Legislative Appropriations Request for Fiscal Years 2018 and 2019

Submitted to the Office of the Governor, Budget Division,

and the Legislative Budget Board

By The Employees Retirement System of Texas – August 26, 2016

ERS

EMPLOYEES RETIREMENT
SYSTEM OF TEXAS

MISSION

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

PHILOSOPHY

ERS prudently and professionally manages the trust funds and 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

The 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.

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EMPLOYEES RETIREMENT SYSTEM OF TEXAS
LEGISLATIVE APPROPRIATIONS REQUEST
FOR FISCAL YEARS 2018 AND 2019

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Agency Code: 327
Agency Name: Employees Retirement System of Texas

Porter Wilson, Executive Director

I am pleased to present the Legislative Appropriations Request (LAR) for the Employees Retirement System of Texas. This LAR requests 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 to recruit, retain, and reward the high-quality workforce Texas needs to continue providing efficient and effective administration of state government expected by the state leaders. These programs help provide financial security for more than 110,000 retired Texans and health care for one of every 47 Texans. The benefits ERS administers also enhance the lives and livelihoods of countless other Texans. Pension payments reinvested into local communities and medical claim payments delivered to Texas doctors, hospitals, and pharmacies, have a significant impact on the state's economy.

As detailed in this document, ERS faces unique funding challenges related to both the long-term investment environment and continuing changes in national health care structures and trends. This request acknowledges these considerations and presents a plan to support the full operations of the agency, including:

- Four distinct retirement plans: service retirement for state employees, elected state officials, and district attorneys (ERS), law enforcement and custodial officers (LECOS), and state district and appellate judges (JRS 1 and 2);
- Disability retirement benefits – occupational and non-occupational – that are a part of each plan;
- Two death benefit programs: a $5,000 lump-sum death benefit paid to survivors of state retirees and a $500,000 special death benefit paid to the survivors of certain Texas public safety officers killed in the line of duty; and
- Two insurance programs: health insurance and basic life insurance, both of which are provided to employees and retirees

ACCOMPLISHMENTS

ERS continues to operate a model benefits program, made possible by the ongoing commitment and careful stewardship of the State in combination with prudent contract and investment management by ERS staff.   The 84th Legislature substantially improved the ERS retirement fund. Provisions in the House Bill (H.B.) 1, General Appropriations Act and H.B. 9 increased employer and employee

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contributions. With the implementation of this legislation, the funding period for the actuarial unfunded liability went from infinite to a 33 year funding period.

ERS serves 580,138 employees, retirees and dependents participating in the Texas Employees Group Benefits Program, 171,642 employees contributing to pension accounts, and 111,561retirees and beneficiaries receiving pension annuities. ERS benefit programs support state agencies and institutions in higher education in recruiting and retaining staff that help citizens throughout Texas achieve self-sufficiency, promote positive health outcomes and enjoy dependable public safety.   Texas relies on a diverse and high-quality workforce including judges, law enforcement officers, highway engineers and child protective services caseworkers. State benefits serve a key role in recruiting and retaining a workforce critical to the safety, health and well-being of Texans. Because state salaries are generally lower than in the private sector, quality benefits help to bridge the gap and attract qualified individuals.

ERS regularly reviews its full investment portfolio and actively manages assets to achieve the highest risk adjusted return possible given existing market conditions. During fiscal years 2017 and 2018, ERS will undertake an asset allocation study and pension experience study. The asset allocation impacts both the short term return expectations that guide investment decisions and the long term assumption ERS' retirement actuaries can recommend during the pension experience study.

This past biennium, ERS continued to pursue a number of initiatives to improve the quality of health-care benefits while maintaining lower-than-average costs. The Group Benefits Plan (GBP) cost per employee is more than $1,800 less than similar employer-based plans nationwide. To achieve these results, ERS engages in aggressive contracting practices, monitors cost management opportunities, identifies and addresses emerging cost drivers, focuses on encouraging behavior changes, and diligently maintains low administrative costs. These general strategies can be seen in specific initiatives implemented by the agency including the following:

- Renegotiated the Pharmacy Benefit Manager Contract. This contract is expected to save approximately $428 million during the period FY17-19.
- Continue to achieve savings through the Medicare Advantage PPO and HMO.

In addition, ERS has implemented new benefits with minimal cost to the plan including:
- Combined out-of-pocket maximum for health and prescription drug services under the HealthSelect Plan as required by the Affordable Care Act.
- Implemented a new Group Vision Plan effective September 1, 2016 for which over 107,000 participants signed up during summer enrollment.
- Implemented a Qualified Transportation Fringe Benefit.

As required by House Bill 966, ERS implemented Consumer Directed HealthSelect, as an alternative to HealthSelect of Texas. This plan includes a high deductible health plan and a health savings account (HSA) to which the state and participants may contribute

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tax-free funds. These contributions may be used to pay for qualified medical expenses. In addition, ERS implemented a new TexFlex Limited Spending Account for eligible dental and vision expenses for participants of the Consumer Directed HealthSelect.

During fiscal year 2016, ERS underwent a Sunset review.   This process provided insight on a variety of areas for agency improvement such as contracting member engagement and communication, strategic planning and program evaluation, and investment transparency.   In refining its organizational structure and processes, ERS has also taken into consideration legislative provisions under Senate Bill 20, House Bill 1295 and various reporting requirements in the GAA. In FY 2016, ERS centralized all purchasing and contracting staff into a single division. The Office of Procurement and Contract Oversight is responsible for ensuring compliance with solicitation statutes, guidelines and best practices, as well as contract oversight.   ERS continues to work towards implementation of other Sunset staff recommendations such as a benefit advisory committee, enhanced member communication, and expanded opportunities for member involvement in the grievance process.

APPROPRIATIONS REQUEST FOR THE RETIREMENT PROGRAM

Texas begins funding retirement benefits as soon as a worker enters the system. Funding of these benefits continues throughout an employee's working career at a percentage of the employee's gross salary. The normal cost of these benefits is calculated by determining the current rate of employer and employee contributions needed to pay for future retirement benefits, assuming that retirement rates and investment earnings match expectations. The current normal cost rate for the ERS employee retirement trust fund is 12.27%. Beginning September 1, 2015, the state contributed 9.5%, agencies contributed 0.5%, and system members contributed 9.5%, for a total of 19.5%.

The 84th Legislature made substantial improvement in the health of the retirement fund by increasing both State and members contributions. Prior to that increase, the period to cover the unfunded liability was infinite. However, to achieve an actuarially sound level, additional funding is still required. The projected actuarially sound contribution (ASC) rate for the ERS employee retirement trust fund is 20.02%.   An additional 0.52% is required to fund the ERS employee retirement trust fund at the ASC rate.

Governmental Accounting Standards Board (GASB) 67 and 68, impact the way pension funds must account for and report certain information. These regulations require ERS to report the market value of assets rather than their actuarial value, and to use a blended rate of investment returns when assets do not fully cover liabilities. As a result, the unfunded liability in the State's reported balance sheet is higher than the actuarial unfunded liability. Credit raters look not only at the debt obligation of the state, but how it manages that debt. The 84th Legislature sent a strong message that Texas is prepared to meet its debt obligations by the changes made last session to increase the state's pension contributions. Providing funding for ERS exceptional item requests is one of the most economical ways for the state to address the outstanding liabilities.

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BASELINE REQUEST FOR THE RETIREMENT PROGRAM

- Employee and Elected Class Retirement Trust Fund: **$855 million GR** ($1.3 billion All Funds)
The baseline assumes a continued state contribution of 9.5% per year. The member contribution is assumed at 9.5% in FY18 and 9.5% in FY19, and 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 12.27%; however, it does not cover the Actuarially Sound Contribution rate (ASC) of 20.02% and is not sufficient to amortize the unfunded accrued liability.

- LECOS Trust Fund: **$17.6 million GR** ($18.0 million All Funds)

  The baseline assumes a state contribution of 0.5%, a member contribution of 0.5%, and additional contribution from state court fees of approximately 1.2%. This baseline request (2.2%) is higher than the current normal cost of 1.77 but is lower than the ASC of 3.13% and is not sufficient to amortize the unfunded actuarial accrued liability of $353.1 million over a measurable period.

- Judicial Retirement System Plan 1 (JRS 1): **$49.8 million GR**

  JRS 1 is a closed plan for justices assuming the bench prior to September 1, 1985 and receives appropriations equal to current benefit payments.

- Judicial Retirement System Plan 2 (JRS 2): **$15.4 million GR** ($24.8 million All Funds)

  The baseline assumes a state contribution of 15.663% and a member contribution of 7.5%. This baseline request is higher than the current normal cost of 21.40% but is lower than the ASC of 24.39% and is not sufficient to amortize the unfunded accrued liability of $31.4 million over a measurable period.

- Financial Assistance to Survivors of Certain Law Enforcement Officers and Fire Fighters: **$16.2 million** GR ($22. 6 million All Funds)

  The baseline assumes benefit funding at the FY17 appropriated level.

- Retiree Death Benefit: **$25.6 million GR**

  The baseline assumes lump-sum benefit funding at the FY 17 appropriated level.

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EXCEPTIONAL ITEM REQUESTS FOR THE RETIREMENT PROGRAM

- **Actuarially Sound Contribution for ERS Retirement Trust**: **$46.8 million GR** ($69.0 million All Funds)

  Texas Government Code, Sec. 811.006 requires funding of an actuarially sound contribution rate (ASC). The projected ASC rate is 20.02%, comprised of the normal cost of 12.27% and the additional contributions needed to erase the unfunded liability over 31 years. The current difference between the normal cost and the ASC rate is 7.75%.

  The system first reported an unfunded liability in 2003, following years of contribution rates reduced to the constitutional minimum. Early retirement incentives, and two years of negative investment returns also contributed to the developing unfunded liability. The unfunded liability grew from $500 million as of August 31, 2003 to $8.0 billion as of August 31, 2015 in part due to underperforming financial markets, but also because the fund continued to not receive sufficient contributions to cover the normal cost and pay down the unfunded debt. Demographic and actuarial assumption changes resulting from increased retirement rates have also played a role in the liability calculations. The 81st and 83rd Legislatures (2009 and 2013) passed legislation adjusting retirement benefits that resulted in lowered normal costs for the plan. With the 84th Legislature increasing both member and state contributions, the plan is now on a path to achieve actuarial soundness. However, additional work is required.

  Options beyond increasing contributions include one-time funding to pay off or reduce the unfunded accrued liability. Increasing the ERS membership fee would also provide an additional funding stream that could be used to reduce liabilities.

- **Actuarially Sound Contribution for LECOS Fund**: **$32.7 million GR** ($33.3 million All Funds)

  This request provides the full ASC rate as required in Sec. 811.006 of the Texas Government Code. The current LECOS ASC rate is 3.13%, requiring an employer contribution of 1.43%, in addition to the member contribution of 0.5% and the additional court fee contribution of approximately 1.2%.

- **Current Actuarially Sound Contribution for Judicial Retirement Plan 2**: **$1.2 million GR** ($1.9 million All Funds)

  This request provides the full ASC rate as required in Sec. 840.106 of the Texas Government Code. The current JRS2 ASC rate is 24.39%, requiring a total employer contribution of 16.89% in addition to the member contribution of 7.50%.

Both the normal cost and the ASC rate will change based on the fiscal year end actuarial valuation of the trust funds. Please note the normal costs and ASC rates are accurate as of August 31, 2015; updated numbers will be available following the audited financial report for FY16.

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APPROPRIATIONS REQUEST FOR THE TEXAS EMPLOYEES GROUP BENEFITS PROGRAM (HEALTH COVERAGE)

ERS continues to face significant challenges in the GBP due to rising costs associated with health care delivery nationally. Health care costs continue to rise faster than national income and the overall rate of inflation. The average annual health benefit cost trend is projected to be 8.5% from FY17 through FY19. The major factors contributing most significantly 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 the aging population and the escalating obesity epidemic; and increases in both the cost and use of pharmaceuticals, particularly specialty drugs. While many factors associated with recent health care cost increases are beyond ERS' control, we have successfully kept our administrative costs low, allowing more funding to flow into direct health care services. In addition to maintaining impressively low administrative costs, we were able to lower pharmaceutical expenses through contract negotiation. For FY16 year to date, ERS is experiencing a trend of 13.4% compared to previous projections of 18%. During FY16 ERS also implemented total combined out-of-pocket maximums for health and prescription drug services under the HealthSelect plans.

ERS continues to keep direct medical expenses low through careful utilization management, prepayment claims editing, participant cost sharing, improved coordination of benefits, and other cost management tools. Patient Center Medical Homes (PCMH) has also been an effective cost containment management strategy utilized by the plan. The PCMH model promotes a strong partnership between the patient and the primary care physician and has proven to be a successful delivery model, resulting in a reduction in health care costs for the last five years of $49.2 million. ERS has also continued to see increased participation in both the Medicare Advantage PPO and HMO, with the PPO enrollment increasing from 47,325 in 2012 to 65,645 in June, 2016 while HMO enrollment grew from 572 participants in 2012 to 1,276 in June, 2016. For calendar year 2017, ERS is able to hold Medicare Advantage PPO member contribution rates constant while decreasing Medicare Advantage HMO member contribution rates.

Given the stress of health care cost trends, maintaining funding levels at baseline levels for FY16-17 will be insufficient, leading to a significant funding gap within the first year. During the 84th Regular Session, legislators made use of the Contingency Reserve Fund to fill $200 million in projected health care expenditures. Texas Government Code, Sec. 1551.211 requires ERS to seek funding necessary to maintain a balance equal to 60 days of claims expenditures in the Contingency Reserve Fund.

BASELINE REQUEST FOR THE GROUP BENEFITS PROGRAM: $3. 8 billion All Funds

The baseline request, prescribed by the Legislative Budget Board, is calculated according to previous ERS funding levels not plan needs, and is insufficient to cover projected FY18-19 benefit costs. Funding at this level would not maintain existing plan benefits or structure and would require changes to benefit design. Baseline funding also does not address required appropriations to bring the Contingency Reserve Fund up to the statutorily level as required by Texas Government Code 1551.211.

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EXCEPTIONAL ITEM REQUESTS FOR THE GROUP BENEFITS PROGRAM

- Provide Benefits to State Employees at Existing Levels: **$134.1 million GR** ($198.6 million All Funds)

   In addition to the baseline request, the GBP requires $198.6 million in All Funds to operate the program at a level sufficient to maintain existing health plan benefits and cover projected net health plan benefit cost trends of 8.5% per year. The request reflects an increase in funding of 4.42% for each year of the biennium and assumes expending $260 million ($145.5 million general state) of the contingency reserve fund.

