



Legislative Appropriations Request for Fiscal Years 2022-2023

Submitted to the Office of the Governor,
Budget Division, and the Legislative Budget Board

By The Employees Retirement System of Texas – October, 2020

Mission

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



Philosophy

ERS prudently and professionally manages trust funds and benefit programs on behalf of its members. The benefits are an important part of the compensation of State of Texas employees, contributing to their financial security and well-being throughout their lives. We operate in an ethical, cost-effective manner, providing valuable and reliable service delivered by highly qualified staff.



Fiduciary Duty

ERS is a constitutional trust fund administered by the ERS Board of Trustees.

Article XVI, Section 67 of the Texas Constitution and Section 815 .103 of the Texas Government Code provide that the ERS Board of Trustees is the trustee of all ERS assets. ERS' operations are held to a fiduciary duty standard to ensure that the actions and activities of the Board of Trustees, the agency and its employees are conducted in a manner consistent with the protections, preservation, and best interest of the trust and trust's beneficiaries.



Legislative Appropriations Request

for Fiscal Years 2022 and 2023

Submitted to the
Office of the Governor, Budget Division,
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by

Employees Retirement System of Texas

October, 2020



EMPLOYEES RETIREMENT SYSTEM OF TEXAS
LEGISLATIVE APPROPRIATIONS REQUEST FOR FISCAL YEARS 2022 AND 2023

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CERTIFICATE

Agency Name: Employees Retirement System of Texas

This is to certify that the information contained in the agency Legislative Appropriations Request filed with the Legislative Budget Board (LBB) and the Governor's Office of Budget, Planning and Policy (GOBPP) is accurate to the best of my knowledge and that the electronic submission to the LBB via the Automated Budget and Evaluation System of Texas (ABEST) and the PDF file submitted via the LBB Document Submission application are identical.

Additionally, should it become likely at any time that unexpended balances will accrue for any account, the LBB and the GOBPP will be notified in writing in accordance with Article IX, Section 7.01 (2012-13 GAA).

Chief Executive Office or Presiding Judge

Leith Wilson

Signature

Porter Wilson

Printed Name

Chief Executive Officer

Title

October 9, 2020

Date

Chief Financial Officer

Machelle Pharr

Signature

Machelle Pharr

Printed Name

Chief Financial Officer

Title

October 9, 2020

Date

Board or Commission Chair

A. Craig Hester

Signature

I. Craig Hester

Printed Name

Chair

Title

October 9, 2020

Date



Administrator's Statement

10/9/2020 4:31:57PM

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Mr. Jerry McGinty, Director
Legislative Budget Board

Ms. Sarah Hicks, Senior Advisor and Budget Director
Governor's Office

Thank you for your consideration of the Legislative Appropriations Request (LAR) for the Employees Retirement System of Texas (ERS). This request represents the funding necessary to provide retirement and insurance benefits to State of Texas employees, retirees and eligible family members. These benefits support the state's goal of recruiting and retaining the high-quality workforce necessary to continue providing effective and efficient state government services to the people of Texas. These critical state programs provide a secure retirement benefit for more than 115,000 retired Texans and their beneficiaries and operate health insurance plans that covers more than 540,000 people – one of every 52 Texans. The benefits ERS administers enhance the lives and livelihoods of countless Texans and bolster the state economy. The \$2.65 billion in annual pension payments reinvested into local communities and medical claim payments delivered to Texas doctors, hospitals and pharmacies have a significant positive financial impact on the state's economy.

ERS is a constitutional trust fund administered by the ERS Board of Trustees. ERS' operations are held to a fiduciary duty standard to ensure that the actions and activities of the Board of Trustees, the agency and its employees are conducted in a manner consistent with the protection, preservation and best interest of the trust's beneficiaries. To comply with that duty, this request presents a plan to:

- Return the state's retirement plans to actuarial soundness. The state sponsors service retirement for state employees, elected state officials and district attorneys (ERS), retirement for state district and appellate judges (JRS 1 and 2), and a supplemental retirement plan for law enforcement and custodial officers (LECOSRF).
- Fund occupational and non-occupational disability retirement benefits – that are included in each retirement plan.
- Fund two death benefit programs: a \$5,000 lump-sum death benefit paid to survivors of state retirees and a \$509,050 special death benefit paid to the survivors of certain Texas public safety officers killed in the line of duty.
- Fund two insurance benefits: health insurance and basic life insurance, offered to both employees and retirees.

Accomplishments

As of August 31, 2020, ERS serves 548,667 employees, retirees and dependents participating in the Texas Employees Group Benefits Program (GBP), 142,808 employees contributing to pension accounts, and 115,086 retirees and beneficiaries receiving pension annuities. State benefit programs support state agencies and public institutions of higher education, other than the University of Texas and Texas A&M University systems. Texas relies on a diverse and highly-qualified workforce including judges, law enforcement officers, highway engineers and Child Protective Services caseworkers. State benefits serve a key role in recruiting and retaining this workforce which is critical to the safety, health and well-being of all Texans. A recent ERS survey showed that 8 of ten state employees say that the benefits are a key reason they stay in their job.

ERS continually reviews and actively invests Trust fund assets to achieve the highest risk-adjusted return possible within prevailing market conditions. In early 2020, the ERS Board of Trustees performed the statutorily required experience study. The study evaluates recent economic and demographic experience to determine the proper assumptions the system should use for the annual actuarial valuation. The Board also reviewed the investment asset allocation for the ERS Trust Fund to ensure the Trust is invested in order to maximize returns while limiting exposure to market downturns. The Trust must maintain sufficient liquidity to pay monthly annuity payments,

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since monthly contributions are significantly less than monthly payments. Based on recommendations from the system's professional investment consultant and actuary, the Board reduced the assumed investment rate of return to 7.0% from 7.5%. The 7.0% return rate of assumption was used to prepare this request.

ERS has continued to improve the quality of employee health benefits while maintaining lower-than-average costs. During FY20, ERS pivoted to address concerns related to COVID-19, temporarily waiving member cost share for all in-network medical and mental health telemedicine services to ensure social distancing was not a barrier to important, ongoing services. ERS continued to engage in aggressive contracting practices, monitoring cost management opportunities, identifying and addressing emerging cost drivers, encouraging healthy behaviors by health plan participants and diligently maintaining low administrative costs – all with a commitment to quality healthcare. ERS has achieved savings through regular solicitation of third party administrator contracts for healthcare and pharmacy benefits, encouragement of member use of virtual visits, and adjustments to member copay and provider reimbursement for freestanding emergency rooms.

The GBP has seen a direct impact due to COVID-19. More than 12,588 COVID confirmed cases were reported in HealthSelect of Texas (the self-funded health insurance plan) based on paid claims as of October 6, 2020. While the long term effects remain unknown, the immediate net impact has been a reduction in plan costs since many people have not sought medical care as a result of the pandemic. ERS actuaries project that some of these costs have simply been deferred but it's too early to determine the impact on long-term plan costs. Utilization will most certainly pick up as elective surgical procedures and routine medical visits resume. The long term costs of treating COVID are not yet known.

Appropriations Request for the Retirement Program

The current number of active employees in the ERS pension plan is 142,808. This is about equal to the number of active state employees employed by Texas in the early 1990's, despite the population growth of Texas. As the Legislature has determined to maintain a lean workforce, it becomes more crucial to ensure that the workforce is efficient, skilled and experienced. When a lean workforce suffers from high turnover, the gaps in service become easily apparent.

Texas begins funding an employee's retirement benefit as soon as the worker enters the system, with contributions from both the employer and the employee. Funding continues throughout an employee's working career. The cost to provide the employee retirement benefits is called the normal cost. 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, investment earnings, and other assumptions match expectations. As of the last completed valuation (adjusted for the 2020 Experience Study changes), the current normal cost rate for the ERS Employee Retirement Plan is 14.24%.

Contributions to the Trust from the state and the employee have increased over time but have not been at the actuarially sound rate for most of the last two decades. The projected actuarially sound contribution (ASC) rate for the ERS Employee Retirement Plan is 26.02% for FY22 and FY23. The state currently contributes 9.5% of gross payroll, agencies contribute 0.5% and employees contribute 9.5% of their salary, resulting in a total contribution of 19.5%. Currently, an additional contribution of 6.52% is required to fund the ERS retirement plan at the statutorily defined ASC rate.

There are numerous metrics available to evaluate the health of a pension plan. When a plan has more liabilities than assets, the funding period (the number of years to pay off unfunded liabilities) is one of the most important metrics. It shows where a plan is headed. By contrast, the funded ratio shows where a plan has been. Currently, the funding period for all three of the pension plans administered by ERS on behalf of the state are on a path to total fund depletion.

"The current financial outlook for ERS is very poor. It is important to understand that the currently scheduled contributions are not expected to accumulate sufficient

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assets in order to pay all of the currently scheduled benefits when due. Based on current expectations and assumptions, ERS is projected to remain solvent until the year 2075. However based on volatility in the financial markets, there is a strong possibility that ERS will become insolvent in a 30 to 40 year timeframe which is within the current generation of members. Contributions must materially increase in the next legislative session to secure the benefits for current members."

Gabriel Roeder Smith & Company, 8/31/2019 ERS Actuarial Valuation

Each year that the funding situation is not addressed depletes the fund sooner and increases costs, since return on investments pays most of the benefits. The cost to the state when the fund depletes is at least four times the cost of pre-funding the benefits.

The ERS Board of Trustees approved the ERS Pension Funding Priorities and Guidelines policy, as required by statute, which seeks to balance five main objectives:

- 100% payment of vested benefits,
- contribution stability and sound financing of benefits,
- intergenerational equity and responsibility,
- workforce parity, and
- quality of benefit.

The policy lays out positions for which the ERS Board is responsible, such as selection of the cost and smoothing methods. It also lays out key policy goals for the Texas Legislature as the plan sponsor:

Funding Period Goal for Unfunded Liabilities – Texas Constitution, Article XVI, Section 67 (a)(1) states "Financing of benefits must be based on sound actuarial principles." The ERS Pension Funding Priorities and Guidelines policy lays out a multilevel goal for the Legislature to achieve the requirement of that provision:

- 1) Cover the normal cost.
- 2) Avoid trust fund depletion.
- 3) Meet the current statutory standard (open 31-year amortization).
- 4) Match the funding period to an additional standard aligned with plan experience.

Of these objectives, only the first, Cover the normal cost, is currently met by the existing funding strategy for the ERS and JRS 2 Plans. None of the objectives are met for LECOSRF Plan.

Baseline Request for the Retirement Program

Employee and Elected Class Retirement Plan: \$974.12 million GR/GRD (\$1.35 billion All Funds)

The baseline assumes a continued state contribution of 9.5% per year. The member contribution is assumed at 9.5% in both FY22 and FY23. The agency contribution of 0.5%, instituted in FY14, is assumed to continue. This baseline request (total contribution rates of 19.5% for both years) exceeds the current normal cost of 14.24%; however, it does not cover the actuarially sound contribution (ASC) rate of 26.02% and is not sufficient to amortize the unfunded actuarial accrued liability (UAAL) over a measurable period, as required in statute.

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ECOSRF Plan: \$17.28 million GR/GRD (\$17.39 million All Funds)

The baseline assumes a state contribution of 0.5%, a member contribution of 0.5%, and approximately \$17.1 million in court fees collected under Section 133.102 of the Local Government code. This baseline request (totaling 1.00% of payroll) is lower than the current normal cost of 1.96% and the projected ASC of 3.51% for FY22 and FY23 and is not sufficient to amortize the UAAL over a measurable period. During FY20, ERS received \$13.5 million in court fees. ERS was advised the reduction was due to a down turn in court filings as a result of the COVID-19 pandemic. However, court filings are expected to resume to normal levels during FY21.

Judicial Retirement System Plan 1 (JRS 1): \$38.9 million GR/GRD

JRS 1 is a closed, pay-as-you go plan for justices assuming the bench prior to September 1, 1985. In a pay as you go plan, contributions must equal current benefit payments. Unlike the three pre-funded pension plans administered by ERS, in which approximately 60% of the benefit payments are from return on investments, JRS 1 annuities are paid almost entirely by general revenue. As you can see from the request, pay as you go plans cost more than pre-funded plans.

Judicial Retirement System Plan 2 (JRS 2): \$20.12 million GR/GRD (\$28.49 million All Funds)

The baseline assumes a state contribution of 15.663% and a member contribution of 9.5%. This baseline request is higher than the current normal cost of 24.66% but is lower than the ASC of 31.84%. The vast majority of the total contribution for JRS 2 goes toward the normal cost for current members, and only a small portion of the total contribution goes toward eliminating the UAAL. As a result, small deviations from both demographic and economic assumptions can have a notable impact on the projected solvency of JRS 2.

Financial Assistance to Survivors of Certain Law Enforcement Officers and Fire Fighters: \$27.57 million GR/GRD

In addition to other line-of-duty death benefit applications and payments paid under Government Code, Chapter 615, ERS has also received a significant number of requests for applications for line-of-duty death benefits related to COVID-19. Chapter 615 benefits are not paid from ERS trust funds. They are listed in the General Appropriations Act as an estimated appropriation and paid directly from GR/GRD. The full long-term impact of these requests to state appropriations is not known at this time.

The baseline assumes benefit funding at the FY21 appropriated level. This is an estimated appropriation and actual expenditures fluctuate annually. ERS has been advised that the court fees that support this program have also declined during FY20 due to the COVID-19 pandemic but are expected to return to normal levels during FY 21. If court fees are unavailable, assistance to survivors will be paid entirely from General Revenue.

Retiree Death Benefit: \$ 27.5 million GR/GRD

The baseline assumes lump-sum benefit funding at the FY21 appropriated level.

Exceptional Item Requests for the Retirement Program

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Actuarially Sound Contribution for ERS Retirement Plan: \$668.12 million GR/GRD (\$924.22 million All Funds)

Texas Government Code, Sec. 811.006 requires the legislature to fund pension benefits at an actuarially sound contribution rate (ASC). The projected ASC rate is 26.02% for FY22 and FY23, comprising the normal cost of 14.10% for FY22 and 14.04% for FY 23 plus the additional contributions needed to erase the unfunded liability over 31 years.

The system first reported an unfunded liability in FY03 following years of contribution rates reduced to the constitutional minimum and failing to cover the normal cost of the plan. The cost of early retirement incentives and two years of negative investment returns, related to the technology bubble of the early 2000 's, also contributed to the development of the unfunded liability. The unfunded liability grew from \$500 million as of August 31, 2003 to \$ 11.7 billion as of August 31, 2019 – in part due to underperforming financial markets, but also because the fund continued to receive stagnant contributions which did not react to negative experience. Demographic and actuarial assumption changes resulting from increased retirement rates have also played a role in the liability calculations. To reform the benefits, the 81st and 83rd Legislatures (2009 and 2013) passed legislation adjusting retirement benefits that has resulted in lowered normal costs for the plan. The 84th Legislature increased both member and state contributions. These actions improved the fund's status, but additional funding reform is required to reach statutory solvency requirements.

Actuarially Sound Contribution for LECOSRF Plan: \$86.7 million GR/GRD (\$87.3 million All Funds)

This request provides the full ASC rate as defined in Sec. 811.006 of the Texas Government Code. The current LECOSRF ASC rate is 3.51 % for FY22 and FY23, requiring an employer contribution of 3.01% for FY22 and FY23, in addition to the member contribution of 0.5% and continuation of the court fees.

Actuarially Sound Contribution for Judicial Retirement Plan 2: \$10.7 million GR/GRD (\$15.2 million All Funds)

This request provides the full ASC rate as defined in Sec. 840.106 of the Texas Government Code. The current JRS 2 ASC rate is 31.84%, requiring a total employer contribution of 22.34% in addition to the member contribution of 9.50%.

Both the normal cost and the ASC rates for each plan will change based on the fiscal year end actuarial valuations for FY20. The projected normal costs and ASC rates presented here are as of August 31, 2019, updated to reflect the 2020 experience study approved assumptions and an estimated net investment return of 6.82% for FY 20. ERS will conduct an actuarial valuation as of August 31, 2020 and those updated numbers will be available December 2020.

Appropriations Request for the Group Benefits Program (Health Coverage)

National health care costs continue to rise faster than average income levels and the overall rate of inflation. The major factors contributing to cost increases are: general increases in the price and utilization of medical care services; the development of expensive new technologies and medical procedures; a rise in chronic diseases due in part to an aging population and the escalating obesity epidemic; and increases in both the cost and use of pharmaceuticals, particularly specialty drugs.

HealthSelect of Texas® combined medical and pharmacy plan costs increased 6.2% through the first half of Plan Year 2020. While lower than the original projected cost trend of 7.3%, this is well within the normal year-to-year variance in costs. Beginning in March, medical utilization dropped sharply with the impact of the COVID-19 pandemic, while pharmacy trend increased significantly in the same month as many members stock piled medications. Both medical and pharmacy trend returned to

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expected levels during the summer months.

While many factors associated with recent health care cost increases are beyond ERS' control, the agency has successfully kept administrative costs low, allowing more funding to flow into direct health care services. ERS continues to put downward pressure on direct medical expenses through careful utilization management, prepayment claims auditing, participant cost sharing, improved coordination of benefits, and other cost management tools, including rebidding the third-party administrator contracts for our medical and prescription drug plans. For example, ERS was able to significantly lower HealthSelect Medicare Advantage Plan preferred provider organization (MA PPO) contribution rates through aggressive contract negotiation. The Calendar Year (CY) 2021 HealthSelect Medicare Advantage contribution rates reflect a 41% decrease when compared to the CY20 contribution rates due to the new MA PPO contract and the federal repeal of the Health Insurance Provider (HIP) fee, which offsets the projected increase in prescription drug costs.

