



Meeting of the Board of Trustees

May 17, 2016



Presented for Review and Approval

August 16, 2016

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**BOARD OF TRUSTEES MEETING
EMPLOYEES RETIREMENT SYSTEM OF TEXAS**

**May 17, 2016
ERS Board Room
ERS Building – 200 E. 18th Street
Austin, Texas 78701**

TRUSTEES PRESENT

I. Craig Hester, Chair
Doug Danzeiser, Vice-Chair
Ilesa Daniels, Member
Brian Ragland, Member

TRUSTEES NOT PRESENT

Cydney Donnell, Member (*Excused by the Board*)
Frederick E. Rowe, Jr., Member

IAC PRESENT

Ken Mindell, Member

ERS STAFF PRESENT

Porter Wilson, Executive Director
Catherine Terrell, Deputy Executive Director
Paula A. Jones, Deputy Executive Director and General Counsel
Shack Nail, Special Projects and Policy Advisor
Tony Chavez, Internal Auditor
Bernie Hajovsky, Director Enterprise Planning Office
Robin Hardaway, Director of Customer Benefits
Robert Kukla, Director of Benefit Contracts
Machelle Pharr, Chief Financial Officer
DeeDee Sterns, Director of Human Resources
Gabrielle Stokes, Director Office of Procurement & Contract Oversight
Tom Tull, Chief Investments Officer
Nora Alvarado, Benefit Contracts
Michelle Barron, Benefit Contracts
Georgina Bouton, Benefit Contracts
Leena Chaphekar, Legal Services
Kyla Cloutier, Benefit Contracts
Ashley Collier, Legal Services
Anthony Curtiss, Investments
Kelley Davenport, Executive Office
Christi Davis, Customer Benefits
D'Ann DeLeon, Benefit Contracts
Blaise Duran, Benefit Contracts
Peter Ehret, Investments
Mike Ewing, Governmental Affairs
Beth Gilbert, Internal Audit
Ginger Grissom, Procurement & Contract Oversight
Adrienne Henderson, Procurement & Contract Oversight
Megan Hunter, Benefit Contracts
Jennifer Jones, Governmental Affairs
Deborah Legg, Enterprise Planning Office
Sharmila Kassam, Investments
Michelle Moore, Procurement & Contract Oversight
Lauren Russell, Benefit Contracts

Randi Schultz, Procurement & Contract Oversight
Bernely Tharp, Benefit Contracts
Angelica Torres, Benefit Contracts
Keith Yawn, Enterprise Planning Office
Martha Zottarelli, Enterprise Planning Office

ALSO PRESENT

Steve Alexander, UnitedHealthcare
Nick Arnold, Humana
Amy Chamberlain, Texas Public Employees Association
Chris Cronn, UnitedHealthcare
David Dorman, Active Health Management
Katy Fallon, Legislative Budget Board
Lynn Gordon, Minnesota Life
Joseph Halbert, Senator Schwertner's Office
Kris Hefner, Caremark
Kirk Lavalle, Delta Dental Insurance Company
Tom Luchetta, Superior Vision
Brittany McCollum, Caremark
Emily Morganti, Legislative Budget Board
Toni Parsley, Texas Commission on Environmental Quality
Laura Pinkard, Humana
Tom Quirk, United Healthcare
Dawn Richards, Eye Med
John Thompson, UnitedHealthcare
Amy Vandervost, OptumRx
Tim Wicks, OptumRx
Bobby Wilkinson, Office of the Governor

Craig Hester, Chairman of the Board of Trustees of the Employees Retirement System of Texas (ERS), noting a quorum was present, called the meeting to order and read the following statement:

“A public notice of the Board of Trustees meeting containing all items on the proposed agenda was filed with the Office of the Secretary of State at 9:03 a.m. on Thursday, May 5, 2016 as required by Chapter 551, Texas Government Code, referred to as “The Open Meetings Law.”

Upon adjournment of the Audit Committee, the Board of Trustees convened as a committee of the whole to consider these following Board agenda items. The minutes to the May 17, 2016 Audit Committee Meeting are located under the Audit Committee agenda minutes.

XII. Review and Approval of the minutes to the February 23, 2016 Meeting of the Board of Trustees

Board of Trustee Chair, Mr. Craig Hester opened the floor for a motion on the approval of the minutes to the Board of Trustees Meeting held on February 23, 2016.

