual Fee***Objects of Expense****Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES**

2009 OTHER OPERATING EXPENSE	\$0	\$295,000	\$147,500	\$147,500	\$441,500	\$476,500
SUBTOTAL, Strategy 2-1-1	\$0	\$295,000	\$147,500	\$147,500	\$441,500	\$476,500
TOTAL, Objects of Expense	\$0	\$295,000	\$147,500	\$147,500	\$441,500	\$476,500

Method of Financing**GENERAL REVENUE FUNDS****Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES**

1 General Revenue Fund	\$0	\$174,314	\$87,158	\$87,158	\$260,883	\$281,563
SUBTOTAL, Strategy 2-1-1	\$0	\$174,314	\$87,158	\$87,158	\$260,883	\$281,563
SUBTOTAL, GENERAL REVENUE FUNDS	\$0	\$174,314	\$87,158	\$87,158	\$260,883	\$281,563

GR DEDICATED**Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES**

994 GR Dedicated Accounts	\$0	\$11,417	\$5,708	\$5,708	\$17,086	\$18,441
SUBTOTAL, Strategy 2-1-1	\$0	\$11,417	\$5,708	\$5,708	\$17,086	\$18,441
SUBTOTAL, GR DEDICATED	\$0	\$11,417	\$5,708	\$5,708	\$17,086	\$18,441

FEDERAL FUNDS**Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES**

555 Federal Funds						
00.327.002 ERS Insurance	\$0	\$56,050	\$28,025	\$28,025	\$83,885	\$90,535
SUBTOTAL, Strategy 2-1-1	\$0	\$56,050	\$28,025	\$28,025	\$83,885	\$90,535
SUBTOTAL, FEDERAL FUNDS	\$0	\$56,050	\$28,025	\$28,025	\$83,885	\$90,535

OTHER FUNDS

327 Employees Retirement System

	Est 2012	Bud 2013	BL 2014	BL 2015	Excp 2014	Excp 2015
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
6 State Highway Fund	\$0	\$51,419	\$25,709	\$25,709	\$76,953	\$83,054
998 Other Special State Funds	\$0	\$1,800	\$900	\$900	\$2,693	\$2,907
SUBTOTAL, Strategy 2-1-1	\$0	\$53,219	\$26,609	\$26,609	\$79,646	\$85,961
SUBTOTAL, OTHER FUNDS	\$0	\$53,219	\$26,609	\$26,609	\$79,646	\$85,961
TOTAL, Method of Financing	\$0	\$295,000	\$147,500	\$147,500	\$441,500	\$476,500

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:

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

DESCRIPTION/KEY ASSUMPTIONS:

1. The law provides for payment of a fee equal to \$1.00 per participant per year in FY 13 and \$2.00 per participant for FY 14 for funding the Patient-Centered Outcomes Research Provisions to study the quality and relevance of treatment received by patients. For FY 15 the fee will be \$2.00 adjusted for medical inflation which is estimated to be 5% per year; i.e., \$2.10 for FY 15.
2. The projected average GBP health plan enrollment is 521,600 for FY 13, 521,600 for FY 14 and 525,800 for FY 15.
3. Since this change will increase the cost of coverage for members and dependents, the cost will be split between the employers and the members 83.2%/16.8%, as is the current cost.
4. The share of the additional employer cost attributable to state agency members is 67.9%.
5. These fees are shown in the year in which they will be incurred even though they will be paid in the following year.

CONCERNS:

327 Employees Retirement System

	Est 2012	Bud 2013	BL 2014	BL 2015	Excp 2014	Excp 2015
<i>Item: 6 100% Coverage for Contraceptives</i>						
Objects of Expense						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
2009 OTHER OPERATING EXPENSE	\$0	\$5,336,000	\$2,668,000	\$2,668,000	\$3,126,000	\$3,672,000
SUBTOTAL, Strategy 2-1-1	\$0	\$5,336,000	\$2,668,000	\$2,668,000	\$3,126,000	\$3,672,000
TOTAL, Objects of Expense	\$0	\$5,336,000	\$2,668,000	\$2,668,000	\$3,126,000	\$3,672,000
Method of Financing						
GENERAL REVENUE FUNDS						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
1 General Revenue Fund	\$0	\$3,153,042	\$1,576,521	\$1,576,521	\$1,847,153	\$2,169,785
SUBTOTAL, Strategy 2-1-1	\$0	\$3,153,042	\$1,576,521	\$1,576,521	\$1,847,153	\$2,169,785
SUBTOTAL, GENERAL REVENUE FUNDS	\$0	\$3,153,042	\$1,576,521	\$1,576,521	\$1,847,153	\$2,169,785
GR DEDICATED						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
994 GR Dedicated Accounts	\$0	\$206,503	\$103,252	\$103,252	\$120,976	\$142,106
SUBTOTAL, Strategy 2-1-1	\$0	\$206,503	\$103,252	\$103,252	\$120,976	\$142,106
SUBTOTAL, GR DEDICATED	\$0	\$206,503	\$103,252	\$103,252	\$120,976	\$142,106
FEDERAL FUNDS						
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
555 Federal Funds						
00.327.002 ERS Insurance	\$0	\$1,013,840	\$506,920	\$506,920	\$593,940	\$697,680
SUBTOTAL, Strategy 2-1-1	\$0	\$1,013,840	\$506,920	\$506,920	\$593,940	\$697,680
SUBTOTAL, FEDERAL FUNDS	\$0	\$1,013,840	\$506,920	\$506,920	\$593,940	\$697,680
OTHER FUNDS						