ERS continuously evaluates opportunities to engage value-added, low-cost features within the plans. While most health services experienced a delay in utilization due to COVID-19, expanded availability of virtual visits and provider-platform telemedicine resulted in an increase in those services within the HealthSelect population. The expanded virtual visits program and provider-platform telemedicine increased member access to medical services during a time that health was a foremost concern for most people. ERS extended mental health services access by activating mental health virtual office visits for HealthSelect participants across the nation beginning in fall 2018. In order to continue to improve access to mental health services, ERS moved these services from a carve-out solution with Magellan to a network solution in which Blue Cross and Blue Shield of Texas, the third-party administrator of the HealthSelect of Texas plans, directly contracts with mental health providers. As a result, the number of mental health providers available to HealthSelect participants more than doubled from FY20 to FY21.

Baseline Request for the Group Benefits Program: \$2.74 billion GR/GRD; \$4.1 billion All Funds

As a result of aggressive contracting practices, continual monitoring of cost management opportunities, identifying and addressing cost drivers, value-based initiatives, and diligent maintenance of low administrative costs, ERS projects that FY21 baseline funding will be sufficient to cover projected health benefit costs in each year of the FY22-23 biennium. The projections for the FY22-23 biennium are based on an estimated average net health plan benefit cost trend of 7.1% per year and estimated average GBP cost trend of 6.9% per year and assume no enrollment growth.

Agency Authority and Policy on Criminal Background Checks

In accordance with Texas Government Code, Chapter 411.1402, ERS may obtain criminal history record information maintained by the Texas Department of Public Safety (DPS), the Federal Bureau of Investigation, or another law enforcement agency for all job applicants, consultants and contractors, and the agency may use the information to evaluate an applicant for employment. All ERS job postings will state that the agency conducts a criminal history check on the primary and secondary candidate(s) recommended for the position. Criminal history checks may also be conducted on current or former employees when circumstances necessitate such checks. Only the Executive Director or designee may approve a request for a criminal history check on current or former employees.

ERS will conduct an FBI fingerprint check on all applicants, including internal candidates, selected to fill "covered person" positions. Covered persons are defined in the ERS Investments Policy as all ERS Investments staff, Investment Accounting staff, the Investment Compliance Auditor, the Deputy Executive Directors and Executive Director.

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A conviction is not an automatic cause for an adverse personnel action. However, failure to report a conviction may result in corrective action up to and including termination of employment. ERS will review all criminal convictions individually and in relationship to the position being sought.

Centralized Payroll and Personnel System

ERS is scheduled to transition to the Centralized Payroll and Personnel System – Human Resources in FY21.

Conclusion

ERS is proud of its role in supporting the employees of state agencies and institutions of higher education, the dynamic Texas economic engine, and the core missions of the state. We look forward to working with the 87th Legislature to determine how the state’s benefit programs can continue to best meet the needs of the state, active employees, retirees, agency employers, and Texas citizens.

Sincerely,

Porter Wilson,
Executive Director

ERS Board of Trustees

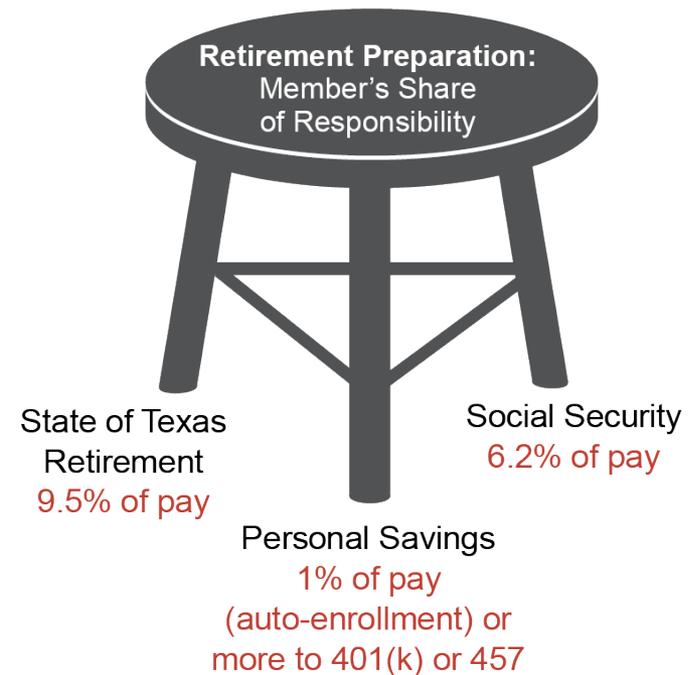
Board Members	Dates of Terms		Hometowns
I. Craig Hester, Chair	September 1, 2015	August 31, 2021	Austin, Texas
Catherine A. Melvin, Vice-Chair	September 1, 2017	August 31, 2013	Austin, Texas
Brian Barth	September 1, 2019	August 31, 2025	Austin, Texas
Ilesa Daniels	September 1, 2015	August 31, 2021	Houston, Texas
James Kee, Ph.D	September 1, 2020	August 31, 2026	San Antonio, Texas

Employees Have Diversified Retirement Pension, Social Security and Personal Savings



- Four state plans
 - Three pre-funded, open plans
 - One closed, pay-as-you-go plan (JRS1)
- All state employees participate in both state pension and Social Security
- Texa\$aver 401(k)/457 plans
 - Automatic 401(k) enrollment with opt-out
 - 70% of those auto enrolled remain in plan
 - Among eligible employees:
 - 60% of eligible contribute to 401(k)
 - 7% of eligible contribute to 457

ERS Plan Retirees receive an average monthly benefit of \$1,720

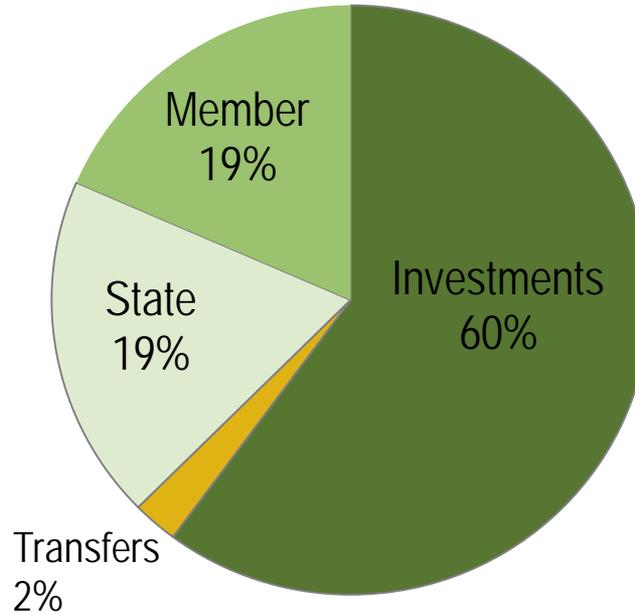


Investment Returns Pay Majority of Benefits

ERS is a Long-term Investor



ERS Retirement Trust Assets by Revenue Source, FY 1998-2020



ERS Investment Performance (period ending August 31, 2020)

Period	30-Year	20-Year	10-Year	5-Year	3-Year	1-Year
Net Return*	Unknown**	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.

**Not available due to custodian data transfer issue. 30-year net will first be available beginning FY 2027.

Plans Funding Status



- Based on current contributions and assumptions, **all funds are projected to run out of money.**
- When pension funds deplete, the plans convert to pay-as-you-go status making annual benefit costs significantly more expensive for the state. At the time the funds run out of money, the cost to the state for the ERS plan would be 4x more.

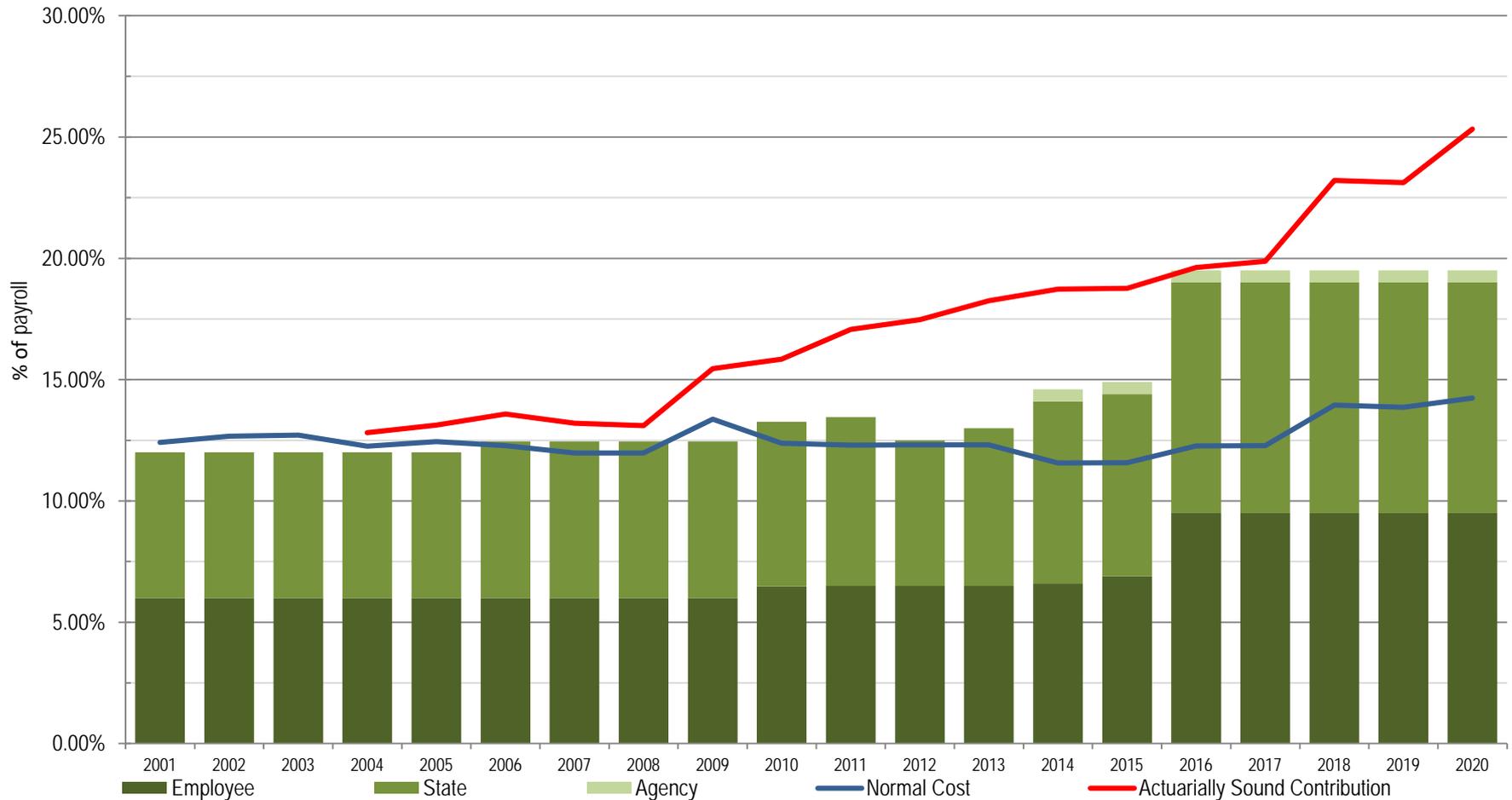
Actuarial Valuation Results as of August 31, 2019*			
	ERS	LECOSRF	JRS 2
Actuarial Accrued Liability	\$41.7 B	\$1.5 B	\$558 M
Actuarial Value of Assets	\$28.1 B	\$968 M	\$468 M
Unfunded Accrued Liability	\$13.6 B	\$584 M	\$90 M
Funded Ratio	67.3%	62.4%	83.8%
Funding Period (Years)	Never	Never	Never
Projected Depletion Date	2061	2041	2063

*Updated for 2020 Experience Study.

"The current financial outlook for ERS is very poor. It is important to understand that the currently scheduled contributions are not expected to accumulate sufficient assets in order to pay all of the currently scheduled benefits when due."

- Gabriel Roeder Smith & Company Consulting Actuaries

Contributions have increased over time, but have not met the actuarially sound rate



**Updated for 2020 Experience Study.*



Board of Trustees



I. Craig Hester
Chair



Catherine Melvin
Vice-Chair



Brian Barth



Ilesa Daniels



Dr. James Kee

Consulting Actuary

Investment Advisory Committee



Porter Wilson
Executive Director
FTEs: 7



Anthony Chavez
Director of Internal Audit
FTEs: 6

Medical Board



Diana Kongevick
Director of Group Benefits
FTEs: 17



Charles Tull
Chief Investments Officer
FTEs: 79



Cathy Terrell
Deputy Executive Director
FTEs: 9



Jennifer Chambers *Director of Government Relations*
FTEs: 1



Paula A. Jones
Deputy Executive Director & General Counsel
FTEs: 20



William S. Nail
Special Advisor

Office of the General Counsel



Gabrielle Schreiber
Director of Procurement & Contract Oversight
FTEs: 18



Kathryn Tesar
Director of Benefits Communications
FTEs: 11



Robin Hardaway
Director of Customer Benefits
FTEs: 105



Bernie Hajovsky
Director of Enterprise Planning Office
FTEs: 9



Machel Pharr
Chief Financial Officer
FTEs: 34



DeeDee Sterns
Director of Human Resources
FTEs: 6



Chuck Turner
Chief Information Officer
FTEs: 73



Keith Yawn
Director of Strategic Initiatives
FTEs: 3



Wendy McAdams
Director of Operations Support
FTEs: 17



Budget Overview - Biennial Amounts
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Appropriation Years: 2022-23

	GENERAL REVENUE FUNDS		GR DEDICATED		FEDERAL FUNDS		OTHER FUNDS		ALL FUNDS		EXCEPTIONAL ITEM FUNDS
	2020-21	2022-23	2020-21	2022-23	2020-21	2022-23	2020-21	2022-23	2020-21	2022-23	2022-23
	Goal: 1. Administer Comprehensive and Actuarially Sound Retirement Programs										
1.1.1. ERS Retirement Program	915,705,379	919,435,594	54,359,784	54,681,314	228,162,507	228,987,836	143,580,341	144,398,562	1,341,808,011	1,347,503,306	924,224,728
1.1.2. LECOS Retirement Program	16,635,827	16,893,016	378,294	384,142	109,147	110,834			17,123,268	17,387,992	87,287,720
1.1.3. Judicial Retirement System - Plan 2	20,064,903	20,123,384					8,393,500	8,363,164	28,458,403	28,486,548	15,190,825
1.1.4. Judicial Retirement System - Plan 1	39,477,751	38,929,520							39,477,751	38,929,520	
1.1.5. Public Safety Death Benefits	19,723,273	19,179,968	8,946,324	8,392,648					28,669,597	27,572,616	
1.1.6. Retiree Death Benefits	28,788,215	27,500,000							28,788,215	27,500,000	
Total, Goal	1,040,395,348	1,042,061,482	63,684,402	63,458,104	228,271,654	229,098,670	151,973,841	152,761,726	1,484,325,245	1,487,379,982	1,026,703,273
Goal: 2. Provide Employees and Retirees with Quality Group Benefits											
2.1.1. Group Benefits Program	2,677,709,359	2,743,642,932	151,907,338	155,935,900	662,571,063	678,751,300	467,830,517	481,079,718	3,960,018,277	4,059,409,850	
2.1.2. Probation Health Insurance	143,284,226	144,516,432							143,284,226	144,516,432	
Total, Goal	2,820,993,585	2,888,159,364	151,907,338	155,935,900	662,571,063	678,751,300	467,830,517	481,079,718	4,103,302,503	4,203,926,282	
Total, Agency	3,861,388,933	3,930,220,846	215,591,740	219,394,004	890,842,717	907,849,970	619,804,358	633,841,444	5,587,627,748	5,691,306,264	1,026,703,273
Total FTEs									408.5	415.0	0.0

2.A. Summary of Base Request by Strategy

10/9/2020 4:32:00PM

87th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

Goal / Objective / STRATEGY	Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
1 Administer Comprehensive and Actuarially Sound Retirement Programs					
1 Ensure Actuarially Sound Retirement Programs					
1 ERS RETIREMENT PROGRAM	651,239,061	668,056,358	673,751,653	673,751,653	673,751,653
2 LECOS RETIREMENT PROGRAM	8,413,036	8,429,272	8,693,996	8,693,996	8,693,996
3 JUDICIAL RETIREMENT SYSTEM - PLAN 2	13,092,953	14,215,129	14,243,274	14,243,274	14,243,274
4 JUDICIAL RETIREMENT SYSTEM - PLAN 1	21,478,949	20,012,991	19,464,760	19,464,760	19,464,760
5 PUBLIC SAFETY DEATH BENEFITS	9,831,046	14,883,289	13,786,308	13,786,308	13,786,308
6 RETIREE DEATH BENEFITS	9,829,326	15,038,215	13,750,000	13,750,000	13,750,000
TOTAL, GOAL 1	\$713,884,371	\$740,635,254	\$743,689,991	\$743,689,991	\$743,689,991
2 Provide Employees and Retirees with Quality Group Benefits					
1 Manage GBP for State and Higher Education Employees					
1 GROUP BENEFITS PROGRAM	1,914,202,702	1,930,313,352	2,029,704,925	2,029,704,925	2,029,704,925
2 PROBATION HEALTH INSURANCE	69,818,217	71,026,010	72,258,216	72,258,216	72,258,216

