

Meeting of the ERS Board of Trustees

March 11, 2020



Public Agenda Item #24

Call Meeting of the ERS Board of Trustees to Order

March 11, 2020

Public Agenda Item #25

*Review and Approval of the Minutes to the
December 10, 2019 ERS Board of Trustees Meeting - (Action)*

March 11, 2020

Questions?
Action Item

Public Agenda Item #26

Review, Discussion and Consideration of update to the Tobacco Certification Policy – (Action)

March 11, 2020

Keith Yawn, Director of Strategic Initiatives

Tobacco Certification Policy



- Insurance Code 1551.3075, added by 82nd Legislature (2011)
- Required establishment of monthly premium differential for GBP participants who use tobacco products
- General Appropriations Act sets premium differential at \$30 / participant
- Tobacco certification and premium differential began in Fiscal Year 2012

Tobacco Premium Differential



Fiscal Year 2019 Statistics

33,000

participants

\$12.1 million

differential collections

Tobacco Product Definition (2011)



“Tobacco Product” is defined as cigarettes, cigars, pipe tobacco, chewing tobacco, snuff, dip, or any other products that contain tobacco. The term does not include an electronic cigarette that does not contain tobacco and is designed expressly for the purpose of smoking cessation.

Tobacco Product Definition (proposed)



“Tobacco Product” is defined as all types of tobacco, including but not limited to: cigarettes, cigars, pipe tobacco, chewing tobacco, snuff, dip, and all e-cigarettes / vaping products.

Implementation



- Communication campaign will begin this spring to alert GBP participants to the policy change
- Revision of related forms, instructions and systems will be in place by 2020 Summer Enrollment period
- Definition change will take effect September 1, 2020 for Plan Year 2021
(provides opportunity for cessation activities prior to implementation)

Discussion and Consideration of Proposed Policy Change

Questions?
Action Item

Public Agenda Item #27

Review and Discussion of the Texas Employees Group Benefits Program (GBP) Update

March 11, 2020

Diana Kongevick, Director of Group Benefits

Blaise Duran, FSA, Actuarial and Reporting Services, Group Benefits

Phil Dial, FSA, Rudd and Wisdom, Inc.

HealthSelectSM Review



Trends

- FY19 HealthSelect medical trend is better than reported in December.
- FY20 projected medical trend is expected to be slightly higher historic averages.
- However, FY20 is expected to be lower than historic average resulting in favorable experience in FY20.

	FY18	FY19	FY20 Projected
Medical Trend*	-12.7%	3.5%	6.1%
Pharmacy Trend**	4.3%	7.2%	8.4%
Combined Medical and Pharmacy Trend	-8.7%	4.5%	6.7%

*TPA contract change September 1, 2017

**PBM contract change January 1, 2017

Non-financial Performance Measures

- Group Benefits developed non-financial performance measures in the following areas:
 - Network performance
 - Competiveness of benefits
 - Utilization of benefits
 - Participant satisfaction with the HealthSelect health plans.

HealthSelect Performance Measures



Network Performance

Measure	Benchmark*	Current Period	Prior Period
1) % of FY19 claims paid to network providers	≥90.0%	94.8%	93.8%
2) % Selecting a PCP	≥85.0%	87.6%	86.4%
3) PCP to participant ratio	≤30.5	29.4	31.2
4) % of Participants with access standard met	≥85.0%	89.5%	88.6%
5) % of PCPs accepting new patients	≥90.0%	94.0%	NA
6) Satisfaction with network	≥85.0%	86.9%	86.3%

*Benchmark - for detailed benchmark information, refer to Agenda Item 4.1, HealthSelect Performance Measures, #1

HealthSelect Performance Measures

Competiveness of Benefits



Measure	Benchmark*	Current Period	Prior Period
1) Member Cost Share (MCS) as % of total cost	≤14.0%	14.0%	15.0%
2) Member contributions as a % of total cost	≤20.0%	17.0%	17.0%
3) MCS + member contributions as % of total cost	≤34.0%	31.0%	32.0%

*Benchmark - Willis Towers Watson 2019 Financial Benchmarks Survey, an annual survey primarily of large private sector employers comprised of 2,248 companies in 18 industry groups (less than 5% public sector/education).

HealthSelect Performance Measures

Utilization of Benefits



Measure	Benchmark	Current Period	Prior Period
1) Virtual Visit Increase*	≥25.0%	78.2%	464.2%
2) % With a Wellness Visit**	≥70.0%	41.0%	40.1%

* Benchmark – Reasonable estimate year-over-year based on current utilization; established by ERS Actuarial Reporting Services

**Benchmark – Established to align with ERS targeted wellness goals.

Legislative Update



Participant Satisfaction with HealthSelect Health Plans

Measure	Benchmark*	Current Period	Prior Period
% Satisfied with the HealthSelect of Texas® and Consumer Directed HealthSelect plans offered by ERS	≥85.0%	78.4%	78.8%

*Benchmark: HealthSelect Performance Guarantees.

Note: Measured by BCBSTX as part of the quarterly participant satisfaction surveys. This measure reflects satisfaction with the HealthSelect medical plans, not satisfaction with a specific TPA.

Non-financial Performance Measures

Group Benefits staff will continue to develop performance measures.

Planned enhancements include performance measures and reporting for:

- Grievances and appeals
- Behavioral health network
- Prescription drug plan
- Optional benefit plans

Questions?

Public Agenda Item #28

Review and Discussion of the Texa\$aver 401(k)/457 Program Performance Review

March 11, 2020

Diana Kongevick, Director of Group Benefits
Georgina Bouton, CTCM, Assistant Director of Group Benefits
Thomas Nun, CFA® Portfolio Strategist, Great-West Investments

Texa\$averSM 401(k) / 457 Program



December 10, 2019 Updates

ERS Board of Trustees delegated authority to Executive Director to:

- Select from Product Review Committee's proposed list of mid cap funds;
- Remove First Eagle Fund of America and Victory Munder Mid Cap Core Growth Fund Y funds from the Texa\$aver Program following the selection of new mid cap fund(s).

Texa\$aver program



December 10, 2019 Updates

- January 23, 2020: BlackRock Mid Capitalization Equity Index F fund, a passively managed CIT fund, was selected as the replacement mid cap fund
 - Fund mapping: Friday, March 6, 2020 (no black-out period)
- February 27, 2020: Wellington's WTC-CIF II Mid Cap Opportunities (Series 1), an actively managed mid cap fund, was selected
 - No fund mapping

TexaSaverSM 401(k) / 457 Program



Program Overview

TEXA\$AVER 401(k) Program

- Established in 1985
- Available to employees of state agencies
- Procure plan administrator and investment advisory service providers through competitive bid process
- Feature automatic enrollment for new hires since 1/1/2008
- Offer traditional and Roth contributions



TEXA\$AVER 457 Program

- Established in 1974
- Available to employees of eligible higher education and state agencies
- Procure plan administrator and investment advisory service providers through competitive bid process
- Offer traditional and Roth contributions

Texa\$aver program



Executive Summary: \$3.626B AUM as of 12/31/2019

401(k) Plan

Assets under Management (AUM)	\$2,660 million
Traditional balances	\$2,610 million
Roth balances	\$50 million
No. of Participant Accounts	216,657
Contributing	97,634
Non-contributing	119,023
Contributions & Deposits, annual	\$41 million
Change in value & Interest/Dividends, annual	\$162 million
Plan withdrawals, annual	(\$62.4) million

457 Plan

Assets under Management (AUM)	\$966 million
Traditional balances	\$925 million
Roth balances	\$41 million
No. of Participant Accounts	26,263
Contributing	16,037
Non-contributing	10,226
Contributions & Deposits, annual	\$20 million
Change in value & Interest/Dividends, annual	\$55 million
Plan withdrawals, annual	(\$18.4) million

Texa\$aver program

Investment offerings



A range of investment products are offered to help participants reach their individual retirement savings goals. The same investment products are offered between plans.

Target Date Funds

24.0% of program Assets

- Professionally managed asset allocation strategy
- Gradually reduces investment risk and equity exposure over time
- Offers a streamlined approach to investing
- Strategy requires the lowest level of participant engagement

Core Funds

74.4% of program assets

- Allows participants to create their own investment portfolios based on defined asset classes
- Funds include both actively managed and passively managed investment funds
- Investment requires a higher level of participant engagement to maintain desired diversification and risk levels

Self Directed Brokerage Account

4.6% of program assets

- Provides additional investment options
- Offered through Schwab Personal Choice Retirement Account®
- Investment requires the highest level of participant engagement for diversification and investment selection

Texa\$aver program

Product Review Committee (PRC)



- **Porter Wilson** – ERS Executive Director
- **Catherine Terrell** – ERS Deputy Executive Director
- **Diana Kongevick** – ERS Director of Group Benefits
- **Tom Tull** – ERS Chief Investment Officer
- **Leighton Shantz** – ERS Director of Fixed Income
- **Carlos Chujoy** – ERS Investment Risk Officer
- **Gene L. Needles, Jr.** – Chairman and CEO Resolute Investment Managers and Vice-chair of ERS' Investment Advisory Committee (IAC)
- **Margaret "Didi" Weinblatt, Ph.D., CFA** – IAC member
- **Laura T. Starks, Ph.D.** – Charles E. and Sarah M. Seay Regents Chair in Finance and Co -Executive Director, Social Innovation Initiative, McCombs School of Business, University of Texas at Austin

Texa\$aver program

PRC



PRC Sub-Committees are appointed for a specific purpose within the due diligence process and serve out their term until the assigned process is complete.