   Without funding of this exceptional item, the ERS Board will need to implement benefit design changes to reduce the total cost of the program over the biennium, potentially reducing benefits or shifting health care costs directly to employees. Since ERS benefit programs are important to maintaining a strong and responsive state workforce, benefit design changes could increase statewide employee turnover - increasing costs related to recruitment, retention and training – and negatively impact state agencies' ability to provide needed services through employees such as State Troopers, Child Protective Service caseworkers, oil rig inspectors, correctional officers, and transportation maintenance workers.

- Replenish Statutory Contingency Reserve Fund: **$198.1 million GR** ($293.3 million All Funds)

   Texas Government Code, Sec. 1551.211 requires ERS to maintain the Contingency Reserve Fund at a balance equal to 60 days of claims expenditures for the upcoming biennium, and to request from the legislature such appropriation necessary to meet this purpose. This exceptional item request, in combination with additional funding from (a) higher education institutions, (b) other employers participating in the program, and (c) members who elect dependent coverage, is estimated to be sufficient to meet the statutory minimum requirement.

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.

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

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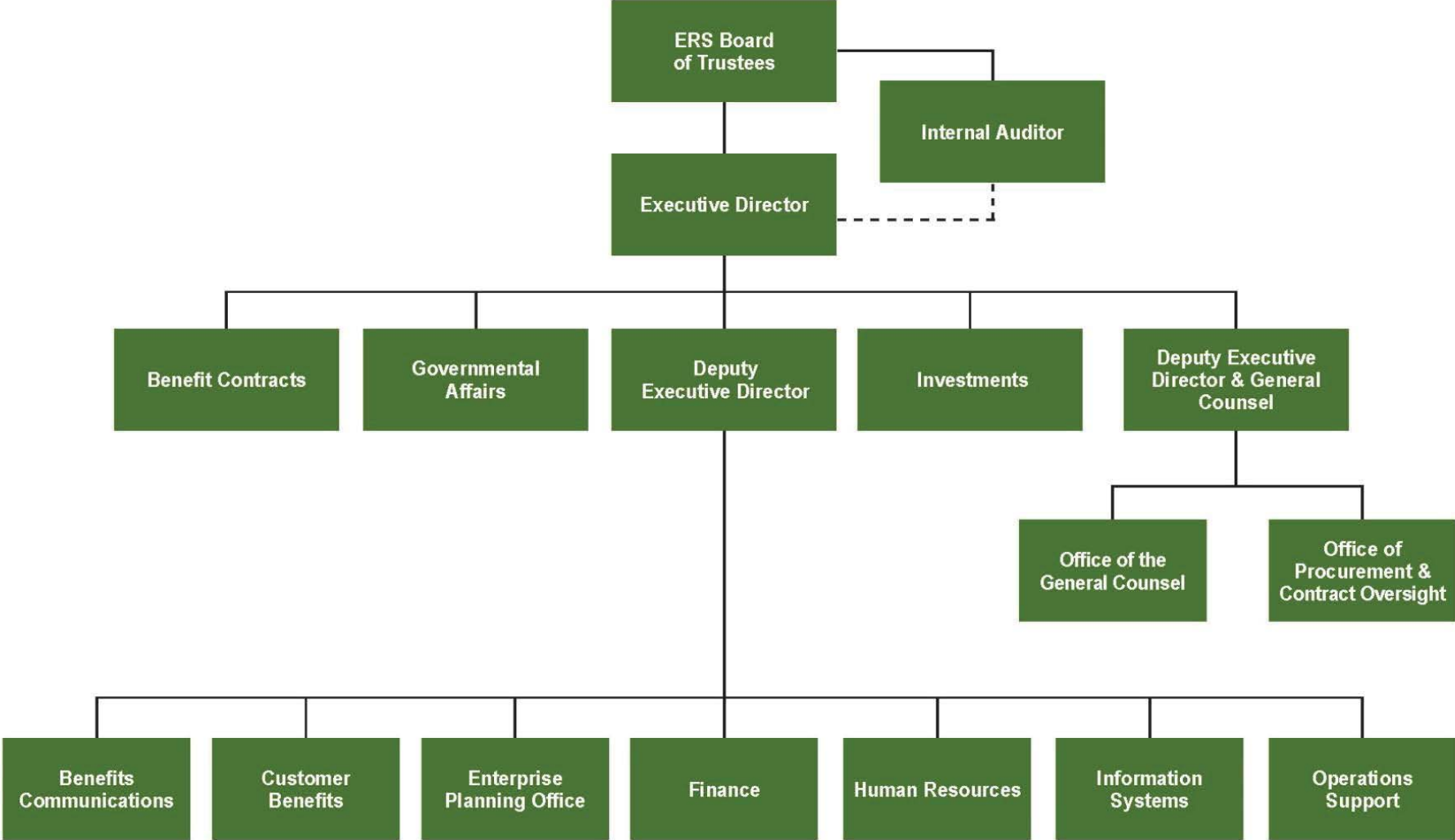
CONCLUSION

ERS is proud of its role in supporting the dynamic Texas economic engine and mission of the state. We look forward to working with the 85th Legislature to determine how ERS programs can continue to best meet the needs of the state, its active and retired workforce, employer agencies, and Texas residents.

EMPLOYEES RETIREMENT SYSTEM OF TEXAS

Board Members	Dates of Terms			Hometowns
I. Craig Hester, Chair	November 1, 2005	-	August 31, 2022	Austin, Texas
Doug Danzeiser, Vice-Chair	October 30, 2014	-	August 31, 2019	Austin, Texas
Ilesa Daniels	September 1, 2015	-	August 31, 2021	Houston, Texas
Cydney Donnell	June 20, 2011	-	August 31, 2018	Bryan, Texas
Brian D. Ragland	September 1, 2011	-	August 31, 2017	Austin, Texas
Jeanie Wyatt	August 2, 2016	-	August 31, 2020	San Antonio, Texas

EMPLOYEES RETIREMENT SYSTEM OF TEXAS
AGENCY ORGANIZATION CHART
as of August 31, 2016

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                    ERS Board
                    of Trustees
                         |
                         |----------------------+
                         |                 Internal Auditor
                 Executive Director
                         |- - - - - - - - - - - -+
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- Benefit Contracts
- Governmental Affairs
- Deputy Executive Director
- Investments
- Deputy Executive Director & General Counsel
  - Office of the General Counsel
  - Office of Procurement & Contract Oversight

Under Deputy Executive Director:
- Benefits Communications
- Customer Benefits
- Enterprise Planning Office
- Finance
- Human Resources
- Information Systems
- Operations Support

Total FTEs: 365

Employees Retirement System of Texas (ERS)
Organizational Chart Supplementary Information

1) **BOARD OF TRUSTEES**

The Board is composed of six members and is headed by the Chairperson. It is responsible for formulating the basic policies, rules and regulations consistent with the purposes, policies, principles and standards stated in the statutes. The board members serve as fiduciaries of all trust funds administered by the ERS. The Executive Director and Internal Audit report to the Board of Trustees.

2) **EXECUTIVE DIRECTOR**

The Executive Director, who manages a staff of nine, is appointed by the Board of Trustees. The Executive Director advises and recommends to the board what will be needed to transact the business of the ERS. The Executive Director is responsible for the preparation of an annual operating budget indicating the amount needed to pay the retirement system's expenses for the following fiscal year. This budget is submitted to the board for review and adoption. Governmental Affairs, Investments, Benefit Contracts and two Deputy Executive Directors report to the Executive Director.

3) **INTERNAL AUDIT**

The Director of Internal Audit directs a staff of four. Internal Audit provides independent, objective assurance and advisory services to the agency.

4) **DEPUTY EXECUTIVE DIRECTOR**

The Deputy Executive Director, who directs a staff of eight, is responsible for the daily operations of the ERS. Finance, Customer Benefits, Human Resources, Information Systems, Benefits Communications, Operations Support and the Enterprise Planning Office staff report to the Deputy Executive Director.

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5) DEPUTY EXECUTIVE DIRECTOR & GENERAL COUNSEL

The Deputy Executive Director & General Counsel directs a staff of 17. The Deputy Executive Director & General Counsel oversee and is responsible for the Office of the General Counsel which advises the Board of Trustees, the Executive Director and Division Directors regarding all legal matters affecting ERS and the programs it administers. Office of the General Counsel staff represents ERS and the Board of Trustees in administrative appeals related to members' and retirees' claims for insurance benefits and disability retirement. The Office of Procurement & Contract Oversight Director also reports to the Deputy Executive Director & General Counsel.

6) OFFICE OF PROCUREMENT AND CONTRACT OVERSIGHT

The Procurement and Contract Oversight Director directs a staff of eight. The Office of Procurement and Contract Oversight works closely with the other divisions to develop procurement documents, oversee the procurement process and help ensure best value in the procurement process.

7) GOVERNMENTAL AFFAIRS

The Director of Governmental Affairs manages a staff of four. Governmental Affairs serves as the key contact and liaison for requests and inquiries from the Governor's office, Legislature and legislative agencies. It monitors and reports on ERS related legislation, legislative studies, and studies or reports conducted by other state agencies.

8) INVESTMENTS

The Chief Investments Officer directs a staff of 72. The Investments Division supports retirement security by maintaining a professional and diversified investment program. It is responsible for managing fund assets including research and portfolio management of fixed income, public equity and alternative investments such as private equity, private real estate and hedge funds.

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9) BENEFIT CONTRACTS

The Director of Benefit Contracts directs a staff of 15. The Benefit Contracts division is responsible for the administration of contracts with vendors to sustain competitive group benefits programs to ERS customers. The group benefits program includes HealthSelect and HMOs, a pharmacy benefit manager, dental insurance, and short-term and long-term disability. The Division also oversees the flexible benefits and deferred compensation programs.

10) BENEFIT COMMUNICATIONS

The Director of Benefits Communications manages a staff of 10. The Division coordinates communication campaigns to engage stakeholders for informed decision-making. The Division manages communications with ERS members and participants including employees, retirees and human resources staff of the employers served by ERS. Writers, graphic designers, trainers and speakers educate these audiences through print publications, the ERS website, face-to-face presentations, webcasts and benefit fairs.

11) ENTERPRISE PLANNING OFFICE

The Director of the Enterprise Planning Office directs a staff of nine. The Enterprise Planning Office is responsible for supporting enterprise-wide strategic and operational planning activities, risk management, and execution of agency management policies.

12) HUMAN RESOURCES

The Human Resources Director directs a staff of three. The Human Resources Division is responsible for administering the personnel program for ERS.

13) FINANCE

The Chief Financial Officer directs a staff of 35. The Finance division enhances agency performance and accountability by performing the accounting, financial reporting and budgeting functions for the agency. The division includes Budget, General Accounting, Client Reconciliation, Purchasing, Investment Accounting and Revenue Processing.

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14) CUSTOMER BENEFITS

The Director of Customer Benefits directs a staff of 89. The Customer Benefits division provides customer service to members through the contact center and counseling and responds to benefit related inquiries from ERS customers. Division staff calculates and pays annuity and survivor benefits, and processes insurance transactions.

15) INFORMATION SYSTEMS

The Chief Information Officer directs a staff of 66. The Information Systems division is responsible for the development and operation of all automated systems in support of the agency's mission. It supports baseline operations and strategic initiatives by providing information security, business analysis, project management, development and quality control services. The division also provides production control of automated systems.

16) OPERATIONS SUPPORT

The Operations Support Director directs a staff of 15. The Operations Support division provides support services such as records management, printing, mail and building maintenance.

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CERTIFICATE

Agency Name   Employees Retirement System of Texas

This is to certify that the information contained in the agency Legislative Appropriation Request filed with the Legislative Budget Board (LBB) and the Office of the Governor, Budget Division, 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 Governor's office will be notified in writing in accordance with Article IX, Section 7.01 (2016–17 GAA).

Chief Executive Officer or Presiding Judge

_____
Signature

Porter Wilson
Printed Name

Executive Director
Title

August 26, 2016
Date

Chief Financial Officer

_____
Signature

Machelle Pharr
Printed Name

Chief Financial Officer
Title

8/26/2016
Date

Board or Commission Chair

_____
Signature

I. Craig Hester
Printed Name

Board Chair
Title

August 26, 2016
Date

327 Employees Retirement System

Appropriation Years: 2018-19

	GENERAL REVENUE FUNDS		GR DEDICATED		FEDERAL FUNDS		OTHER FUNDS		ALL FUNDS		EXCEPTIONAL ITEM FUNDS
	2016-17	2018-19	2016-17	2018-19	2016-17	2018-19	2016-17	2018-19	2016-17	2018-19	2018-19
Goal: 1. Administer Comprehensive and Actuarially Sound Retirement Programs											
1.1.1. Ers Retirement Program	853,097,870	855,111,980	56,252,417	56,159,696	222,416,207	220,926,692	130,316,619	130,044,190	1,262,083,113	1,262,242,558	69,044,402
1.1.2. Lecos Retirement Program	17,242,893	17,605,176	256,160	259,956	58,158	59,020			17,557,211	17,924,152	33,338,922
1.1.3. Judicial Retirement System - Plan 2	15,350,138	15,350,138					9,436,134	9,436,134	24,786,272	24,786,272	1,941,694
1.1.4. Judicial Retirement System - Plan 1	50,522,831	49,753,448							50,522,831	49,753,448	
1.1.5. Public Safety Death Benefits	20,179,968	16,179,968	8,696,324	6,392,648					28,876,292	22,572,616	
1.1.6. Retiree Death Benefits	25,560,000	25,560,000							25,560,000	25,560,000	
Total, Goal	**981,953,700**	**979,560,710**	**65,204,901**	**62,812,300**	**222,474,365**	**220,985,712**	**139,752,753**	**139,480,324**	**1,409,385,719**	**1,402,839,046**	**104,325,018**
Goal: 2. Provide Employees and Retirees with Quality Group Benefits											
2.1.1. Group Benefits Program	2,451,049,686	2,587,610,706	148,659,135	156,745,274	607,471,007	636,131,512	428,024,604	452,138,214	3,635,204,432	3,832,625,706	491,925,105
Total, Goal	**2,451,049,686**	**2,587,610,706**	**148,659,135**	**156,745,274**	**607,471,007**	**636,131,512**	**428,024,604**	**452,138,214**	**3,635,204,432**	**3,832,625,706**	**491,925,105**
Total, Agency	**3,433,003,386**	**3,567,171,416**	**213,864,036**	**219,557,574**	**829,945,372**	**857,117,224**	**567,777,357**	**591,618,538**	**5,044,590,151**	**5,235,464,752**	**596,250,123**
Total FTEs									**365.0**	**373.0**	**0.0**