327 Employees Retirement System

	Est 2012	Bud 2013	BL 2014	BL 2015	Excp 2014	Excp 2015
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
6 State Highway Fund	\$0	\$930,065	\$465,032	\$465,032	\$544,862	\$640,030
998 Other Special State Funds	\$0	\$32,550	\$16,275	\$16,275	\$19,069	\$22,399
SUBTOTAL, Strategy 2-1-1	\$0	\$962,615	\$481,307	\$481,307	\$563,931	\$662,429
SUBTOTAL, OTHER FUNDS	\$0	\$962,615	\$481,307	\$481,307	\$563,931	\$662,429
TOTAL, Method of Financing	\$0	\$5,336,000	\$2,668,000	\$2,668,000	\$3,126,000	\$3,672,000

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:

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

DESCRIPTION/KEY ASSUMPTIONS:

1. This provision is expected to increase plan costs about \$20 for each participant enrolled in HealthSelect and the HMOs in FY 13. This amount is expected to increase about 8.6% per year for FY 14 and FY 15.
2. The projected average number of HealthSelect and HMO participants is 476,600 for FY 13, 476,600 for FY 14 and 480,200 for FY 15.
3. Since this change will increase the cost of coverage for members and dependents, the cost will be split between the employers and the members 83.2%/16.8%, as is the current cost.
4. The share of the additional employer cost attributable to state agency members is 67.9%.

CONCERNS:

327 Employees Retirement System

Est 2012 Bud 2013 BL 2014 BL 2015 Excp 2014 Excp 2015

Item: 7 Change Effective Date of Coverage

Objects of Expense

Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES

2009 OTHER OPERATING EXPENSE	\$0	\$0	\$0	\$0	\$0	\$12,979,000
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$0	\$0	\$0	\$12,979,000
TOTAL, Objects of Expense	\$0	\$0	\$0	\$0	\$0	\$12,979,000

Method of Financing

GENERAL REVENUE FUNDS

Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES

1 General Revenue Fund	\$0	\$0	\$0	\$0	\$0	\$7,669,291
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$0	\$0	\$0	\$7,669,291
SUBTOTAL, GENERAL REVENUE FUNDS	\$0	\$0	\$0	\$0	\$0	\$7,669,291

GR DEDICATED

Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES

994 GR Dedicated Accounts	\$0	\$0	\$0	\$0	\$0	\$502,287
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$0	\$0	\$0	\$502,287
SUBTOTAL, GR DEDICATED	\$0	\$0	\$0	\$0	\$0	\$502,287

FEDERAL FUNDS

Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES

555 Federal Funds						
00.327.002 ERS Insurance	\$0	\$0	\$0	\$0	\$0	\$2,466,010
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$0	\$0	\$0	\$2,466,010
SUBTOTAL, FEDERAL FUNDS	\$0	\$0	\$0	\$0	\$0	\$2,466,010

OTHER FUNDS

327 Employees Retirement System

	Est 2012	Bud 2013	BL 2014	BL 2015	Excp 2014	Excp 2015
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
6 State Highway Fund	\$0	\$0	\$0	\$0	\$0	\$2,262,240
998 Other Special State Funds	\$0	\$0	\$0	\$0	\$0	\$79,172
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$0	\$0	\$0	\$2,341,412
SUBTOTAL, OTHER FUNDS	\$0	\$0	\$0	\$0	\$0	\$2,341,412
TOTAL, Method of Financing	\$0	\$0	\$0	\$0	\$0	\$12,979,000

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:

H.R. 3590, Sec. 1001 (adds Sec 2708 of Public Health Services Act)

DESCRIPTION/KEY ASSUMPTIONS:

1. HCR 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 employment, thus to be within 90 days the waiting period will be reduced to 60 days.
2. Enrollment data indicates about 2,330 new members to join the GBP health plan each month. A 30 day reduction in the waiting period is expected to increase FY 15 enrollment by 2,330.
3. For FY 15 the average state contribution is expected to be \$8,204 for each additional member. This was determined by increasing the projected state contribution for active members for FY 13 at a rate of 8% per year for FY 14 and FY 15.
4. The share of the additional employer cost attributable to state agency members is 67.9%.