- PRC members; and may include
- IAC members and/or ERS staff knowledgeable of investments or possessing relevant subject matter expertise
- Mid cap PRC sub-committee members:
 - Leighton Shantz – PRC Member
 - Carlos Chujoy – PRC Member
 - Dr. Laura T. Starks – PRC Member
 - Lauren Honza – ERS Portfolio Manager
 - Brannon Andrews – ERS Assistant General Counsel

Capital Market Updates

Equity Market Returns

(as of December 31, 2019)

		QTD	YTD	1 Year Trailing	3 Year Trailing	5 Year Trailing	10 Year Trailing	2018	2017	2016	2015	2014	2013	2012
Domestic Equity														
Large Cap	S&P 500	9.1%	31.5%	31.5%	15.3%	11.7%	13.6%	-4.4%	21.8%	12.0%	1.4%	13.7%	32.4%	16.0%
	Russell 1000 Value	7.4%	26.5%	26.5%	9.7%	8.3%	11.8%	-8.3%	13.7%	17.3%	-3.8%	13.5%	32.5%	17.5%
	Russell 1000 Growth	10.6%	36.4%	36.4%	20.5%	14.6%	15.2%	-1.5%	30.2%	7.1%	5.7%	13.0%	33.5%	15.3%
Mid Cap	Russell Mid Cap	7.1%	30.5%	30.5%	12.1%	9.3%	13.2%	-9.1%	18.5%	13.8%	-2.4%	13.2%	34.8%	17.3%
	Russell Mid Cap Value	6.4%	27.1%	27.1%	8.1%	7.6%	12.4%	-12.3%	13.3%	20.0%	-4.8%	14.7%	33.5%	18.5%
	Russell Mid Cap Growth	8.2%	35.5%	35.5%	17.4%	11.6%	14.2%	-4.8%	25.3%	7.3%	-0.2%	11.9%	35.7%	15.8%
Small Cap	Russell 2000	9.9%	25.5%	25.5%	8.6%	8.2%	11.8%	-11.0%	14.6%	21.3%	-4.4%	4.9%	38.8%	16.3%
	Russell 2000 Value	8.5%	22.4%	22.4%	4.8%	7.0%	10.6%	-12.9%	7.8%	31.7%	-7.5%	4.2%	34.5%	18.1%
	Russell 2000 Growth	11.4%	28.5%	28.5%	12.5%	9.3%	13.0%	-9.3%	22.2%	11.3%	-1.4%	5.6%	43.3%	14.6%
International Equity														
Developed Markets	MSCI EAFE	8.2%	22.0%	22.0%	9.6%	5.7%	5.5%	-13.8%	25.0%	1.0%	-0.8%	-4.9%	22.8%	17.3%
	Australia	4.3%	22.9%	22.9%	9.1%	5.4%	5.0%	-12.0%	19.9%	11.4%	-10.0%	-3.4%	4.2%	22.1%
	Canada	4.9%	27.5%	27.5%	7.0%	3.0%	3.6%	-17.2%	16.1%	24.6%	-24.2%	1.5%	5.6%	9.1%
	France	8.5%	25.7%	25.7%	12.2%	8.1%	5.0%	-12.8%	28.7%	4.9%	-0.1%	-9.9%	26.3%	21.3%
	Germany	9.9%	20.8%	20.8%	6.3%	3.9%	5.2%	-22.2%	27.7%	2.8%	-1.9%	-10.4%	31.4%	30.9%
	Japan	7.6%	19.6%	19.6%	8.9%	7.7%	6.6%	-12.9%	24.0%	2.4%	9.6%	-4.0%	27.2%	8.2%
	Switzerland	7.6%	32.3%	32.3%	13.8%	7.1%	8.4%	-9.1%	22.5%	-4.9%	0.4%	-0.1%	26.6%	20.4%
	UK	10.0%	21.0%	21.0%	8.3%	3.3%	5.0%	-14.2%	22.3%	-0.1%	-7.6%	-5.4%	20.7%	15.3%
Emerging Markets	MSCI Emerging Markets	11.8%	18.4%	18.4%	11.6%	5.6%	3.7%	-14.6%	37.3%	11.2%	-14.9%	-2.2%	-2.6%	18.2%
	Brazil	14.2%	26.3%	26.3%	16.0%	8.7%	-0.9%	-0.5%	24.1%	66.2%	-41.4%	-14.0%	-16.0%	0.0%
	China	14.7%	23.5%	23.5%	15.6%	7.5%	5.3%	-18.9%	54.1%	0.9%	-7.8%	8.0%	3.6%	22.7%
	India	5.3%	7.6%	7.6%	11.4%	5.1%	3.9%	-7.3%	38.8%	-1.4%	-6.1%	23.9%	-3.8%	26.0%
	Indonesia	7.0%	9.1%	9.1%	7.2%	3.0%	5.2%	-9.2%	24.2%	17.0%	-19.5%	26.6%	-23.5%	4.6%
	Korea	13.4%	12.5%	12.5%	9.4%	5.9%	5.2%	-20.9%	47.3%	8.7%	-6.7%	-11.1%	3.9%	21.2%
	Mexico	6.2%	11.4%	11.4%	2.9%	-3.2%	1.1%	-15.5%	16.0%	-9.2%	-14.4%	-9.3%	0.2%	29.1%
	Russia	16.8%	50.9%	50.9%	16.5%	20.6%	4.2%	-0.4%	5.2%	54.8%	4.2%	-46.3%	0.8%	13.7%

Source: Morningstar Direct; GWCM Analysis

Individual country returns are represented by MSCI indices and shown as USD returns

*Canada is not part of the EAFE Index

Past performance is not a guarantee or prediction of future results.

Fixed Income and Specialty Returns

(as of December 31, 2019)

QTD YTD 1 Year Trailing 3 Year Trailing 5 Year Trailing 10 Year Trailing 2018 2017 2016 2015 2014 2013 2012

Fixed Income

Bloomberg Barclays US Aggregate	0.2%	8.7%	8.7%	4.0%	3.0%	3.7%	0.0%	3.5%	2.6%	0.5%	6.0%	-2.0%	4.2%
Bloomberg Barclays US Treasury	-0.8%	6.9%	6.9%	3.3%	2.4%	3.1%	0.9%	2.3%	1.0%	0.8%	5.1%	-2.7%	2.0%
Bloomberg Barclays US Govt/ Credit Intermed	0.4%	6.8%	6.8%	3.2%	2.6%	3.1%	0.9%	2.1%	2.1%	1.1%	3.1%	-0.9%	3.9%
Bloomberg Barclays US Govt/ Credit Long	-1.1%	19.6%	19.6%	8.1%	5.4%	7.6%	-4.7%	10.7%	6.7%	-3.3%	19.3%	-8.8%	8.8%
Bloomberg Barclays US TIPS	0.8%	8.4%	8.4%	3.3%	2.6%	3.4%	-1.3%	3.0%	4.7%	-1.4%	3.6%	-8.6%	7.0%
Bloomberg Barclays US Corporate High Yield	2.6%	14.3%	14.3%	6.4%	6.1%	7.6%	-2.1%	7.5%	17.1%	-4.5%	2.5%	7.4%	15.8%
FTSE WGBI	-0.4%	5.9%	5.9%	4.1%	2.0%	1.9%	-0.8%	7.5%	1.6%	-3.6%	-0.5%	-4.0%	1.6%
JPM EMBI Global Diversified	1.8%	15.0%	15.0%	6.7%	6.2%	6.9%	-4.3%	10.3%	10.2%	1.2%	7.4%	-5.3%	17.4%
FTSE Treasury Bill 3 Month	0.5%	2.3%	2.3%	1.7%	1.0%	0.6%	1.9%	0.8%	0.3%	0.0%	0.0%	0.1%	0.1%

Specialty

Bloomberg Commodity	4.4%	7.7%	7.7%	-0.9%	-3.9%	-4.7%	-11.2%	1.7%	11.8%	-24.7%	-17.0%	-9.5%	-1.1%
DJUS Select REIT	-1.2%	23.1%	23.1%	7.0%	6.4%	11.6%	-4.2%	3.8%	6.7%	4.5%	32.0%	1.2%	17.1%
FTSE EPRA/NAREIT Developed Ex US	5.7%	21.8%	21.8%	11.5%	6.5%	7.4%	-5.8%	20.8%	2.0%	-3.2%	3.2%	6.1%	38.6%

Source: Morningstar Direct; GWCM Analysis

Past performance is not a guarantee or prediction of future results.

