

FY23 Accomplishments

- ✔ Continued Legacy Payments and one-time funding from State made JRS and LECOS plans fully funded and ERS plan on path to soundness.

- ✔ Achieved a five-year average investment return of 7.71% for the ERS Retirement Trust Fund, allowing for FY24 gain-sharing for Group 4 employees and retirees.

- ✔ Implemented a new pharmacy benefits manager for the HealthSelect Prescription Drug Program and HealthSelect Medicare Rx, which is expected to save the health plans almost \$3 billion over six years.

- ✔ Maintained stable ERS health plan premiums for the seventh consecutive year while continuing to provide high-quality coverage.

- ✔ Reduced ERS' job vacancy rate by about 50% and implemented CAPPS Recruit to make hiring more efficient.

- ✔ Selected system and began work on Retirement Insurance System Enhancement (RISE) project.

In FY23, ERS engaged with members through:

- Communication
 - 448,000 phone calls
 - 23,100 emails
 - 1,700 retirement sessions
- Education
 - 177 webinars and other educational events



Stabilizing the Retirement Trust Funds

Before and during the 88th Texas legislative session, ERS staff worked to educate lawmakers about the value of our insurance and retirement benefits—to employees and retirees, as well as the Texas economy. Texas lawmakers took historic actions to ensure the actuarial soundness of all three retirement plans administered by ERS. This commitment will eliminate the unfunded liabilities for the Law Enforcement and Custodial Officer Supplemental (LECOS) Retirement Fund Plan and Judicial Retirement System Plan 2 (JRS 2), and continue to reduce the unfunded liability in the ERS Retirement Plan.

Combined with the state's regular payments to the retirement plans, the additional appropriations will help the ERS Retirement Plan return to fully funded status by Aug. 31, 2054, saving the state billions of dollars in interest payments through the years.

In addition to its strong commitment to state agency employees and retirees retirement benefits, the State of Texas continues to fully fund employee health insurance and provide health insurance premium contributions for eligible employees, retirees and family members. This continued support has protected participants in ERS-administered health plans from health care price inflation.

ERS benefits remain very competitive and continue to be important factors in recruiting and retaining employees for state service. They also have a significant economic impact in communities throughout the state.



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Retirement

ERS administers benefits that contribute to a secure retirement for state employees, elected officials, law enforcement and custodial officers, and judges. These benefits are provided through the ERS Retirement Plan, the Law Enforcement and Custodial Officer Supplemental (LECOS) Retirement Fund Plan and the Judicial Retirement System (JRS) Plans 1 and 2. LECOS-eligible employees receive benefits from the ERS Plan plus a supplemental benefit from the LECOS Plan.

Retirement Plan Membership

ERS membership rebounds after declines in FY21 and FY22

In FY23, active membership in ERS increased by about 4.5% over FY22, following two years of decreases. Active ERS membership dropped from 142,062 in FY20 to 133,751 in FY22. The FY23 rebound reflects an uptick in hiring at state agencies.

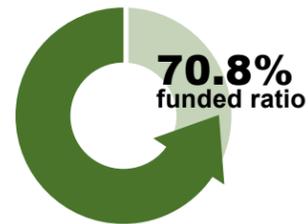
Plan	Contributing members	Non-contributing members*	Retirees and beneficiaries
ERS and LECOS	139,958 including 31,744 contributing to LECOS	164,112 including 35,082 with benefits in LECOS	124,504 including 16,368 receiving benefits from LECOS
JRS 1 and 2 (combined)	624	185	832

*Members no longer employed by the state with money still on account with ERS

Funding for State of Texas Pension Plans Administered by ERS

ERS

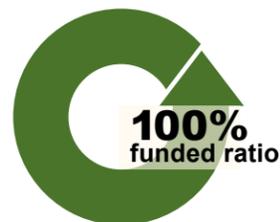
Employees Retirement System of Texas



Fully funded by Aug. 31, 2054

LECOS

Law Enforcement and Custodial Officer Supplemental Retirement Fund



Fully funded

JRS 2

Judicial Retirement System of Texas Plan 2



Fully funded

\$3.0 billion: Annuities paid to retirees and beneficiaries (all plans)

**\$1,832 per month or \$21,985 per year:
Average ERS Plan annuity as of Aug. 31 valuation**

ERS makes annuity payments to retirees or beneficiaries living in 253 of Texas' 254 counties, benefiting local economies.