MOTION made by Ms. Ilesa Daniels, seconded by Mr. Brian Ragland and carried unanimously by the present members of the Board of Trustees of the Employees Retirement System of Texas to approve the minutes to the meeting held on February 23, 2016.

XIII. Review, Discussion and Consideration of the Rules of the Board of Trustees, Texas Administrative Code, Title 34, Part IV, Required Rule Reviews and Amendments to:

a. Chapter 71 (Creditable Service) – Rule 71.31

Robin Hardaway, Director of Customer Benefits, reviewed the history of service credit purchase since 2003. From 2003 to 2015, new employees were required to wait 90 day before they started

contributing to their retirement account with ERS. Effective September 1, 2015, new employees became contributing members of ERS immediately upon employment. Rule 71.31 governs the purchase of the 90-day waiting period and currently only allows contributing members of ERS to purchase the service credit for this 90 day waiting period. The proposed amendment removes the requirement that a person must be a contributing member to purchase waiting period service. Ms. Hardaway and the Board discussed the neutral actuarial cost to the plan. Notice of proposed amendment published April 1, 2016 with the Texas Register, and ERS did not receive any comments.

There being no further questions or discussion, the Board took the following action:

MOTION made by Mr. Doug Danzeiser, seconded by Mr. Brian Ragland and carried unanimously by the present members of the Board of Trustees of the Employees Retirement System of Texas adopt the proposed amendments to Chapter 71, Creditable Service, §71.31 concerning the Credit Purchase Option for Certain Waiting Period Service as presented in Exhibit A to this Agenda Item.

b. Chapter 85 (Flexible Benefits) – Rule Amendments to §§85.1, 85.3, and 85.5

Robert Kukla, Director of Benefit Contracts and Georgina Bouton, Assistant Director of Benefit Contracts proposed amendments to the Chapter 85 dealing with flexible benefits. The proposed amendment would expand the voluntary benefits available to active employees under the State of Texas Flexible Benefit Program, TexFlexSM. TexFlex is a flexible spending account (FSA) funded with pre-tax salary contributions that are used to reimburse participants for eligible health and day care out-of-pocket expenses. ERS expanded these voluntary benefits to include a Qualified Transportation Benefits Plan to pay for eligible expenses associated with employee's daily commute and parking fees.

In response to Texas HB966, ERS will be instituting a new voluntary consumer directed health plan. Starting September 1, 2016, the Consumer Directed HealthSelectSM plan will include a High Deductible Health Plan (HDHP) and a Health Savings Account (HSA) benefit option. If members participate in this plan, the Internal Revenue Code precludes participation in a general-purpose health care flexible spending account (FSA). Using pretax contributions, members are able to participate in a Limited Flexible Spending Account (LFSA) to be limited in reimbursement to eligible dental/orthodontia and vision expenses. Three amendments to Chapter 85 are proposed:

- §85.1 (Introduction and Definition) defines the general healthcare flexible spending account and the limited purpose flexible spending account
- §85.3 (Eligibility and Participation) allows participants in the CDHP to also participate in the LFSA in compliance with the Internal Revenue Code. If a participant enrolls in the CDHP, a carryover provision will allow any monetary balance (up to \$500) remaining in their general healthcare FSA at the end of the plan year to move to an LFSA.
- §85.5 (Benefits) – clarifies only qualifying dental and vision expenses be reimbursed through the LFSA.

Mr. Kukla, Ms. Bouton and the Board discussed amendments, timing of FSA transfers to LFSA accounts and communicating the new programs including Consumer Directed HealthSelectSM.

Notice of these proposed amendments published April 1, 2016 in the Texas Register and ERS did not receive any comments.

There being no further questions or discussion, the Board took the following action:

MOTION made by Mr. Doug Danzeiser, seconded by Ms. Ilesa Daniels and carried unanimously by the present members of the Board of Trustees of the Employees Retirement System of Texas take the following actions with regard to the Rules of the Board of Trustees, promulgated in 34 Texas Administrative Code, Part IV, as set forth in Exhibit A, which is attached to and incorporated by reference into this Agenda Item:

- Adopt the proposed amendments to Chapter 85, concerning Introduction and Definitions; Eligibility and Participation; and Benefits, as reflected in Exhibit A and this agenda item.