Returns by Style

3 Months

	Value	Blend	Growth
Large	7.4%	9.1%	10.6%
Mid	6.4%	7.1%	8.2%
Small	8.5%	9.9%	11.4%

1 Year

	Value	Blend	Growth
Large	26.5%	31.5%	36.4%
Mid	27.1%	30.5%	35.5%
Small	22.4%	25.5%	28.5%

Since Market Peak (October, 2007)

	Value	Blend	Growth
Large	111.6%	167.8%	236.6%
Mid	143.1%	165.6%	193.6%
Small	107.6%	134.0%	160.5%

3 Year

	Value	Blend	Growth
Large	9.7%	15.3%	20.5%
Mid	8.1%	12.1%	17.4%
Small	4.8%	8.6%	12.5%

5 Year

	Value	Blend	Growth
Large	8.3%	11.7%	14.6%
Mid	7.6%	9.3%	11.6%
Small	7.0%	8.2%	9.3%

Since Market Low (March, 2009)

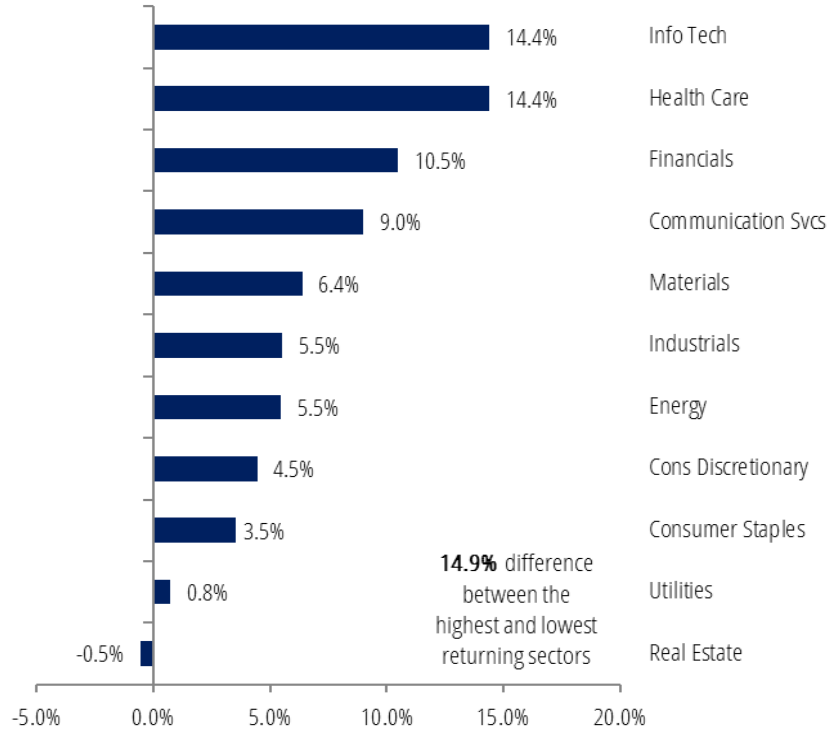
	Value	Blend	Growth
Large	427.7%	498.5%	586.5%
Mid	520.8%	541.0%	578.7%
Small	413.4%	464.2%	514.6%

performance as of December 31, 2019

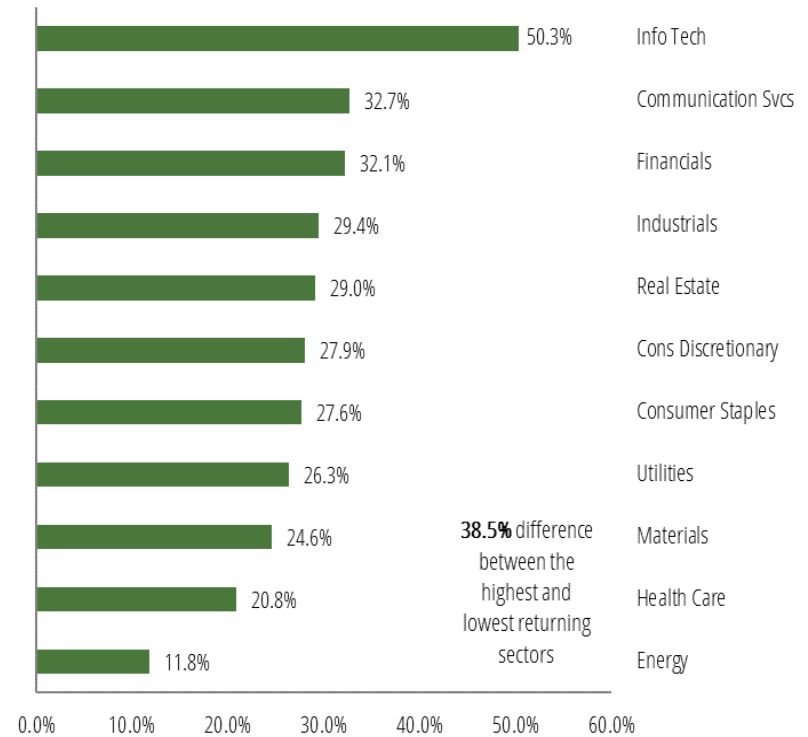
Source: Morningstar Direct; GWCM Analysis; Large Blend – S&P 500 Index, Large Value – Russell 1000 Value Index, Large Growth – Russell 1000 Growth Index, Mid Blend – Russell Mid Cap Index, Mid Value – Russell Mid Cap Value Index, Mid Growth – Russell Mid Cap Growth Index, Small Blend – Russell 2000 Index, Small Value – Russell 2000 Value Index, Small Growth – Russell 2000 Growth Index

S & P 500 Sector Returns

QTD Returns
as of December 31, 2019



1 Year Trailing Returns
as of December 31, 2019



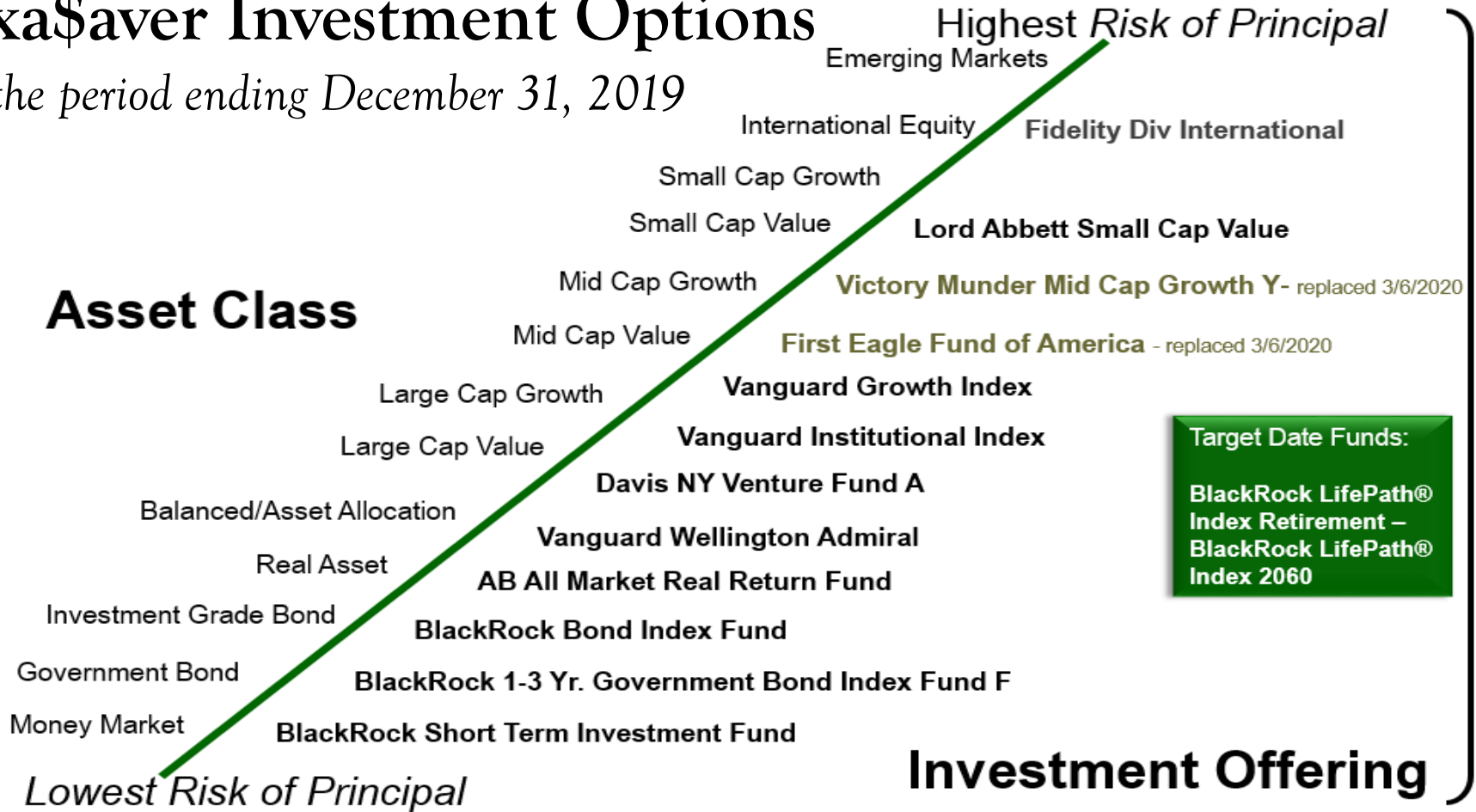
Source: Morningstar Direct; GWCM Analysis

Agenda item 28 – Board of Trustees Meeting, March 11, 2020

Texa\$aver Fund Performance Reviews

TexaSaver Investment Options

For the period ending December 31, 2019



First Eagle Fund of America Y (FEAFX)