Retirement Fund Investments Achieve High-ranking Performance

About 60% of the annuity payments for all ERS-administered pension plans come from investment earnings of the ERS Retirement Trust Fund (Fund), with the remainder coming from participant and state contributions. FY23 was a good year for investment returns, as inflationary pressures began to ease. The one-year return of 6.72% brought the Fund's total assets to \$35.6 billion at fiscal year-end.

ERS maintains a well-diversified investment portfolio designed to provide superior performance through the ups and downs of financial markets. Over the last five years, the Trust has averaged net annual returns of 7.71%, a performance that ranks in the top 5% of ERS' peer group of public pension plans.

ERS Investment Performance

Period ending Aug. 31, 2023

Period	30-Year	20-Year	10-Year	5-Year	3-Year	1-Year
Net Return	7.38%	7.48%	7.99%	7.71%	9.63%	6.72%

TEXA\$AVERSM Employees, former employees and retirees can boost their retirement savings through the Texa\$averSM 401(k) / 457 Program.

Participation in the voluntary savings program grew by 11,761 participants, or 4.53%, in FY23. More than 79% of participants automatically enrolled in Texa\$aver since January 2008 have stayed in the program, benefitting from expanded, flexible investment options and lower-than-average fees. Retirees and former employees can keep Texa\$aver accounts they opened while working for the state, but cannot contribute to them except to roll over funds from another entity.

Texa\$aver 401(k) / 457 Program

\$4.66 billion in total assets (as of Aug. 31, 2023)			
401(k)*	401(k) Roth	457*	457 Roth
\$3.36 billion	\$121.72 million	\$1.30 billion	\$110.01 million
237,415 accounts	9,609 accounts	33,665 accounts	7,590 accounts
107,654 accounts contributing	5,736 accounts contributing	16,934 accounts contributing	4,650 accounts contributing

*Including 401(k) Roth and 457 Roth amounts shown

Insurance

The Texas Employees Group Benefits Program (GBP) provides insurance coverage for health, life, dental, vision, accidental death & dismemberment (AD&D) and disability. Employees and retirees of state agencies and higher education institutions (except those in the University of Texas and Texas A&M University systems) and their eligible family members have access to GBP plans.

- **538,487:** Participants in all GBP health plans (**208,216** employees, **129,173** retirees, **194,054** family members, and **7,044** survivors and others).
- **\$939 million:** Participants' share of health care costs, including premium contributions, copays, coinsurance and deductibles.
- **\$4.03 billion:** Amount paid in claims by the self-funded ERS health plans (HealthSelect of Texas[®], Consumer Directed HealthSelectSM, HealthSelectSM Prescription Drug Program and HealthSelectSM Medicare Rx). Less than 3% of overall expenditures for HealthSelect of Texas go toward administration – far less than the average for large, private health plans.
- **101,954:** Number of participants (retirees and family members) enrolled in the HealthSelectSM Medicare Advantage Plan. This represents more than **82%** of the GBP's eligible Medicare population.
- **One in 56:** Proportion of Texans covered by GBP health insurance plans.



New prescription drug program administrator

Following a competitive bidding process, the ERS Board of Trustees awarded the third-party administrator contract for the HealthSelect Prescription Drug Program and HealthSelect Medicare Rx to Express Scripts, effective Jan. 1, 2024. Employees, retirees and family members enrolled in GBP health plans will be automatically transferred to Express Scripts' administration on Jan. 1. The prescription drug plan design will stay the same, even as the new contract will result in significant cost savings for the plans.

TEXFLEXSM Employees save money on taxes when they contribute to TexFlexSM flexible spending accounts (FSAs) to pay eligible health care, vision, dental and/or dependent care expenses

- 38,975: Number of health, dependent care and limited-purpose FSAs
- \$56.9 million: Amount contributed to TexFlex accounts by state employees

FSAs are authorized and regulated by Section 125 of the Internal Revenue Code.

In FY23, pre-tax payments for health insurance premiums and to TexFlex FSAs resulted in estimated savings of:

- **\$124 million** in Federal Insurance Contributions Act (FICA) tax and federal income tax for participants and
- **\$41.9 million** in FICA taxes for the state.