XIV. Review, Discussion and Consideration of the Texas Employees Group Benefits Program:

a. Selection of the Pharmacy Benefit Managers for the HealthSelectSM of Texas Prescription Drug Plan and the HealthSelectSM of Texas Medicare Pharmacy Plan beginning January 1, 2017 -

Mr. Kukla, Director of Benefit Contracts, described the request for proposal (RFP) to select a new pharmacy benefit manager. Under the Texas Employee Group Benefits Program (GBP), ERS provides Texas state employees and retirees with prescription drug benefits through services provided by pharmacy benefit managers (PBM). The current contract for pharmacy benefit under HealthSelect Medicare RxSM expires December 31, 2016 and the pharmacy benefit for HealthSelect of Texas expires on August 31, 2017. However, because deductibles are based on calendar year, ERS will start both new contracts on January 1, 2017. The RFP, issued in December 2015, resulted in four vendors submitting a proposal for both the HealthSelect of Texas and HealthSelect Medicare Rx PDP services.

Mr. Kukla discussed the evaluation process and its phases. During Phase One, all proposals were evaluated to ensure they were compliant and met the minimum requirements. Mr. Kukla detailed the minimum requirements. All eight proposals were compliant and met the minimum requirements and passed Phase One. Mr. Kukla explained the elements of Phase Two. Phase Two included an evaluation of Financial Considerations and Price Proposals, which accounted for 50% of the overall score, and Operational Capabilities and Services, which accounted for 40% of the overall score. ERS staff in conjunction with Rudd and Wisdom analyzed the proposals' Financial Considerations and Price Proposals, which included a review of each vendor's administrative fee, retail, mail service, and specialty prescription reimbursements, rebates and subsidies and the impact of the vendor's formulary. The Operational Capabilities and Services included a review of legal requirements, plan design, communication requirements, operational specifications, information system requirements, financial specification and requirements, and the administrative benefit of offering proposals for both services. Based on this review, ERS selected three finalists for each service. During Phase Three, the finalists participated in face-to-face interviews and site visits, and offered best and final offers. ERS conducted reference checks. The face-to-face interviews, site visits, and reference checks accounted for 10% of the overall score. Contractibility was reviewed on a pass/fail basis. Ms. Gabriella Stokes, Director of Office of Procurement and Contract Oversight (OPCO), reviewed the development of the RFP and the evaluation process, and was able to sign off on best value. Mr. Kukla advised the Board that OPCO and Benefit Contracts worked to ensure adherence to SAO guidelines. The Contract Advisory Team and the Texas Attorney General's office reviewed the RFP and proposed contracts.

Total projected net costs were based on calculations by Rudd & Wisdom using a common set of assumptions for utilization and prescription price increases over the six years of the contract. Rudd & Wisdom, Mr. Kukla and Mr. Blaise Duran, Manager of Underwriting, Data Analysis and Reporting, analyzed costs. Mr. Philip S. Dial, Rudd and Wisdom, Inc. actuary, reviewed the analysis and explained price assumptions based on enrollment, prescription drug utilization, and average wholesale drug costs.

Using a common set of assumptions for utilization and prescription price increases over the contract's six-year term, the total net cost was significantly different. The total net costs represent 50% of the evaluation criteria. UnitedHealthcare (UHC)/Optum's discounts, rebate guarantees, inflation protection and administration fees produced an estimated program cost substantially less than the other bidders. All bidders demonstrated skills in the administration of the drug program which represented 40% of the evaluation. Staff recommended the contract award for the Pharmacy Benefit Manager for the both plans be awarded to UHC and Optum. Mr. Kukla noted that changes such as new ID cards would be required. Mr. Duran noted that the pharmacy access networks are similar and disruption would be minimal. The vast majority of drugs that are in the plans' formulary were represented in every therapeutic class. The Board asked questions and a discussion ensued concerning total net contract costs and potential savings to the plan. Mr. Kukla, Mr. Duran and Mr. Dial also provided explanations concerning pricing trends for drug costs, inflation protection

guarantees, and enrollee disruption and transition protection. The Board commented on the success of the new contract process and congratulated ERS staff on a job well done.