Mid Cap Blend



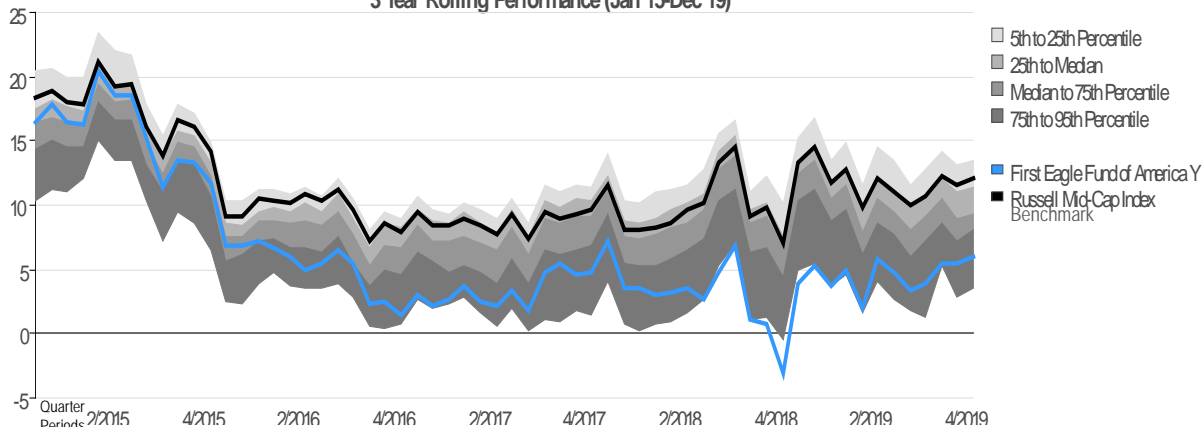
March 6, 2020: Replaced with BlackRock Mid Capitalization Equity Index F

Program Assets: \$99.8 million

No. of Texa\$aver accounts: 28,988

PERFORMANCE, 12/31/2019	1Y	3Y	5Y	7Y	10Y
Fund	28.38	5.98	2.39	7.20	9.00
Benchmark: Russell Mid-Cap Index	30.54	12.06	9.33	13.21	13.19
Peer Group Median	26.76	9.24	7.73	11.81	11.55

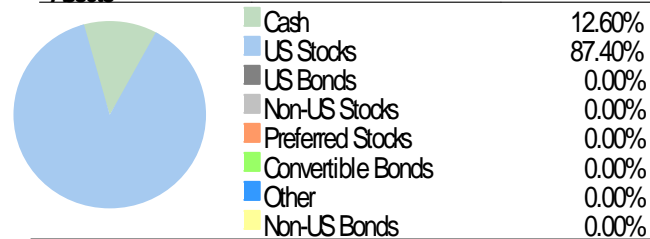
3 Year Rolling Performance (Jan 15-Dec 19)



Agenda item 28 – Board of Trustees Meeting, March 11, 2020

PORTFOLIO COMPOSITION

Assets



Overall Morningstar Rating™



FUND OVERVIEW

Investment type	Mutual fund
Investment strategy	Active
Fund expense ratio	1.31%
Fund reimbursement	0.40%
Net Texa\$aver expense	0.91%

Victory Munder Mid Cap Growth (MGOYX)



Mid Cap Growth

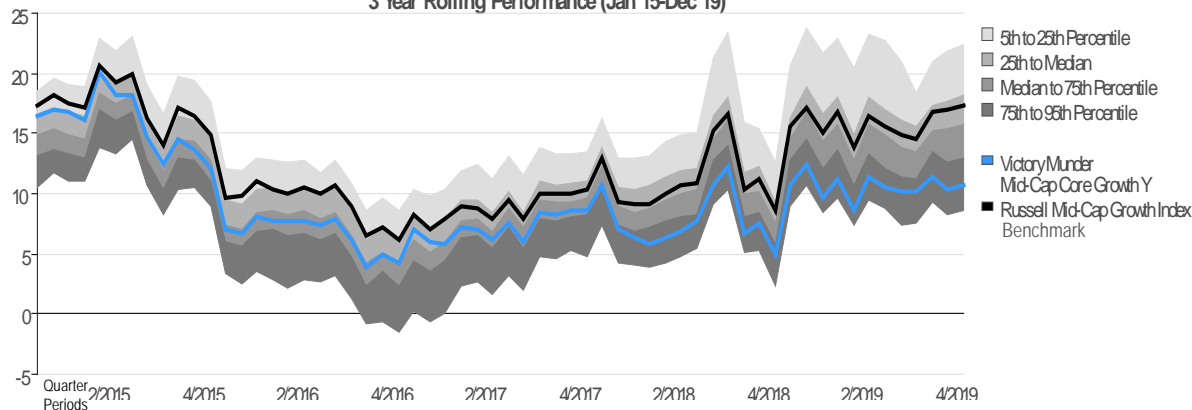
March 6, 2020: Replaced with BlackRock Mid Capitalization Equity Index F

Program Assets: \$129.8 million

No. of Texa\$aver accounts: 27,824

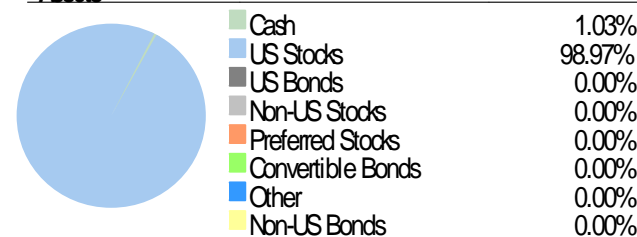
PERFORMANCE, 12/31/2019	1Y	3Y	5Y	7Y	10Y
Fund	26.25	10.75	6.88	10.84	11.49
Benchmark: Russell Mid-Cap Growth Index	35.47	17.36	11.60	14.81	14.24
Peer Group Median	32.59	15.69	10.65	13.57	13.02

3 Year Rolling Performance (Jan 15-Dec 19)



PORTFOLIO COMPOSITION

Assets



Overall Morningstar Rating™



FUND OVERVIEW

Investment type	Mutual fund
Investment strategy	Active
Fund expense ratio	1.04%
Fund reimbursement	0.25%
Net Texa\$aver expense	0.79%

BlackRock Short Term Investment Money Market

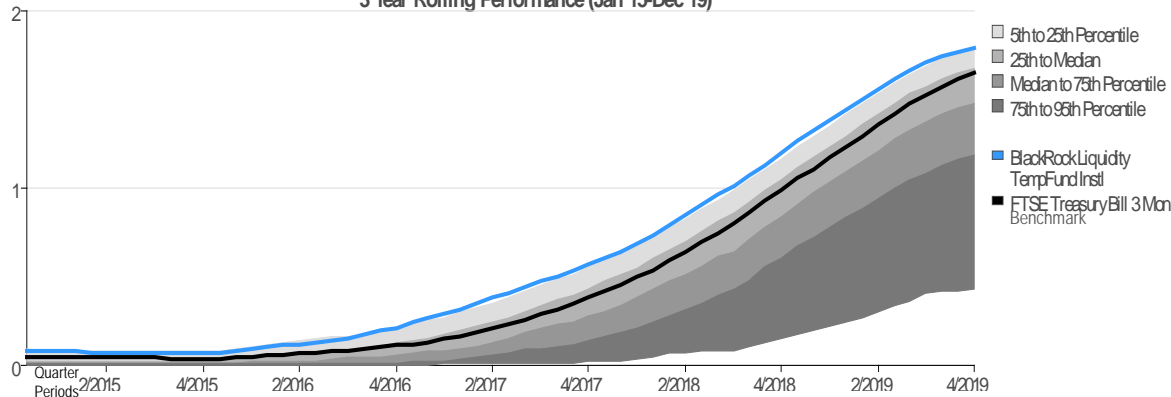


Program Assets: \$152 million

No. of Texa\$aver accounts: 23,137

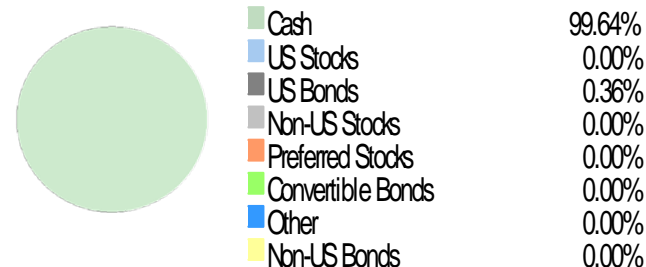
PERFORMANCE, 12/31/2019	1Y	3Y	5Y	7Y	10Y
Fund	2.31	1.80	1.20	0.87	0.65
Benchmark: FTSE 3 Month Treasury Bill Index	2.25	1.65	1.05	0.76	0.56
Peer Group Median	2.00	1.48	0.93	0.66	0.47

3 Year Rolling Performance (Jan 15-Dec 19)



PORTFOLIO COMPOSITION

Assets



FUND OVERVIEW

Investment type	Collective Trust
Investment strategy	Active
Fund expense ratio	0.08%
Fund reimbursement	0.00%
Net Texa\$aver expense	0.08%

