

FY20 Accomplishments

Implemented Coronavirus Aid, Relief and Economic Security (CARES) Act provisions to provide emergency health care and financial assistance to those directly impacted by COVID-19 (see other side).

Joined with Catapult Health to provide no-cost onsite biometric screening services at several state agencies and higher education institutions, giving employees a convenient way to engage in their own wellness.

Developed HealthSelectShoppERSSM to reward HealthSelect of Texas[®] and Consumer Directed HealthSelectSM participants when they choose lower-cost in-network providers for certain medical services and procedures.

Added coverage for certain diabetic testing supplies previously offered only through the HealthSelect medical plans to the HealthSelectSM Prescription Drug Program, providing another option to those who need to monitor and manage their diabetes.

Lowered administrative fees for Texa\$averSM 401(k) / 457 accounts for the second consecutive year and added a new mid-cap equity fund investment option.

For the 30th consecutive year, ERS' Finance Division received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

Incorporated Web Content Accessibility Guidelines (WCAG) 2.0 standards to ensure the ERS website meets federal and state standards for providing information that is accessible to people with a range of disabilities.

Implemented software and tools to automate and streamline processes for budgeting, financial reporting and procurement, increasing efficiencies.

Delivered customized health and wellness reports to support individual employers' wellness initiatives. Multiple employers reported improvements in ERS-tracked wellness measures.

Progressed with the on-time and on-budget construction of a new office building that will accommodate ERS' growing personnel needs while generating revenue for the Retirement Trust Funds through leased office, commercial and event space.

In FY20, ERS engaged with members through:

Communication

- 424,420 phone calls
- 30,000 emails
- 2,000 one-on-one visits

Education

210 webinars and other educational events

Information

- 121,000 member requests
- 415,000+ pieces of incoming and outgoing mail

Responding to COVID-19

Serving with health and safety in mind

As the COVID-19 outbreak grew, ERS and its plan administrators moved swiftly to ensure state and higher education employees, retirees and their families had access to care and support when they needed it. Among the actions they took:

- Waived out-of-pocket costs for physician-directed COVID-19 testing and related services, including office and telemedicine visits, in accordance with federal requirements, and waived member costs for all in-network virtual and telemedicine visits not related to COVID-19 through December 31, 2020.
- Eased refill-too-soon restrictions for certain medications covered through GBP prescription drug programs, offering participants greater flexibility and potentially limiting their trips to the pharmacy.
- Promoted benefits and resources for emotional support, including dedicated telephone help lines.
- Implemented CARES Act provisions expanding the types of products and medications that could be paid for with TexFlex flexible spending accounts funds.

While ERS' office building closed to visitors in March and most staff began working from home, agency services continued uninterrupted. To sustain operations and safely connect with members and stakeholders, ERS:

- Conducted two fully virtual Board of Trustees meetings.
- Seamlessly pivoted to fully virtual benefits education events, including 54 well-received webinars during Summer Enrollment.
- Conducted 480 retirement counseling sessions by phone.
- Hosted 24 wellness webinars between March and August 31, offering tips for maintaining physical and mental health, and dealing with the pandemic's impact on lives and routines.

Chapter 615 benefits

Support on behalf of those who served

ERS administers the state's death benefit program for eligible survivors of certain law enforcement officers, firefighters and others killed in the line of duty. The number of fallen officers and other first responders tragically increased in FY20 from previous years. This state-appropriated benefit is critically important to their surviving family members.



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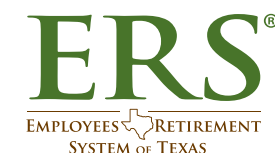
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Delivering Benefits to Help Keep Texans Strong



FISCAL YEAR 2020 AT A GLANCE



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 paid through the ERS Trust Fund, the Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOSRF) and the Judicial Retirement System (JRS) Plans 1 and 2. LECOSRF-eligible employees receive benefits from the ERS Trust Fund plus a supplemental benefit from the LECOSRF.

ERS Retirement Plan Membership

Ratio of active contributing members to retirees and beneficiaries: 6:5 (all plans)

Fund/plan	Contributing members	Non-contributing members*	Retirees and beneficiaries
ERS Trust Fund and LECOSRF	142,062, including 35,230 contributing to LECOSRF	134,909, including 25,511 contributing to LECOSRF	117,996, including 14,697 contributing to LECOSRF
Judicial Retirement System Plans 1 and 2 (combined)	574	187	775

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



\$2.76 billion: Amount paid to retirees and beneficiaries (all funds)

\$1,746 per month or \$20,957 per year: Average ERS Trust Fund annuity for FY20

Retirement Fund Contribution Rates

	Fiscal Year 2020	Fiscal Year 2021	
ERS	State	9.5%	9.5%
	Agency	0.5%	0.5%
	Employee	9.5%	9.5%
	Total	19.5%	19.5%
LECO*	State	0.5%	0.5%
	Employee	0.5%	0.5%
	Total	1.0%	1.0%
	Dedicated Revenue (Court Cost)**	\$17.1 million	\$17.1 million
JRS 2	State	15.663%	15.663%
	Employee***	9.5%	9.5%
	Total	25.163%	25.163%

*LECOSRF-eligible employees also contribute 0.5% of their pay to the LECOSRF. These employees receive about 80% of their retirement benefit from the ERS Fund. LECOSRF members receive additional benefits from the ERS Trust Fund that are not paid by the supplemental plan.