327 Employees Retirement System

Goal / *Objective* / STRATEGY	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
1 Administer Comprehensive and Actuarially Sound Retirement Programs					
1 *Ensure Actuarially Sound Retirement Programs*					
1 ERS RETIREMENT PROGRAM	457,008,885	630,961,834	631,121,279	631,121,279	631,121,279
2 LECOS RETIREMENT PROGRAM	7,527,397	8,595,135	8,962,076	8,962,076	8,962,076
3 JUDICIAL RETIREMENT SYSTEM - PLAN 2	12,396,449	12,393,136	12,393,136	12,393,136	12,393,136
4 JUDICIAL RETIREMENT SYSTEM - PLAN 1	26,540,977	25,646,107	24,876,724	24,876,724	24,876,724
5 PUBLIC SAFETY DEATH BENEFITS	3,161,880	17,589,984	11,286,308	11,286,308	11,286,308
6 RETIREE DEATH BENEFITS	9,285,762	12,780,000	12,780,000	12,780,000	12,780,000
TOTAL, GOAL **1**	**$515,921,350**	**$707,966,196**	**$701,419,523**	**$701,419,523**	**$701,419,523**
2 Provide Employees and Retirees with Quality Group Benefits					
1 *Manage GBP for State and Higher Education Employees*					
1 GROUP BENEFITS PROGRAM	1,585,897,835	1,718,891,579	1,916,312,853	1,916,312,853	1,916,312,853

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327 Employees Retirement System

Goal / *Objective* / STRATEGY	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
TOTAL, GOAL 2	$1,585,897,835	$1,718,891,579	$1,916,312,853	$1,916,312,853	$1,916,312,853
TOTAL, AGENCY STRATEGY REQUEST	$2,101,819,185	$2,426,857,775	$2,617,732,376	$2,617,732,376	$2,617,732,376
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				$0	$0
GRAND TOTAL, AGENCY REQUEST	$2,101,819,185	$2,426,857,775	$2,617,732,376	$2,617,732,376	$2,617,732,376

2.A.   Page 2 of 3

327 Employees Retirement System

Goal / *Objective* / STRATEGY	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
METHOD OF FINANCING:					
General Revenue Funds:					
1 General Revenue Fund	1,313,797,255	1,649,417,678	1,783,585,708	1,783,585,708	1,783,585,708
SUBTOTAL	**$1,313,797,255**	**$1,649,417,678**	**$1,783,585,708**	**$1,783,585,708**	**$1,783,585,708**
General Revenue Dedicated Funds:					
994 GR Dedicated Accounts	78,710,799	104,085,249	109,778,787	109,778,787	109,778,787
SUBTOTAL	**$78,710,799**	**$104,085,249**	**$109,778,787**	**$109,778,787**	**$109,778,787**
Federal Funds:					
555 Federal Funds	370,311,718	401,386,760	428,558,612	428,558,612	428,558,612
SUBTOTAL	**$370,311,718**	**$401,386,760**	**$428,558,612**	**$428,558,612**	**$428,558,612**
Other Funds:					
6 State Highway Fund	324,792,364	253,553,917	276,504,416	276,504,416	276,504,416
573 Judicial Fund	4,719,240	4,718,067	4,718,067	4,718,067	4,718,067
998 Other Special State Funds	9,487,809	13,696,104	14,586,786	14,586,786	14,586,786
SUBTOTAL	**$338,999,413**	**$271,968,088**	**$295,809,269**	**$295,809,269**	**$295,809,269**
TOTAL, METHOD OF FINANCING	**$2,101,819,185**	**$2,426,857,775**	**$2,617,732,376**	**$2,617,732,376**	**$2,617,732,376**

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

2.A.   Page 3 of 3

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019

GENERAL REVENUE

1   General Revenue Fund

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2014-15 GAA)					
	$1,318,609,742	$0	$0	$0	$0
Estimated Appropriation Revision from MOF Table (2014-15 GAA)					
	$2,838,165	$0	$0	$0	$0
Regular Appropriations from MOF Table (2016-17 GAA)					
	$0	$1,627,641,925	$1,742,017,391	$0	$0
Estimated Appropriation Revision from MOF Table (2016-17 GAA)					
	$0	$11,511,406	$4,093,329	$0	$0
Regular Appropriations					
	$0	$0	$0	$1,783,585,708	$1,783,585,708

RIDER APPROPRIATION

Art IV, Spec Provisions, Sec 11, Judicial Compensation, (2014-15 GAA)					
	$3,801,602	$0	$0	$0	$0

2.B.   Page 1 of 14

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019

GENERAL REVENUE

Art IX, Sec 17.12 Additional Appropriation for Employee Benefits (2014-15 GAA)

	$16,314,087	$0	$0	$0	$0

Art IX, Sec 18.04, Additional Appropriation for Employee Benefits (2016-17 GAA)

	$0	$7,961,704	$13,787,192	$0	$0

Art IX, Sec 18.11, Contingency for HB 9 (2016-17 GAA)

	$0	$10,691,208	$10,691,208	$0	$0

Art IX, Sec 18.69 Contingency for HB 1278 (2016-17 GAA)

	$0	$3,312,221	$3,374,442	$0	$0

TRANSFERS

Art IX, Sec 17.07 Salary Increases for State Employees in Salary Schedule C (2014-15 GAA)

	$337,811	$0	$0	$0	$0

Art IX, Sec 17.06 Salary Increase for General State Employees (2014-15 GAA)

	$8,186,668	$0	$0	$0	$0

2.B.   Page 2 of 14

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
GENERAL REVENUE					
Art IX, Sec 17.05, Salary Increases for State Employees in Salary Schedule C (2016-17)					
	$0	$38,375	$38,376	$0	$0
Art IX, Sec 18.02, Salary Increase for General State Employees (2016-17)					
	$0	$11,029,859	$11,029,859	$0	$0
LAPSED APPROPRIATIONS					
Estimated Appropriation Lapse from MOF Table (2014-15 GAA)					
	$(36,290,820)	$0	$0	$0	$0
Estimated Appropriation Lapse from MOF Table (2016-17 GAA)					
	$0	$(22,769,020)	$(1,446,089)	$0	$0
TOTAL, General Revenue Fund					
	$1,313,797,255	$1,649,417,678	$1,783,585,708	$1,783,585,708	$1,783,585,708
TOTAL, ALL GENERAL REVENUE					
	$1,313,797,255	$1,649,417,678	$1,783,585,708	$1,783,585,708	$1,783,585,708

GENERAL REVENUE FUND - DEDICATED

994   General Revenue Dedicated Accounts

REGULAR APPROPRIATIONS

2.B.   Page 3 of 14

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
GENERAL REVENUE FUND - DEDICATED					
Regular Appropriations from MOF Table (2014-15 GAA)					
	$79,074,827	$0	$0	$0	$0
Regular Appropriations from MOF Table (2016-17 GAA)					
	$0	$99,677,671	$106,584,168	$0	$0
Estimated Appropriation Revision from MOF Table (2014-15 GAA)					
	$81,943	$0	$0	$0	$0
Estimated Appropriation Revision from MOF Table (2016-17 GAA)					
	$0	$2,525,847	$0	$0	$0
Regular Appropriations					
	$0	$0	$0	$109,778,787	$109,778,787
RIDER APPROPRIATION					
Art IX, Sec 17.12 Additional Appropriation for Employee Benefits (2014-15 GAA)					
	$1,033,862	$0	$0	$0	$0
Art IX, Sec 18.04, Additional Appropriation for Employee Benefits (2016-17 GAA)					

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

METHOD OF FINANCING	**Exp 2015**	**Est 2016**	**Bud 2017**	**Req 2018**	**Req 2019**
GENERAL REVENUE FUND - DEDICATED					
	$0	$177,659	$185,593	$0	$0
Art IX, Sec 18.11, Contingency for HB 9 (2016-17 GAA)					
	$0	$728,691	$728,691	$0	$0
Art IX, Sec 18.69 Contingency for HB 1278 (2016-17 GAA)					
	$0	$1,500,000	$1,500,000	$0	$0
TRANSFERS					
Art IX, Sec 17.07 Salary Increases for State Employees in Salary Schedule C (2014-15 GAA)					
	$450,116	$0	$0	$0	$0
Art IX, Sec 17.06 Salary Increase for General State Employees (2014-15 GAA)					
	$590,623	$0	$0	$0	$0
Art IX, Sec 17.05, Salary Increases for State Employees in Salary Schedule C (2016-17)					
	$0	$18,987	$18,986	$0	$0
Art IX, Sec 18.02, Salary Increase for General State Employees (2016-17)					
	$0	$761,349	$761,349	$0	$0

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
GENERAL REVENUE FUND - DEDICATED					
LAPSED APPROPRIATIONS					
Estimated Appropriation Lapse from MOF Table (2014-15 GAA)	$(2,520,572)	$0	$0	$0	$0
Estimated Appropriation Lapse from MOF Table (2016-17 GAA)	$0	$(1,304,955)	$0	$0	$0
TOTAL, General Revenue Dedicated Accounts	$78,710,799	$104,085,249	$109,778,787	$109,778,787	$109,778,787
TOTAL, ALL GENERAL REVENUE FUND - DEDICATED	$78,710,799	$104,085,249	$109,778,787	$109,778,787	$109,778,787
TOTAL, GR & GR-DEDICATED FUNDS	$1,392,508,054	$1,753,502,927	$1,893,364,495	$1,893,364,495	$1,893,364,495
FEDERAL FUNDS					
555 Federal Funds					
REGULAR APPROPRIATIONS					
Regular Appropriations from MOF Table (2014-15 GAA)	$373,128,625	$0	$0	$0	$0
Regular Appropriations from MOF Table (2016-17 GAA)					

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
FEDERAL FUNDS					
	$0	$398,674,344	$420,775,129	$0	$0
Estimated Appropriation Revision from MOF Table (2014-15 GAA)					
	$321,392	$0	$0	$0	$0
Estimated Appropriation Revision from MOF Table (2016-17 GAA)					
	$0	$882,869	$0	$0	$0
Regular Appropriations					
	$0	$0	$0	$428,558,612	$428,558,612
RIDER APPROPRIATION					
Art IX, Sec 17.12 Additional Appropriation for Employee Benefits (2014-15 GAA)					
	$3,929,955	$0	$0	$0	$0
Art IX, Sec 18.04, Additional Appropriation for Employee Benefits (2016-17 GAA)					
	$0	$1,834,611	$2,430,158	$0	$0
Art IX, Sec 18.11, Contingency for HB 9 (2016-17 GAA)					
	$0	$2,883,119	$2,883,119	$0	$0

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
FEDERAL FUNDS					
TRANSFERS					
Art IX, Sec 17.06 Salary Increase for General State Employees (2014-15 GAA)					
	$2,136,144	$0	$0	$0	$0
Art IX, Sec 17.05, Salary Increases for State Employees in Salary Schedule C (2016-17)					
	$0	$2,195	$2,195	$0	$0
Art IX, Sec 18.02, Salary Increase for General State Employees (2016-17)					
	$0	$2,468,011	$2,468,011	$0	$0
LAPSED APPROPRIATIONS					
Estimated Appropriation Lapse from MOF Table (2016-17 GAA)					
	$(9,204,398)	$0	$0	$0	$0
Estimated Appropriation Lapse from MOF Table (2016-17 GAA)					
	$0	$(5,358,389)	$0	$0	$0
TOTAL, Federal Funds					
	$370,311,718	$401,386,760	$428,558,612	$428,558,612	$428,558,612
TOTAL, ALL FEDERAL FUNDS					
	$370,311,718	$401,386,760	$428,558,612	$428,558,612	$428,558,612

2.B.   Page 8 of 14

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019

OTHER FUNDS

6   State Highway Fund No. 006

REGULAR APPROPRIATIONS

	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
Regular Appropriations from MOF Table (2014-15 GAA)	$326,518,937	$0	$0	$0	$0
Regular Appropriations from MOF Table (2016-17 GAA)	$0	$253,650,603	$273,489,332	$0	$0
Estimated Appropriation Revision from MOF Table (2014-16 GAA)	$318,044	$0	$0	$0	$0
Estimated Appropriation Revision from MOF Table (2016-17 GAA)	$0	$472,619	$0	$0	$0
Regular Appropriations	$0	$0	$0	$276,504,416	$276,504,416

RIDER APPROPRIATION

	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
Art IX, Sec 18.11, Contingency for HB 9 (2016-17 GAA)	$0	$1,558,396	$1,558,396	$0	$0

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

METHOD OF FINANCING	**Exp 2015**	**Est 2016**	**Bud 2017**	**Req 2018**	**Req 2019**
OTHER FUNDS					
TRANSFERS					
Art IX, Sec 17.07 Salary Increases for State Employees in Salary Schedule C (2014-15 GAA)					
	$3,655,173	$0	$0	$0	$0
Art IX, Sec 17.06 Salary Increase for General State Employees (2014-15 GAA)					
	$2,129,038	$0	$0	$0	$0
Art IX, Sec 18.02, Salary Increase for General State Employees (2016-17)					
	$0	$1,456,688	$1,456,688	$0	$0
LAPSED APPROPRIATIONS					
Estimated Appropriation Lapse from MOF Table (2014-15 GAA)					
	$(7,828,828)	$0	$0	$0	$0
Estimated Appropriation Lapse from MOF Table (2016-17 GAA)					
	$0	$(3,584,389)	$0	$0	$0
TOTAL, **State Highway Fund No. 006**					
	$324,792,364	**$253,553,917**	**$276,504,416**	**$276,504,416**	**$276,504,416**

573   Judicial Fund No. 573

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
OTHER FUNDS					
REGULAR APPROPRIATIONS					
Regular Appropriations from MOF Table (2014-15 GAA)	$4,231,171	$0	$0	$0	$0
Regular Appropriations from MOF Table (2016-17 GAA)	$0	$4,629,968	$4,629,968	$0	$0
Estimated Appropriation Revision from MOF Table (2014-15 GAA)	$488,069	$0	$0	$0	$0
Estimated Appropriation Revision from MOF Table (2016-17 GAA)	$0	$88,099	$88,099	$0	$0
Regular Appropriations	$0	$0	$0	$4,718,067	$4,718,067
TOTAL, **Judicial Fund No. 573**	**$4,719,240**	**$4,718,067**	**$4,718,067**	**$4,718,067**	**$4,718,067**
998 Other Special State Funds					
REGULAR APPROPRIATIONS					