BlackRock 1-3 Yr. Government Bond Index F



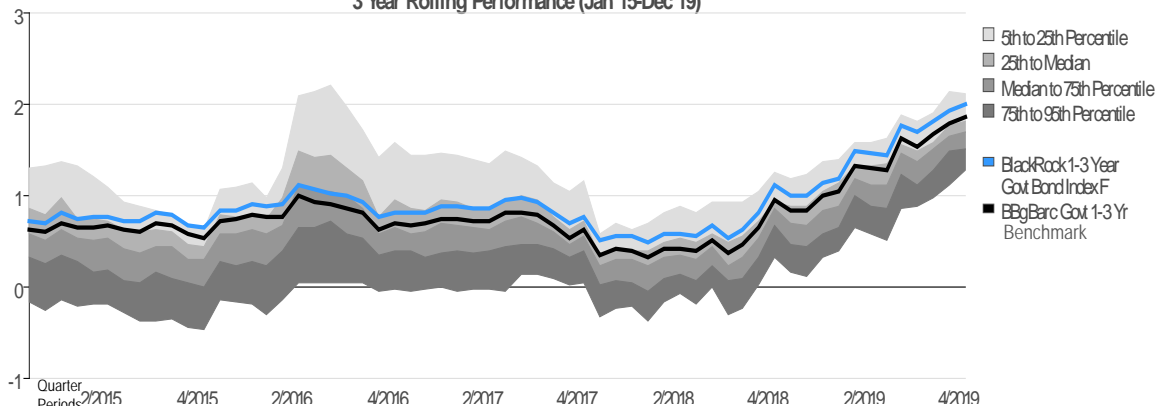
Short-term Bond

Program Assets: \$28 million

No. of Texa\$aver accounts: 11,995

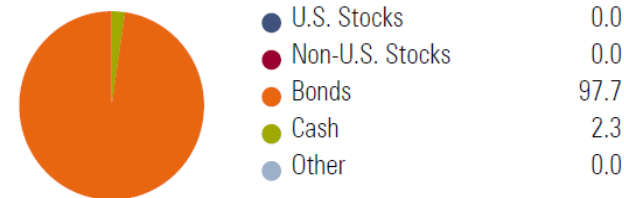
PERFORMANCE, 12/31/2019	1Y	3Y	5Y	7Y	10Y
Fund	3.67	2.00	1.54	1.28	1.36
Benchmark: Bloomberg Barclays U.S. 1-3 Year Government Bond Index	3.59	1.86	1.40	1.15	1.25
Peer Group Median	3.29	1.70	1.26	1.00	1.33

3 Year Rolling Performance (Jan 15-Dec 19)



PORTFOLIO COMPOSITION

Assets



Overall Morningstar Rating™



FUND OVERVIEW

Investment type	Collective Trust
Investment strategy	Passive
Net expense ratio	0.06%
Fund reimbursement	0.00%
Net Texa\$aver expense	0.06%

BlackRock Bond Index

Intermediate Bond

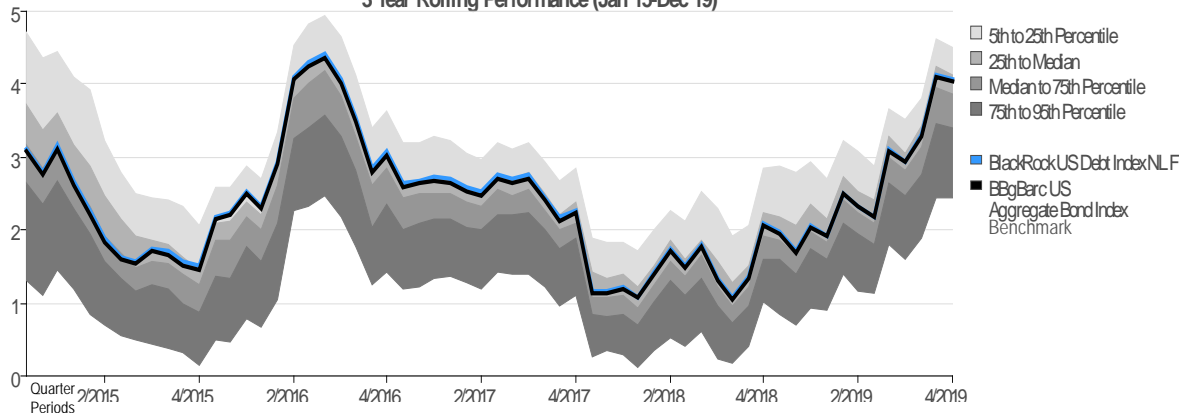


Program Assets: \$260.7 million

No. of Texa\$aver accounts: 32,082

PERFORMANCE, 12/31/2019	1Y	3Y	5Y	7Y	10Y
Fund	8.74	4.06	3.07	2.76	3.77
Benchmark: Bloomberg Barclays U.S. Aggregate Bond Index	8.72	4.03	3.05	2.72	3.75
Peer Group Median	8.49	3.87	2.89	2.56	3.71

3 Year Rolling Performance (Jan 15-Dec 19)



Agenda item 28 – Board of Trustees Meeting, March 11, 2020

PORTFOLIO COMPOSITION

Assets



U.S. Stocks	0.0
Non-U.S. Stocks	0.0
Bonds	94.5
Cash	5.0
Other	0.5

Overall Morningstar Rating™



FUND OVERVIEW

Investment type	Collective Trust
Investment strategy	Passive
Fund expense ratio	0.11%
Fund reimbursement	0.00%
Net Texa\$aver expense	0.11%

Vanguard Wellington Admiral (VWENX)



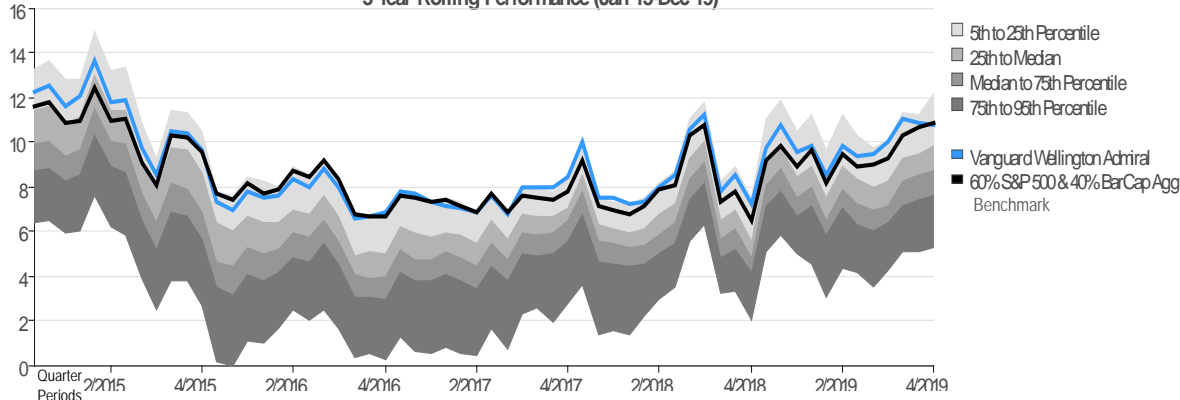
Balanced Fund

Program Assets: \$418.2 million

No. of Texa\$aver accounts: 36,155

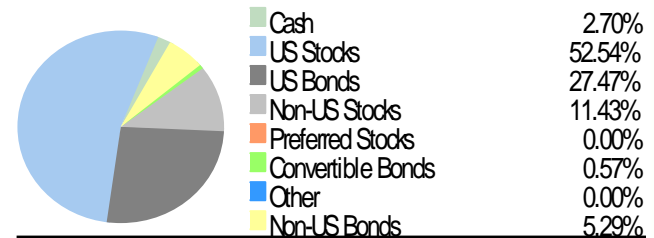
PERFORMANCE, 12/31/2019	1Y	3Y	5Y	7Y	10Y
Fund	22.61	10.81	8.65	10.35	9.99
Benchmark: 60% S&P 500; and 40% BarCap Agg	22.18	10.87	8.37	9.96	9.77
Peer Group Median	19.62	8.71	6.36	7.87	8.05

3 Year Rolling Performance (Jan 15-Dec 19)



PORTFOLIO COMPOSITION

Assets



Overall Morningstar Rating™



FUND OVERVIEW

Investment type	Mutual Fund
Investment strategy	Active
Fund expense ratio	0.17%
Fund reimbursement	0.00%
Net Texa\$aver expense	0.17%

Davis New York Venture A (NYVTX)



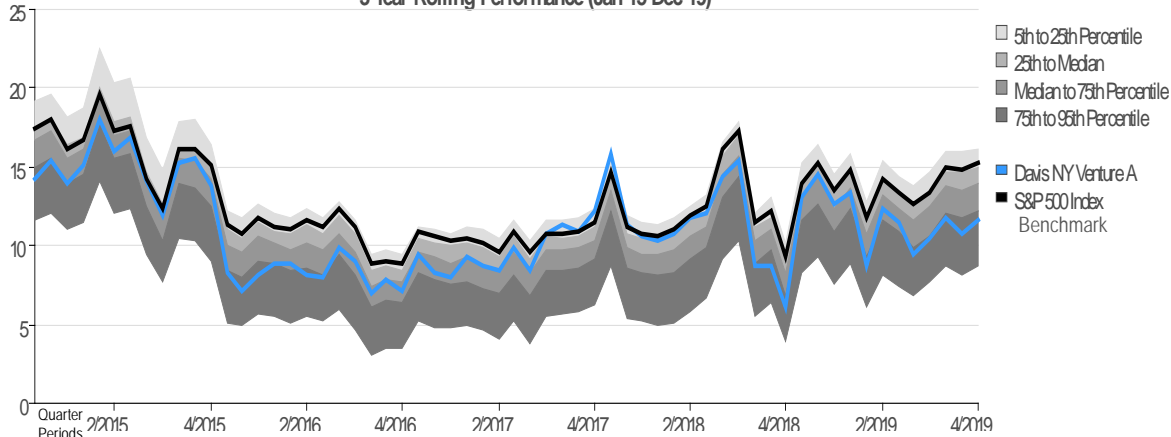
Large Cap

Program Assets: \$159.8 million

No. of Texa\$aver accounts: 31,235

PERFORMANCE, 12/31/2019	1Y	3Y	5Y	7Y	10Y
Fund	30.91	11.63	9.96	12.67	10.74
Benchmark: S&P Index	31.49	15.27	11.70	14.73	13.56
Peer Group Median	29.94	13.94	10.33	13.56	12.55