**LECOSRF receives a dedicated portion of criminal court cost revenue. In the past, this amount has been expressed as a percent of the payroll contribution rate. Going forward it is expected to decline as a percent of payroll and is excluded from these numbers.

***For JRS 2, this amount reflects the employee contribution of those members actively contributing. After 20 years of service (or reaching Rule of 70 and serving 12 years as an appellate court judge), JRS 2-eligible employees can either stop contributing or they can continue to contribute and earn additional service. Since not all members choose to do so, the effective contribution rate for FY21 is 9.42% and was 9.39% for FY20.



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

Retirement Fund Investments

About 60% of the annuity payments from the ERS Retirement Trust Fund (all funds collectively) come from investment earnings. For FY20 the Retirement Trust Fund earned \$1.88 billion from investment returns, net of all expenses and salaries. The Fund's investment portfolio was valued at \$29 billion as of August 31, 2020. The annual gross rate-of-return was 6.85% (6.82% net return).

ERS Investment Performance – Period ending August 31, 2020						
Period	30-Year	20-Year	10-Year	5-Year	3-Year	1-Year
Net Return*	NA	5.70%	8.12%	7.30%	6.42%	6.82%
Gross Return	7.84%	5.79%	8.22%	7.34%	6.46%	6.85%

*The actuarial assumed rate of return of 7.0% is based on net return.



ERS TRUST FUND

66.0%: Funded ratio | \$14.7 billion: Unfunded liability

2020 Experience Study

The ERS 2020 Actuarial Experience Study examined the factors that will impact ERS retirement plans over the long term, including economic and demographic assumptions and administrative expenses. Based on the study's findings, the ERS Board of Trustees adopted updated actuarial assumptions that lowered the assumed rate of investment returns from 7.5% to 7%. The lower rate increases the Fund's debt (unfunded liability) but aligns expected performance with realistic market projections.

Looking Ahead

In its current situation, the ERS Trust Fund is projected to run out in 2061. To pay annuities to retirees and some surviving dependents beyond 2061, the Fund will need increased contributions, reduced benefits for future retirees or both. If the Trust depletes, benefits will be paid from general revenue, significantly increasing the cost to the state.

TEXAS\$AVERSM

401(k) / 457 Program

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

Participation in the voluntary savings program grew by 12,506 participants, or 5.1%, in FY20. Almost 84% 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.

Texa\$aver 401(k) / 457 Program

\$3.92 billion in total assets (at August 31, 2020)			
401(k)*	401(k) Roth	457*	457 Roth
\$2.8 billion	\$62.1 million	\$1.1 billion	\$52.1 million
212,555 accounts	6,726 accounts	31,209 accounts	5,424 accounts
99,909 accounts contributing	3,800 accounts contributing	18,281 accounts contributing	2,969 accounts contributing

*Includes 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.

- **548,057:** Participants in all GBP health plans (215,209 employees, 121,211 retirees, 205,350 dependents, and 6,287 survivors and others)
- **\$934 million:** Participants' share of health care costs, including premium contributions, copays, coinsurance and deductibles
- **\$3.12 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.
- **88,079:** Number of participants (members and dependents) enrolled in ERS' Medicare Advantage health plans. This represents approximately 77% of the eligible Medicare population.
- **One in 53:** Proportion of Texans covered by GBP health insurance plans



New HealthSelect Medicare Advantage insurer Lowering the cost of high-value care

Following a competitive bidding process, ERS' Board of Trustees awarded the contract to insure the HealthSelectSM Medicare Advantage Plan preferred provider organization (MA PPO) to UnitedHealthcare® effective January 1, 2021. Plan participants will see little change in their medical and pharmacy benefits, and for certain services, the coverage is better. The new contract is expected to save the plan a projected \$320 million over six years.

TEXFLEX

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

- **46,681:** Number of health, dependent care, limited and commuter FSA accounts
- **\$69.9 million:** Amount contributed to TexFlex accounts by state employees

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

In FY20, pre-tax payments for health insurance premiums and to TexFlex FSAs resulted in estimated savings of:

- **\$130.5 million** in Federal Insurance Contributions Act (FICA) tax and federal income tax for participants and
- **\$44.1 million** in FICA taxes for the state.