2.A. Summary of Base Request by Strategy

10/9/2020 4:32:00PM

87th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

Goal / Objective / STRATEGY	Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
TOTAL, GOAL 2	\$1,984,020,919	\$2,001,339,362	\$2,101,963,141	\$2,101,963,141	\$2,101,963,141
TOTAL, AGENCY STRATEGY REQUEST	\$2,697,905,290	\$2,741,974,616	\$2,845,653,132	\$2,845,653,132	\$2,845,653,132
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				\$0	\$0
GRAND TOTAL, AGENCY REQUEST	\$2,697,905,290	\$2,741,974,616	\$2,845,653,132	\$2,845,653,132	\$2,845,653,132

2.A. Summary of Base Request by Strategy

10/9/2020 4:32:00PM

87th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

Goal / Objective / STRATEGY	Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
<u>METHOD OF FINANCING:</u>					
General Revenue Funds:					
1 General Revenue Fund	1,913,084,530	1,896,278,510	1,965,110,423	1,965,110,423	1,965,110,423
SUBTOTAL	\$1,913,084,530	\$1,896,278,510	\$1,965,110,423	\$1,965,110,423	\$1,965,110,423
General Revenue Dedicated Funds:					
994 GR Dedicated Accounts	108,455,050	105,894,738	109,697,002	109,697,002	109,697,002
SUBTOTAL	\$108,455,050	\$105,894,738	\$109,697,002	\$109,697,002	\$109,697,002
Federal Funds:					
555 Federal Funds	380,403,056	436,917,732	453,924,985	453,924,985	453,924,985
SUBTOTAL	\$380,403,056	\$436,917,732	\$453,924,985	\$453,924,985	\$453,924,985
Other Funds:					
6 State Highway Fund	277,606,258	274,325,232	287,529,255	287,529,255	287,529,255
573 Judicial Fund	4,984,487	4,211,918	4,181,582	4,181,582	4,181,582
998 Other Special State Funds	13,371,909	24,346,486	25,209,885	25,209,885	25,209,885
SUBTOTAL	\$295,962,654	\$302,883,636	\$316,920,722	\$316,920,722	\$316,920,722
TOTAL, METHOD OF FINANCING	\$2,697,905,290	\$2,741,974,616	\$2,845,653,132	\$2,845,653,132	\$2,845,653,132

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

2.B. Summary of Base Request by Method of Finance
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

10/9/2020 4:32:00PM

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

METHOD OF FINANCING	Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
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GENERAL REVENUE

1 General Revenue Fund

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2018-19 GAA)

\$2,000,400,665	\$0	\$0	\$0	\$0
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Regular Appropriations from MOF Table (2020-21 GAA)

\$0	\$1,937,375,293	\$1,959,750,113	\$0	\$0
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Estimated Appropriation Revision (2018-19 GAA)

\$2,962,878	\$0	\$0	\$0	\$0
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Estimated Appropriation Revision

\$0	\$1,903,567	\$0	\$0	\$0
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Regular Appropriations

\$0	\$0	\$0	\$1,965,110,423	\$1,965,110,423
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RIDER APPROPRIATION

S.B.11, 85th Leg. Regular Session, Art. II rider 33,(2018-19 GAA)

\$(5,203,465)	\$0	\$0	\$0	\$0
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2.B. Summary of Base Request by Method of Finance
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

10/9/2020 4:32:00PM

Agency code: 327		Agency name: Employees Retirement System				
METHOD OF FINANCING		Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
<u>GENERAL REVENUE</u>						
Art IX, Sec 18.25 Judicial Plan Two Compensation and Compensation of certain prosecutors and other members of the elected class(2020-2021 GAA)						
		\$0	\$1,877,857	\$2,053,628	\$0	\$0
Art IX, Sec 18.57 Relating to consumer protections against certain medical and health care billing by certain out-of-network providers (2020-2021 GAA)						
		\$0	\$3,045,683	\$4,824,187	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>						
Lapsed Appropriations (2018-19 GAA)						
		\$(85,075,548)	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2020-21 GAA)						
		\$0	\$(47,923,890)	\$(1,517,505)	\$0	\$0
TOTAL,	General Revenue Fund	\$1,913,084,530	\$1,896,278,510	\$1,965,110,423	\$1,965,110,423	\$1,965,110,423
TOTAL, ALL	GENERAL REVENUE	\$1,913,084,530	\$1,896,278,510	\$1,965,110,423	\$1,965,110,423	\$1,965,110,423

GENERAL REVENUE FUND - DEDICATED

2.B. Summary of Base Request by Method of Finance
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

10/9/2020 4:32:00PM

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

METHOD OF FINANCING	Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
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GENERAL REVENUE FUND - DEDICATED

994 General Revenue Dedicated Accounts

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2018-19 GAA)

\$114,505,820	\$0	\$0	\$0	\$0
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Regular Appropriations from MOF Table (2020-21 GAA)

\$0	\$107,779,074	\$109,428,625	\$0	\$0
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Estimated Appropriation Revision

\$0	\$553,676	\$0	\$0	\$0
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Regular Appropriations

\$0	\$0	\$0	\$109,697,002	\$109,697,002
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RIDER APPROPRIATION

Art IX, Sec 18.57 Relating to consumer protections against certain medical and health care billing by certain out-of-network providers (2020-2021 GAA)

\$0	\$169,436	\$268,377	\$0	\$0
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LAPSED APPROPRIATIONS

2.B. Summary of Base Request by Method of Finance
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

10/9/2020 4:32:00PM

Agency code: 327		Agency name: Employees Retirement System				
METHOD OF FINANCING		Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
<u>GENERAL REVENUE FUND - DEDICATED</u>						
	Lapsed Appropriations (2018-19 GAA)	\$ (6,050,770)	\$ 0	\$ 0	\$ 0	\$ 0
	Regular Appropriations from MOF Table (2020-21 GAA)	\$ 0	\$ (2,607,448)	\$ 0	\$ 0	\$ 0
TOTAL,	General Revenue Dedicated Accounts	\$108,455,050	\$105,894,738	\$109,697,002	\$109,697,002	\$109,697,002
TOTAL, ALL	GENERAL REVENUE FUND - DEDICATED	\$108,455,050	\$105,894,738	\$109,697,002	\$109,697,002	\$109,697,002
TOTAL,	GR & GR-DEDICATED FUNDS	\$2,021,539,580	\$2,002,173,248	\$2,074,807,425	\$2,074,807,425	\$2,074,807,425

FEDERAL FUNDS

555 Federal Funds

REGULAR APPROPRIATIONS

	Regular Appropriations from MOF Table (2018-19 GAA)	\$398,000,330	\$ 0	\$ 0	\$ 0	\$ 0
	Regular Appropriations from MOF Table (2020-21 GAA)	\$ 0	\$447,496,877	\$452,731,603	\$ 0	\$ 0

2.B. Summary of Base Request by Method of Finance
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

10/9/2020 4:32:00PM

Agency code: 327	Agency name: Employees Retirement System				
METHOD OF FINANCING	Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
<u>FEDERAL FUNDS</u>					
Estimated Appropriation Revision	\$0	\$0	\$0	\$0	\$0
Regular Appropriations	\$0	\$0	\$0	\$453,924,985	\$453,924,985
<i>RIDER APPROPRIATION</i>					
S.B.11, 85th Leg. Regular Session, Art. II rider 33,(2018-19 GAA)	\$(578,163)	\$0	\$0	\$0	\$0
Art IX, Sec 18.25 Judicial Plan Two Compensation and Compensation of certain prosecutors and other members of the elected class(2020-2021 GAA)	\$0	\$33,682	\$33,682	\$0	\$0
Art IX, Sec 18.57 Relating to consumer protections against certain medical and health care billing by certain out-of-network providers (2020-2021 GAA)	\$0	\$732,161	\$1,159,700	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>					
Lapsed Appropriations (2018-19 GAA)	\$(17,019,111)	\$0	\$0	\$0	\$0

2.B. Summary of Base Request by Method of Finance
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

10/9/2020 4:32:00PM

Agency code: 327	Agency name: Employees Retirement System				
METHOD OF FINANCING	Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
<u>FEDERAL FUNDS</u>					
Regular Appropriations from MOF Table (2020-21 GAA)	\$0	\$(11,344,988)	\$0	\$0	\$0
TOTAL, Federal Funds	\$380,403,056	\$436,917,732	\$453,924,985	\$453,924,985	\$453,924,985
TOTAL, ALL FEDERAL FUNDS	\$380,403,056	\$436,917,732	\$453,924,985	\$453,924,985	\$453,924,985

OTHER FUNDS

6 State Highway Fund No. 006
REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2018-19 GAA)	\$290,573,999	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2020-21 GAA)	\$0	\$281,189,498	\$286,763,702	\$0	\$0
Estimated Appropriation Revision	\$0	\$0	\$0	\$0	\$0

2.B. Summary of Base Request by Method of Finance
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

10/9/2020 4:32:00PM

Agency code: 327		Agency name: Employees Retirement System				
METHOD OF FINANCING		Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
<u>OTHER FUNDS</u>						
Regular Appropriations		\$0	\$0	\$0	\$287,529,255	\$287,529,255
<i>RIDER APPROPRIATION</i>						
Art IX, Sec 18.57 Relating to consumer protections against certain medical and health care billing by certain out-of-network providers (2020-2021 GAA)		\$0	\$483,321	\$765,553	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>						
Lapsed Appropriations (2018-19 GAA)		\$(12,967,741)	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2020-21 GAA)		\$0	\$(7,347,587)	\$0	\$0	\$0
TOTAL,	State Highway Fund No. 006	\$277,606,258	\$274,325,232	\$287,529,255	\$287,529,255	\$287,529,255
<u>573</u>	Judicial Fund No. 573	<i>REGULAR APPROPRIATIONS</i>				
Regular Appropriations from MOF Table (2018-19 GAA)		\$4,718,067	\$0	\$0	\$0	\$0

2.B. Summary of Base Request by Method of Finance
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

10/9/2020 4:32:00PM

Agency code: 327		Agency name: Employees Retirement System				
METHOD OF FINANCING		Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
<u>OTHER FUNDS</u>						
Regular Appropriations from MOF Table (2020-21 GAA)		\$0	\$4,181,582	\$4,181,582	\$0	\$0
Estimated Appropriation Revision (2018-19 GAA)		\$266,420	\$0	\$0	\$0	\$0
Estimated Appropriation Revision		\$0	\$30,336	\$0	\$0	\$0
Regular Appropriations		\$0	\$0	\$0	\$4,181,582	\$4,181,582
TOTAL,	Judicial Fund No. 573	\$4,984,487	\$4,211,918	\$4,181,582	\$4,181,582	\$4,181,582
<hr/>						
998	Other Special State Funds					
	<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2018-19 GAA)		\$13,903,112	\$0	\$0	\$0	\$0

2.B. Summary of Base Request by Method of Finance
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

10/9/2020 4:32:00PM

Agency code: 327	Agency name: Employees Retirement System				
METHOD OF FINANCING	Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
<u>OTHER FUNDS</u>					
Regular Appropriations from MOF Table (2020-21 GAA)	\$0	\$24,885,339	\$25,153,135	\$0	\$0
Estimated Appropriation Revision	\$0	\$0	\$0	\$0	\$0
Regular Appropriations	\$0	\$0	\$0	\$25,209,885	\$25,209,885
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 18.57 Relating to consumer protections against certain medical and health care billing by certain out-of-network providers (2020-2021 GAA)	\$0	\$35,829	\$56,750	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>					
Lapsed Appropriations (2018-19 GAA)	\$(531,203)	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2020-21 GAA)	\$0	\$(574,682)	\$0	\$0	\$0

2.B. Summary of Base Request by Method of Finance
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

10/9/2020 4:32:00PM

Agency code: 327		Agency name: Employees Retirement System				
METHOD OF FINANCING		Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
<u>OTHER FUNDS</u>						
TOTAL,	Other Special State Funds	\$13,371,909	\$24,346,486	\$25,209,885	\$25,209,885	\$25,209,885
TOTAL, ALL	OTHER FUNDS	\$295,962,654	\$302,883,636	\$316,920,722	\$316,920,722	\$316,920,722
GRAND TOTAL		\$2,697,905,290	\$2,741,974,616	\$2,845,653,132	\$2,845,653,132	\$2,845,653,132
FULL-TIME-EQUIVALENT POSITIONS						
REGULAR APPROPRIATIONS						
	Regular Appropriations from MOF Table (2018-19 GAA)	395.0	0.0	0.0	0.0	0.0
	Comments: Regular Appropriation from MOF table (2018-19 GAA)					
	Regular Appropriations from MOF Table (2020-21 GAA)	0.0	408.5	408.5	415.0	415.0
LAPSED APPROPRIATIONS						
	Regular Appropriations from MOF Table (2018-19 GAA)	(12.2)	0.0	0.0	0.0	0.0
TOTAL, ADJUSTED FTES		382.8	408.5	408.5	415.0	415.0

2.B. Summary of Base Request by Method of Finance
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

10/9/2020 4:32:00PM

Agency code: 327	Agency name: Employees Retirement System				
METHOD OF FINANCING	Exp 2019	Est 2020	Bud 2021	Req 2022	Req 2023
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
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

10/9/2020 4:32:01PM

327 Employees Retirement System

OBJECT OF EXPENSE	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
1002 OTHER PERSONNEL COSTS	\$2,678,244,918	\$2,712,053,112	\$2,818,116,824	\$2,818,116,824	\$2,818,116,824
3001 CLIENT SERVICES	\$19,660,372	\$29,921,504	\$27,536,308	\$27,536,308	\$27,536,308
OOE Total (Excluding Riders)	\$2,697,905,290	\$2,741,974,616	\$2,845,653,132	\$2,845,653,132	\$2,845,653,132
OOE Total (Riders)					
Grand Total	\$2,697,905,290	\$2,741,974,616	\$2,845,653,132	\$2,845,653,132	\$2,845,653,132

2.D. Summary of Base Request Objective Outcomes
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation system of Texas (ABEST)

10/9/2020 4:32:01PM

327 Employees Retirement System

Goal/ Objective / Outcome	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
1 Administer Comprehensive and Actuarially Sound Retirement Programs					
1 Ensure Actuarially Sound Retirement Programs					
KEY 1 % of ERS Retirees Expressing Satisfaction with Member Benefit Services					
	95.00%	96.00%	97.00%	97.00%	97.00%
2 # of Years to Amortize the ERS Unfunded Actuarial Accrued Liability					
	999,999,999.00	999,999,999.00	999,999,999.00	999,999,999.00	999,999,999.00
3 # Years to Amortize the LECOS Unfunded Actuarial Accrued Liability					
	999,999,999.00	999,999,999.00	999,999,999.00	999,999,999.00	999,999,999.00
4 # of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability					
	999,999,999.00	999,999,999.00	999,999,999.00	999,999,999.00	999,999,999.00
5 ERS Time-weighted Rate of Return (5 Year Rolling Basis)					
	6.03%	7.34%	7.00%	7.00%	7.00%
6 ERS Annual Operating Expense Per Member					
	72.46	61.19	62.00	62.00	62.00
KEY 7 Investment Expense as Basis Points of Net Position					
	14.40	14.00	16.00	16.00	16.00
8 Percent of Time the ERS On-line System is Available to Customers					
	98.49%	98.09%	98.00%	98.00%	98.00%
2 Provide Employees and Retirees with Quality Group Benefits					
1 Manage GBP for State and Higher Education Employees					
KEY 1 Percent of HealthSelect Participants Satisfied with TPA Services					
	83.60%	89.40%	85.00%	85.00%	85.00%

2.E. Summary of Exceptional Items Request
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/9/2020
 TIME : 4:32:02PM

Agency code: 327

Agency name: **Employees Retirement System**

Priority	Item	2022			2023			Biennium	
		GR and GR/GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds
1	ERS Actuarially Sound Level	\$334,063,350	\$462,112,364		\$334,063,350	\$462,112,364		\$668,126,700	\$924,224,728
2	LECOS Actuarially Sound Level	\$43,365,667	\$43,643,860		\$43,365,667	\$43,643,860		\$86,731,334	\$87,287,720
3	JRS 2 Actuarially Sound Level	\$5,006,756	\$7,087,536		\$5,724,302	\$8,103,289		\$10,731,058	\$15,190,825
Total, Exceptional Items Request		\$382,435,773	\$512,843,760		\$383,153,319	\$513,859,513		\$765,589,092	\$1,026,703,273

Method of Financing

General Revenue	\$362,719,184	\$362,719,184		\$363,436,730	\$363,436,730		\$726,155,914	\$726,155,914
General Revenue - Dedicated	19,716,589	19,716,589		19,716,589	19,716,589		39,433,178	39,433,178
Federal Funds		78,807,210			78,807,210			157,614,420
Other Funds		51,600,777			51,898,984			103,499,761
	\$382,435,773	\$512,843,760		\$383,153,319	\$513,859,513		\$765,589,092	\$1,026,703,273

Full Time Equivalent Positions

Number of 100% Federally Funded FTEs **0.0** **0.0**

2.F. Summary of Total Request by Strategy
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 10/9/2020
 TIME : 4:32:03PM