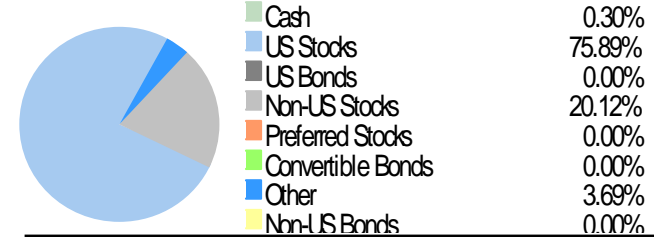
3 Year Rolling Performance (Jan 15-Dec 19)



Agenda item 28 – Board of Trustees Meeting, March 11, 2020

PORTFOLIO COMPOSITION

Assets



Overall Morningstar Rating™



FUND OVERVIEW

Investment type	Mutual fund
Investment strategy	Active
Fund expense ratio	0.89%
Fund reimbursement	0.55%
Net Texa\$aver expense	0.34%

Vanguard Institutional Index (VIIX)

Large Cap Blend

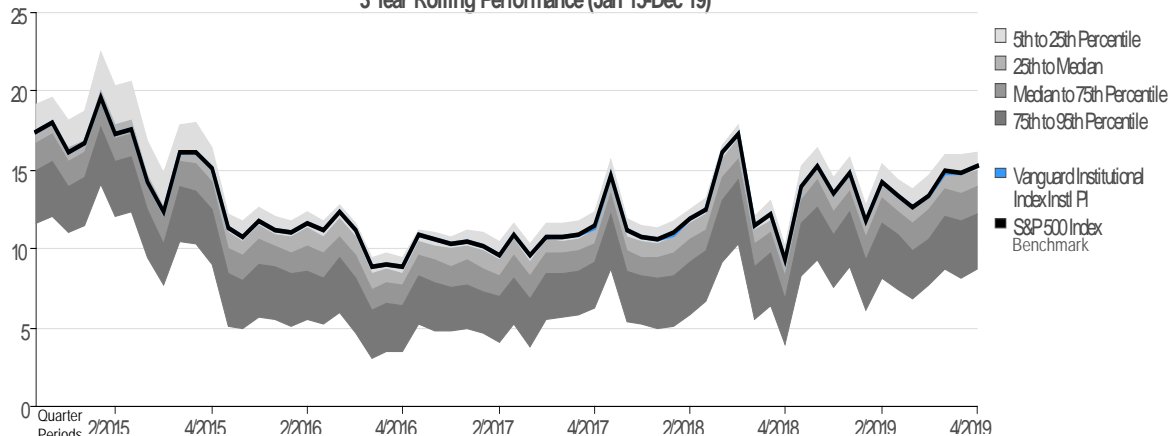


Program Assets: \$520.1 million

No. of Texa\$aver accounts: 38,643

PERFORMANCE, 12/31/2019	1Y	3Y	5Y	7Y	10Y
Fund	31.48	15.26	11.69	14.72	13.55
Benchmark: S&P 500 Index	31.49	15.27	11.70	14.73	13.56
Peer Group Median	29.94	13.94	10.33	13.56	12.55

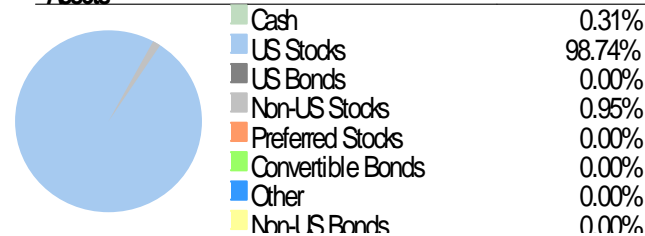
3 Year Rolling Performance (Jan 15-Dec 19)



Agenda item 28 – Board of Trustees Meeting, March 11, 2020

PORTFOLIO COMPOSITION

Assets



Overall Morningstar Rating™



FUND OVERVIEW

Investment type	Mutual fund
Investment strategy	Passive
Fund expense ratio	0.02%
Fund reimbursement	0.00%
Net Texa\$aver expense	0.02%

Vanguard Growth Index Institutional (VIGIX)



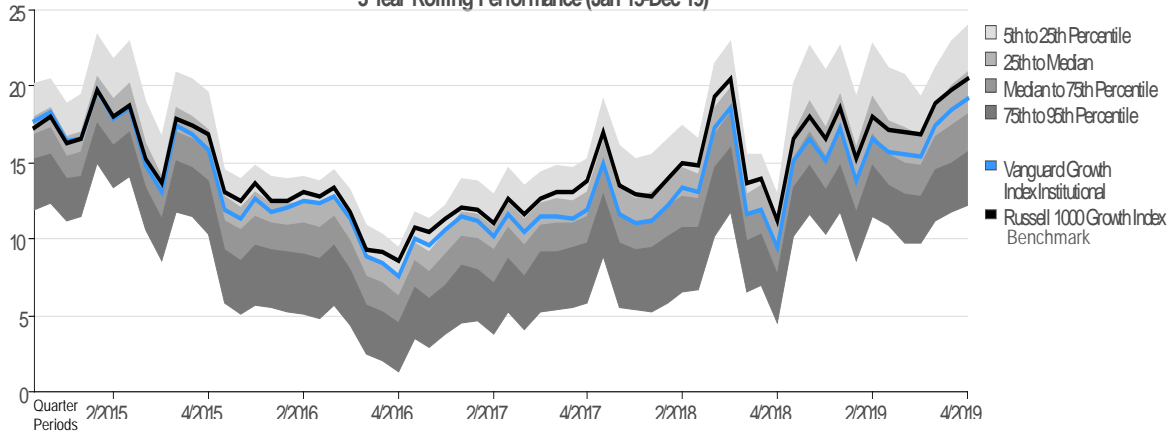
Large Cap Growth

Program Assets: \$420.8 million

No. of Texa\$aver accounts: 31,558

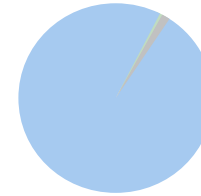
PERFORMANCE, 12/31/2019	1Y	3Y	5Y	7Y	10Y
Fund	37.26	19.25	13.21	15.83	14.61
Benchmark: Russell 1000 Growth Index	36.39	20.49	14.63	16.92	15.22
Peer Group Median	32.27	18.19	12.43	15.26	13.68

3 Year Rolling Performance (Jan 15-Dec 19)



PORTFOLIO COMPOSITION

Assets



Cash	0.41%
US Stocks	98.56%
US Bonds	0.01%
Non-US Stocks	1.02%
Preferred Stocks	0.00%
Convertible Bonds	0.00%
Other	0.00%
Non-US Bonds	0.00%

Overall Morningstar Rating™



FUND OVERVIEW

Investment type	Mutual fund
Investment strategy	Passive
Fund expense ratio	0.04%
Fund reimbursement	0.00%
Net Texa\$aver expense	0.04%

Lord Abbett Small Cap Value I (LRSYX)



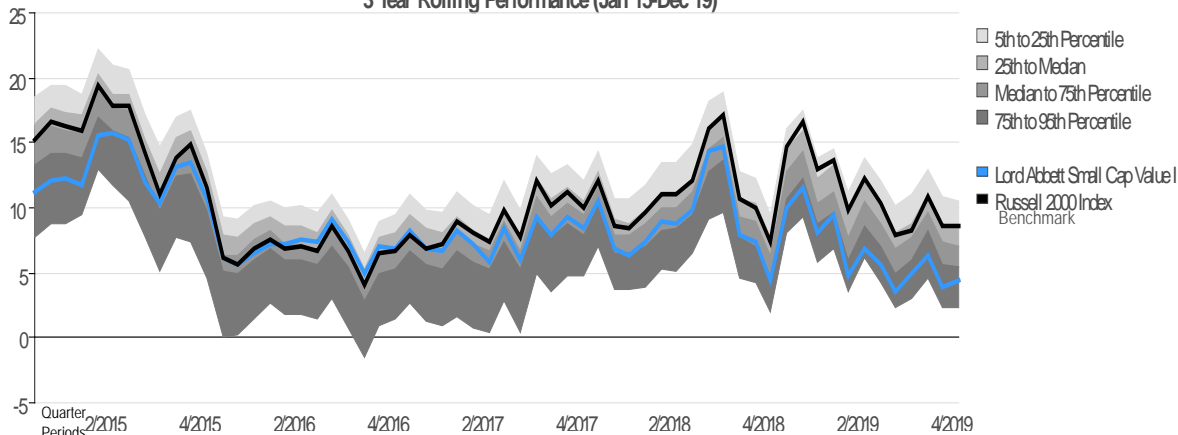
Small Cap

Program Assets: \$150.3 million

No. of Texa\$aver accounts: 30,928

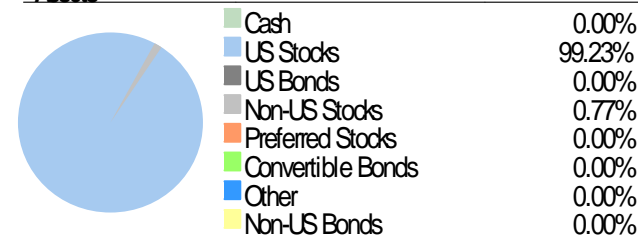
PERFORMANCE, 12/31/2019	1Y	3Y	5Y	7Y	10Y
Fund	20.58	4.33	6.32	9.28	9.60
Benchmark: Russell 2000 Index	25.52	8.59	8.23	11.65	11.83
Peer Group Median	24.16	7.09	7.49	11.07	11.54