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
OTHER FUNDS					
Regular Appropriations from MOF Table (2014-15 GAA)					
	$9,549,745	$0	$0	$0	$0
Regular Appropriations from MOF Table (2016-17 GAA)					
	$0	$13,462,712	$14,238,332	$0	$0
Estimated Appropriation Revision from MOF Table (2014-15 GAA)					
	$13,720	$0	$0	$0	$0
Estimated Appropriation Revision from MOF Table (2016-17 GAA)					
	$0	$42,298	$0	$0	$0
Regular Appropriations					
	$0	$0	$0	$14,586,786	$14,586,786
RIDER APPROPRIATION					
Art IX, Sec 18.04, Additional Appropriation for Employee Benefits (2016-17 GAA)					
	$0	$69,620	$72,729	$0	$0
Art IX, Sec 18.11, Contingency for HB 9 (2016-17 GAA)					

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
OTHER FUNDS					
	$0	$138,586	$138,586	$0	$0
TRANSFERS					
Art IX, Sec 17.06 Salary Increase for General State Employees (2014-15 GAA)					
	$117,793	$0	$0	$0	$0
Art IX, Sec 18.02, Salary Increase for General State Employees (2016-17)					
	$0	$137,139	$137,139	$0	$0
LAPSED APPROPRIATIONS					
Estimated Appropriation Lapse from MOF Table (2014-15 GAA)					
	$(193,449)	$0	$0	$0	$0
Estimated Appropriation Lapse from MOF Table (2016-17 GAA)					
	$0	$(154,251)	$0	$0	$0
TOTAL, **Other Special State Funds**					
	$9,487,809	**$13,696,104**	**$14,586,786**	**$14,586,786**	**$14,586,786**
TOTAL, ALL **OTHER FUNDS**					
	$338,999,413	**$271,968,088**	**$295,809,269**	**$295,809,269**	**$295,809,269**

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

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
GRAND TOTAL	**$2,101,819,185**	**$2,426,857,775**	**$2,617,732,376**	**$2,617,732,376**	**$2,617,732,376**

FULL-TIME-EQUIVALENT POSITIONS

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2014-15 GAA)	347.4	0.0	0.0	0.0	0.0
Regular Appropriations from MOF Table (2016-17 GAA)	0.0	356.0	360.0	373.0	373.0
REQUEST TO EXCEED ADJUSTMENTS					
Request to Exceed Adjustments (2016-17 GAA)	0.0	4.0	5.0	0.0	0.0
TOTAL, ADJUSTED FTES	**347.4**	**360.0**	**365.0**	**373.0**	**373.0**

**NUMBER OF 100% FEDERALLY
FUNDED FTEs**

85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

OBJECT OF EXPENSE	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
1002 OTHER PERSONNEL COSTS	$503,473,708	$677,596,212	$677,353,215	$677,353,215	$677,353,215
2009 OTHER OPERATING EXPENSE	$1,585,897,835	$1,718,891,579	$1,916,312,853	$1,916,312,853	$1,916,312,853
3001 CLIENT SERVICES	$12,447,642	$30,369,984	$24,066,308	$24,066,308	$24,066,308
OOE Total (Excluding Riders)	**$2,101,819,185**	**$2,426,857,775**	**$2,617,732,376**	**$2,617,732,376**	**$2,617,732,376**
OOE Total (Riders)					
Grand Total	**$2,101,819,185**	**$2,426,857,775**	**$2,617,732,376**	**$2,617,732,376**	**$2,617,732,376**

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327 Employees Retirement System

Goal/ *Objective* / **Outcome**	**Exp 2015**	**Est 2016**	**Bud 2017**	**BL 2018**	**BL 2019**
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**					
	96.70%	97.00%	97.00%	97.00%	97.00%
2 # of Years to Amortize the ERS Unfunded Actuarial Accrued Liability					
	999,999,999.00	33.00	33.00	33.00	33.00
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)					
	9.10%	8.00%	8.00%	8.00%	8.00%
6 ERS Annual Operating Expense Per Member					
	60.01	62.00	61.00	62.00	62.00
KEY **7 Investment Expense as Basis Points of Net Position**					
	14.09	16.25	16.00	16.00	16.00
8 Percent of Time the ERS On-line System is Available to Customers					
	95.81%	95.00%	95.00%	95.00%	95.00%
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**					
	86.20%	85.50%	85.50%	85.50%	85.50%

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

Priority	Item	2018 GR and GR/GR Dedicated	All Funds	FTEs	2019 GR and GR Dedicated	All Funds	FTEs	Biennium GR and GR Dedicated	All Funds
1	ERS Retirement	$24,923,184	$34,522,201		$24,923,184	$34,522,201		$49,846,368	$69,044,402
2	LECOS	$16,614,452	$16,669,461		$16,614,452	$16,669,461		$33,228,904	$33,338,922
3	JRS II	$601,252	$970,847		$601,252	$970,847		$1,202,504	$1,941,694
4	Group Benefit Program	$38,901,093	$54,327,254		$103,295,667	$144,257,389		$142,196,760	$198,584,643
5	Group Benefit Program 60 Day	$66,970,658	$93,527,758		$143,076,113	$199,812,704		$210,046,771	$293,340,462
	Total, Exceptional Items Request	**$148,010,639**	**$200,017,521**		**$288,510,668**	**$396,232,602**		**$436,521,307**	**$596,250,123**

Method of Financing

	General Revenue	$140,186,052	$140,186,052		$272,661,351	$272,661,351		$412,847,403	$412,847,403
	General Revenue - Dedicated	7,824,587	7,824,587		15,849,317	15,849,317		23,673,904	23,673,904
	Federal Funds		30,638,008			63,205,394			93,843,402
	Other Funds		21,368,874			44,516,540			65,885,414
		$148,010,639	**$200,017,521**		**$288,510,668**	**$396,232,602**		**$436,521,307**	**$596,250,123**

Full Time Equivalent Positions

Number of 100% Federally Funded FTEs

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

Goal/*Objective*/STRATEGY	Base 2018	Base 2019	Exceptional 2018	Exceptional 2019	Total Request 2018	Total Request 2019
1 Administer Comprehensive and Actuarially Sound Retirement Progra						
1 *Ensure Actuarially Sound Retirement Programs*						
1 ERS RETIREMENT PROGRAM	$631,121,279	$631,121,279	$34,522,201	$34,522,201	$665,643,480	$665,643,480
2 LECOS RETIREMENT PROGRAM	8,962,076	8,962,076	16,669,461	16,669,461	25,631,537	25,631,537
3 JUDICIAL RETIREMENT SYSTEM - PLAN 2	12,393,136	12,393,136	970,847	970,847	13,363,983	13,363,983
4 JUDICIAL RETIREMENT SYSTEM - PLAN 1	24,876,724	24,876,724	0	0	24,876,724	24,876,724
5 PUBLIC SAFETY DEATH BENEFITS	11,286,308	11,286,308	0	0	11,286,308	11,286,308
6 RETIREE DEATH BENEFITS	12,780,000	12,780,000	0	0	12,780,000	12,780,000
TOTAL, GOAL 1	**$701,419,523**	**$701,419,523**	**$52,162,509**	**$52,162,509**	**$753,582,032**	**$753,582,032**
2 Provide Employees and Retirees with Quality Group Benefits						
1 *Manage GBP for State and Higher Education Employees*						
1 GROUP BENEFITS PROGRAM	1,916,312,853	1,916,312,853	147,855,012	344,070,093	2,064,167,865	2,260,382,946
TOTAL, GOAL 2	**$1,916,312,853**	**$1,916,312,853**	**$147,855,012**	**$344,070,093**	**$2,064,167,865**	**$2,260,382,946**
TOTAL, AGENCY STRATEGY REQUEST	**$2,617,732,376**	**$2,617,732,376**	**$200,017,521**	**$396,232,602**	**$2,817,749,897**	**$3,013,964,978**
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST						
GRAND TOTAL, AGENCY REQUEST	**$2,617,732,376**	**$2,617,732,376**	**$200,017,521**	**$396,232,602**	**$2,817,749,897**	**$3,013,964,978**

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2.F. Summary of Total Request by Strategy
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE : **8/26/2016**
TIME : **6:36:45PM**

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

Goal/Objective/STRATEGY	Base 2018	Base 2019	Exceptional 2018	Exceptional 2019	Total Request 2018	Total Request 2019
General Revenue Funds:						
1 General Revenue Fund	$1,783,585,708	$1,783,585,708	$140,186,052	$272,661,351	$1,923,771,760	$2,056,247,059
	$1,783,585,708	**$1,783,585,708**	**$140,186,052**	**$272,661,351**	**$1,923,771,760**	**$2,056,247,059**
General Revenue Dedicated Funds:						
994 GR Dedicated Accounts	109,778,787	109,778,787	7,824,587	15,849,317	117,603,374	125,628,104
	$109,778,787	**$109,778,787**	**$7,824,587**	**$15,849,317**	**$117,603,374**	**$125,628,104**
Federal Funds:						
555 Federal Funds	428,558,612	428,558,612	30,638,008	63,205,394	459,196,620	491,764,006
	$428,558,612	**$428,558,612**	**$30,638,008**	**$63,205,394**	**$459,196,620**	**$491,764,006**
Other Funds:						
6 State Highway Fund	276,504,416	276,504,416	19,993,765	42,194,756	296,498,181	318,699,172
573 Judicial Fund	4,718,067	4,718,067	369,595	369,595	5,087,662	5,087,662
998 Other Special State Funds	14,586,786	14,586,786	1,005,514	1,952,189	15,592,300	16,538,975
	$295,809,269	**$295,809,269**	**$21,368,874**	**$44,516,540**	**$317,178,143**	**$340,325,809**
TOTAL, METHOD OF FINANCING	**$2,617,732,376**	**$2,617,732,376**	**$200,017,521**	**$396,232,602**	**$2,817,749,897**	**$3,013,964,978**
FULL TIME EQUIVALENT POSITIONS	**373.0**	**373.0**	**0.0**	**0.0**	**373.0**	**373.0**

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

Goal/ *Objective/E* **Outcome**

	BL 2018	BL 2019	Excp 2018	Excp 2019	Total Request 2018	Total Request 2019
1 Administer Comprehensive and Actuarially Sound Retirement Programs						
1 *nsur eElctra ially/Sorsd/Reti emestlP og amu*						
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						
	33.00	33.00	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)						
	8.00%	8.00%			8.00%	8.00%
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						
	95.00%	95.00%			95.00%	95.00%
2 Provide Employees and Retirees with Quality Group Benefits						

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

Goal/ *ObjectiveE* **Outcome**

	BL 2018	BL 2019	Excp 2018	Excp 2019	Total Request 2018	Total Request 2019
1	*Mas ageE GBPE fo E State E as dE Highe E n dr catios E mployeeu*					
KEY	**1 Percent of HealthSelect Participants Satisfied with TPA Services**					
	85.50%	85.50%			85.50%	85.50%

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Output Measures:						
1	Number of ERS Annuitants Added to Annuity Payroll	5,841.00	5,800.00	5,970.00	6,145.00	6,325.00
KEY 2	Number of ERS Accounts Maintained	238,190.00	254,505.00	259,000.00	264,000.00	268,500.00
Explanatory/Input Measures:						
1	Number of ERS Annuitants	97,170.00	101,877.00	103,500.00	107,500.00	111,500.00
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	$457,008,885	$630,961,834	$631,121,279	$631,121,279	$631,121,279
TOTAL, OBJECT OF EXPENSE		**$457,008,885**	**$630,961,834**	**$631,121,279**	**$631,121,279**	**$631,121,279**
Method of Financing:						
1	General Revenue Fund	$277,165,693	$425,541,880	$427,555,990	$427,555,990	$427,555,990
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		**$277,165,693**	**$425,541,880**	**$427,555,990**	**$427,555,990**	**$427,555,990**
Method of Financing:						
994	GR Dedicated Accounts	$20,047,420	$28,172,569	$28,079,848	$28,079,848	$28,079,848
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		**$20,047,420**	**$28,172,569**	**$28,079,848**	**$28,079,848**	**$28,079,848**
Method of Financing:						
555	Federal Funds					

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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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
00.327.001 ERS Retirement	$78,629,102	$111,952,861	$110,463,346	$110,463,346	$110,463,346
CFDA Subtotal, Fund 555	$78,629,102	$111,952,861	$110,463,346	$110,463,346	$110,463,346
SUBTOTAL, MOF (FEDERAL FUNDS)	**$78,629,102**	**$111,952,861**	**$110,463,346**	**$110,463,346**	**$110,463,346**
Method of Financing:					
6 State Highway Fund	$77,809,932	$59,930,833	$59,680,899	$59,680,899	$59,680,899
998 Other Special State Funds	$3,356,738	$5,363,691	$5,341,196	$5,341,196	$5,341,196
SUBTOTAL, MOF (OTHER FUNDS)	**$81,166,670**	**$65,294,524**	**$65,022,095**	**$65,022,095**	**$65,022,095**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)				**$631,121,279**	**$631,121,279**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)	**$457,008,885**	**$630,961,834**	**$631,121,279**	**$631,121,279**	**$631,121,279**
FULL TIME EQUIVALENT POSITIONS:	**347.4**	**360.0**	**365.0**	**373.0**	**373.0**

STRATEGY DESCRIPTION AND JUSTIFICATION:

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

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

The retirement program administered by the ERS is a defined benefit retirement plan. ERS member's contribution rate is 9.5% for 2018 and 9.5% for 2019. The state contributes 9.5% each year of the biennium. The contributions are held in the trust fund and combined with investment earning to fund retirement benefits. The funding request is calculated by making actuarial assumptions about the future demographics of the members and the trust fund earnings. Any significant deviation between experience and actuarial assumptions can affect the funding calculation. Among the many factors that can affect the program are across-the-board pay raises that are above or below assumptions, significant turns in the investment markets, and retirement rates of state employees that are different than the assumptions such as accelerated retirements as a result of a retirement incentive program.