Agency code: 327 Agency name: Employees Retirement System

Goal/Objective/STRATEGY	Base 2022	Base 2023	Exceptional 2022	Exceptional 2023	Total Request 2022	Total Request 2023
1 Administer Comprehensive and Actuarially Sound Retirement Program						
<i>1 Ensure Actuarially Sound Retirement Programs</i>						
1 ERS RETIREMENT PROGRAM	\$673,751,653	\$673,751,653	\$462,112,364	\$462,112,364	\$1,135,864,017	\$1,135,864,017
2 LECOS RETIREMENT PROGRAM	8,693,996	8,693,996	43,643,860	43,643,860	52,337,856	52,337,856
3 JUDICIAL RETIREMENT SYSTEM - PLAN 2	14,243,274	14,243,274	7,087,536	8,103,289	21,330,810	22,346,563
4 JUDICIAL RETIREMENT SYSTEM - PLAN 1	19,464,760	19,464,760	0	0	19,464,760	19,464,760
5 PUBLIC SAFETY DEATH BENEFITS	13,786,308	13,786,308	0	0	13,786,308	13,786,308
6 RETIREE DEATH BENEFITS	13,750,000	13,750,000	0	0	13,750,000	13,750,000
TOTAL, GOAL 1	\$743,689,991	\$743,689,991	\$512,843,760	\$513,859,513	\$1,256,533,751	\$1,257,549,504
2 Provide Employees and Retirees with Quality Group Benefits						
<i>1 Manage GBP for State and Higher Education Employees</i>						
1 GROUP BENEFITS PROGRAM	2,029,704,925	2,029,704,925	0	0	2,029,704,925	2,029,704,925
2 PROBATION HEALTH INSURANCE	72,258,216	72,258,216	0	0	72,258,216	72,258,216
TOTAL, GOAL 2	\$2,101,963,141	\$2,101,963,141	\$0	\$0	\$2,101,963,141	\$2,101,963,141
TOTAL, AGENCY STRATEGY REQUEST	\$2,845,653,132	\$2,845,653,132	\$512,843,760	\$513,859,513	\$3,358,496,892	\$3,359,512,645
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST						
GRAND TOTAL, AGENCY REQUEST	\$2,845,653,132	\$2,845,653,132	\$512,843,760	\$513,859,513	\$3,358,496,892	\$3,359,512,645

2.F. Summary of Total Request by Strategy
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 10/9/2020
 TIME : 4:32:03PM

Agency code: 327 Agency name: Employees Retirement System

Goal/Objective/STRATEGY	Base 2022	Base 2023	Exceptional 2022	Exceptional 2023	Total Request 2022	Total Request 2023
General Revenue Funds:						
1 General Revenue Fund	\$1,965,110,423	\$1,965,110,423	\$362,719,184	\$363,436,730	\$2,327,829,607	\$2,328,547,153
	\$1,965,110,423	\$1,965,110,423	\$362,719,184	\$363,436,730	\$2,327,829,607	\$2,328,547,153
General Revenue Dedicated Funds:						
994 GR Dedicated Accounts	109,697,002	109,697,002	19,716,589	19,716,589	129,413,591	129,413,591
	\$109,697,002	\$109,697,002	\$19,716,589	\$19,716,589	\$129,413,591	\$129,413,591
Federal Funds:						
555 Federal Funds	453,924,985	453,924,985	78,807,210	78,807,210	532,732,195	532,732,195
	\$453,924,985	\$453,924,985	\$78,807,210	\$78,807,210	\$532,732,195	\$532,732,195
Other Funds:						
6 State Highway Fund	287,529,255	287,529,255	43,615,089	43,615,089	331,144,344	331,144,344
573 Judicial Fund	4,181,582	4,181,582	2,080,780	2,378,987	6,262,362	6,560,569
998 Other Special State Funds	25,209,885	25,209,885	5,904,908	5,904,908	31,114,793	31,114,793
	\$316,920,722	\$316,920,722	\$51,600,777	\$51,898,984	\$368,521,499	\$368,819,706
TOTAL, METHOD OF FINANCING	\$2,845,653,132	\$2,845,653,132	\$512,843,760	\$513,859,513	\$3,358,496,892	\$3,359,512,645
FULL TIME EQUIVALENT POSITIONS	415.0	415.0	0.0	0.0	415.0	415.0

2.G. Summary of Total Request Objective Outcomes
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation system of Texas (ABEST)

Date : 10/9/2020
 Time: 4:32:03PM

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

Goal/ Objective / Outcome

	BL 2022	BL 2023	Excp 2022	Excp 2023	Total Request 2022	Total Request 2023
1	Administer Comprehensive and Actuarially Sound Retirement Programs					
1	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					
	999,999,999.00	999,999,999.00	31.00	31.00	31.00	31.00
	3 # Years to Amortize the LECOS Unfunded Actuarial Accrued Liability					
	999,999,999.00	999,999,999.00	31.00	31.00	31.00	31.00
	4 # of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability					
	999,999,999.00	999,999,999.00	31.00	31.00	31.00	31.00
	5 ERS Time-weighted Rate of Return (5 Year Rolling Basis)					
	7.00%	7.00%			7.00%	7.00%
	6 ERS Annual Operating Expense Per Member					
	62.00	62.00			62.00	62.00
KEY	7 Investment Expense as Basis Points of Net Position					
	16.00	16.00			16.00	16.00
	8 Percent of Time the ERS On-line System is Available to Customers					
	98.00%	98.00%			98.00%	98.00%
2	Provide Employees and Retirees with Quality Group Benefits					

2.G. Summary of Total Request Objective Outcomes
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation system of Texas (ABEST)

Date : 10/9/2020
 Time: 4:32:03PM

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

Goal/ Objective / Outcome

	BL 2022	BL 2023	Excp 2022	Excp 2023	Total Request 2022	Total Request 2023
1 <i>Manage GBP for State and Higher Education Employees</i>						
KEY 1 Percent of HealthSelect Participants Satisfied with TPA Services	85.00%	85.00%			85.00%	85.00%

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 1 Provide Retirement Program for Employees and Retirees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
Output Measures:						
	1 Number of ERS Annuitants Added to Annuity Payroll	5,869.00	5,098.00	5,817.00	5,880.00	5,944.00
KEY	2 Number of ERS Accounts Maintained	269,232.00	277,122.00	284,000.00	291,000.00	298,000.00
Explanatory/Input Measures:						
	1 Number of ERS Annuitants	111,578.00	114,271.00	117,388.00	120,568.00	123,812.00
Objects of Expense:						
	1002 OTHER PERSONNEL COSTS	\$651,239,061	\$668,056,358	\$673,751,653	\$673,751,653	\$673,751,653
TOTAL, OBJECT OF EXPENSE		\$651,239,061	\$668,056,358	\$673,751,653	\$673,751,653	\$673,751,653
Method of Financing:						
	1 General Revenue Fund	\$458,146,680	\$455,987,582	\$459,717,797	\$459,717,797	\$459,717,797
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$458,146,680	\$455,987,582	\$459,717,797	\$459,717,797	\$459,717,797
Method of Financing:						
	994 GR Dedicated Accounts	\$26,896,173	\$27,019,127	\$27,340,657	\$27,340,657	\$27,340,657
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$26,896,173	\$27,019,127	\$27,340,657	\$27,340,657	\$27,340,657
Method of Financing:						
	555 Federal Funds					

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 1 Provide Retirement Program for Employees and Retirees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
	00.327.001 ERS Retirement	\$98,988,337	\$113,668,589	\$114,493,918	\$114,493,918	\$114,493,918
CFDA Subtotal, Fund	555	\$98,988,337	\$113,668,589	\$114,493,918	\$114,493,918	\$114,493,918
SUBTOTAL, MOF (FEDERAL FUNDS)		\$98,988,337	\$113,668,589	\$114,493,918	\$114,493,918	\$114,493,918
Method of Financing:						
	6 State Highway Fund	\$62,258,454	\$62,869,375	\$63,590,029	\$63,590,029	\$63,590,029
	998 Other Special State Funds	\$4,949,417	\$8,511,685	\$8,609,252	\$8,609,252	\$8,609,252
SUBTOTAL, MOF (OTHER FUNDS)		\$67,207,871	\$71,381,060	\$72,199,281	\$72,199,281	\$72,199,281
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$673,751,653	\$673,751,653
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$651,239,061	\$668,056,358	\$673,751,653	\$673,751,653	\$673,751,653
FULL TIME EQUIVALENT POSITIONS:		382.8	408.5	408.5	415.0	415.0
STRATEGY DESCRIPTION AND JUSTIFICATION:						

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 1 Provide Retirement Program for Employees and Retirees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
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The Employees Retirement System of Texas (ERS) is the administrative body for the State Employees Retirement Plan; authorized by Article XVI, Section 67(b) 3, Texas Constitution, and governed by Title 8, Subtitle B, and Texas Government Code. The retirement program administered by the ERS is a defined benefit retirement plan and covers employees of most state agencies, statewide elected officials, and legislators. ERS member contribution rate is 9.5% of salary for 2022 and 2023. The state contributes 9.5% of gross payroll each year of the biennium. Employing state agencies contribute 0.5% of their gross payroll each year of the biennium. These contributions are held in the trust and combined with investment earning to fund retirement benefits.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

ERS is a pre-funded defined benefit retirement plan. An actuarial valuation is conducted each year 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: 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

The above funding request assumes 9.5% state contribution in both years of the biennium, 9.5% member contribution in 2022 and 2023 and continuation of the 0.5% state agency contributions. No growth in payroll is assumed. The appropriation is requested to be “estimated” since it is payroll driven. The above funding request does not include the 0.5% state agency contributions which are included in the individual agencies’ appropriations nor member contributions.

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

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 1 Provide Retirement Program for Employees and Retirees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
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EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2020 + Bud 2021)	Baseline Request (BL 2022 + BL 2023)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$1,341,808,011	\$1,347,503,306	\$5,695,295	\$5,695,295	FY 2021 projected contributions were used for FY 2022-2023 with no growth assumed
			<u>\$5,695,295</u>	Total of Explanation of Biennial Change

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 2 Provide Retirement Program for Law Enf and Corr Officers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
Output Measures:						
1	Number of LECOS Annuitants Added to Annuity Payroll	1,040.00	888.00	973.00	1,056.00	1,146.00
2	Number of LECOS Accounts Maintained	64,599.00	65,955.00	67,155.00	68,355.00	69,555.00
Explanatory/Input Measures:						
1	Number of LECOS Annuitants	14,531.00	15,285.00	16,124.00	17,046.00	18,058.00
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$8,413,036	\$8,429,272	\$8,693,996	\$8,693,996	\$8,693,996
TOTAL, OBJECT OF EXPENSE		\$8,413,036	\$8,429,272	\$8,693,996	\$8,693,996	\$8,693,996
Method of Financing:						
1	General Revenue Fund	\$8,266,649	\$8,189,319	\$8,446,508	\$8,446,508	\$8,446,508
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$8,266,649	\$8,189,319	\$8,446,508	\$8,446,508	\$8,446,508
Method of Financing:						
994	GR Dedicated Accounts	\$119,465	\$186,223	\$192,071	\$192,071	\$192,071
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$119,465	\$186,223	\$192,071	\$192,071	\$192,071
Method of Financing:						
555	Federal Funds					

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs
 STRATEGY: 2 Provide Retirement Program for Law Enf and Corr Officers. Estimated.

Service Categories:

Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
	00.327.003 LECOS Retirement	\$26,922	\$53,730	\$55,417	\$55,417	\$55,417
CFDA Subtotal, Fund	555	\$26,922	\$53,730	\$55,417	\$55,417	\$55,417
SUBTOTAL, MOF (FEDERAL FUNDS)		\$26,922	\$53,730	\$55,417	\$55,417	\$55,417

TOTAL, METHOD OF FINANCE (INCLUDING RIDERS) **\$8,693,996** **\$8,693,996**

TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS) **\$8,413,036** **\$8,429,272** **\$8,693,996** **\$8,693,996** **\$8,693,996**

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

The ERS is the administrator of the Law Enforcement and Custodial Officer Supplemental Retirement Fund Plan (LECOSRF). The program provides supplemental retirement benefits to certain certified peace officers or custodial officers as specified in Texas Government Code, Title 8, Subtitle B. The LECOSRF provides an enhanced benefit to address physical hazards associated with eligible certified peace officer, custodial officer and correctional officer positions.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 2 Provide Retirement Program for Law Enf and Corr Officers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
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LECOSRF is a pre-funded defined benefit retirement plan. An actuarial valuation is conducted each year 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.

The above funding request assumes 0.5% state contribution, 0.5% member contribution and court fees with no growth in payroll for Fiscal Years 2022 and 2023. Court fees deposited to the trust declined in FY 2020 as a result of COVID-19. It is anticipated that court fees may similarly be impacted in FY 2021 and resume to normal levels thereafter. The appropriation is requested to be “estimated” since it is payroll driven.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2020 + Bud 2021)	Baseline Request (BL 2022 + BL 2023)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$17,123,268	\$17,387,992	\$264,724	\$264,724	FY 2021 projected contributions were used for FY 2022-2023 with no growth assumed
			\$264,724	Total of Explanation of Biennial Change

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 3 Provide Retirement Program for State Judicial Officers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
Output Measures:						
1	Number of JRS-2 Annuitants Added to Annuity Payroll	85.00	17.00	85.00	20.00	85.00
2	Number of JRS-2 Accounts Maintained	742.00	757.00	777.00	797.00	817.00
Explanatory/Input Measures:						
1	Number of JRS-2 Annuitants	484.00	499.00	580.00	596.00	677.00
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$13,092,953	\$14,215,129	\$14,243,274	\$14,243,274	\$14,243,274
TOTAL, OBJECT OF EXPENSE		\$13,092,953	\$14,215,129	\$14,243,274	\$14,243,274	\$14,243,274
Method of Financing:						
1	General Revenue Fund	\$8,108,466	\$10,003,211	\$10,061,692	\$10,061,692	\$10,061,692
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$8,108,466	\$10,003,211	\$10,061,692	\$10,061,692	\$10,061,692
Method of Financing:						
573	Judicial Fund	\$4,984,487	\$4,211,918	\$4,181,582	\$4,181,582	\$4,181,582
SUBTOTAL, MOF (OTHER FUNDS)		\$4,984,487	\$4,211,918	\$4,181,582	\$4,181,582	\$4,181,582

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 3 Provide Retirement Program for State Judicial Officers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$14,243,274	\$14,243,274
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$13,092,953	\$14,215,129	\$14,243,274	\$14,243,274	\$14,243,274

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

The ERS is the administrator of the Judicial Retirement System of Texas, Plan Two (JRS 2), created under Article XVI, Section 67 of the Texas Constitution and governed by Title 8, Subtitle E, Texas Government Code. JRS 2 is a prefunded defined benefit plan that covers state judicial officers who first took office on or after September 1, 1985. Under Sections 840.103 and 840.106, Texas Government Code, combined state and member contributions should be sufficient to finance any liability over a period that does not exceed 30 years by one or more years. This strategy is part of the ERS goal of administering comprehensive and actuarially sound retirement programs.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

The JRS 2 program is a defined benefit pension plan. The funding needs 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.

The above funding request assumes 15.663 state and 9.5% members contributions for Fiscal Years 2022 and 2023. The appropriation is requested to be “estimated” since it is payroll driven.

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 3 Provide Retirement Program for State Judicial Officers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
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EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		BIENNIAL	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2020 + Bud 2021)	Baseline Request (BL 2022 + BL 2023)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$28,458,403	\$28,486,548	\$28,145	\$28,145	FY 2021 projected contributions were used for FY 2022-2023
			\$28,145	Total of Explanation of Biennial Change

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs
 STRATEGY: 4 Provide Payment of JRS-1 Benefits as Required by Law. Estimated.

Service Categories:

Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
Output Measures:						
1	Number of JRS-1 Annuitants Added to Annuity Payroll	10.00	10.00	10.00	10.00	10.00
2	Number of JRS-1 Accounts Maintained	10.00	10.00	10.00	10.00	10.00
Explanatory/Input Measures:						
1	Number of JRS-1 Annuitants	326.00	302.00	282.00	262.00	242.00
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$21,478,949	\$20,012,991	\$19,464,760	\$19,464,760	\$19,464,760
TOTAL, OBJECT OF EXPENSE		\$21,478,949	\$20,012,991	\$19,464,760	\$19,464,760	\$19,464,760
Method of Financing:						
1	General Revenue Fund	\$21,478,949	\$20,012,991	\$19,464,760	\$19,464,760	\$19,464,760
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$21,478,949	\$20,012,991	\$19,464,760	\$19,464,760	\$19,464,760
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$19,464,760	\$19,464,760
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$21,478,949	\$20,012,991	\$19,464,760	\$19,464,760	\$19,464,760
FULL TIME EQUIVALENT POSITIONS:						

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 4 Provide Payment of JRS-1 Benefits as Required by Law. Estimated. Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
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STRATEGY DESCRIPTION AND JUSTIFICATION:

The ERS is the administrative body for the Judicial Retirement System of Texas Plan One (JRS 1), created under Article XVI, Section 67, Texas Constitution, and governed by Title B, Subtitle D, Texas Government Code. Benefits under JRS 1 are paid by direct appropriation from General Revenue. State Judicial officers who first held office before September 1, 1985 are eligible for membership in the JRS 1. 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 2 plan.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

External Factors affecting the JRS 1 program include pay raises for state judicial officers and the demographics of the Plan’s membership.