CONCERNS:

327 Employees Retirement System

	Est 2012	Bud 2013	BL 2014	BL 2015	Excp 2014	Excp 2015
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*Item: 8 Transitional Reinsurance Prg Fee***Objects of Expense****Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES**

2009 OTHER OPERATING EXPENSE	\$0	\$0	\$0	\$0	\$17,680,000	\$11,882,000
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$0	\$0	\$17,680,000	\$11,882,000
TOTAL, Objects of Expense	\$0	\$0	\$0	\$0	\$17,680,000	\$11,882,000

Method of Financing**GENERAL REVENUE FUNDS****Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES**

1 General Revenue Fund	\$0	\$0	\$0	\$0	\$10,447,112	\$7,021,074
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$0	\$0	\$10,447,112	\$7,021,074
SUBTOTAL, GENERAL REVENUE FUNDS	\$0	\$0	\$0	\$0	\$10,447,112	\$7,021,074

GR DEDICATED**Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES**

994 GR Dedicated Accounts	\$0	\$0	\$0	\$0	\$684,216	\$459,833
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$0	\$0	\$684,216	\$459,833
SUBTOTAL, GR DEDICATED	\$0	\$0	\$0	\$0	\$684,216	\$459,833

FEDERAL FUNDS**Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES**

555 Federal Funds						
00.327.002 ERS Insurance	\$0	\$0	\$0	\$0	\$3,359,200	\$2,257,580
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$0	\$0	\$3,359,200	\$2,257,580
SUBTOTAL, FEDERAL FUNDS	\$0	\$0	\$0	\$0	\$3,359,200	\$2,257,580

OTHER FUNDS

327 Employees Retirement System

	Est 2012	Bud 2013	BL 2014	BL 2015	Excp 2014	Excp 2015
Strategy: 2-1-1 GBP - GENERAL STATE EMPLOYEES						
6 State Highway Fund	\$0	\$0	\$0	\$0	\$3,081,624	\$2,071,033
998 Other Special State Funds	\$0	\$0	\$0	\$0	\$107,848	\$72,480
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$0	\$0	\$3,189,472	\$2,143,513
SUBTOTAL, OTHER FUNDS	\$0	\$0	\$0	\$0	\$3,189,472	\$2,143,513
TOTAL, Method of Financing	\$0	\$0	\$0	\$0	\$17,680,000	\$11,882,000

LEGAL AUTHORITY/STATUTORY REFERENCE FOR ITEM:

H.R. 3590, Sec. 1341

DESCRIPTION/KEY ASSUMPTIONS:

1. This provision provides for collection of the following aggregate amounts from insurers and administrators of self-funded plans: \$12 billion, \$8 billion and \$5 billion in Federal Fiscal Years 2014, 2015, and 2016, respectively.
2. The estimated fee would be \$60 and \$40 per participant per year for FY 14 and FY 15, respectively.
3. The projected average GBP health plan enrollment is 521,600 for FY 14 and 525,800 for FY 15.
4. Since this change will increase the cost of coverage for members and dependents, the cost will be split between the employers and the members 83.2%/16.8%, as is the current cost.
5. The share of the additional employer cost attributable to state agency members is 67.9%.
6. These fees are shown in the year in which they will be incurred even though they will be paid in the following year.

CONCERNS:

TOTAL, ALL ITEMS	\$(6,054,000)	\$25,299,000	\$21,125,500	\$21,125,500	\$24,089,500	\$33,584,500
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327 Employees Retirement System**MOF RECAP**

	Est 2012	Bud 2013	BL 2014	BL 2015	Excp 2014	Excp 2015
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GENERAL REVENUE FUNDS

1 General Revenue Fund

	\$(3,577,308)	\$14,949,177	\$12,483,057	\$12,483,057	\$14,234,486	\$19,845,081
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SUBTOTAL, GENERAL REVENUE FUNDS

	\$(3,577,308)	\$14,949,177	\$12,483,057	\$12,483,057	\$14,234,486	\$19,845,081
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GR DEDICATED

994 GR Dedicated Accounts

	\$(234,290)	\$979,071	\$817,557	\$817,557	\$932,263	\$1,299,719
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SUBTOTAL, GR DEDICATED