The above funding request assumes 9.5% state contribution in both years of the biennium, and 9.5% member contribution in 2018 and 2019 respectively with no growth in payroll for Fiscal Years 2018 and 2019. 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.

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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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$1,262,083,113	$1,262,242,558	$159,445	$159,445	The FY 2017 base amount was used for FY 2018-2019, with no growth assumed.
			$159,445	**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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Output Measures:						
1	Number of LECOS Annuitants Added to Annuity Payroll	972.00	882.00	840.00	876.00	892.00
2	Number of LECOS Accounts Maintained	56,303.00	61,355.00	62,000.00	62,500.00	63,000.00
Explanatory/Input Measures:						
1	Number of LECOS Annuitants	11,238.00	12,225.00	12,900.00	13,600.00	14,200.00
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	$7,527,397	$8,595,135	$8,962,076	$8,962,076	$8,962,076
TOTAL, OBJECT OF EXPENSE		**$7,527,397**	**$8,595,135**	**$8,962,076**	**$8,962,076**	**$8,962,076**
Method of Financing:						
1	General Revenue Fund	$6,519,331	$8,440,305	$8,802,588	$8,802,588	$8,802,588
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		**$6,519,331**	**$8,440,305**	**$8,802,588**	**$8,802,588**	**$8,802,588**
Method of Financing:						
994	GR Dedicated Accounts	$116,246	$126,182	$129,978	$129,978	$129,978
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		**$116,246**	**$126,182**	**$129,978**	**$129,978**	**$129,978**
Method of Financing:						
555	Federal Funds					

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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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
00.327.003 LECOS Retirement	$27,331	$28,648	$29,510	$29,510	$29,510
CFDA Subtotal, Fund 555	$27,331	$28,648	$29,510	$29,510	$29,510
SUBTOTAL, MOF (FEDERAL FUNDS)	**$27,331**	**$28,648**	**$29,510**	**$29,510**	**$29,510**
Method of Financing:					
6 State Highway Fund	$864,489	$0	$0	$0	$0
SUBTOTAL, MOF (OTHER FUNDS)	**$864,489**	**$0**	**$0**	**$0**	**$0**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)				**$8,962,076**	**$8,962,076**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)	**$7,527,397**	**$8,595,135**	**$8,962,076**	**$8,962,076**	**$8,962,076**

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

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

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

The LECOSRF is a defined benefit retirement plan. As such, it is dependent on advance actuarial funding. The funding is analyzed each year through an Actuarial
Valuation, which examines annual experience and projects future funding based on actuarial assumptions. Any significant deviation between future experience and
actuarial assumptions can affect the outcome of these projections. Among the many factors that can affect the program are: growth of the covered employee population,
across the board pay raises that are above or below assumptions, significant turns in the investment markets and retirement rates that are different from the assumptions,
such as accelerated retirements as a result of a retirement incentive program.

The above funding request assumes 0.5% state contribution, 0.5% member contribution and inclusion of court fees with no growth in payroll for Fiscal Years 2018 and
2019. The appropriation is requested to be "estimated" since it is payroll driven.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$17,557,211	$17,924,152	$366,941	$366,941	The FY 2017 base amount was used for FY 2018-2019, with no growth assumed.
			$366,941	**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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Output Measures:						
1	Number of JRS-2 Annuitants Added to Annuity Payroll	58.00	14.00	44.00	16.00	54.00
2	Number of JRS-2 Accounts Maintained	736.00	748.00	760.00	775.00	790.00
Explanatory/Input Measures:						
1	Number of JRS-2 Annuitants	334.00	352.00	390.00	405.00	450.00
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	$12,396,449	$12,393,136	$12,393,136	$12,393,136	$12,393,136
TOTAL, OBJECT OF EXPENSE		**$12,396,449**	**$12,393,136**	**$12,393,136**	**$12,393,136**	**$12,393,136**
Method of Financing:						
1	General Revenue Fund	$7,677,209	$7,675,069	$7,675,069	$7,675,069	$7,675,069
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		**$7,677,209**	**$7,675,069**	**$7,675,069**	**$7,675,069**	**$7,675,069**
Method of Financing:						
573	Judicial Fund	$4,719,240	$4,718,067	$4,718,067	$4,718,067	$4,718,067
SUBTOTAL, MOF (OTHER FUNDS)		**$4,719,240**	**$4,718,067**	**$4,718,067**	**$4,718,067**	**$4,718,067**

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$12,393,136**	**$12,393,136**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$12,396,449**	**$12,393,136**	**$12,393,136**	**$12,393,136**	**$12,393,136**

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. The JRS 2 covers state judicial officers who first took office on or after September 1, 1985. The JRS 2 member
 contribution rate is 7.2 percent of salary in 2016, 7.5% in 2017, 7.5% in 2018 and 7.5% in 2019. Under Sections 840.103 and 840.106, Texas Government Code, the State
 contributes a percentage of the member's aggregate state compensation 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 and supports the objective of retaining proper funding and
 investment growth for the programs.

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: 3   Provide Retirement Program for State Judicial Officers. Estimated.   Service: 06   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019

Like the State employees system, the JRS 2 program is a defined benefit pension plan. The funding of a defined benefit program is calculated by making actuarial assumptions about the future demographics of the covered employee group and about trust fund investment earnings. Any significant deviation between experience and actuarial assumptions can affect the funding calculation. A few of the many factors which can affect the program include pay raises for judicial officers, significant turns in the investment markets, and legislation which increases the number of covered positions.

The above funding request assumes 15.663 state contribution for each year of the biennium, and 7.5% member contribution for 2018 and 2019 respectively with no payroll growth for Fiscal Years 2018 and 2019. The appropriation is requested to be "estimated" since it is payroll driven.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$24,786,272	$24,786,272	$0	$0	The FY 2017 base amount was used for FY 2018-2019, with no growth assumed.
			$0	**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: 4 Provide Payment of JRS-1 Benefits as Required by Law. Estimated.   Service: 06   Income: A.2   Age: B.2

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Output Measures:						
1	Number of JRS-1 Annuitants Added to Annuity Payroll	2.00	3.00	3.00	3.00	3.00
2	Number of JRS-1 Accounts Maintained	14.00	10.00	7.00	4.00	1.00
Explanatory/Input Measures:						
1	Number of JRS-1 Annuitants	402.00	391.00	381.00	371.00	361.00
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	$26,540,977	$25,646,107	$24,876,724	$24,876,724	$24,876,724
TOTAL, OBJECT OF EXPENSE		**$26,540,977**	**$25,646,107**	**$24,876,724**	**$24,876,724**	**$24,876,724**
Method of Financing:						
1	General Revenue Fund	$26,540,977	$25,646,107	$24,876,724	$24,876,724	$24,876,724
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		**$26,540,977**	**$25,646,107**	**$24,876,724**	**$24,876,724**	**$24,876,724**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$24,876,724**	**$24,876,724**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$26,540,977**	**$25,646,107**	**$24,876,724**	**$24,876,724**	**$24,876,724**

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

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 2018 and 2019 is requested with a slight decline from the Fiscal Years 2016-2017 base. 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.

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL CHANGE	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)		$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$50,522,831	$49,753,448	$(769,383)	$(769,383)	This is a closed plan. Judges who took office for the first time on or after September 2, 1985 are in the JRS 2 plan. The funding for FY 2018 and FY 2019 shows a slight decline.
			$(769,383)	**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   Death Benefits to Beneficiaries of Public Safety Workers. Estimated.   Service: 06   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Output Measures:						
1	Number of Death Benefit Claims Processed	11.00	23.00	19.00	19.00	19.00
2	Number of Beneficiaries Receiving Benefits	135.00	143.00	146.00	148.00	151.00
Objects of Expense:						
3001	CLIENT SERVICES	$3,161,880	$17,589,984	$11,286,308	$11,286,308	$11,286,308
TOTAL, OBJECT OF EXPENSE		**$3,161,880**	**$17,589,984**	**$11,286,308**	**$11,286,308**	**$11,286,308**
Method of Financing:						
1	General Revenue Fund	$2,161,880	$12,089,984	$8,089,984	$8,089,984	$8,089,984
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		**$2,161,880**	**$12,089,984**	**$8,089,984**	**$8,089,984**	**$8,089,984**
Method of Financing:						
994	GR Dedicated Accounts	$1,000,000	$5,500,000	$3,196,324	$3,196,324	$3,196,324
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		**$1,000,000**	**$5,500,000**	**$3,196,324**	**$3,196,324**	**$3,196,324**

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327 Employees Retirement System

GOAL: 1   Administer Comprehensive and Actuarially Sound Retirement Programs

OBJECTIVE: 1   Ensure Actuarially Sound Retirement Programs   Service Categories:

STRATEGY: 5   Death Benefits to Beneficiaries of Public Safety Workers. Estimated.   Service: 06   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$11,286,308**	**$11,286,308**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$3,161,880**	**$17,589,984**	**$11,286,308**	**$11,286,308**	**$11,286,308**

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.

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

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 2018 and 2019 is requested with no growth assumption from the 2017 base. 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   Death Benefits to Beneficiaries of Public Safety Workers. Estimated.   Service: 06   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$28,876,292	$22,572,616	$(6,303,676)	$(6,303,676)	The FY 2017 base amount was used for FY 2018-2019, with no growth assumed.
			$(6,303,676)	**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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Output Measures:						
1	Number of Retiree Death Benefits Paid	2,400.00	2,508.00	2,625.00	2,750.00	2,890.00
Efficiency Measures:						
1	Average Number of Days to Process Retiree Death Benefits	3.16	7.00	7.00	7.00	7.00
Objects of Expense:						
3001	CLIENT SERVICES	$9,285,762	$12,780,000	$12,780,000	$12,780,000	$12,780,000
TOTAL, OBJECT OF EXPENSE		**$9,285,762**	**$12,780,000**	**$12,780,000**	**$12,780,000**	**$12,780,000**
Method of Financing:						
1	General Revenue Fund	$9,285,762	$12,780,000	$12,780,000	$12,780,000	$12,780,000
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		**$9,285,762**	**$12,780,000**	**$12,780,000**	**$12,780,000**	**$12,780,000**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$12,780,000**	**$12,780,000**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$9,285,762**	**$12,780,000**	**$12,780,000**	**$12,780,000**	**$12,780,000**

FULL TIME EQUIVALENT POSITIONS:

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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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

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.

No growth assumed for Fiscal Years 2018 and 2019. The appropriation is requested to be "estimated" since it is event driven.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$25,560,000	$25,560,000	$0	$0	The FY 2017 base amount was used for FY 2018-2019, with no growth assumed.
			$0	**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: 1   Provide Basic Insurance Program to General State Employees. Estimated.   Service: 06   Income: A.2   Age: B.3

CODE	DESCRIPTION	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
Output Measures:						
	1 In-Network Services as a Percentage of Total Services	89.29 %	91.75 %	91.75 %	92.50 %	93.00 %
	2 Mental Health/Substance Abuse Costs as % of Total HealthSelect Costs	1.85 %	2.00 %	2.00 %	2.00 %	2.00 %
	3 Prescription Drug Program Costs as Percent of Total HealthSelect Costs	20.96 %	20.00 %	20.00 %	20.00 %	20.00 %
Efficiency Measures:						
KEY	1 Percent of Medical Claims Paid within 22 Business Days	99.83 %	99.00 %	99.00 %	99.00 %	99.00 %
	2 % of Electronic Retail Pharmacy Claims Paid 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	2.40 %	2.70 %	3.00 %	3.00 %	3.00 %
Explanatory/Input Measures:						
	1 # Employees, Retirees & Dependents Covered by GBP Health Care Plans	523,327.00	533,361.00	533,361.00	533,361.00	533,361.00
	2 Percent of Participants in HMOs	4.58 %	4.80 %	4.80 %	4.80 %	4.80 %
Objects of Expense:						
2009	OTHER OPERATING EXPENSE	$1,585,897,835	$1,718,891,579	$1,916,312,853	$1,916,312,853	$1,916,312,853

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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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
TOTAL, OBJECT OF EXPENSE		**$1,585,897,835**	**$1,718,891,579**	**$1,916,312,853**	**$1,916,312,853**	**$1,916,312,853**
Method of Financing:						
1	General Revenue Fund	$984,446,403	$1,157,244,333	$1,293,805,353	$1,293,805,353	$1,293,805,353
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		**$984,446,403**	**$1,157,244,333**	**$1,293,805,353**	**$1,293,805,353**	**$1,293,805,353**
Method of Financing:						
994	GR Dedicated Accounts	$57,547,133	$70,286,498	$78,372,637	$78,372,637	$78,372,637
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		**$57,547,133**	**$70,286,498**	**$78,372,637**	**$78,372,637**	**$78,372,637**
Method of Financing:						
555	Federal Funds					
	00.327.002 ERS Insurance	$291,655,285	$289,405,251	$318,065,756	$318,065,756	$318,065,756
CFDA Subtotal, Fund	555	$291,655,285	$289,405,251	$318,065,756	$318,065,756	$318,065,756
SUBTOTAL, MOF (FEDERAL FUNDS)		**$291,655,285**	**$289,405,251**	**$318,065,756**	**$318,065,756**	**$318,065,756**
Method of Financing:						
6	State Highway Fund	$246,117,943	$193,623,084	$216,823,517	$216,823,517	$216,823,517
998	Other Special State Funds	$6,131,071	$8,332,413	$9,245,590	$9,245,590	$9,245,590

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019
SUBTOTAL, MOF (OTHER FUNDS)		**$252,249,014**	**$201,955,497**	**$226,069,107**	**$226,069,107**	**$226,069,107**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$1,916,312,853**	**$1,916,312,853**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$1,585,897,835**	**$1,718,891,579**	**$1,916,312,853**	**$1,916,312,853**	**$1,916,312,853**

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 and the attendant objective of efficiently managing the program.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

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 2015	Est 2016	Bud 2017	BL 2018	BL 2019

This strategy is affected by a variety of elements, ranging from state policy toward its employees, to rising medical costs through the United State. Beginning September 1, 1992, the ERS created a self-funded managed care program, HealthSelect, to help ensure that state employees will continue to have access to affordable health insurance.

The $3.8 billion in the ERS base request is calculated based on the 2017 budgeted base level with no state contribution increases for 2018 and 2019. This baseline funding request is not sufficient to provide the same level of insurance benefits currently provided by the plan and would require changes to the current plan structure and benefits design. Additional funding is requested in our Exceptional items to maintain existing benefits.