Funding for Fiscal Years 2022 and 2023 is requested at the projected FY21 level. Any JRS 1 membership refunds would also be paid out of this appropriation. The appropriation is requested to be “estimated” since it is a pay-as-you-go plan.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2020 + Bud 2021)	Baseline Request (BL 2022 + BL 2023)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$39,477,751	\$38,929,520	\$(548,231)	\$(548,231)	This is a closed plan. FY 2021 projected contributions were used for FY 2022-2023 with no growth assumed
			\$(548,231)	Total of Explanation of Biennial Change

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 5 Provide Benefits to Beneficiaries of Public Safety Workers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
Output Measures:						
1	Number of Death Benefit Claims Processed	17.00	19.00	55.00	30.00	30.00
2	Number of Beneficiaries Receiving Benefits	140.00	139.00	150.00	150.00	150.00
Objects of Expense:						
3001	CLIENT SERVICES	\$9,831,046	\$14,883,289	\$13,786,308	\$13,786,308	\$13,786,308
TOTAL, OBJECT OF EXPENSE		\$9,831,046	\$14,883,289	\$13,786,308	\$13,786,308	\$13,786,308
Method of Financing:						
1	General Revenue Fund	\$7,831,046	\$10,133,289	\$9,589,984	\$9,589,984	\$9,589,984
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$7,831,046	\$10,133,289	\$9,589,984	\$9,589,984	\$9,589,984
Method of Financing:						
994	GR Dedicated Accounts	\$2,000,000	\$4,750,000	\$4,196,324	\$4,196,324	\$4,196,324
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$2,000,000	\$4,750,000	\$4,196,324	\$4,196,324	\$4,196,324

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 5 Provide Benefits to Beneficiaries of Public Safety Workers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$13,786,308	\$13,786,308
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$9,831,046	\$14,883,289	\$13,786,308	\$13,786,308	\$13,786,308

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

Chapter 615 Texas Government Code provides for payment by the state of a \$500,000 lump sum, plus monthly dependent benefits, to the survivors of public law enforcement or firefighting personnel who are killed in the line of duty. In addition certain survivor’s qualify for the payment of funeral expenses. The ERS is the administrative body for this program.

House Bill 1278, 84th Legislative Session, doubled the one-time and monthly payment amounts for financial assistance paid to the survivors of certain law enforcement officers, firefighters and other public employees killed in the line of duty.

House Bill 1526, 85th Legislative Session, modified Government Code Section 615.003, increasing lump sum payments to survivors to \$500,000.

House Bill 3625, 86h Legislative Session adjusted the lump sum payment in an amount equal to the percentage change in Consumer Price Index for all Urban Consumers, published by the Bureau of Labor Statistics (CPI) for the preceding year.

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.

Funding for Fiscal Year 2022 and 2023 is based on Fiscal Year 2021 appropriations. The appropriation is requested to be “estimated” since it is event driven.

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 5 Provide Benefits to Beneficiaries of Public Safety Workers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
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EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2020 + Bud 2021)	Baseline Request (BL 2022 + BL 2023)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$28,669,597	\$27,572,616	\$(1,096,981)	\$(1,096,981)	FY 2021 projected contributions were used for FY 2022-2023
			\$(1,096,981)	Total of Explanation of Biennial Change

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 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 2019	Est 2020	Bud 2021	BL 2022	BL 2023
Output Measures:						
1	Number of Retiree Death Benefits Paid	2,535.00	2,500.00	2,700.00	2,700.00	2,700.00
Efficiency Measures:						
1	Average Number of Business Days to Process Retiree Death Benefits	4.00	4.23	7.00	7.00	7.00
Objects of Expense:						
3001	CLIENT SERVICES	\$9,829,326	\$15,038,215	\$13,750,000	\$13,750,000	\$13,750,000
TOTAL, OBJECT OF EXPENSE		\$9,829,326	\$15,038,215	\$13,750,000	\$13,750,000	\$13,750,000
Method of Financing:						
1	General Revenue Fund	\$9,829,326	\$15,038,215	\$13,750,000	\$13,750,000	\$13,750,000
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$9,829,326	\$15,038,215	\$13,750,000	\$13,750,000	\$13,750,000
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$13,750,000	\$13,750,000
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$9,829,326	\$15,038,215	\$13,750,000	\$13,750,000	\$13,750,000
FULL TIME EQUIVALENT POSITIONS:						

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 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 2019	Est 2020	Bud 2021	BL 2022	BL 2023
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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 mortality rate of ERS retired members.

Funding for Fiscal Years 2022 and 2023 is based on FY21 appropriations. The appropriation is requested to be “estimated” since it is event driven.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2020 + Bud 2021)	Baseline Request (BL 2022 + BL 2023)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$28,788,215	\$27,500,000	\$(1,288,215)	\$(1,288,215)	FY 2021 projected contributions were used for FY 2022-2023 with no growth assumed
			\$(1,288,215)	Total of Explanation of Biennial Change

327 Employees Retirement System

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees
 STRATEGY: 1 Provide Basic Insurance Program to General State Employees. Estimated.

Service Categories:
 Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
Output Measures:						
1	In-Network Services as a Percentage of Total Services	91.60 %	92.00 %	92.00 %	92.00 %	92.00 %
2	Mental Health/Substance Abuse Costs as % of Total HealthSelect Costs	2.50 %	2.50 %	3.00 %	3.00 %	3.00 %
3	Prescription Drug Program Costs as Percent of Total HealthSelect Costs	18.90 %	20.00 %	20.00 %	20.00 %	20.00 %
Efficiency Measures:						
KEY 1	Percent of Medical Claims Processed within 22 Business Days	99.10 %	99.00 %	98.00 %	98.00 %	98.00 %
2	% of Electrnrc Retail Pharmacy Claims Processed within 15 Business Days	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
KEY 3	HealthSelect Admin Fees as Percent of Total HealthSelect Costs	2.20 %	3.00 %	3.00 %	3.00 %	3.00 %
Explanatory/Input Measures:						
1	# Employees, Retirees & Dependents Covered by GBP Health Care Plans	541,594.00	549,034.00	557,463.00	565,825.00	574,313.00
2	Percent of Participants in HMOs	4.90 %	3.50 %	3.50 %	0.00 %	0.00 %
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$1,914,202,702	\$1,930,313,352	\$2,029,704,925	\$2,029,704,925	\$2,029,704,925

327 Employees Retirement System

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits
 OBJECTIVE: 1 Manage GBP for State and 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 2019	Est 2020	Bud 2021	BL 2022	BL 2023
TOTAL, OBJECT OF EXPENSE		\$1,914,202,702	\$1,930,313,352	\$2,029,704,925	\$2,029,704,925	\$2,029,704,925
Method of Financing:						
1	General Revenue Fund	\$1,329,605,197	\$1,305,887,893	\$1,371,821,466	\$1,371,821,466	\$1,371,821,466
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$1,329,605,197	\$1,305,887,893	\$1,371,821,466	\$1,371,821,466	\$1,371,821,466
Method of Financing:						
994	GR Dedicated Accounts	\$79,439,412	\$73,939,388	\$77,967,950	\$77,967,950	\$77,967,950
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$79,439,412	\$73,939,388	\$77,967,950	\$77,967,950	\$77,967,950
Method of Financing:						
555	Federal Funds					
	00.327.002 ERS Insurance	\$281,387,797	\$323,195,413	\$339,375,650	\$339,375,650	\$339,375,650
CFDA Subtotal, Fund	555	\$281,387,797	\$323,195,413	\$339,375,650	\$339,375,650	\$339,375,650
SUBTOTAL, MOF (FEDERAL FUNDS)		\$281,387,797	\$323,195,413	\$339,375,650	\$339,375,650	\$339,375,650
Method of Financing:						
6	State Highway Fund	\$215,347,804	\$211,455,857	\$223,939,226	\$223,939,226	\$223,939,226
998	Other Special State Funds	\$8,422,492	\$15,834,801	\$16,600,633	\$16,600,633	\$16,600,633

327 Employees Retirement System

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits
 OBJECTIVE: 1 Manage GBP for State and 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 2019	Est 2020	Bud 2021	BL 2022	BL 2023
SUBTOTAL, MOF (OTHER FUNDS)		\$223,770,296	\$227,290,658	\$240,539,859	\$240,539,859	\$240,539,859
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$2,029,704,925	\$2,029,704,925
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$1,914,202,702	\$1,930,313,352	\$2,029,704,925	\$2,029,704,925	\$2,029,704,925

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. Under this statute, 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 while effectively and efficiently managing the program.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

National health care costs continue to rise faster than incomes levels and the overall rate of inflation. Major factors contributing to cost increases include general increase in the price and utilization of medical care services; the development of new technologies and medical procedures; a rise in chronic disease due in part to an aging population and the escalating obesity epidemic, and increase in both the cost and use of pharmaceuticals, particularly specialty drugs.

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. The above funding request does not include the 1.0% agency contribution which is included in the individual agencies' appropriations. The appropriation is requested to be "estimated" since it is FTE driven.

327 Employees Retirement System

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits
 OBJECTIVE: 1 Manage GBP for State and 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 2019	Est 2020	Bud 2021	BL 2022	BL 2023
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EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2020 + Bud 2021)	Baseline Request (BL 2022 + BL 2023)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$3,960,018,277	\$4,059,409,850	\$99,391,573	\$99,391,573	FY 2021 projected contributions were used for FY 2022-2023 with no growth assumed
			\$99,391,573	Total of Explanation of Biennial Change

327 Employees Retirement System

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees Service Categories:
 STRATEGY: 2 Insurance Contributions for Local CSCD Employee Estimated Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
Explanatory/Input Measures:						
1	# CSCD Employees, Retirees, & Dependents Covered by GBP	13,117	13,104	13,150	13,196	13,242
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$69,818,217	\$71,026,010	\$72,258,216	\$72,258,216	\$72,258,216
TOTAL, OBJECT OF EXPENSE		\$69,818,217	\$71,026,010	\$72,258,216	\$72,258,216	\$72,258,216
Method of Financing:						
1	General Revenue Fund	\$69,818,217	\$71,026,010	\$72,258,216	\$72,258,216	\$72,258,216
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$69,818,217	\$71,026,010	\$72,258,216	\$72,258,216	\$72,258,216
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$72,258,216	\$72,258,216
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$69,818,217	\$71,026,010	\$72,258,216	\$72,258,216	\$72,258,216
FULL TIME EQUIVALENT POSITIONS:						
STRATEGY DESCRIPTION AND JUSTIFICATION:						

327 Employees Retirement System

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees Service Categories:
 STRATEGY: 2 Insurance Contributions for Local CSCD Employee Estimated Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
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Chapter 1551, §1551.114.of the Texas Insurance Code, Participation by Community Supervision and Corrections Departments:
 All contributions received from the state, active employees of community supervision and corrections departments, and retired employees of community supervision and corrections departments for basic, optional, and voluntary coverages under the group benefits program shall be paid into the employees life, accident, and health insurance and benefits fund.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

This strategy is affected by the number of participants and is limited to:

- (1) active employees of a community supervision and corrections department;
- (2) retired employees of a community supervision and corrections department who retire on or after September 1, 2004, and who:
 - (A) have been employed by one or more community supervision and corrections departments for a total of at least 10 years of creditable service; and
 - (B) meet all the requirements for retirement benefits prescribed by the Texas County and District Retirement System; and
- (3) eligible dependents of the active employees and retired employees

The current contribution strategy provides for 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 and Retirees with Quality Group Benefits
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees Service Categories:
 STRATEGY: 2 Insurance Contributions for Local CSCD Employee Estimated Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
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EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		BIENNIAL	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2020 + Bud 2021)	Baseline Request (BL 2022 + BL 2023)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$143,284,226	\$144,516,432	\$1,232,206	\$1,232,206	FY 2021 projected contributions were used for FY 2022-2023 with no growth assumed
			\$1,232,206	Total of Explanation of Biennial Change

SUMMARY TOTALS:

OBJECTS OF EXPENSE:	\$2,697,905,290	\$2,741,974,616	\$2,845,653,132	\$2,845,653,132	\$2,845,653,132
METHODS OF FINANCE (INCLUDING RIDERS):				\$2,845,653,132	\$2,845,653,132
METHODS OF FINANCE (EXCLUDING RIDERS):	\$2,697,905,290	\$2,741,974,616	\$2,845,653,132	\$2,845,653,132	\$2,845,653,132
FULL TIME EQUIVALENT POSITIONS:	382.8	408.5	408.5	415.0	415.0

3.A.1. PROGRAM-LEVEL REQUEST SCHEDULE
87th Regular Session, Agency Submission, Version 1

Agency Code: 327		Agency: Employees Retirement System			Prepared By: Patti Roano/Machelle Pharr					
Date: 10/9/2020		Program	Program Name	Legal Authority	2020-21 Base	Requested 2022	Requested 2023	Biennial Total 2022-23	Biennial Difference	
Strategy	Strategy Name	Priority	Program Name	Legal Authority					\$	%
A.1.1.	Employee Retirement Program	1	ERS - Retirement	Article XVI, Section 67(b) 3, Texas Constitution, and governed by Title 8, Subtitle B, and Texas Government Code.	\$1,341,808,011	\$1,135,864,017	\$1,135,864,017	\$2,271,728,034	\$929,920,023	69.3%
A.1.2.	LECOS Retirement Program	2	LECOS - Retirement	Texas Government Code, Title 8, Subtitle B.	\$17,123,268	\$52,337,856	\$52,337,856	\$104,675,712	\$87,552,444	511.3%
A.1.3.	Judicial Retirement System - Plan 2	3	JRS - Plan 2	Article XVI, Section 67 of the Texas Constitution and governed by Title 8, Subtitle E, Texas Government Code.	\$28,458,403	\$21,330,810	\$22,346,563	\$43,677,373	\$15,218,970	53.5%
A.1.4.	Judicial Retirement System - Plan 1	4	JRS - Plan 1	Article XVI, Section 67, Texas Constitution, and governed by Title B, Subtitle D, Texas Government Code.	\$39,477,751	\$19,464,760	\$19,464,760	\$38,929,520	-\$548,231	-1.4%
B.2.1.	Group Benefits Program	5	Group Benefits Program	Chapter 1551, §1551.211 of the Texas Insurance Code	\$3,960,018,277	\$2,029,704,925	\$2,029,704,925	\$4,059,409,850	\$99,391,573	2.5%
A.1.6.	Retiree Death Benefits	6	Retiree Death Benefits	Section 814.501, Texas Government Code	\$28,788,215	\$13,750,000	\$13,750,000	\$27,500,000	-\$1,288,215	-4.5%
A.1.5.	Public Safety Death Benefits	7	Public Safety Benefits	Chapter 615 Texas Government Code	\$28,669,597	\$13,786,308	\$13,786,308	\$27,572,616	-\$1,096,981	-3.8%
B.2.2.	Probation Health Insurance	8	Insurance Contributions for Local CSCD Employees	Chapter 1551, §1551.211 of the Texas Insurance Code	\$143,284,226	\$72,258,216	\$72,258,216	\$144,516,432	\$1,232,206	0.9%

Program Prioritization: Pension funding is prioritized first as it is constitutionally mandated and then prioritized by number of members. Insurance is a key factor in recruiting and retaining the state workforce thus is it prioritized immediately after the pension programs. Retiree death benefits is critical to assist retirees' families in covering costs associated with the passing of the retiree.