3 Year Rolling Performance (Jan 15-Dec 19)



PORTFOLIO COMPOSITION

Assets



Overall Morningstar Rating™



FUND OVERVIEW

Investment type	Mutual fund
Investment strategy	Active
Fund expense ratio	0.93%
Fund reimbursement	0.10%
Net Texa\$aver expense	0.83%

AB All Market Real Return Portfolio Fund

International (Specialty)

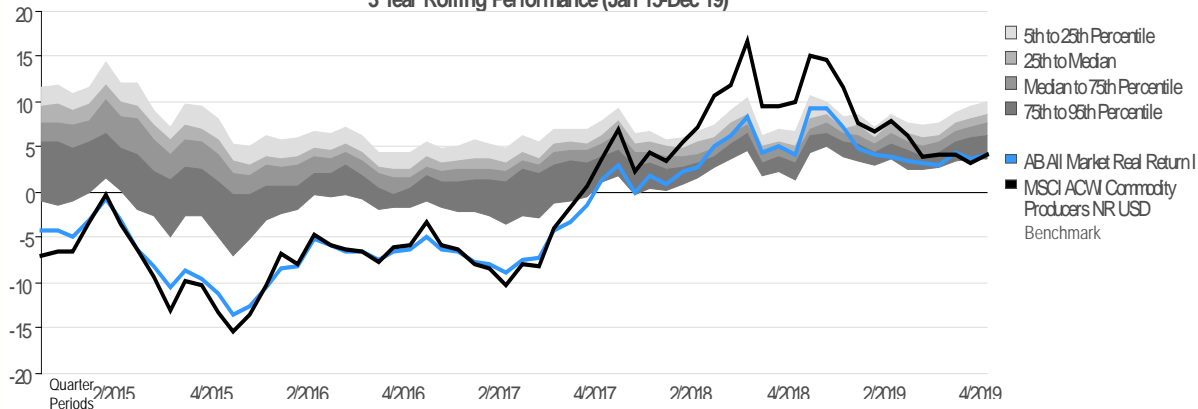


Program Assets: \$2.1 million

No. of Texa\$aver accounts: 751

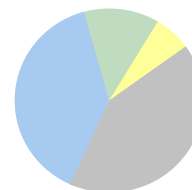
PERFORMANCE, 12/31/2019	1Y	3Y	5Y	7Y	10Y
Fund	15.87	4.29	1.18	-1.16	
Benchmark: MSCI ACWI Commodity Producers Index	13.06	4.29	2.19	-0.26	-0.01
Peer Group Median	16.84	7.59	4.87	5.91	6.13

3 Year Rolling Performance (Jan 15-Dec 19)



PORTFOLIO COMPOSITION

Assets



Cash	13.17%
US Stocks	37.56%
US Bonds	0.00%
Non-US Stocks	41.81%
Preferred Stocks	0.00%
Convertible Bonds	0.00%
Other	0.23%
Non-US Bonds	7.23%

Overall Morningstar Rating™



FUND OVERVIEW

Investment type	Mutual fund
Investment strategy	Active
Fund expense ratio	0.89%
Fund reimbursement	0.55%
Net Texa\$aver expense	0.34%

Fidelity Diversified International (FDIVX)



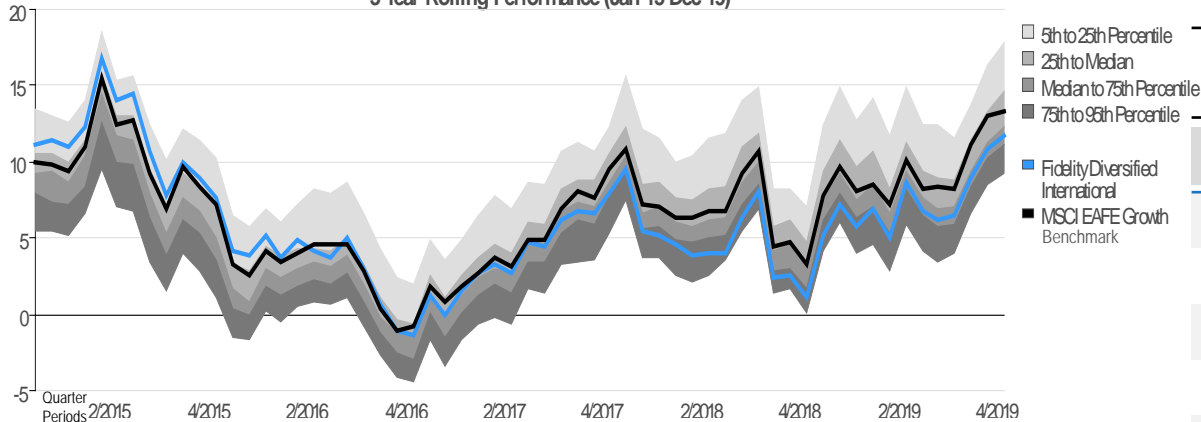
International

Program Assets: \$246.1 million

No. of Texa\$aver accounts: 35,614

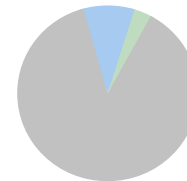
PERFORMANCE, 12/31/2019	1Y	3Y	5Y	7Y	10Y
Fund	29.70	11.66	6.69	7.65	6.58
Benchmark: MSCI EAFE Growth	28.43	13.28	8.13	8.27	7.34
Peer Group Median	27.98	12.36	7.11	7.21	6.89

3 Year Rolling Performance (Jan 15-Dec 19)



PORTFOLIO COMPOSITION

Assets



Cash	2.75%
US Stocks	9.82%
US Bonds	0.00%
Non-US Stocks	87.44%
Preferred Stocks	0.00%
Convertible Bonds	0.00%
Other	0.00%
Non-US Bonds	0.00%

Overall Morningstar Rating™



FUND OVERVIEW

Investment type	Mutual fund
Investment strategy	Active
Fund expense ratio	0.94%
Fund reimbursement	0.25%
Net Texa\$aver expense	0.69%

BlackRock LifePath® Index Funds



Target Date Funds

Program Assets: \$870.8 million

No. of TexaSaver accounts: 217,362

	Excess Benchmark Performance						Peer Return Rank				Sharpe Ratio Rank	
	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	1 Yr	3 Yr	5 Yr	10 Yr	3 Yr	5 Yr
BlackRock LifePath Index Retire F	0.55	2.39	2.39	0.98	0.62	0.72	14	13	17	13	41	30
S&P Target Date Retirement Income												
Number of Funds in Peer Group							41	38	33	24		
Target-Date 2025												
BlackRock LifePath Index 2025 F	-0.13	0.30	0.30	0.00	-0.32	-0.55	54	59	66	77	36	27
S&P Target Date 2025												
Number of Funds in Peer Group							57	50	42	26		
Target-Date 2030												
BlackRock LifePath Index 2030 F	0.10	0.48	0.48	0.20	-0.22	-0.50	47	52	60	60	37	29
S&P Target Date 2030												
Number of Funds in Peer Group							57	50	41	26		
Target-Date 2035												
BlackRock LifePath Index 2035 F	0.29	0.76	0.76	0.40	-0.14	-0.46	34	44	40	67	29	31
S&P Target Date 2035												
Number of Funds in Peer Group							56	49	41	25		

BlackRock LifePath® Index Funds



Target Date Funds

	Excess Benchmark Performance						Peer Return Rank				Sharpe Ratio Rank	
	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr	1 Yr	3 Yr	5 Yr	10 Yr	3 Yr	5 Yr
Target-Date 2040												
BlackRock LifePath Index 2040 F	0.65	1.44	1.44	0.71	0.02	-0.34	21	33	33	57	26	31
S&P Target Date 2040												
Number of Funds in Peer Group							57	50	41	26		
Target-Date 2045												
BlackRock LifePath Index 2045 F	0.93	2.10	2.10	0.91	0.12	-0.23	12	24	25	49	30	33
S&P Target Date 2045												
Number of Funds in Peer Group							56	49	41	24		
Target-Date 2050												
BlackRock LifePath Index 2050 NL F	1.03	2.31	2.31	0.90	0.07		10	25	24	39	25	37
S&P Target Date 2050												
Number of Funds in Peer Group							57	50	41	22		
Target-Date 2055												
BlackRock LifePath Index 2055 NL F	0.97	2.23	2.23	0.77	-0.02		14	29	30		30	36
S&P Target Date 2055												
Number of Funds in Peer Group							56	48	40	5		
Target-Date 2060+												
BlackRock LifePath Index 2060 F	0.88	2.01	2.01	-0.80	-0.92		14	95	95		95	98
S&P Target Date 2060+												
Number of Funds in Peer Group							53	37	14	0		

Questions?

Public Agenda Item #29

*Review and Consideration of Proposed Texa\$averSM 401(k)/457 Program Rates - (**Action**)*

March 11, 2020

Diana Kongevick, Director of Group Benefits

Nora Alvarado, Voluntary Income Plans, Group Benefits

Blaise Duran, FSA, Actuarial and Reporting Services, Group Benefits

Texa\$aver Program



Background

ERS is responsible for the administration of the Texa\$aver 401(k) and 457 Program (Texa\$aver).