The current contribution strategy provides for full funding for the monthly premium contributions for full-time state employees and eligible retirees and a 50% contribution for eligible dependents of employees and retirees. The above funding request does not include the 1.0% agency contribution which is included in the individual agencies' appropriations.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2016 + Bud 2017)	Baseline Request (BL 2018 + BL 2019)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$3,635,204,432	$3,832,625,706	$197,421,274	$197,421,274	The FY 2017 base amount was used for FY 2018-2019, with no growth assumed.
			$197,421,274	**Total of Explanation of Biennial Change**

SUMMARY TOTALS:

OBJECTS OF EXPENSE:	$2,101,819,185	$2,426,857,775	$2,617,732,376	$2,617,732,376	$2,617,732,376
METHODS OF FINANCE (INCLUDING RIDERS):				$2,617,732,376	$2,617,732,376
METHODS OF FINANCE (EXCLUDING RIDERS):	$2,101,819,185	$2,426,857,775	$2,617,732,376	$2,617,732,376	$2,617,732,376
FULL TIME EQUIVALENT POSITIONS:	347.4	360.0	365.0	373.0	373.0

Agency Code: 327		Agency: Employees Retirement System				Prepared By: Machelle Pharr					
Date: August 26, 2016						16-17	Requested	Requested	Biennial Total	Biennial Difference	
Goal	Goal Name	Strategy	Strategy Name	Program	Program Name	Base	2018	2019	18-19	$	%
A	To Administer Comprehensive and Actuarially Sound Retirement Programs	A.1.1	Provide an Actuarially Sound Level of Funding As Defined by State Law	A.1.1	ERS - Retirement	$1,262,083,113	$631,121,279	$631,121,279	$1,262,242,558	$159,445	0.0%
		A.1.2	LECOS Retirement Program	A.1.2	LECOS - Retirement	$17,557,211	$8,962,076	$8,962,076	$17,924,152	$366,941	2.1%
		A.1.3	Maintain Retirement Program for State Judicial Officers	A.1.3	JRS - Plan 2	$24,786,272	$12,393,136	$12,393,136	$24,786,272	$0	0.0%
		A.1.4	Provide for the Payment of JRS-1 Benefits as Required by Law	A.1.4	JRS - Plan 1	$50,522,831	$24,876,724	$24,876,724	$49,753,448	($769,383)	-1.5%
		A.1.5	Provide Death Benefits to Beneficiaries of Public Safety Workers	A.1.5	Public Safety Benefits	$28,876,292	$11,286,308	$11,286,308	$22,572,616	($6,303,676)	-21.8%
		A.1.6	Provide Lump-sum Retiree Death Benefits. Estimated.	A.1.6	Retiree Death Benefits	$25,560,000	$12,780,000	$12,780,000	$25,560,000	$0	0.0%
	Exceptional Item	A.1.1	Provide an Actuarially Sound Level of Funding As Defined by State Law	A.1.1	E.I. #1 - ERS - Retirement	$0	$34,522,201	$34,522,201	$69,044,402	$69,044,402	
	Exceptional Item	A.1.2	LECOS Retirement Program	A.1.2	E.I. #2 - LECOS - Retirement	$0	$16,669,461	$16,669,461	$33,338,922	$33,338,922	
	Exceptional Item	A.1.3	Maintain Retirement Program for State Judicial Officers	A.1.3	E.I. #3 - JRS - Plan 2	$0	$970,847	$970,847	$1,941,694	$1,941,694	
B	Provide Employees & Retirees with Quality Health Program	B.2.1	Provide Basic Insurance Program to General State Employees. Estimated.	B.2.1	Group Benefits Program	$3,635,204,432	$1,916,312,853	$1,916,312,853	$3,832,625,706	$197,421,274	5.4%
	Exceptional Item	B.2.1	Provide Basic Insurance Program to General State Employees. Estimated.	B.2.1	E.I. #4 - Group Benefits Progr	$0	$54,327,254	$144,257,389	$198,584,643	$198,584,643	
	Exceptional Item	B.2.1	Provide Basic Insurance Program to General State Employees. Estimated.	B.2.1	E.I. #5 - Group Benefit Program 60 Day Reserve Fund	$0	$93,527,758	$199,812,704	$293,340,462	$293,340,462	

3.B. Rider Revisions and Additions Request

Agency Code:	Agency Name:	Prepared By:	Date:	Request Level:
327	Employees Retirement System	Machelle Pharr	August 26, 2016	Base
Current Rider Number	**Page Number in 2016–17 GAA**			

Current Rider Number	Page Number in 2016–17 GAA	Proposed Rider Language
2	I-35	**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.

Performance Measure Targets — ~~2016~~ 2018 / ~~2017~~ 2019

A. Goal: ADMINISTER RETIREMENT PROGRAM
    Outcome (Results/Impact):
    Percent of ERS Retirees Expressing Satisfaction with
      Benefit Services   97%   97%
    ERS Retirement Fund Investment Expense as Basis Points
      of Net Assets   ~~17.0~~ 16.00   ~~18.0~~ 16.00
A.1.1. Strategy: RETIREMENT CONTRIBUTIONS
    Output (Volume):
    Number of ERS Accounts Maintained   ~~237,000~~ 264,000   ~~239,000~~ 268,500

B. Goal: PROVIDE HEALTH PROGRAM
    Outcome (Results/Impact):
    Percent of HealthSelect Participants Satisfied
      with Network Services   ~~85.5%~~ 85.50%   ~~85.5%~~ 85.50%
    B.1.1. Strategy: GROUP INSURANCE
    Efficiencies:
    Percent of Claims Processed within 22 Days   99%   99%
    ~~Total Cost Paid per HealthSelect Member for~~
      ~~Administration and Claims Processing~~ $ ~~17.78~~ $ ~~17.78~~
    HealthSelect Administration Fees as Percentage
      of Total HealthSelect Costs   3%   3%

Justification for change: Updated years and specific information. Reflects new key measure and the removal of deleted measures.

4	I-35	**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 ~~2016-17~~ 2018-19 biennium, including annual membership fees of $3 for contributing rate which results in a 30-year amortization period of the Retirement System.

3.B. Rider Revisions and Additions Request

Agency Code:	Agency Name:	Prepared By:		Date:	Request Level:
327	Employees Retirement System	Machelle Pharr		August 26, 2016	Base
Current Rider Number	**Page Number in 2016–17 GAA**	**Proposed Rider Language**			

		Justification for change: Updated years.
5	I-35	**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 ~~2016-17~~ 2018-19 biennium for contributing members. **Justification for change:** Updated years.

6	I-35 & I-36	**State Contribution to Group Insurance for General State Employees.** Funds identified above for group insurance are intended to fund:
		
		  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).
		    In no event shall the total amount of state contributions allocated to fund coverage in an optional health plan exceed the actuarially determined total amount of state contributions that would be required to fund basic health coverage for those active employees and retirees who have elected to participate in that optional health plan.
		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.
		
		For each employee or retiree that waives participation in the Group Benefit Plan and enrolls in allowable optional coverage, the Employees Retirement System shall receive $60 per month in lieu of the "employee-only" state contribution amount, and such amounts are included above in Strategy B.1.1, Group Insurance. The waived participant may apply up to $60 per month towards the cost of the allowable optional coverage.
		
		Each year, upon adoption of group insurance rates by the Board of Trustees, 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.
		
		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 ~~2016-17~~ 2018-19 biennium.
		
		Justification for change: Updated years.

3.B. Rider Revisions and Additions Request

Agency Code:	Agency Name:	Prepared By:	Date:	Request Level:
327	Employees Retirement System	Machelle Pharr	August 26, 2016	Base

Current Rider Number	Page Number in 2016–17 GAA	Proposed Rider Language
10	I-36	**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 §609.512 Government Code are hereby appropriated to the system for the ~~2016-17~~ 2018-19 biennium for the purposes authorized by law. **Justification for change:** Updated years.
11	I-36	**Tobacco User Monthly Premium Fee.** The Employees Retirement System, pursuant to the provisions of Government 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. The Comptroller of Public Accounts shall deposit revenue from the fee (estimated to be ~~$14,724,785~~ $14,250,764 in fiscal year ~~2016~~ 2018 and ~~$14,724,785~~ $14,250,764 in fiscal year ~~2017~~ 2019) into the Employees Life, Accident, Health Insurance and Benefits Trust Account. **Justification for change:** Amounts were adjusted to reflect estimated decrease and years were updated.
12	I-36	**State Contribution to the Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOS).** The amount specified above in A.1.2 Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOS), is based on 0.5 percent of covered payroll each fiscal year of the ~~2016-17~~ 2018-19 biennium for LECOS members. **Justification for change:** Updated years.
13	I-36 & I-37	~~**HealthSelect of Texas Contract.** Out of funds appropriated elsewhere in this Act to the Employees Retirement System for the Group Insurance, in addition to complying with all recommendations made by the State Auditor's Office in the November 2014 report (Report No. 15-007) to the Employees Retirement System to improve the planning, procurement, formation, and oversight of the HealthSelect third-party administrator contract, the agency shall, consistent with the agency's fiduciary duties:~~ ~~a. No later than 90 days after implementation of the HealthSelect third-party administrator contract, submit a report to the Legislative Budget Board, State Auditor's Office, the Office of the Attorney General, and the Comptroller demonstrating compliance with the contract management guide for the HealthSelect of Texas contract, unless the terms of the contract are stricter than the essential contract terms of the contract management guide.~~ ~~b. Prior to issuing a request for proposals for HealthSelect third-party administrators, the agency shall develop and submit a report to the Legislative Budget Board and the State Auditor's Office that includes all planning documentation verifying that the request for proposals will comply with the statutory requirements and Employees Retirement System policies. The report shall also include documentation of the established evaluation process including a scoring tool, guidelines for evaluators, methodology for evaluating additional~~

3.B. Rider Revisions and Additions Request

Agency Code:	Agency Name:	Prepared By:	Date:	Request Level:
327	Employees Retirement System	Machelle Pharr	August 26, 2016	Base

Current Rider Number	Page Number in 2016–17 GAA	Proposed Rider Language
		factors, and a process for verifying the mathematical accuracy of the evaluation. The ~~report shall also include an explanation as to why any recommendations included in the audit were not complied with during the contract planning process.~~ ~~c. No later than 45 days after awarding the HealthSelect third-party administrator contract, submit an updated report to the Legislative Budget Board and the State Auditor's Office, certifying that all processes described in subsection (b) above were followed during the contract procurement and evaluation process.~~ ~~d. No later than 90 days after implementation of the HealthSelect third-party administrator contract procured under this rider and every 6 months after, the agency shall submit to the Legislative Budget Board and the State Auditor's Office and make available to the public, information documenting the System's process for recording reimbursement payments as well as a methodology for monitoring the contract with the third-party administrator to ensure compliance with the contract terms. The agency shall include information on any performance guarantee changes through contract amendments.~~ ~~If the Employees Retirement System issues a request for proposals for the HealthSelect contract prior to September 1, 2015, the agency shall submit all of the materials required under subsection (b) no later than October 1, 2015.~~ **Justification for deletion**: RFP was awarded in FY16 in compliance with the rider. ERS will comply with remainder of the rider in 2017.
14	I-37	~~**Diabetes Type 2 Prevention Program for ERS Participants.** Out of funds appropriated above, the Employees Retirement System of Texas (ERS), shall, in consultation with the Texas Diabetes Council (TDC), assess the prevalence of pre-diabetes among the state employee population, and develop an economic analysis related to providing an evidence-based prevention program. If the economic analysis and prevalence data support it, ERS shall, in consultation with TDC and the ERS third-party administrator, develop and implement a cost-effective diabetes Type 2 prevention program for state employees. The result of this analysis and action taken by ERS will be included in a report to the Legislature and Governor on this program by August 31, 2016.~~ **Justification for deletion:** Analysis for prevention program completed and report will be submitted by the due date.

3.B. Rider Revisions and Additions Request

Agency Code:	Agency Name:		Prepared By:	Date:	Request Level:
327	Employees Retirement System		Machelle Pharr	August 26, 2016	Base
Current Rider Number	**Page Number in 2016–17 GAA**		**Proposed Rider Language**		

Current Rider Number	Page Number in 2016–17 GAA	Proposed Rider Language

Sec. 17.04	**IX-77**	**Payroll Contribution for Group Health Insurance.**
		  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, ~~2015~~ 2017, 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, ~~2015~~ 2017 to the Employees Retirement System's Group Benefits Program.
		  b. For purposes of this section "institution of higher education" does not include components within the University of Texas and Texas A&M Systems.
		  c. State agencies and institutions of higher education shall contribute pursuant to this section to the Employees Retirement System to increase state funding for group health coverage by the value of the 1.0 percent contribution, estimated to be ~~$119,500,000~~ $130,927,639 for state agencies and ~~$74,500,000~~ $78,623,640 for institutions of higher education for the ~~2016-17~~ 2018-19 biennium.
		  d. The calculation of base salary for purposes of the reductions made under this section excludes longevity pay, hazardous duty pay, benefit replacement pay, overtime pay, and other payments that are not part of the base salary of the employee.
		  e. Transfers made under this section shall be consistent with provisions requiring salaries and benefits to be proportional to the source of funds.
		  f. The Texas Higher Education Coordinating Board shall administer the requirements of this section for public community/junior colleges.
		  g. The Comptroller of Public Accounts shall promulgate rules and regulations as necessary to administer this section.
		
		Justification for change: Amounts were adjusted to reflect estimated increase and years were updated.

Sec. 17.08	**IX-79**	**Sec. 17.08. Additional Payroll Contribution for Retirement Contribution.**
		
		  (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, ~~2015~~ 2017, 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, ~~2015~~ 2017 to the Employees Retirement System's Retirement Program.
		  (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 ~~$58,800,000~~ $68,852,008 for state agencies for the ~~2016-17~~ 2018-19 biennium.
		  (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.

3.B. Rider Revisions and Additions Request

Agency Code:	Agency Name:	Prepared By:	Date:	Request Level:
327	Employees Retirement System	Machelle Pharr	August 26, 2016	Base

Current Rider Number	Page Number in 2016–17 GAA	Proposed Rider Language
		(d) Transfers made under this section shall be consistent with provisions requiring salaries and benefits to be proportional to the source of funds. (e) The Comptroller of Public Accounts shall promulgate rules and regulations as necessary to administer this section. **Justification for change:** Amounts were adjusted to reflect estimated increase and years were updated.