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Machelle Pharr	Date: October 9, 2020	Request Level: Base
Current Rider Number	Page Number in 2020 - 2021 GAA	Proposed Rider Language		

1	I-34-35	<p>Performance Measure Targets. The following is a listing of the key performance target levels for the Employees Retirement System. It is the intent of the Legislature that appropriations made by this Act be utilized in the most efficient and effective manner possible to achieve the intended mission of the Employees Retirement System. In order to achieve the objectives and service standards established by this Act, the Employees Retirement System shall make every effort to attain the following designated key performance target levels associated with each item of appropriation.</p>			
		<u>2020</u>	<u>2022</u>	<u>2021</u>	<u>2023</u>
		<p>Performance Measure Targets</p> <p>A. Goal: ADMINISTER RETIREMENT PROGRAM</p> <p>Outcome (Results/Impact):</p>			
		Percent of ERS Retirees Expressing Satisfaction with Benefit Services		97%	97%
		Investment Expense as Basis Points of Net Assets		16.00	16.00
		<p>A.1.1. Strategy: <u>ERS RETIREMENT PROGRAM</u></p> <p>Output (Volume):</p>			
		Number of ERS Accounts Maintained		268,500 291,000	-268,500 <u>298,000</u>
		<p>B. Goal: <u>ADMINISTER GROUP BENEFITS PROGRAM</u></p> <p>Outcome (Results/Impact):</p>			
		Percent of HealthSelect Participants Satisfied with Network Services		85%	85%
		<p>B.1.1. Strategy: <u>GROUP BENEFITS PROGRAM</u></p> <p>Efficiencies:</p>			
		Percent of <u>Medical Claims Paid</u> -within 22 <u>Business Days</u>		98 %	98%
		HealthSelect Administration Fees as Percentage of Total HealthSelect Costs		3%	3%
		<p>Justification for change: Update Years</p>			
3	I-36	<p>Updated Actuarial Valuation. The Employees Retirement System shall contract with an actuary to perform a limited actuarial valuation of the assets and liabilities of the Employees Retirement System as of February 28 in those years when the Legislature meets in regular session. The purpose of the valuation shall be to</p>			

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Machelle Pharr	Date: October 9, 2020	Request Level: Base
Current Rider Number	Page Number in 2020 - 2021 GAA	Proposed Rider Language		

		<p>determine the effect of investment, salary, and payroll experience on the unfunded liability, the amortization period, and the state contribution rate which results in a 30-year amortization period of the Retirement System.</p> <p>No Change.</p>
4	I-36	<p>State Contribution to Employees Retirement Program. The amount specified above in A.1.1, Retirement Contributions, is based on a state contribution of 9.5 percent of payroll for each fiscal year of the 2020-21 <u>2022-23</u> biennium, including annual membership fees of \$3 for contributing members.</p> <p>Justification for change: Updated years.</p>
5	I-36	<p>State Contribution to the Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOS). The amount specified above in A.1.2, LECOS Retirement Program, is based on 0.5 percent of covered payroll each fiscal year of the 2020-21 <u>2022-23</u> biennium for LECOS members.</p> <p>Justification for change: Updated years.</p>
6	I-36	<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 15.663 percent of payroll for each fiscal year of the 2020-21 <u>2022-23</u> biennium for contributing members.</p> <p>Justification for change: Updated years.</p>
7	I-36 & I-37	<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 Benefits 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</p>

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Machelle Pharr	Date: October 9, 2020	Request Level: Base
Current Rider Number	Page Number in 2020 - 2021 GAA	Proposed Rider Language		

		<p>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, subject to any adjustment required by statute, enrolled for coverage during that month.</p> <p>For each employee or retiree that waives participation in the Group Benefit Program 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 Benefits Program. 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 2020-21 <u>2022-23</u> biennium.</p> <p>Justification for change: Updated years.</p>
8	I-37	<p>Excess Benefit Arrangement Account. There is hereby appropriated to the Employees Retirement System all funds transferred or deposited into the Excess Benefit Arrangement Account established in the General Revenue-Dedicated Account No. 5039, for the purpose of paying benefits as authorized by Government Code, §815.5072.</p> <p>No Change.</p>
9	I-37	<p>Transfer of Retirement Contributions and Group Insurance. Appropriations made in this and other articles of this Act for Retirement and Group Insurance contributions shall be transferred by each agency from the Employees Retirement System to the agency based on estimated amounts by funding source for</p>

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Machelle Pharr	Date: October 9, 2020	Request Level: Base
Current Rider Number	Page Number in 2020 - 2021 GAA	Proposed Rider Language		
		<p>each fiscal year. Transfers should be made no later than September 15 of the year in which the payments are to be made. Adjustments and return of excess appropriation authority to the Employees Retirement System shall be completed by October 30 of the subsequent fiscal year.</p> <p>No Change.</p>		
10	I-37	<p>Federal Funds for Medicare Part D Prescription Drug Program. The Employees Retirement System (ERS) is hereby authorized to receive employer reimbursements of all federal funds applicable to Medicare Part D prescription drug reimbursement relating to benefits administered by ERS. Any federal funds received by ERS shall be deposited to the Employees Life, Accident and Health Insurance and Benefits Fund No. 973, or to such fund as established by the Legislature or the State Comptroller of Public Accounts to pay health claims for retired employees.</p> <p>No Change.</p>		
11	I-37	<p>Appropriations for the Deferred Compensation Trust Fund and the TexaSaver Trust Fund. All money deposited into the Deferred Compensation Trust Fund, Employees Retirement System No. 0945 and the TexaSaver Trust Fund No. 0946 pursuant to Government Code, §609.512 are hereby appropriated to the system for the 2020-21 <u>2022-23</u> biennium for the purposes authorized by law.</p> <p>Justification for change: Updated fiscal years.</p>		
12	I-37	<p>Tobacco User Monthly Premium Fee. The Employees Retirement System, pursuant to the provisions of Insurance Code, §1551.3075, shall automatically apply a \$30 monthly tobacco user fee to any individual aged 18 or older covered under the state health plan unless the individual, during the individual's enrollment period, certifies that the individual does not use tobacco <u>products</u>. The Comptroller of Public Accounts shall deposit revenue from the fee (estimated to be \$11,934,547-10,093,766 in each year of the 2020-21 <u>2022-23</u> biennium) into the Employees Life, Accident, Health Insurance and Benefits Trust Account.</p> <p>Justification for change: Updated fiscal years and added clarity.</p>		
13	I-37 & I-38	<p>Notification of Contracts Greater than \$10 Million. It is the intent of the Legislature that the agency shall submit notice to the Legislative Budget Board at least ten business days prior to issuing a request for proposals for a contract, as defined in Article IX, Section 7.04 of this Act, with a value reasonably expected</p>		

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Machelle Pharr	Date: October 9, 2020	Request Level: Base
Current Rider Number	Page Number in 2020 - 2021 GAA	Proposed Rider Language		

		<p>to exceed \$10 million. The notice shall be provided consistent with the agency's fiduciary duties. The notice shall be provided on a form prescribed by the Legislative Budget Board. The notice shall include:</p> <ul style="list-style-type: none"> a. a brief description of the request for proposals; and b. criteria that will be evaluated, as identified in the request for proposals. <p>Additionally, the notice shall provide the following if ERS' processes have changed <u>substantively</u> from the prior request for proposals subject to this notice provision:</p> <ul style="list-style-type: none"> a. an explanation of the agency's evaluation process; b. guidelines for evaluators; c. methodology for evaluating additional factors not anticipated during planning; and d. methods for verifying the mathematical accuracy of the evaluation. <p>In addition to the requirements of this rider, the agency shall comply with all the reporting requirements under Article IX, Sec 7.12, Notification of Certain Purchases or Contract Awards, Amendments, and Extensions, of this Act.</p> <p>Justification for change: Add clarity</p>
14	I-38	<p>Health Clinic at a State Agency or Institution of Higher Education. Out of appropriations made in this and other articles of this Act for the Group Benefits Program, the board of trustees may operate or contract with a person to operate an onsite, or near-site, health clinic at a state agency or institution of higher education. The board may only operate or contract for a clinic if the board determines that:</p> <ul style="list-style-type: none"> a. the clinic can be operated on a cost-neutral or cost-positive basis to the health plan. b. there is sufficient health plan participation in the area where the proposed clinic will operate; and c. no funds will be spent by the board for the cost of acquiring or building the clinic, capital expenses, or acquiring equipment. <p>No Change.</p>

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Machelle Pharr	Date: October 9, 2020	Request Level: Base
Current Rider Number	Page Number in 2020 - 2021 GAA	Proposed Rider Language		
15	I-38	<p>Health Related Institutions Savings. It is the intent of the legislature that the HealthSelect of Texas network administered under the Employees Retirement System of Texas Group Benefits Program shall maintain competitive and favorable contracted provider rates with Health Related Institutions receiving appropriations under this Act. The Employees Retirement System may initiate and continue innovative value- based plan design models and partnerships with the Health Related Institutions.</p> <p>No Change.</p>		
16	I-38	<p>Right to Shop Incentive. It is the intent of the legislature that the Employees Retirement System incentivize participants to shop for lower cost care within the health plan in order to achieve shared savings. In accordance with existing laws, the agency may contract with one or more third-party vendors for this purpose.</p> <p>No Change.</p>		
Sec. 17.03	IX-79	<p>Payroll Contribution for Group Health Insurance.</p> <p>(a) Notwithstanding any other provision of this Act, out of appropriations made elsewhere in this Act to state agencies and institutions of higher education for the state fiscal biennium beginning September 1, 2019, 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, 2019 to the Employees Retirement System's Group Benefits Program.</p> <p>(b) For purposes of this section "institution of higher education" does not include components within the University of Texas and Texas A&M Systems.</p> <p>(c) State agencies and institutions of higher education shall contribute pursuant to this section to the Employees Retirement System to increase state funding for group health coverage by the value of the 1.0 percent contribution, estimated to be \$144,632,026 \$143,374,527 in All Funds for state agencies and \$85,076,368 \$87,804,319 in All Funds for institutions of higher education for the 2020-21 <u>2022-23</u> biennium.</p>		

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Machelle Pharr	Date: October 9, 2020	Request Level: Base
Current Rider Number	Page Number in 2020 - 2021 GAA	Proposed Rider Language		

		<p>(d) The calculation of base salary for purposes of the reductions made under this section excludes longevity pay, hazardous duty pay, benefit replacement pay, overtime pay, and other payments that are not part of the base salary of the employee.</p> <p>(e) Transfers made under this section shall be consistent with provisions requiring salaries and benefits to be proportional to the source of funds.</p> <p>(f) The Texas Higher Education Coordinating Board shall administer the requirements of this section for public community/junior colleges.</p> <p>(g) The Comptroller of Public Accounts shall promulgate rules and regulations as necessary to administer this section.</p> <p>Justification for change: Updated years.</p>
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Sec. 17.06	IX-80	<p>Additional Payroll Contribution for Retirement Contribution.</p> <p>(a) Notwithstanding any other provision of this Act, out of appropriations made elsewhere in this Act to state agencies for the state fiscal biennium beginning September 1, 2019, each agency shall contribute, in an amount equal to 0.5 percent of the total base wages and salaries for each eligible employee of a state agency during the state fiscal biennium beginning September 1, 2019 to the Employees Retirement System's Retirement Program.</p> <p>(b) State agencies shall contribute pursuant to this section to the Employees Retirement System to increase the state contribution for retirement by the value of the 0.5 percent contribution, estimated to be \$69,283,107 <u>\$74,174,454</u> for state agencies for the 2020-21 <u>2022-23</u> biennium.</p> <p>(c) The calculation of base salary for purposes of the reductions made under this section excludes longevity pay, hazardous duty pay, benefit replacement pay, overtime pay, and other payments that are not part of the base salary of the employee.</p>
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3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Machelle Pharr	Date: October 9, 2020	Request Level: Base
Current Rider Number	Page Number in 2020 - 2021 GAA	Proposed Rider Language		

		<p>(d) Transfers made under this section shall be consistent with provisions requiring salaries and benefits to be proportional to the source of funds.</p> <p>(e) The Comptroller of Public Accounts shall promulgate rules and regulations as necessary to administer this section.</p> <p>Justification for change: Updated years.</p>
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4.A. Exceptional Item Request Schedule
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/9/2020
 TIME: 4:32:14PM

Agency code: 327

Agency name: **Employees Retirement System**

CODE	DESCRIPTION	Excp 2022	Excp 2023
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Item Name:	ERS Actuarially Sound Level
Item Priority:	1
IT Component:	No
Anticipated Out-year Costs:	Yes
Involve Contracts > \$50,000:	No
Includes Funding for the Following Strategy or Strategies:	01-01-01 Provide Retirement Program for Employees and Retirees. Estimated.

OBJECTS OF EXPENSE:

1002	OTHER PERSONNEL COSTS	462,112,364	462,112,364
TOTAL, OBJECT OF EXPENSE		\$462,112,364	\$462,112,364

METHOD OF FINANCING:

1	General Revenue Fund	315,310,957	315,310,957
6	State Highway Fund	43,615,089	43,615,089
555	Federal Funds		
00.327.001	ERS Retirement	78,529,017	78,529,017
994	GR Dedicated Accounts	18,752,393	18,752,393
998	Other Special State Funds	5,904,908	5,904,908
TOTAL, METHOD OF FINANCING		\$462,112,364	\$462,112,364

DESCRIPTION / JUSTIFICATION:

This request is part of the ERS goal of administering comprehensive and actuarially sound retirement programs and supports the objective of obtaining proper funding for the program. While the current state, agency and employee contribution of 19.5% exceeds the normal cost, it does not cover the actuarially sound contribution (ASC) rate of 26.02% and is not sufficient to amortize the unfunded actuarial accrued liability (UAAL) over a measurable period. Currently, the fund is on a path to depletion. Texas Government Code, Sec. 811.006 requires funding of an actuarially sound contribution rate. The projected ASC rate is 26.02% for FY22 and FY 23.

EXTERNAL/INTERNAL FACTORS:

The above request assumes continued member contribution of 9.5% and employing agency contribution rate of 0.5 and 16.02% state contribution rate for a total of 26.02%. The projected normal costs and ASC rates presented here are as of August 31, 2019 updated to reflect the 2020 experience study and approved assumptions and an estimated net investment return of 6.82% for FY20. No growth in payroll is assumed for Fiscal Year 2022 and 2023. ERS will conduct an actuarial valuation as of August 31, 2020 and the updated ASC rates will be available December 2020.

PCLS TRACKING KEY:

4.A. Exceptional Item Request Schedule
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/9/2020
 TIME: 4:32:14PM

Agency code: 327

Agency name:
Employees Retirement System

CODE	DESCRIPTION	Excp 2022	Excp 2023
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DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :

Continued funding is anticipated

ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:

	2024	2025	2026
	\$462,112,364	\$462,112,364	\$462,112,364

4.A. Exceptional Item Request Schedule
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/9/2020
 TIME: 4:32:14PM

Agency code: 327 Agency name: Employees Retirement System

CODE	DESCRIPTION	Excp 2022	Excp 2023
	Item Name: LECOS Actuarially Sound Level Item Priority: 2 IT Component: No Anticipated Out-year Costs: Yes Involve Contracts > \$50,000: No Includes Funding for the Following Strategy or Strategies: 01-01-02 Provide Retirement Program for Law Enf and Corr Officers. Estimated.		

OBJECTS OF EXPENSE:

1002	OTHER PERSONNEL COSTS	43,643,860	43,643,860
TOTAL, OBJECT OF EXPENSE		\$43,643,860	\$43,643,860

METHOD OF FINANCING:

1	General Revenue Fund	42,401,471	42,401,471
555	Federal Funds		
00.000.001	Comptroller Misc Claims Fed Fnd Pym	278,193	278,193
994	GR Dedicated Accounts	964,196	964,196
TOTAL, METHOD OF FINANCING		\$43,643,860	\$43,643,860

DESCRIPTION / JUSTIFICATION:

This request is part of the ERS goal to administer comprehensive and actuarially sound retirement programs and supports the objective of obtaining proper funding for the program. LECOS is currently on a path to depletion. Additionally, current contributions do not cover the normal cost of the program. In order to restore the fund to the actuarially sound level of funding set forth in Sec. 811.006 of the Texas Government Codes, a 3.01% state contribution rate would be required along with the 0.5% member contribution and the continuation of the court fee contribution, estimated at \$17 million annually. A state contribution increase of 2.51% is needed in Fiscal Years 2022 and 2023.

EXTERNAL/INTERNAL FACTORS:

The above request assumes \$17 million annually in court fees collected under Section 133.102 of the Local Government Code in addition to a state contribution of 3.01% and member contribution of 0.5%. The projected normal costs and ASC rates presented here are as of August 31, 2019 updated to reflect the 2020 approved assumptions and an estimated net investment return of 6.82% for FY 20. No growth in payroll is assumed for Fiscal Year 2022 and 2023. ERS will conduct an actuarial valuation as of August 31, 2020 and the updated ASC rates will be available December 2020.

PCLS TRACKING KEY:

4.A. Exceptional Item Request Schedule
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/9/2020
 TIME: 4:32:14PM

Agency code: 327

Agency name:
Employees Retirement System

CODE	DESCRIPTION	Excp 2022	Excp 2023
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DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :

Continued funding is anticipated

ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:

	2024	2025	2026
	\$43,643,860	\$43,643,860	\$43,643,860

4.A. Exceptional Item Request Schedule
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/9/2020
 TIME: 4:32:14PM

Agency code: 327

Agency name:
Employees Retirement System

CODE	DESCRIPTION	Excp 2022	Excp 2023
	Item Name: JRS 2 Actuarially Sound Level Item Priority: 3 IT Component: No Anticipated Out-year Costs: Yes Involve Contracts > \$50,000: No Includes Funding for the Following Strategy or Strategies: 01-01-03 Provide Retirement Program for State Judicial Officers. Estimated.		

OBJECTS OF EXPENSE:

1002	OTHER PERSONNEL COSTS	7,087,536	8,103,289
TOTAL, OBJECT OF EXPENSE		7,087,536	8,103,289

METHOD OF FINANCING:

1	General Revenue Fund	5,006,756	5,724,302
573	Judicial Fund	2,080,780	2,378,987
TOTAL, METHOD OF FINANCING		7,087,536	8,103,289

DESCRIPTION / JUSTIFICATION:

This funding request is part of the ERS goal to administer comprehensive and actuarially sound retirement program and supports the objective of obtaining proper funding for the programs. The 83rd Legislature increased the state contribution to 15.663%. Member contributions were increased during the 86th Legislative session to 9.5% consistent with the ERS member contribution rate. As with the ERS and LECOSRF plans, the JRS 2 plan is on a path to depletion. In order to restore the plan to the actuarially sound level as set forth in Sec. 840.106 of the Texas Government Code, a state contribution of 22.34% would be required along with the member contribution rate of 9.5%.

EXTERNAL/INTERNAL FACTORS:

The above request assumes a 5% annual increase in payroll. Member contributions are assumed to continue at 9.5%. The projected normal costs and ASC rates presented here are as of August 31, 2019 updated to reflect the 2020 approved assumptions and an estimated net investment return of 6.82% for FY20. ERS will conduct an actuarial valuation as of August 31, 2020 and the updated ASC rates will be available December 2020.