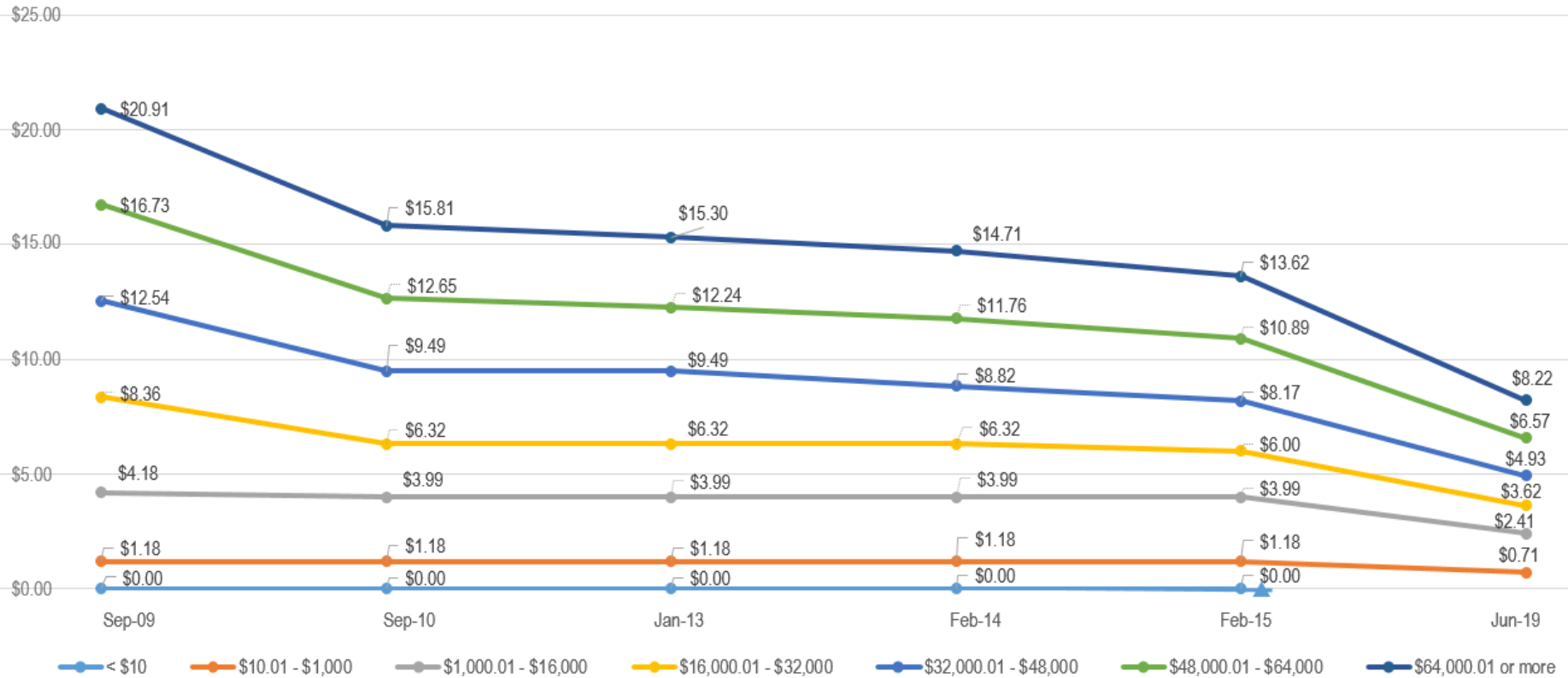
- The legislature does not appropriate funds for Texa\$aver administrative costs
- 100% funded by participants
- Costs are assessed to participant accounts as a monthly administrative fee and cover program recordkeeping costs and ERS' internal costs
- Assessed to the 401(k) and 457 plans separately

Participant Administrative Fees

ERS adopted a tiered fee structure for Texa\$aver administrative fees effective September 1, 2009.

- The tiered fee structure was designed by ERS' Actuarial and Reporting Services (ARS)
 - Fees were based on participant's account balance
 - Percentage of fees relative to the account balance declines with each progressive tier
- Any proposed fee changes are submitted to the Board for approval

Texa\$aver Participant Fee Changes



Additional Fee changes:

October 2018 - Monthly fees to be charged per participant, per account (eliminate per contribution type fees)

May 2019 - Eliminated \$10 or less tier, moving those participants to \$1,000 or less tier (eliminate 'no fee' tier)

- ERS' Actuarial and Reporting Services (ARS) performs reviews to ensure the fees generate sufficient revenue to cover ERS' internal costs.
- ARS proposes fee adjustments as necessary and based on actual enrollment figures.

Proposed Administrative Fees

Based on the most recent review, ARS has formulated a fixed percentage reduction of 15% for the participant fees effective May 1, 2020:

Account Balance	Current Monthly Fee Effective June 1, 2019 Per Participant Per Account	Proposed Monthly Fee Effective May 1, 2020 Per Participant Per Account	Monthly Fee Change Per Participant Per Account
\$1,000.00 or less	\$ 0.71	\$ 0.60	\$ (0.11)
\$1,000.01 to \$16,000.00	\$ 2.41	\$ 2.05	\$ (0.36)
\$16,000.01 to \$32,000.00	\$ 3.62	\$ 3.08	\$ (0.54)
\$32,000.01 to \$48,000.00	\$ 4.93	\$ 4.19	\$ (0.74)
\$48,000.01 to \$64,000.00	\$ 6.57	\$ 5.58	\$ (0.99)
\$64,000.01 or more	\$ 8.22	\$ 6.99	\$ (1.23)

- Staff continue to look at the structure surrounding how fees are assessed. In the interim, and based on ARS review, we believe it is appropriate to reduce fees now.
- Participant communication for fee changes

Texa\$aver

Recommendation



Staff recommend that the Board of Trustees of the Employees Retirement System of Texas adopt the proposed Texa\$aver fee structure reflecting the 15% participant fee reduction effective May 1, 2020.

Questions?
Action Item

Public Agenda Item #30

Agency Update

March 11, 2020

Porter Wilson, Executive Director

Agency Update

Legislative Interim Activities



Legislative Interim Activities

- February 6, 2020
 - ERS provided a 2019 Actuarial Valuation briefing to legislative staff
- February 25, 2020
 - Senate Finance Committee hearing related to the investment of state funds.

Agency Update

ERS Strategic Plan Update for Fiscal Years 2021-2025



- Developed every two years
- Historical top-level goals maintained are:
 - Support Our Members' Retirement Income Security
 - Sustain Competitive Group Benefits Programs
 - Engage Stakeholders for Informed Decision Making
 - Enhance Agency Performance and Accountability
- In process of reviewing and updating objectives and steps to reach these goals.

Customer Service Update



- Customer Service Challenges
 - Increased wait time to service customers
 - Recruitment and retention of qualified staff
 - Budgeted FTE's 29;
 - Positions filled 18,
 - Temps 3
- Short Term Solutions to help mitigate wait times
 - Workload Management
 - Approved overtime
 - Intra-Department/Division Support
 - Increased hours for Virtual Call Back

	FY18	FY19	% Diff.	FY20 thru Jan.
Calls	144,424	170,059	18%	72,802
Emails	13,416	17,544	31%	6,999
Visits	2,734	3,031	11%	1,178
Avg. wait time/ Handletime	9:13 / 11:40	21:45 / 12:19		43:07 / 14:34

Customer Service Update

Continued



Long Term Solutions to help mitigate wait times

- Vacancy Management
 - Market and Compensation analysis
 - Recruitment Strategies
- Outsourced Call Center (Currently out for bid)
 - Allows for additional call support
- Technology
 - Better user interface for self service functionality; part of the current assessment for the pension/benefits system project

Agency Update

Major Publications



House Bill 966 (84th Texas Legislature) Report on Consumer Directed HealthSelectSM

Employees Retirement System of Texas



Texas Employees Group Benefits Program Annual Report FY19

Employees Retirement System of Texas

FEBRUARY 2020



Agency Update

2020 Survey of Employee Engagement (S.E.E.)



- The SEE is conducted every two years.
- Employees have an opportunity to comment on their workplace and their jobs.
- The Institute for Organizational Excellence at UT - Austin conducts the survey.
- ERS' survey launched Monday, February 3rd.
- We set a goal for high participation and engagement scores for each survey.
- ERS' final survey results will be shared with the Board once the data is compiled.

Our participation rate for the 2020 survey is 89%

Agency Update

2020 Get Fit Texas State Challenge



The Challenge launched January 20 and ends March 29.

ERS RANKINGS

(mid-size category)

2016 – 1st Place

2017 – 2nd Place

2018 – 1st Place

2019 – 1st Place

2020 - We are going for a Trifecta!



Questions?

Public Agenda Item #31

Executive Session

March 11, 2020

Executive Session



Executive Session – In accordance with Section 551.089, Texas Government Code, the Board of Trustees will meet in executive session to discuss: (1) security assessments or deployments relating to information resources technology; (2) network security information as described by Section 2059.055(b) or (3) the deployment, or specific occasions for implementation, of security personnel, critical infrastructure, or security devices and/or (4) a security audit. Thereafter, the Board may consider appropriate action in open session.

Public Agenda Item #32

Adjournment of the Board of Trustees Meeting

March 11, 2020