4.A. Exceptional Item Request Schedule
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/26/2016**
TIME: **6:36:48PM**

Agency code: **327**   Agency name:

Employees Retirement System

CODE	DESCRIPTION	Excp 2018	Excp 2019

Item Name:	ERS Retirement Plan Actuarially Sound	
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:

		Excp 2018	Excp 2019
1002	OTHER PERSONNEL COSTS	34,522,201	34,522,201
	TOTAL, OBJECT OF EXPENSE	**$34,522,201**	**$34,522,201**

METHOD OF FINANCING:

		Excp 2018	Excp 2019
1	General Revenue Fund	23,387,222	23,387,222
6	State Highway Fund	3,264,533	3,264,533
555	Federal Funds		
00.327.001	ERS Retirement	6,042,322	6,042,322
994	GR Dedicated Accounts	1,535,962	1,535,962
998	Other Special State Funds	292,162	292,162
	TOTAL, METHOD OF FINANCING	**$34,522,201**	**$34,522,201**

DESCRIPTION / JUSTIFICATION:

This request is part of the ERS' goal of administering comprehensively and actuarially sound retirement programs and supports the objective of retaining proper funding and investment growth for the programs. The 84th Leg. increased the state contribution to 9.5% for 2016 and 2017 and 9.5% for member contributions. While this increase has made a positive impact, the actuarially soundness of this program has not been reached.

In order to restore the fund to the actuarially sound level of funding set forth in Sec 811.006 of the Texas Government Code, a 10.02% state contribution rate (instead of a 9.5%) would be required along with the 9.5% member contribution, and 0.5% employing agency contribution.

EXTERNAL/INTERNAL FACTORS:

The above funding request assumes funding of 10.02% state contribution, employing agency contribution of 0.5% and the member contribution of 9.5% for a total of 20.02%.

The ASC rate is accurate as of August 31, 2015; updated numbers will be available after the audited financial report.

DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :

Continued funding is anticipated.

Agency code: **327**   Agency name:

Employees Retirement System

CODE	DESCRIPTION	Excp 2018	Excp 2019

ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:

2020	2021	2022
$34,522,201	$34,522,201	$34,522,201

Agency code: **327**   Agency name:

Employees Retirement System

CODE	DESCRIPTION	Excp 2018	Excp 2019
	Item Name: LECOS Plan Actuarially Sound		
	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	16,669,461	16,669,461
	TOTAL, OBJECT OF EXPENSE	**$16,669,461**	**$16,669,461**

METHOD OF FINANCING:

1		General Revenue Fund	16,372,745	16,372,745
555		Federal Funds		
	00.327.003	LECOS Retirement	55,009	55,009
994		GR Dedicated Accounts	241,707	241,707
		TOTAL, METHOD OF FINANCING	**$16,669,461**	**$16,669,461**

DESCRIPTION / JUSTIFICATION:

This funding request is part of the ERS' goal of administering comprehensive and actuarially sound retirement programs and supports the objective of retaining proper funding and investment growth for the programs.

The funded ratio for the LECOS fund is declining and fell below 100% in Fiscal Year 2007. The LECOS funded ratio decline is a result of benefit enhancements, negative market returns at the beginning of the decade, and the level of State funding. The State had not contributed to this supplemental fund since 1993 until contributions resumed in Fiscal Year 2008. The 82nd Legislature reduced contributions to 0.5%. In order to restore the fund to the actuarially sound level of funding set forth in Sec. 811.006 of the Texas Government Code, a 1.43 state contribution rate would be required along with the 0.5% member contribution and the court fee contribution of approximately 1.2%. A state contribution increase of 0.93% is needed in Fiscal Years 2018 and 2019 according to the actuarial valuation for August 2015.

EXTERNAL/INTERNAL FACTORS:

The above funding request assumes an additional 0.93% for a total of 3.13%. A state contribution of 1.43%, 0.5% member contribution, and an approximate 1.2% court fee contribution with no growth in payroll for Fiscal Years 2018 and 2019.
The ASC rate is accurate as of August 31, 2015; updated numbers will be available after the audited financial report.

DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :

Continued funding is anticipated.

Agency code: **327**   Agency name:

Employees Retirement System

CODE	DESCRIPTION	Excp 2018	Excp 2019

ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:

2020	2021	2022
$16,669,461	$16,669,461	$16,669,461

Agency code: **327**   Agency name:

Employees Retirement System

CODE	DESCRIPTION	Excp 2018	Excp 2019

Item Name:	JRS II Plan Actuarially Sound	
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:

Code	Description	Excp 2018	Excp 2019
1002	OTHER PERSONNEL COSTS	970,847	970,847
	TOTAL, OBJECT OF EXPENSE	**$970,847**	**$970,847**

METHOD OF FINANCING:

Code	Description	Excp 2018	Excp 2019
1	General Revenue Fund	601,252	601,252
573	Judicial Fund	369,595	369,595
	TOTAL, METHOD OF FINANCING	**$970,847**	**$970,847**

DESCRIPTION / JUSTIFICATION:

This funding request is part of the ERS' goal of administering comprehensive and actuarially sound retirement program and supports the objective of retaining proper funding and investment growth for the programs.

Prior to the 82nd legislature, state contributions had been set at 16.83% of payroll with members contributing 6.0%, and the plan was actuarially sound with a 12.6 year amortization period as of August 31, 2010. The 82nd Legislature reduced state contributions to 6.5% for a total contribution of 12.5%, well below the normal cost of 20.38% based on the August 2011 Actuarial Valuation. The 83rd Legislature increased the state contribution to 15.663% and the member rate to 6.9% for 2015, 7.2 for 2016 and 7.5% for 2017. The 84th Legislature continued the state contribution of 15.663% and the member contribution of 7.2% for 2016 and 7.5% for 2017.

In order to restore the fund to the actuarially sound level of funding set forth in Sec. 840.106 of the Texas Government Code, a 16.89% state contribution rate would be required along with the 7.5% member contribution. A state contribution increase of 1.227% is requested in Fiscal Years 2018 and 2019.

EXTERNAL/INTERNAL FACTORS:

The above funding request assumes an additional 1.227% for a total 16.89% state contribution. The member contribution for 2016 was 7.2% and the 2017 member contribution continued at 7.5% with no growth in payroll for Fiscal Years 2018 and 2019.

The ASC rate is accurate as of August 31, 2015; updated numbers will be available after the audited financial report.

DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :

Continued funding is anticipated.

4.A. Exceptional Item Request Schedule
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/26/2016**
TIME: **6:36:48PM**

Agency code: **327**   Agency name:

Employees Retirement System

CODE	DESCRIPTION	Excp 2018	Excp 2019

ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:

2020	2021	2022
$970,847	$970,847	$970,847

4.A. Exceptional Item Request Schedule
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/26/2016**
TIME: **6:36:48PM**

Agency code: **327**   Agency name:

Employees Retirement System

CODE	DESCRIPTION	Excp 2018	Excp 2019
	Item Name: Group Benefit Program Cost Increases		
	Item Priority: 4		
	IT Component: No		
	Anticipated Out-year Costs: Yes		
	Involve Contracts > $50,000: No		
	Includes Funding for the Following Strategy or Strategies: 02-01-01 Provide Basic Insurance Program to General State Employees. Estimated.		

OBJECTS OF EXPENSE:

2009	OTHER OPERATING EXPENSE	54,327,254	144,257,389
	TOTAL, OBJECT OF EXPENSE	**$54,327,254**	**$144,257,389**

METHOD OF FINANCING:

1	General Revenue Fund	36,679,238	97,395,883
6	State Highway Fund	6,146,922	16,322,175
555	Federal Funds		
00.327.002	ERS Insurance	9,017,128	23,943,552
994	GR Dedicated Accounts	2,221,855	5,899,784
998	Other Special State Funds	262,111	695,995
	TOTAL, METHOD OF FINANCING	**$54,327,254**	**$144,257,389**

DESCRIPTION / JUSTIFICATION:

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

To sustain the current GBP plan benefits and structure, cost increases for the insurance program will require funding that exceeds baseline funding. Health benefit cost increase of 8.5% each year will be partially offset by spending down plan contingency reserves (estimated at $560 million at the start of the biennium) by $260 million (state agency portion is $145.5 million). The contribution increase required for the State to maintain the health insurance plan as it is currently structured is 4.42% in FY 2018 and 4.42% in FY 2019.

EXTERNAL/INTERNAL FACTORS:

The above request is based on state contribution increases of 4.42% in FY 2018 and 4.42%increase in 2019 and $260 million (state agency portion is $145.5 million) available for spend-down from the GBP contingency reserve. The project balance in the GP contingency reserve would be $300 million (state agency portion is $67 million) at the end of Fiscal Year 2019. Health benefit cost trend is projected at 8.5% each year for FY 2018 and 2019.

Agency code: **327**   Agency name:

Employees Retirement System

CODE	DESCRIPTION	Excp 2018	Excp 2019

DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :

Continued funding is anticipated.

ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:

2020	2021	2022
$144,257,389	$144,257,389	$144,257,389

4.A. Exceptional Item Request Schedule
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/26/2016**
TIME: **6:36:48PM**

Agency code: **327**   Agency name:

Employees Retirement System

CODE	DESCRIPTION	Excp 2018	Excp 2019
	Item Name: Group Benefit Program 60 Day Reserve Fund		
	Item Priority: 5		
	IT Component: No		
	Anticipated Out-year Costs: No		
	Involve Contracts > $50,000: No		
	Includes Funding for the Following Strategy or Strategies: 02-01-01 Provide Basic Insurance Program to General State Employees. Estimated.		

OBJECTS OF EXPENSE:

2009	OTHER OPERATING EXPENSE	93,527,758	199,812,704
	TOTAL, OBJECT OF EXPENSE	**$93,527,758**	**$199,812,704**

METHOD OF FINANCING:

1	General Revenue Fund	63,145,595	134,904,249
6	State Highway Fund	10,582,310	22,608,048
555	Federal Funds		
00.327.002	ERS Insurance	15,523,549	33,164,511
994	GR Dedicated Accounts	3,825,063	8,171,864
998	Other Special State Funds	451,241	964,032
	TOTAL, METHOD OF FINANCING	**$93,527,758**	**$199,812,704**

DESCRIPTION / JUSTIFICATION:

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

Chapter 1551, Section 211 of the Texas Insurance Code requires the ERS to request funding necessary to maintain a reserve adequate to pay 60 days of claims in the self-funded health insurance program. At the end of fiscal year 2017, this fund is expected to have a balance of $560 million. In order to maintain the fiscally prudent 60-day reserve fund, the ERS requests an additional $293.3 million for the general state agency portion of the required contribution increase. The claims reserve fund also receives contributions from higher education, the Texas Municipal Retirement System, the Texas County and District Retirement System, the Community Supervision and Correction Department and the Windham School District, all of which participate in the Group Benefits Program. Employees also contribute a portion of the funding through out-of-pocket premium costs.

EXTERNAL/INTERNAL FACTORS:

No growth in enrollment is assumed for FY 2018 and FY 2019.

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

Code Description	Excp 2018	Excp 2019
Item Name: ERS Retirement Plan Actuarially Sound		
Allocation to Strategy: 1-1-1 Provide Retirement Program for Employees and Retirees. Estimated.		
STRATEGY IMPACT ON OUTCOME MEASURES:		
2 # of Years to Amortize the ERS Unfunded Actuarial Accrued Liability	31.00	31.00
OBJECTS OF EXPENSE:		
1002 OTHER PERSONNEL COSTS	34,522,201	34,522,201
TOTAL, OBJECT OF EXPENSE	**$34,522,201**	**$34,522,201**
METHOD OF FINANCING:		
1 General Revenue Fund	23,387,222	23,387,222
6 State Highway Fund	3,264,533	3,264,533
555 Federal Funds		
00.327.001 ERS Retirement	6,042,322	6,042,322
994 GR Dedicated Accounts	1,535,962	1,535,962
998 Other Special State Funds	292,162	292,162
TOTAL, METHOD OF FINANCING	**$34,522,201**	**$34,522,201**

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

Code Description	Excp 2018	Excp 2019
Item Name: LECOS Plan Actuarially Sound		
Allocation to Strategy: 1-1-2 Provide Retirement Program for Law Enf and Corr Officers. Estimated.		
STRATEGY IMPACT ON OUTCOME MEASURES:		
3 # Years to Amortize the LECOS Unfunded Actuarial Accrued Liability	31.00	31.00
OBJECTS OF EXPENSE:		
1002 OTHER PERSONNEL COSTS	16,669,461	16,669,461
TOTAL, OBJECT OF EXPENSE	**$16,669,461**	**$16,669,461**
METHOD OF FINANCING:		
1 General Revenue Fund	16,372,745	16,372,745
555 Federal Funds		
00.327.003 LECOS Retirement	55,009	55,009
994 GR Dedicated Accounts	241,707	241,707
TOTAL, METHOD OF FINANCING	**$16,669,461**	**$16,669,461**

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

Code Description	Excp 2018	Excp 2019
Item Name: JRS II Plan Actuarially Sound		
Allocation to Strategy: 1-1-3 Provide Retirement Program for State Judicial Officers. Estimated.		
STRATEGY IMPACT ON OUTCOME MEASURES:		
4 # of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability	31.00	31.00
OBJECTS OF EXPENSE:		
1002 OTHER PERSONNEL COSTS	970,847	970,847
TOTAL, OBJECT OF EXPENSE	**$970,847**	**$970,847**
METHOD OF FINANCING:		
1 General Revenue Fund	601,252	601,252
573 Judicial Fund	369,595	369,595
TOTAL, METHOD OF FINANCING	**$970,847**	**$970,847**

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

Code Description	Excp 2018	Excp 2019
Item Name: Group Benefit Program Cost Increases		
Allocation to Strategy: 2-1-1 Provide Basic Insurance Program to General State Employees. Estimated.		
OBJECTS OF EXPENSE:		
2009 OTHER OPERATING EXPENSE	54,327,254	144,257,389
TOTAL, OBJECT OF EXPENSE	**$54,327,254**	**$144,257,389**
METHOD OF FINANCING:		
1 General Revenue Fund	36,679,238	97,395,883
6 State Highway Fund	6,146,922	16,322,175
555 Federal Funds		
00.327.002 ERS Insurance	9,017,128	23,943,552
994 GR Dedicated Accounts	2,221,855	5,899,784
998 Other Special State Funds	262,111	695,995
TOTAL, METHOD OF FINANCING	**$54,327,254**	**$144,257,389**

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

Code	Description	Excp 2018	Excp 2019

Item Name: Group Benefit Program 60 Day Reserve Fund

Allocation to Strategy: 2-1-1   Provide Basic Insurance Program to General State Employees. Estimated.