PCLS TRACKING KEY:

4.A. Exceptional Item Request Schedule
87th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/9/2020
TIME: 4:32:14PM

Agency code: 327

Agency name:

Employees Retirement System

CODE DESCRIPTION

Excp 2022

Excp 2023

DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :

Continued funding is anticipated

ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:

	2024	2025	2026
	\$8,103,289	\$8,103,289	\$8,103,289

Agency code: 327 Agency name: Employees Retirement System

Code	Description	Excp 2022	Excp 2023
Item Name: ERS Actuarially Sound Level			
Allocation to Strategy: 1-1-1 Provide Retirement Program for Employees and Retirees. Estimated.			
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	462,112,364	462,112,364
TOTAL, OBJECT OF EXPENSE		\$462,112,364	\$462,112,364
METHOD OF FINANCING:			
1	General Revenue Fund	315,310,957	315,310,957
6	State Highway Fund	43,615,089	43,615,089
555	Federal Funds		
	00.327.001 ERS Retirement	78,529,017	78,529,017
994	GR Dedicated Accounts	18,752,393	18,752,393
998	Other Special State Funds	5,904,908	5,904,908
TOTAL, METHOD OF FINANCING		\$462,112,364	\$462,112,364

Agency code: 327 Agency name: Employees Retirement System

Code	Description	Excp 2022	Excp 2023
Item Name: LECOS Actuarially Sound Level			
Allocation to Strategy: 1-1-2 Provide Retirement Program for Law Enf and Corr Officers. Estimated.			
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	43,643,860	43,643,860
TOTAL, OBJECT OF EXPENSE		\$43,643,860	\$43,643,860
METHOD OF FINANCING:			
1	General Revenue Fund	42,401,471	42,401,471
555	Federal Funds		
	00.000.001 Comptroller Misc Claims Fed Fn	278,193	278,193
994	GR Dedicated Accounts	964,196	964,196
TOTAL, METHOD OF FINANCING		\$43,643,860	\$43,643,860

Agency code: 327 Agency name: Employees Retirement System

Code	Description	Excp 2022	Excp 2023
Item Name: JRS 2 Actuarially Sound Level			
Allocation to Strategy: 1-1-3 Provide Retirement Program for State Judicial Officers. Estimated.			
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	7,087,536	8,103,289
TOTAL, OBJECT OF EXPENSE		\$7,087,536	\$8,103,289
METHOD OF FINANCING:			
1	General Revenue Fund	5,006,756	5,724,302
573	Judicial Fund	2,080,780	2,378,987
TOTAL, METHOD OF FINANCING		\$7,087,536	\$8,103,289

4.C. Exceptional Items Strategy Request
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/9/2020
TIME: 4:32:15PM

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

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs

OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs

Service Categories:

STRATEGY: 1 Provide Retirement Program for Employees and Retirees. Estimated.

Service: 06 Income: A.2 Age: B.3

CODE DESCRIPTION	Excp 2022	Excp 2023
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STRATEGY IMPACT ON OUTCOME MEASURES:

<u>2</u> # of Years to Amortize the ERS Unfunded Actuarial Accrued Liability	31.00	31.00
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OBJECTS OF EXPENSE:

1002 OTHER PERSONNEL COSTS	462,112,364	462,112,364
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Total, Objects of Expense	\$462,112,364	\$462,112,364
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METHOD OF FINANCING:

1 General Revenue Fund	315,310,957	315,310,957
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6 State Highway Fund	43,615,089	43,615,089
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555 Federal Funds		
00.327.001 ERS Retirement	78,529,017	78,529,017

994 GR Dedicated Accounts	18,752,393	18,752,393
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998 Other Special State Funds	5,904,908	5,904,908
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Total, Method of Finance	\$462,112,364	\$462,112,364
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EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

ERS Actuarially Sound Level

4.C. Exceptional Items Strategy Request
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/9/2020
TIME: 4:32:15PM

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

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs

OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs

Service Categories:

STRATEGY: 2 Provide Retirement Program for Law Enf and Corr Officers. Estimated.

Service: 06 Income: A.2 Age: B.3

CODE DESCRIPTION	Exp 2022	Exp 2023
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STRATEGY IMPACT ON OUTCOME MEASURES:

<u>3</u> # Years to Amortize the LECOS Unfunded Actuarial Accrued Liability	31.00	31.00
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OBJECTS OF EXPENSE:

1002 OTHER PERSONNEL COSTS	43,643,860	43,643,860
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Total, Objects of Expense	\$43,643,860	\$43,643,860
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METHOD OF FINANCING:

1 General Revenue Fund	42,401,471	42,401,471
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555 Federal Funds		
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00.327.003 LECOS Retirement	278,193	278,193
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994 GR Dedicated Accounts	964,196	964,196
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Total, Method of Finance	\$43,643,860	\$43,643,860
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EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

LECOS Actuarially Sound Level

4.C. Exceptional Items Strategy Request
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/9/2020
TIME: 4:32:15PM

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

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs

OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs

Service Categories:

STRATEGY: 3 Provide Retirement Program for State Judicial Officers. Estimated.

Service: 06 Income: A.2 Age: B.3

CODE DESCRIPTION	Exp 2022	Exp 2023
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STRATEGY IMPACT ON OUTCOME MEASURES:

<u>4</u> # of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability	31.00	31.00
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OBJECTS OF EXPENSE:

1002 OTHER PERSONNEL COSTS	7,087,536	8,103,289
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Total, Objects of Expense	\$7,087,536	\$8,103,289
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METHOD OF FINANCING:

1 General Revenue Fund	5,006,756	5,724,302
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573 Judicial Fund	2,080,780	2,378,987
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Total, Method of Finance	\$7,087,536	\$8,103,289
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EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

JRS 2 Actuarially Sound Level

6.A. Historically Underutilized Business Supporting Schedule
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

Date: **10/9/2020**
 Time: **4:32:15PM**

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

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

A. Fiscal Year - HUB Expenditure Information

Statewide HUB Goals	Procurement Category	% Goal	HUB Expenditures FY 2018			Total Expenditures FY 2018		HUB Expenditures FY 2019			Total Expenditures FY 2019	
			% Actual	Diff	Actual \$	% Goal	% Actual	Diff	Actual \$	FY 2019		
11.2%	Heavy Construction	0.0 %	0.0%	0.0%	\$0	\$0	11.2 %	0.0%	-11.2%	\$0	\$0	
21.1%	Building Construction	21.1 %	0.1%	-21.0%	\$70	\$57,938	21.1 %	16.6%	-4.5%	\$812,524	\$4,896,558	
32.9%	Special Trade	32.9 %	33.4%	0.5%	\$48,527	\$145,488	32.9 %	2.8%	-30.1%	\$35,647	\$1,253,404	
23.7%	Professional Services	23.7 %	0.0%	-23.7%	\$0	\$1,180,073	23.7 %	26.4%	2.7%	\$958,885	\$3,632,752	
26.0%	Other Services	26.0 %	30.5%	4.5%	\$5,472,137	\$17,922,318	26.0 %	26.4%	0.4%	\$5,618,460	\$21,275,658	
21.1%	Commodities	21.1 %	39.9%	18.8%	\$604,053	\$1,514,427	21.1 %	31.5%	10.4%	\$648,661	\$2,061,187	
	Total Expenditures		29.4%		\$6,124,787	\$20,820,244		24.4%		\$8,074,177	\$33,119,559	

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

Attainment:

- For fiscal year 2018, the agency exceeded the HUB procurement goal for Special Trade by .45%, Other Services by 4.53%, and Commodities by 18.79%.
- For fiscal year 2019, the agency exceeded the HUB procurement goal for Professional Services by 2.7%, Other Services by .41%, and Commodities by 10.37%

Applicability:

- The Heavy Construction category is not applicable to agency operations in either fiscal year 2018 or 2019.

Factors Affecting Attainment:

- For fiscal year 2018, the goal of Building Construction category was not met due to results of competitive bidding process where contracts were awarded to non-HUB vendor. The goal of Professional Services category was not met due to the majority of ERS' required services involve actuarial and auditing services for pension and group insurance program.
- For fiscal year 2019, the goal of Building Construction and Special Trade categories was not met due to results of competitive bidding process where contract were awarded to non-HUB vendor

"Good-Faith" Efforts:

The agency made the following efforts to comply with the statewide HUB procurement goals per 34 TAC §20.284(b):

- When applicable, potential bidders are provided with a link to certified HUBs for subcontracting opportunities.
- Attended HUB conferences and shared information on how to contract with ERS in order to encourage and increase participation.
- Solicited more certified HUBs than required on all applicable bid opportunities.

6.A. Historically Underutilized Business Supporting Schedule
87th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: **10/9/2020**
Time: **4:32:15PM**

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

- Whenever possible, HUBs are contacted directly for procurements that are under the competitive procurement threshold for bidding.

		327 Employees Retirement System				
CFDA NUMBER/ STRATEGY		Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
00.327.001	ERS Retirement					
1 - 1 - 1	ERS RETIREMENT PROGRAM	98,988,337	113,668,589	114,493,918	114,493,918	114,493,918
TOTAL, ALL STRATEGIES		\$98,988,337	\$113,668,589	\$114,493,918	\$114,493,918	\$114,493,918
ADDL FED FNDS FOR EMPL BENEFITS		0	0	0	78,529,017	78,529,017
TOTAL, FEDERAL FUNDS		\$98,988,337	\$113,668,589	\$114,493,918	\$193,022,935	\$193,022,935
ADDL GR FOR EMPL BENEFITS		\$0	\$0	\$0	\$0	\$0
00.327.002	ERS Insurance					
2 - 1 - 1	GROUP BENEFITS PROGRAM	281,387,797	323,195,413	339,375,650	339,375,650	339,375,650
TOTAL, ALL STRATEGIES		\$281,387,797	\$323,195,413	\$339,375,650	\$339,375,650	\$339,375,650
ADDL FED FNDS FOR EMPL BENEFITS		0	0	0	0	0
TOTAL, FEDERAL FUNDS		\$281,387,797	\$323,195,413	\$339,375,650	\$339,375,650	\$339,375,650
ADDL GR FOR EMPL BENEFITS		\$0	\$0	\$0	\$0	\$0
00.327.003	LECOS Retirement					
1 - 1 - 2	LECOS RETIREMENT PROGRAM	26,922	53,730	55,417	55,417	55,417
TOTAL, ALL STRATEGIES		\$26,922	\$53,730	\$55,417	\$55,417	\$55,417
ADDL FED FNDS FOR EMPL BENEFITS		0	0	0	278,193	278,193
TOTAL, FEDERAL FUNDS		\$26,922	\$53,730	\$55,417	\$325,757	\$325,757
ADDL GR FOR EMPL BENEFITS		\$0	\$0	\$0	\$0	\$0

CFDA NUMBER/ STRATEGY		327 Employees Retirement System				
		Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
 <u>SUMMARY LISTING OF FEDERAL PROGRAM AMOUNTS</u>						
00.327.001	ERS Retirement	98,988,337	113,668,589	114,493,918	114,493,918	114,493,918
00.327.002	ERS Insurance	281,387,797	323,195,413	339,375,650	339,375,650	339,375,650
00.327.003	LECOS Retirement	26,922	53,730	55,417	55,417	55,417
TOTAL, ALL STRATEGIES		\$380,403,056	\$436,917,732	\$453,924,985	\$453,924,985	\$453,924,985
TOTAL, ADDL FED FUNDS FOR EMPL BENEFITS		0	0	0	78,807,210	78,807,210
TOTAL, FEDERAL FUNDS		\$380,403,056	\$436,917,732	\$453,924,985	\$532,724,342	\$532,724,342
TOTAL, ADDL GR FOR EMPL BENEFITS		\$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.F.a. Advisory Committee Supporting Schedule ~ Part A

87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

Date: 10/9/2020
 Time: 4:32:19PM

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

INVESTMENT ADVISORY COMMITTEE

Statutory Authorization: Tx Govt Code Section 815.509
 Number of Members: 9
 Committee Status: Ongoing
 Date Created: 08/5/1966
 Date to Be Abolished:
 Strategy (Strategies): 1-1-1 ERS RETIREMENT PROGRAM
 1-1-2 LECOS RETIREMENT PROGRAM
 1-1-3 JUDICIAL RETIREMENT SYSTEM - PLAN 2

Advisory Committee Costs	Expended Exp 2019	Estimated Est 2020	Budgeted Bud 2021	Requested BL 2022	Requested BL 2023
Committee Members Direct Expenses					
TRAVEL	\$11,798	\$10,018	\$11,000	\$19,000	\$19,000
PERSONNEL	0	0	0	0	0
OTHER OPERATING COSTS	9,200	18,800	18,000	18,000	18,000
Other Expenditures in Support of Committee Activities					
Agency Support Personnel	32,418	31,686	30,000	30,000	30,000
Total, Committee Expenditures	\$53,416	\$60,504	\$59,000	\$67,000	\$67,000
Method of Financing					
General Revenue Fund	\$53,416	\$60,504	\$59,000	\$67,000	\$67,000
Total, Method of Financing	\$53,416	\$60,504	\$59,000	\$67,000	\$67,000
Meetings Per Fiscal Year	4	4	4	4	4

6.F.a. Advisory Committee Supporting Schedule ~ Part A

87th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 10/9/2020
Time: 4:32:19PM

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

Description and Justification for Continuation/Consequences of Abolishing

Established at the discretion of the Board of Trustees as authorized in the TAC subsection 63.17(b). Composed of at least 5 and not more than 9 members. The members are selected by the Board of Trustees on the basis of experience in the management of financial institution or other business in which investment decisions are made or as a prominent educator in the fields of economics, finance or other investment-related area.

6.F.a. Advisory Committee Supporting Schedule ~ Part A

87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

Date: 10/9/2020
 Time: 4:32:19PM

Agency Code: 327 Agency: Employees Retirement System

GROUP BENEFIT ADVISORY COMMITTEE

Statutory Authorization: Tx Govt Code Section 815.509
 Number of Members: 11
 Committee Status: Ongoing
 Date Created: 12/31/2017
 Date to Be Abolished:
 Strategy (Strategies): 2-1-1 GROUP BENEFITS PROGRAM

Advisory Committee Costs	Expended Exp 2019	Estimated Est 2020	Budgeted Bud 2021	Requested BL 2022	Requested BL 2023
Committee Members Direct Expenses					
TRAVEL	\$2,990	\$997	\$8,000	\$8,000	\$8,000
PERSONNEL	0	0	0	0	0
OTHER OPERATING COSTS	0	0	0	0	0
Other Expenditures in Support of Committee Activities					
Agency Support Personnel	4,663	5,246	5,000	5,000	5,000
Total, Committee Expenditures	\$7,653	\$6,243	\$13,000	\$13,000	\$13,000
Method of Financing					
General Revenue Fund	\$7,653	\$6,243	\$13,000	\$13,000	\$13,000
Total, Method of Financing	\$7,653	\$6,243	\$13,000	\$13,000	\$13,000
Meetings Per Fiscal Year	2	2	2	2	2

6.F.a. Advisory Committee Supporting Schedule ~ Part A

87th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 10/9/2020
Time: 4:32:19PM

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

Description and Justification for Continuation/Consequences of Abolishing

The Group Benefit Advisory Committee (GBAC) is a part of the agency's ongoing efforts to incorporate a full spectrum of stakeholder and expert input and opinions in the planning and development of employee benefit program offered under the Texas Employees Group Benefits Program (GBP).

6.G. HOMELAND SECURITY FUNDING SCHEDULE - PART C - COVID-19 RELATED EXPENDITURES

DATE: 10/9/2020
TIME: 4:32:19PM

87th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

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

CODE	DESCRIPTION	Exp 2019	Est 2020	Bud 2021	BL 2022	BL 2023
OBJECTS OF EXPENSE						
2003	CONSUMABLE SUPPLIES	\$0	\$18,229	\$15,000	\$0	\$0
2009	OTHER OPERATING EXPENSE	\$0	\$308,400	\$114,500	\$0	\$0
TOTAL, OBJECTS OF EXPENSE		\$0	\$326,629	\$129,500	\$0	\$0
METHOD OF FINANCING						
997	Other Funds, estimated	\$0	\$326,629	\$129,500	\$0	\$0
	Subtotal, MOF (Other Funds)	\$0	\$326,629	\$129,500	\$0	\$0
TOTAL, METHOD OF FINANCE		\$0	\$326,629	\$129,500	\$0	\$0

FULL-TIME-EQUIVALENT POSITIONS

NO FUNDS WERE PASSED THROUGH TO LOCAL ENTITIES

NO FUNDS WERE PASSED THROUGH TO OTHER STATE AGENCIES OR INSTITUTIONS OF HIGHER EDUCATION

USE OF HOMELAND SECURITY FUNDS

Consumable expenses for 2020 consist of disinfecting supplies such as alcohol wipes for phones and computer equipment, protective gloves, surface and hand sanitizer dispensers. FY21 consumables include upgrading to MERV 13 air filters. Operating expenses include increased janitorial service and remote work informational technology infrastructure such as increased licensing for conferencing capabilities, headsets, and vpn tokens. While ERS operating expenses are initially paid from fund 955, these expenses are subsequently allocated to the various ERS trust funds.

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 2022-23 GAA BILL PATTERN	\$	49,940,468,654
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Retirement Trust Fund (0955)

Beginning Balance in FY 2020	\$	27,351,224,157
Actual Revenues FY 2020	\$	3,283,963,445
Estimated Revenues FY 2021	\$	3,540,402,768
FY 2020-21 Total	\$	34,175,590,370
Estimated Beginning Balance in FY 2022	\$	28,609,785,132
Estimated Revenues FY 2022	\$	3,702,462,961
Estimated Revenues FY 2023	\$	3,875,867,367
FY 2022-23 Total	\$	36,188,115,461

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 2020 level for FY 2022-23. Investment Income is calculated using the 7.00% assumption approved by the Board as of May, 2020. State contributions are estimated at the LAR Base Level of 9.50%.

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

Insurance Fund (0973)/(3973)

Beginning Balance in FY 2020	\$ 2,093,365,603
Actual Revenues FY 2020	\$ 4,538,174,579
Estimated Revenues FY 2021	<u>\$ 4,536,571,054</u>
FY 2020-21 Total	\$ 11,168,111,236
Estimated Beginning Balance in FY 2022	\$ 2,893,440,316
Estimated Revenues FY 2022	\$ 4,536,571,054
Estimated Revenues FY 2023	<u>\$ 4,536,571,054</u>
FY 2022-23 Total	\$ 11,966,582,424

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 2022 will be at the FY 2021 levels with no increase in enrollment.