There being no further questions or discussion the Board then took the following action:

MOTION made by Mr. Doug Danzeiser, seconded by Mr. Brian Ragland, and carried unanimously by the members of the Board of Trustees of the Employees Retirement System of Texas

Based on the information provided to ERS in response to the Request for Proposal, the evaluation process and results presented to the Board at this meeting, we have received sufficient information to determine the best value to the Retirement System for the selection of Pharmacy Benefit Managers for the HealthSelectSM of Texas Prescription Drug Plan and the HealthSelect Medicare RxSM Plan. Therefore, I move that the Board of Trustees of ERS approve:

- 1) The selection of UnitedHealthcare to act as the pharmacy benefit manager for the HealthSelectSM of Texas prescription drug plan (HealthSelect PDP).
- 2) And I move to approve UnitedHealthcare as the pharmacy benefit manager for the HealthSelect Medicare RxSM pharmacy plan (Medicare Rx PDP) under a contract which will cover an initial six-year term beginning January 1, 2017 through December 31, 2022.
- 3) I further move that the Board of Trustees of ERS authorize the Executive Director to negotiate and execute a contract with UnitedHealthcare with terms that are fully acceptable to ERS and to authorize the Executive Director to administer the contract agreed to by the parties.

In the event that a contract fully satisfactory to ERS is not timely executed with UnitedHealthcare or if it appears to the Executive Director during the term of the contract that UnitedHealthcare will not be capable of performing the required HealthSelect PDP or Medicare Rx PDP/PBM services to ERS's satisfaction, then the Board authorizes the Executive Director to resume the due diligence process and contract negotiations with the next top-ranked qualified respondent and to negotiate and execute contract terms with the next top rate -- top-ranked qualified respondent that are fully acceptable to ERS and to authorize the Executive Director to thereafter administer the contract agreed to by the parties.

b. Selection and Contract Award Recommendation for Vision Care Services Administration beginning September 1, 2016 –

Mr. Kukla reviewed background and the current basic vision care benefit offered under the GBP, explaining that a majority of surveyed state employees expressed a strong interest in the addition of a vision care plan. Beginning September 1, 2016, a group vision care plan will be an optional benefit for members (employees, retirees, and eligible dependents). The plan called State of Texas Vision is fully funded by employee contributions. A Vision Care RFP was issued in December of 2015 and received proposals from four vendors.

Mr. Kukla discussed the evaluation process and its phases. During Phase One, all proposals were evaluated to ensure they were compliant and met the minimum requirements. Mr. Kukla detailed the minimum requirements. All four proposals were compliant and met the minimum requirements and passed Phase One. Mr. Kukla explained the elements of Phase Two. Phase Two included an evaluation of Financial Considerations and Price Proposals, which accounted for 40% of the overall score, and Operational Capabilities and Services, which accounted for 50% of the overall score. ERS staff in conjunction with Rudd and Wisdom analyzed the proposals' Financial Considerations and Price Proposals, which included a review of the each vendor's administrative fee and network reimbursement rates, and its claims funding and payment methodology. The Operational Capabilities and Services included a review of legal requirements, plan provisions and eligibility, provider network requirements, communication requirements, operational specifications, and information system requirements. Based on this review, ERS selected three finalists. During Phase Three, the finalists participated in face-to-face interviews and site visits, and offered best and final offers. ERS conducted reference checks. The face-to-face interviews, site visits, and reference checks accounted for 10% of the overall score. Contractibility was reviewed on a pass/fail basis. Gabriella Stokes,

Director of Office of Procurement and Contract Oversight (OPCO), reviewed the development of the RFP and the evaluation process, and was able to sign off on best value.

Based on the review, Superior Vision had the most comprehensive network (and the strongest network in rural Texas). Superior's costs were essentially equal to or better than other bidders. Based on the evaluation, staff's recommendation is the Group Vision Care Services Administrator contract be awarded to Superior Vision.

The Board and staff discussed estimated participation, network adequacy, the value of the contract and coverage. The Board thanked the staff for listening to the membership and adding this benefit.