	\$(234,290)	\$979,071	\$817,557	\$817,557	\$932,263	\$1,299,719
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FEDERAL FUNDS

555 Federal Funds

	\$(1,150,260)	\$4,806,810	\$4,013,845	\$4,013,845	\$4,577,005	\$6,381,055
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SUBTOTAL, FEDERAL FUNDS

	\$(1,150,260)	\$4,806,810	\$4,013,845	\$4,013,845	\$4,577,005	\$6,381,055
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OTHER FUNDS

6 State Highway Fund

	\$(1,055,212)	\$4,409,617	\$3,682,175	\$3,682,175	\$4,198,800	\$5,853,780
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998 Other Special State Funds

	\$(36,930)	\$154,325	\$128,866	\$128,866	\$146,946	\$204,865
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SUBTOTAL, OTHER FUNDS

	\$(1,092,142)	\$4,563,942	\$3,811,041	\$3,811,041	\$4,345,746	\$6,058,645
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TOTAL, ALL ITEMS

	\$(6,054,000)	\$25,299,000	\$21,125,500	\$21,125,500	\$24,089,500	\$33,584,500
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6.J PART B SUMMARY OF BUDGETARY IMPACTS RELATED TO FEDERAL HEALTH CARE REFORM SCHEDULE

83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/30/2012**
 TIME: **10:32:02AM**

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

ITEM	ITEM NAME	Est 2012	Bud 2013	BL 2014	BL 2015	Excp 2014	Excp 2015	Total Request 2014	Total Request 2015
1	Early Retiree Reinsurance Prog ERRP	\$(23,006,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	Eliminate Lifetime Maximum	\$153,000	\$165,000	\$159,000	\$159,000	\$19,000	\$33,000	\$178,000	\$192,000
3	Expand Coverage to Dep up to age 26	\$2,653,000	\$4,292,000	\$3,472,500	\$3,472,500	\$1,162,500	\$1,533,500	\$4,635,000	\$5,006,000
4	Preventive Care at 100%	\$14,146,000	\$15,211,000	\$14,678,500	\$14,678,500	\$1,660,500	\$3,008,500	\$16,339,000	\$17,687,000
5	Patient Center Outcomes Annual Fee	\$0	\$295,000	\$147,500	\$147,500	\$441,500	\$476,500	\$589,000	\$624,000
6	100% Coverage for Contraceptives	\$0	\$5,336,000	\$2,668,000	\$2,668,000	\$3,126,000	\$3,672,000	\$5,794,000	\$6,340,000
7	Change Effective Date of Coverage	\$0	\$0	\$0	\$0	\$0	\$12,979,000	\$0	\$12,979,000
8	Transitional Reinsurance Prg Fee	\$0	\$0	\$0	\$0	\$17,680,000	\$11,882,000	\$17,680,000	\$11,882,000
Total, Cost Related to Health Care Reform		\$(6,054,000)	\$25,299,000	\$21,125,500	\$21,125,500	\$24,089,500	\$33,584,500	\$45,215,000	\$54,710,000

6.J PART B SUMMARY OF BUDGETARY IMPACTS RELATED TO FEDERAL HEALTH CARE REFORM SCHEDULE

83rd Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/30/2012
 TIME: 10:32:02AM

Agency code: 327 Agency name: Employees Retirement System

ITEM	ITEM NAME	Est 2012	Bud 2013	BL 2014	BL 2015	Excp 2014	Excp 2015	Total Request 2014	Total Request 2015
METHOD OF FINANCING									
	GENERAL REVENUE FUNDS	\$(3,577,308)	\$14,949,177	\$12,483,057	\$12,483,057	\$14,234,486	\$19,845,081	\$26,717,543	\$32,328,138
	GR DEDICATED	\$(234,290)	\$979,071	\$817,557	\$817,557	\$932,263	\$1,299,719	\$1,749,820	\$2,117,276
	SUBTOTAL, GR & GR - DEDICATED FUNDS	\$(3,811,598)	\$15,928,248	\$13,300,614	\$13,300,614	\$15,166,749	\$21,144,800	\$28,467,363	\$34,445,414
	FEDERAL FUNDS	\$(1,150,260)	\$4,806,810	\$4,013,845	\$4,013,845	\$4,577,005	\$6,381,055	\$8,590,850	\$10,394,900
	OTHER FUNDS	\$(1,092,142)	\$4,563,942	\$3,811,041	\$3,811,041	\$4,345,746	\$6,058,645	\$8,156,787	\$9,869,686
	TOTAL	\$(6,054,000)	\$25,299,000	\$21,125,500	\$21,125,500	\$24,089,500	\$33,584,500	\$45,215,000	\$54,710,000

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