OBJECTS OF EXPENSE:

		Excp 2018	Excp 2019
2009	OTHER OPERATING EXPENSE	93,527,758	199,812,704
TOTAL, OBJECT OF EXPENSE		**$93,527,758**	**$199,812,704**

METHOD OF FINANCING:

			Excp 2018	Excp 2019
1	General Revenue Fund		63,145,595	134,904,249
6	State Highway Fund		10,582,310	22,608,048
555	Federal Funds			
	00.327.002	ERS Insurance	15,523,549	33,164,511
994	GR Dedicated Accounts		3,825,063	8,171,864
998	Other Special State Funds		451,241	964,032
TOTAL, METHOD OF FINANCING			**$93,527,758**	**$199,812,704**

4.B.   Page 5 of 5

4.C. Exceptional Items Strategy Request
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/26/2016**

TIME: **6:36:49PM**

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 2018	Excp 2019
STRATEGY IMPACT ON OUTCOME MEASURES:		
2 # of Years to Amortize the ERS Unfunded Actuarial Accrued Liability	31.00	31.00
OBJECTS OF EXPENSE:		
1002 OTHER PERSONNEL COSTS	34,522,201	34,522,201
Total, Objects of Expense	**$34,522,201**	**$34,522,201**
METHOD OF FINANCING:		
1 General Revenue Fund	23,387,222	23,387,222
6 State Highway Fund	3,264,533	3,264,533
555 Federal Funds		
00.327.001 ERS Retirement	6,042,322	6,042,322
994 GR Dedicated Accounts	1,535,962	1,535,962
998 Other Special State Funds	292,162	292,162
Total, Method of Finance	**$34,522,201**	**$34,522,201**

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

ERS Retirement Plan Actuarially Sound

4.C.   Page 1 of 4

4.C. Exceptional Items Strategy Request
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/26/2016
TIME: 6:36:49PM

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	Excp 2018	Excp 2019
STRATEGY IMPACT ON OUTCOME MEASURES:			
3	# Years to Amortize the LECOS Unfunded Actuarial Accrued Liability	31.00	31.00
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	16,669,461	16,669,461
	Total, Objects of Expense	**$16,669,461**	**$16,669,461**
METHOD OF FINANCING:			
1	General Revenue Fund	16,372,745	16,372,745
555	Federal Funds		
	00.327.003 LECOS Retirement	55,009	55,009
994	GR Dedicated Accounts	241,707	241,707
	Total, Method of Finance	**$16,669,461**	**$16,669,461**

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

LECOS Plan Actuarially Sound

4.C. Exceptional Items Strategy Request
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/26/2016
TIME: 6:36:49PM

| 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	Excp 2018	Excp 2019
STRATEGY IMPACT ON OUTCOME MEASURES:		
4 # of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability	31.00	31.00
OBJECTS OF EXPENSE:		
1002 OTHER PERSONNEL COSTS	970,847	970,847
Total, Objects of Expense	**$970,847**	**$970,847**
METHOD OF FINANCING:		
1 General Revenue Fund	601,252	601,252
573 Judicial Fund	369,595	369,595
Total, Method of Finance	**$970,847**	**$970,847**

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

JRS II Plan Actuarially Sound

4.C. Exceptional Items Strategy Request
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/26/2016
TIME: 6:36:49PM

Agency Code:	**327**		Agency name:	**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	Excp 2018	Excp 2019
OBJECTS OF EXPENSE:			
2009	OTHER OPERATING EXPENSE	147,855,012	344,070,093
	Total, Objects of Expense	**$147,855,012**	**$344,070,093**
METHOD OF FINANCING:			
1	General Revenue Fund	99,824,833	232,300,132
6	State Highway Fund	16,729,232	38,930,223
555	Federal Funds		
	00.327.002 ERS Insurance	24,540,677	57,108,063
994	GR Dedicated Accounts	6,046,918	14,071,648
998	Other Special State Funds	713,352	1,660,027
	Total, Method of Finance	**$147,855,012**	**$344,070,093**

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Group Benefit Program Cost Increases

Group Benefit Program 60 Day Reserve Fund

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

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

A. Fiscal Year 2014 - 2015 HUB Expenditure Information

Statewide HUB Goals	Procurement Category	HUB Expenditures FY 2014				Total Expenditures FY 2014	HUB Expenditures FY 2015				Total Expenditures FY 2015
		% Goal	% Actual	Diff	Actual $		% Goal	% Actual	Diff	Actual $	
11.2%	Heavy Construction	0.0 %	0.0%	0.0%	$0	$0	0.0 %	0.0%	0.0%	$0	$0
21.1%	Building Construction	2.0 %	0.0%	-2.0%	$0	$93,443	2.0 %	0.0%	-2.0%	$0	$43,986
32.9%	Special Trade	17.0 %	25.8%	8.8%	$42,099	$163,418	17.0 %	17.0%	0.0%	$72,477	$427,028
23.7%	Professional Services	8.0 %	0.0%	-8.0%	$0	$1,030,253	8.0 %	0.0%	-8.0%	$0	$1,961,579
26.0%	Other Services	5.0 %	18.7%	13.7%	$2,717,914	$14,516,536	5.0 %	27.7%	22.7%	$4,495,165	$16,222,882
21.1%	Commodities	24.0 %	26.3%	2.3%	$582,432	$2,213,051	24.0 %	28.2%	4.2%	$548,976	$1,945,856
	Total Expenditures		**18.6%**		**$3,342,445**	**$18,016,701**		**24.8%**		**$5,116,618**	**$20,601,331**

B. Assessment of Fiscal Year 2014 - 2015 Efforts to Meet HUB Procurement Goals

Attainment:
- For fiscal year 2014, the agency exceeded the HUB procurement goal for Special Trade Construction by 8.8%, Other Services by 13.7% and Commodities by 2.3%.
- For fiscal year 2015, the agency exceeded the HUB procurement goal for Other Services by 22.7% and Commodities by 4.2%.

Applicability:
- The "Heavy Construction" category is not applicable to agency operations in either fiscal year 2014 or 2015 since the agency did not have any strategies or programs related to this category of construction.

Factors Affecting Attainment:
- In both fiscal years, the goal of "Professional Services" procurement category was not met. The majority of ERS' services involve actuarial and auditing services for pension and group insurance program.
- In both fiscal years, the goal of "Building Construction" category was not met due to results of competitive bidding process where contracts were awarded to a non-HUB vendor.

"Good-Faith" Efforts:
The agency made the following efforts to comply with the statewide HUB procurement goals per 34 TAC §20.13(b):

- Ensured the contract specifications and terms and conditions were clearly stated, reflected the agency's actual requirement, and did not impose any unreasonable or unnecessary requirements.

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

- When applicable, potential bidders are provided with lists of certified HUBs for subcontracting opportunities.
- Attended HUB conferences and prepared and distributed information on how to contract with ERS in order to encourage and increase participation.
- Sponsored several exhibit booths at HUB forums and bid fairs.
- Met regularly with HUB vendors to provide information for doing business with the agency and the State of Texas.
- Purchasing staff directly solicits more certified HUBs than required on all applicable bid opportunities.
- Whenever possible, HUBS are contacted exclusively for procurements that are under the competitive procurement threshold for bidding.

327 Employees Retirement System

CFDA NUMBER/ STRATEGY	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
00.327.001 ERS Retirement					
1 - 1 - 1 ERS RETIREMENT PROGRAM	78,629,102	111,952,861	110,463,346	110,463,346	110,463,346
TOTAL, ALL STRATEGIES	**$78,629,102**	**$111,952,861**	**$110,463,346**	**$110,463,346**	**$110,463,346**
ADDL FED FNDS FOR EMPL BENEFITS	0	0	0	0	0
TOTAL, FEDERAL FUNDS	**$78,629,102**	**$111,952,861**	**$110,463,346**	**$110,463,346**	**$110,463,346**
ADDL GR FOR EMPL BENEFITS	**$0**	**$0**	**$0**	**$0**	**$0**
00.327.002 ERS Insurance					
2 - 1 - 1 GROUP BENEFITS PROGRAM	291,655,285	289,405,251	318,065,756	318,065,756	318,065,756
TOTAL, ALL STRATEGIES	**$291,655,285**	**$289,405,251**	**$318,065,756**	**$318,065,756**	**$318,065,756**
ADDL FED FNDS FOR EMPL BENEFITS	0	0	0	0	0
TOTAL, FEDERAL FUNDS	**$291,655,285**	**$289,405,251**	**$318,065,756**	**$318,065,756**	**$318,065,756**
ADDL GR FOR EMPL BENEFITS	**$0**	**$0**	**$0**	**$0**	**$0**
00.327.003 LECOS Retirement					
1 - 1 - 2 LECOS RETIREMENT PROGRAM	27,331	28,648	29,510	29,510	29,510
TOTAL, ALL STRATEGIES	**$27,331**	**$28,648**	**$29,510**	**$29,510**	**$29,510**
ADDL FED FNDS FOR EMPL BENEFITS	0	0	0	0	0
TOTAL, FEDERAL FUNDS	**$27,331**	**$28,648**	**$29,510**	**$29,510**	**$29,510**
ADDL GR FOR EMPL BENEFITS	**$0**	**$0**	**$0**	**$0**	**$0**

327 Employees Retirement System

CFDA NUMBER/ STRATEGY	Exp 2015	Est 2016	Bud 2017	BL 2018	BL 2019
SUMMARY LISTING OF FEDERAL PROGRAM AMOUNTS					
00.327.001 ERS Retirement	78,629,102	111,952,861	110,463,346	110,463,346	110,463,346
00.327.002 ERS Insurance	291,655,285	289,405,251	318,065,756	318,065,756	318,065,756
00.327.003 LECOS Retirement	27,331	28,648	29,510	29,510	29,510
TOTAL, ALL STRATEGIES	$370,311,718	$401,386,760	$428,558,612	$428,558,612	$428,558,612
TOTAL , ADDL FED FUNDS FOR EMPL BENEFITS	0	0	0	0	0
TOTAL, FEDERAL FUNDS	**$370,311,718**	**$401,386,760**	**$428,558,612**	**$428,558,612**	**$428,558,612**
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:

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

INVESTMENT ADVISORY COMMITTEE

Statutory Authorization: Tx Govt Code Section 815.509

Number of Members: 8

Committee Status: Ongoing

Date Created: 8/5/1966

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 2015	Estimated Est 2016	Budgeted Bud 2017	Requested BL 2018	Requested BL 2019
Committee Members Direct Expenses					
Travel	$6,942	$9,602	$10,562	$10,562	$10,562
Personnel	2,668	2,668	2,935	2,935	2,935
Other Operating Costs	8,000	12,000	13,200	13,200	13,200
Total, Committee Expenditures	**$17,610**	**$24,270**	**$26,697**	**$26,697**	**$26,697**
Method of Financing					
S.E.R.S. Trust Account	$17,610	$24,270	$26,697	$26,697	$26,697
Total, Method of Financing	**$17,610**	**$24,270**	**$26,697**	**$26,697**	**$26,697**
Meetings Per Fiscal Year	4	4	4	4	4

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.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 2018-19 GAA BILL PATTERN	$	42,152,966,823

Retirement Trust Fund (0955)

Beginning Balance in FY 2016	$	23,998,481,161
Estimated Revenues FY 2016	$	2,618,166,139
Estimated Revenues FY 2017	$	3,328,125,182
FY 2016-17 Total	$	29,944,772,482
Estimated Beginning Balance in FY 2018	$	25,400,980,594
Estimated Revenues FY 2018	$	3,518,611,030
Estimated Revenues FY 2019	$	3,724,335,746
FY 2018-19 Total	$	32,643,927,369

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 2017 level for FY 2018-19. Investment Income is calculated using the 8% return assumption used in the ERS actuarial valuation report for August 31, 2015. State contributions are estimated at the LAR Base Level of 9.50%. No payroll growth is assumed for FY 2018-19.

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

Insurance Fund (0973)

Beginning Balance in FY 2016	$	440,466,045
Estimated Revenues FY 2016	$	3,419,129,324
Estimated Revenues FY 2017	$	3,657,520,345
FY 2016-17 Total	$	7,517,115,714
Estimated Beginning Balance in FY 2018	$	560,000,000
Estimated Revenues FY 2018	$	3,657,520,345
Estimated Revenues FY 2019	$	3,657,520,345
FY 2018-19 Total	$	7,875,040,690

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 2018 will be at the FY 2017 levels with no increase in enrollment.

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LECOS Trust Fund (0977)

Beginning Balance in FY 2016	$	844,145,332
Estimated Revenues FY 2016	$	82,515,901
Estimated Revenues FY 2017	$	70,433,213
FY 2016-17 Total $		997,094,446
Estimated Beginning Balance in FY 2018	$	873,057,861
Estimated Revenues FY 2018	$	115,379,269
Estimated Revenues FY 2019	$	122,481,840
FY 2018-19 Total $		1,110,918,969

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 2018 and FY 2019 will be established at the current level of 0.50%. Investment income is calculated using the 8% return assumption used in the ERS actuarial valuation report for August 31, 2015. Payroll is assumed to remain at the FY 2017 level with no payroll growth for FY 2018-19.

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JRS II Trust Fund (0993)

Beginning Balance in FY 2016		$	364,510,248
Estimated Revenues FY 2016		$	38,247,679
Estimated Revenues FY 2017		$	49,452,422
	FY 2016-17 Total	$	452,210,349
Estimated Beginning Balance in FY 2018		$	412,420,217
Estimated Revenues FY 2018		$	53,268,894
Estimated Revenues FY 2019		$	57,390,684
	FY 2018-19 Total	$	523,079,795

Constitutional or Statutory Creation and Use of Funds:

The JRS II Trust Fund is created by Government Code, Section 840.305. Funds in the account are used to pay judicial retirement benefits and administrative expenses.

Method of Calculation and Revenue Assumptions:

Revenues to the trust fund include member contributions, state contributions, investment income, and other revenues. Investment income can vary widely from year to year. State contributions are dependent upon legislative action. Investment income is calculated using the 8% return assumption used in the ERS actuarial valuation report for August 31, 2015. State contributions are estimated at the LAR baseline request level of 15.663%. Payroll is assumed to remain at the FY 2017 level with no payroll growth for FY 2018-19.

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