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

LECOS Trust Fund (0977)

Beginning Balance in FY 2020	\$ 943,622,645
Actual Revenues FY 2020	\$ 90,136,262
Estimated Revenues FY 2021	\$ 97,744,823
FY 2020-21 Total	\$ 1,131,503,730
Estimated Beginning Balance in FY 2022	\$ 976,657,530
Estimated Revenues FY 2022	\$ 101,354,394
Estimated Revenues FY 2023	\$ 105,216,635
FY 2022-23 Total	\$ 1,183,228,558

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 2020 and FY 2021 will be established at the current level of 0.50%. Investment income is calculated using the 7.00 % assumption approved by the Board as of May, 2020.

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

JRS II Trust Fund (0993)

Beginning Balance in FY 2020	\$	456,192,249
Actual Revenues FY 2020	\$	48,033,047
Estimated Revenues FY 2021	\$	51,606,985
FY 2020-21 Total	\$	555,832,281
Estimated Beginning Balance in FY 2022	\$	491,203,963
Estimated Revenues FY 2022	\$	54,253,330
Estimated Revenues FY 2023	\$	57,084,919
FY 2022-23 Total	\$	602,542,211

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 7.00 % assumption approved by the Board as of May, 2020. State contributions are estimated at the LAR baseline request level of 15.663%.

6.K. Part A Budgetary Impacts Related to Recently Enacted State Legislation Schedule

87th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/9/2020

TIME: 4:32:19PM

Agency code: 327

Agency name: Employees Retirement System

		Exp 2019	Bud 2020	Est 2021	Est 2022	Est 2023
Expanded or New Initiative:	1. Cover diagnostic mammography in the same manner as screening mammography					
Legal Authority for Item:	86th Legislative Session, H.B. 170					
Description/Key Assumptions (including start up/implementation costs and ongoing costs):						
HB 170 amends Chapter 1356 of the Texas Insurance Code to require qualified health plans, including those HMOs covered under Chapter 843 and the HealthSelect medical plans covered under Chapter 1551, to cover diagnostic mammography at a benefit level no less favorable than that of a screening mammography. HB170 defines diagnostic mammography as "method of screening that is designed to evaluate an abnormality in a breast, including an abnormality seen or suspected on a screening mammogram or a subjective or objective abnormality otherwise detected in the breast."						
State Budget by Program:	Health Insurance					
IT Component:	No					
Involve Contracts > \$50,000:	No					
Objects of Expense						
Strategy: 2-1-1 GROUP BENEFITS PROGRAM						
1002	OTHER PERSONNEL COSTS	\$0	\$0	\$491,486	\$518,940	\$548,402
		SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$491,486	\$518,940
Strategy: 2-1-2 PROBATION HEALTH INSURANCE						
1002	OTHER PERSONNEL COSTS	\$0	\$0	\$16,662	\$17,593	\$18,591
		SUBTOTAL, Strategy 2-1-2	\$0	\$16,662	\$17,593	\$18,591
		TOTAL, Objects of Expense	\$0	\$0	\$508,148	\$566,993
Method of Financing						
GENERAL REVENUE FUNDS						
Strategy: 2-1-1 GROUP BENEFITS PROGRAM						
1	General Revenue Fund	\$0	\$0	\$332,196	\$350,752	\$370,665
		SUBTOTAL, Strategy 2-1-1	\$0	\$332,196	\$350,752	\$370,665
Strategy: 2-1-2 PROBATION HEALTH INSURANCE						
1	General Revenue Fund	\$0	\$0	\$16,662	\$17,593	\$18,591
		SUBTOTAL, Strategy 2-1-2	\$0	\$16,662	\$17,593	\$18,591
		SUBTOTAL, GENERAL REVENUE FUNDS	\$0	\$0	\$348,858	\$368,345
GR DEDICATED						
Strategy: 2-1-1 GROUP BENEFITS PROGRAM						
994	GR Dedicated Accounts	\$0	\$0	\$18,873	\$19,927	\$21,058

6.K. Part A Budgetary Impacts Related to Recently Enacted State Legislation Schedule
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/9/2020
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Agency code: 327

Agency name: Employees Retirement System

	Exp 2019	Bud 2020	Est 2021	Est 2022	Est 2023
	\$0	\$0	\$18,873	\$19,927	\$21,058
SUBTOTAL, Strategy 2-1-1					
SUBTOTAL, GR DEDICATED	\$0	\$0	\$18,873	\$19,927	\$21,058
FEDERAL FUNDS					
Strategy: 2-1-1 GROUP BENEFITS PROGRAM					
555 Federal Funds	\$0	\$0	\$82,176	\$86,767	\$91,693
	\$0	\$0	\$82,176	\$86,767	\$91,693
SUBTOTAL, Strategy 2-1-1					
SUBTOTAL, FEDERAL FUNDS	\$0	\$0	\$82,176	\$86,767	\$91,693
OTHER FUNDS					
Strategy: 2-1-1 GROUP BENEFITS PROGRAM					
6 State Highway Fund	\$0	\$0	\$54,211	\$57,239	\$60,489
998 Other Special State Funds	\$0	\$0	\$4,030	\$4,255	\$4,497
	\$0	\$0	\$58,241	\$61,494	\$64,986
SUBTOTAL, Strategy 2-1-1					
SUBTOTAL, OTHER FUNDS	\$0	\$0	\$58,241	\$61,494	\$64,986
TOTAL, Method of Financing	\$0	\$0	\$508,148	\$536,533	\$566,993

6.K. Part A Budgetary Impacts Related to Recently Enacted State Legislation Schedule

87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/9/2020
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Agency code: 327

Agency name: Employees Retirement System

	Exp 2019	Bud 2020	Est 2021	Est 2022	Est 2023
Expanded or New Initiative: 2. Arbitration of certain out-of-network claims					

Legal Authority for Item:

86th Legislative Session, S.B. 1264

Description/Key Assumptions (including start up/implementation costs and ongoing costs):

Requires the health plan provide coverage for nonemergency health care or medical service provided to an enrollee by an out of network provider at the usual and customary rate or at an alternative agreed to rate if the service was provided at a health care facility that is a participating provider except when the following conditions are met:

- An enrollee elects to receive the service in writing in advance of the service with each out of network provider providing the service, and
- The out of network provider, prior to providing the service, gives a complete written disclosure to the enrollee that the provider does not have a contract with the enrollee's health plan; discloses the projected amounts for which the enrollee may be responsible; and the circumstances in which the enrollee would be responsible for those amounts.

The bill prevents balancing billing of health plan enrollees for services in the following four categories: Emergency care; Health care services provided by out-of-network facility based providers at in-network or contracted facilities; Out-of-network laboratory services; Out-of-network diagnostic imaging services.

The bill creates a binding arbitration process to resolve billing issues for services provided by out-of-network providers at in-network facilities while leaving out-of-network facility services in the current mediation process. The binding arbitration process only considers price in deciding payment disputes. The bill specifies a range of data points to be considered during arbitration, including the 50th percentile of in-network rates by region and the 80th percentile of billed charges by region. Historical participating provider rates may be considered. The arbitration process determines whether the billed charge by the provider or the initial payment by the health plan or administrator is closest to the reasonable charge for services. The selected amount is the binding amount to be paid for the services by the plan.

State Budget by Program:	Health Insurance
IT Component:	No
Involve Contracts > \$50,000:	No

Objects of Expense

Strategy: 2-1-1 GROUP BENEFITS PROGRAM

1002 OTHER PERSONNEL COSTS	\$0	\$4,312,264	\$6,831,368	\$7,214,517	\$7,618,376
SUBTOTAL, Strategy 2-1-1	\$0	\$4,312,264	\$6,831,368	\$7,214,517	\$7,618,376

Strategy: 2-1-2 PROBATION HEALTH INSURANCE

1002 OTHER PERSONNEL COSTS	\$0	\$154,166	\$243,199	\$256,840	\$271,217
SUBTOTAL, Strategy 2-1-2	\$0	\$154,166	\$243,199	\$256,840	\$271,217
TOTAL, Objects of Expense	\$0	\$4,466,430	\$7,074,567	\$7,471,357	\$7,889,593

Method of Financing

GENERAL REVENUE FUNDS

Strategy: 2-1-1 GROUP BENEFITS PROGRAM

1 General Revenue Fund	\$0	\$2,891,517	\$4,580,988	\$4,876,292	\$5,149,261
SUBTOTAL, Strategy 2-1-1	\$0	\$2,891,517	\$4,580,988	\$4,876,292	\$5,149,261

6.K. Part A Budgetary Impacts Related to Recently Enacted State Legislation Schedule

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DATE: 10/9/2020
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Agency code: 327

Agency name: Employees Retirement System

	Exp 2019	Bud 2020	Est 2021	Est 2022	Est 2023
Strategy: 2-1-2 PROBATION HEALTH INSURANCE					
1 General Revenue Fund	\$0	\$154,166	\$243,199	\$256,840	\$271,217
SUBTOTAL, Strategy 2-1-2	\$0	\$154,166	\$243,199	\$256,840	\$271,217
SUBTOTAL, GENERAL REVENUE FUNDS	\$0	\$3,045,683	\$4,824,187	\$5,133,132	\$5,420,478
GR DEDICATED					
Strategy: 2-1-1 GROUP BENEFITS PROGRAM					
994 GR Dedicated Accounts	\$0	\$169,436	\$268,377	\$277,038	\$292,545
SUBTOTAL, Strategy 2-1-1	\$0	\$169,436	\$268,377	\$277,038	\$292,545
SUBTOTAL, GR DEDICATED	\$0	\$169,436	\$268,377	\$277,038	\$292,545
FEDERAL FUNDS					
Strategy: 2-1-1 GROUP BENEFITS PROGRAM					
555 Federal Funds	\$0	\$732,161	\$1,159,700	\$1,206,267	\$1,273,792
SUBTOTAL, Strategy 2-1-1	\$0	\$732,161	\$1,159,700	\$1,206,267	\$1,273,792
SUBTOTAL, FEDERAL FUNDS	\$0	\$732,161	\$1,159,700	\$1,206,267	\$1,273,792
OTHER FUNDS					
Strategy: 2-1-1 GROUP BENEFITS PROGRAM					
6 State Highway Fund	\$0	\$483,321	\$765,553	\$795,761	\$840,307
998 Other Special State Funds	\$0	\$35,829	\$56,750	\$59,159	\$62,471
SUBTOTAL, Strategy 2-1-1	\$0	\$519,150	\$822,303	\$854,920	\$902,778
SUBTOTAL, OTHER FUNDS	\$0	\$519,150	\$822,303	\$854,920	\$902,778
TOTAL, Method of Financing	\$0	\$4,466,430	\$7,074,567	\$7,471,357	\$7,889,593

6.K. Part A Budgetary Impacts Related to Recently Enacted State Legislation Schedule

87th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/9/2020
TIME: 4:32:19PM

Agency code: 327

Agency name: **Employees Retirement System**

	Exp 2019	Bud 2020	Est 2021	Est 2022	Est 2023
Expanded or New Initiative: 3.Adjust Chapter 615 benefit annually based on CPI					
Legal Authority for Item: 86th Legislative Session HB3635					
Description/Key Assumptions (including start up/implementation costs and ongoing costs): House Bill 3635 amends Section 615.022, Government Code to adjust the lump sum payment to eligible survivors of certain law enforcement officers, firefighters and other state and local public employees killed in the line of duty. The adjustment is made in an amount equal to the percentage change in Consumer Price Index for all Urban Consumers, published by the Bureau of Labor Statistics (CPI), for the preceding year.					
State Budget by Program:	Public Safety Death Benefits				
IT Component:	No				
Involve Contracts > \$50,000:	No				
Objects of Expense					
Strategy: 1-1-5 PUBLIC SAFETY DEATH BENEFITS					
3001 CLIENT SERVICES	\$0	\$0	\$497,750	\$271,500	\$271,500
SUBTOTAL, Strategy 1-1-5	\$0	\$0	\$497,750	\$271,500	\$271,500
TOTAL, Objects of Expense	\$0	\$0	\$497,750	\$271,500	\$271,500
Method of Financing					
GENERAL REVENUE FUNDS					
Strategy: 1-1-5 PUBLIC SAFETY DEATH BENEFITS					
1 General Revenue Fund	\$0	\$0	\$497,750	\$271,500	\$271,500
SUBTOTAL, Strategy 1-1-5	\$0	\$0	\$497,750	\$271,500	\$271,500
SUBTOTAL, GENERAL REVENUE FUNDS	\$0	\$0	\$497,750	\$271,500	\$271,500
TOTAL, Method of Financing	\$0	\$0	\$497,750	\$271,500	\$271,500

6.K. Part A Budgetary Impacts Related to Recently Enacted State Legislation Schedule

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Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/9/2020
TIME: 4:32:19PM

Agency code: 327 Agency name: Employees Retirement System

		Exp 2019	Bud 2020	Est 2021	Est 2022	Est 2023
Expanded or New Initiative: 4. Tiered Judicial Compensation						
Legal Authority for Item: 86th Legislative Session HB 2384						
Description/Key Assumptions (including start up/implementation costs and ongoing costs): Tenure Base Salary structure for judges and prosecutors impact based on current state and member contribution rates; does not include additional costs to achieve actuarial soundness						
State Budget by Program: Judicial Retirement System Plan 2						
IT Component: No						
Involve Contracts > \$50,000: No						
Objects of Expense						
Strategy: 1-1-1 ERS RETIREMENT PROGRAM						
1002	OTHER PERSONNEL COSTS	\$0	\$313,939	\$359,182	\$359,182	\$359,182
SUBTOTAL, Strategy 1-1-1		\$0	\$313,939	\$359,182	\$359,182	\$359,182
Strategy: 1-1-3 JUDICIAL RETIREMENT SYSTEM - PLAN 2						
1002	OTHER PERSONNEL COSTS	\$0	\$1,597,600	\$1,728,128	\$1,869,320	\$2,022,049
SUBTOTAL, Strategy 1-1-3		\$0	\$1,597,600	\$1,728,128	\$1,869,320	\$2,022,049
TOTAL, Objects of Expense		\$0	\$1,911,539	\$2,087,310	\$2,228,502	\$2,381,231
Method of Financing						
GENERAL REVENUE FUNDS						
Strategy: 1-1-1 ERS RETIREMENT PROGRAM						
1	General Revenue Fund	\$0	\$280,257	\$325,500	\$325,500	\$325,500
SUBTOTAL, Strategy 1-1-1		\$0	\$280,257	\$325,500	\$325,500	\$325,500
Strategy: 1-1-3 JUDICIAL RETIREMENT SYSTEM - PLAN 2						
1	General Revenue Fund	\$0	\$1,597,600	\$1,728,128	\$1,869,320	\$2,022,049
SUBTOTAL, Strategy 1-1-3		\$0	\$1,597,600	\$1,728,128	\$1,869,320	\$2,022,049
SUBTOTAL, GENERAL REVENUE FUNDS		\$0	\$1,877,857	\$2,053,628	\$2,194,820	\$2,347,549
FEDERAL FUNDS						
Strategy: 1-1-1 ERS RETIREMENT PROGRAM						
555	Federal Funds	\$0	\$33,682	\$33,682	\$33,682	\$33,682
SUBTOTAL, Strategy 1-1-1		\$0	\$33,682	\$33,682	\$33,682	\$33,682
SUBTOTAL, FEDERAL FUNDS		\$0	\$33,682	\$33,682	\$33,682	\$33,682
TOTAL, Method of Financing		\$0	\$1,911,539	\$2,087,310	\$2,228,502	\$2,381,231

6.K. Part B Summary of Costs Related to Recently Enacted State Legislation Schedule
 87th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 10/9/2020
 TIME: 4:32:20PM

Agency code: 327

Agency name: Employees Retirement System

ITEM	EXPANDED OR NEW INITIATIVE	Exp 2019	Bud 2020	Est 2021	Est 2022	Est 2023
1	Cover diagnostic mammography in the same manner as screening mammography	\$0	\$0	\$508,148	\$536,533	\$566,993
2	Arbitration of certain out-of-network claims	\$0	\$4,466,430	\$7,074,567	\$7,471,357	\$7,889,593
3	Adjust Chapter 615 benefit annually based on CPI	\$0	\$0	\$497,750	\$271,500	\$271,500
4	Tiered Judicial Compensation	\$0	\$1,911,539	\$2,087,310	\$2,228,502	\$2,381,231
Total, Cost Related to Expanded or New Initiatives		\$0	\$6,377,969	\$10,167,775	\$10,507,892	\$11,109,317
METHOD OF FINANCING						
	GENERAL REVENUE FUNDS	\$0	\$4,923,540	\$7,724,423	\$7,967,797	\$8,428,783
	GR DEDICATED	\$0	\$169,436	\$287,250	\$296,965	\$313,603
	FEDERAL FUNDS	\$0	\$765,843	\$1,275,558	\$1,326,716	\$1,399,167
	OTHER FUNDS	\$0	\$519,150	\$880,544	\$916,414	\$967,764
Total, Method of Financing		\$0	\$6,377,969	\$10,167,775	\$10,507,892	\$11,109,317

FULL-TIME-EQUIVALENTS (FTES):



200 E.18th Street Austin, Texas 78701 www.ers.texas.gov