There being no further questions or discussion, the Board then took the following actions:

MOTION (14b 1) made by Mr. Brian Ragland, seconded by Ms. Ilesa Daniels and carried unanimously by the members of the Board of Trustees of the Employees Retirement System of Texas that

Based on the information provided to ERS in response to the Request for Proposal, the evaluation process and results presented to the Board at this meeting, we have received sufficient information to determine the best value to the retirement system for the selection of a third party administrator for the self-funded group vision care plan. Therefore, I move that the Board of Trustees of the Employees Retirement System of Texas approve the selection of Superior Vision to provide administrative services for the self-funded group vision care plan under the Texas Employees Group Benefits Program under a contract that will cover an initial four year term beginning September 1, 2016 through August 31, 2020.

I further move that the Board of Trustees of the Employees Retirement System of Texas authorize the Executive Director to negotiate and execute a contract with Superior Vision with terms that are fully acceptable to ERS, and to authorize the Executive Director to thereafter administer the contract agreed to by the parties. In the event that a contract fully satisfactory to ERS is not timely executed with Superior Vision or if it appears to the Executive Director during the term of the contract that Superior Vision will not be capable of performing the required group vision care administrative services to ERS' satisfaction, then the Board authorizes the Executive Director to resume the due diligence process and contract negotiations with the next top-ranked qualified respondent, and to negotiate and execute contract terms with the next top-ranked qualified respondent that are fully acceptable to ERS, and to authorize the Executive Director to thereafter administer the contract agreed to by the parties.

Following the selection of the Administrator for the Group Vision Care Services, Mr. Kukla discussed rates. Based on the RFP evaluation information and enrollment and utilization estimates, Mr. Kukla then proposed rates for the Vision Care Services Administration to be effective September 1, 2016. The proposed rates should be adequate to support the plan. Mr. Dial noted there is some uncertainty and variation with a new plan. Provisions for additional utilization early in the contract term as well as margins for adverse results and administrative expense have been taken into consideration. The Board and staff discussed vision care coverage, copays and use of flexible spending accounts.

There being no further questions or discussion, the Board took the following action:

MOTION (14b 2) made by Mr. Doug Danzeiser, seconded by Mr. Brian Ragland and carried unanimously by the members of the Board of Trustees of the Employees Retirement System of Texas approve the proposed Group Vision Care Services member contribution rates for Fiscal Year 2017 as presented to the Board effective September 1, 2016.

Based on the recommendation and analysis provided by ERS' consulting actuary for insurance, Rudd and Wisdom, Staff recommends the following motion to the Board of Trustees in connection with the new self-funded group vision care plan and contract award:

I move that the Board of Trustees of the Employees Retirement System of Texas approve the proposed Group Vision Care Services member contribution rates for Fiscal Year 2017 as presented to the Board effective September 1, 2016.

XV. Review and Discussion and Consideration of the Texas Employees Group Benefits Program for Fiscal Year 2017:

a. Basic and Optional Term Life, Accidental Death and Dismemberment Proposed Rates

The Group Benefit Plan Life and Accidental Death and Dismemberment (AD&D) insurance rates are set by the Board. Employee and retiree basic term life and AD&D benefits are paid for by the State of Texas through the biennial insurance appropriation. The basic life insurance for active employees (\$5,000) and retirees (\$2500) is funded by the State and all state employees participate. Additional Optional Life and AD&D insurance are funded through member contributions. The last rate increase was in 2012. Administrative costs are low and the financial experience reflects the adequacy of the current rates. Program is running well and staff recommends no increase in the current rates.

There being no further questions or discussion, the Board took the following action.

MOTION (15a) made by Ms. Ilesa Daniels, seconded by Mr. Doug Danzeiser and carried unanimously by the members of the Board of Trustees of the Employees Retirement System of Texas:

I move that the Board of Trustees of the Employees Retirement System of Texas approve the proposed Fiscal Year 2017 member contribution rates for the Basic Life, Optional Life, and Accidental Death and Dismemberment plans as presented in this agenda item effective September 1, 2016.

b. Texas Income Protection Plan Proposed Rates –

Under the Texas Employees Group Benefits Program (GBP), the Employees Retirement System of Texas (ERS) provides short and long-term disability coverage through the Texas Income Protection PlanSM (TIPP). The disability coverages available within TIPP are available to active employees as an optional benefit and offered under a self-funded arrangement.

ERS does not receive appropriated funds from the State of Texas for the costs associated with the administration of the TIPP benefit. Disability benefits are funded by contributions from participating employees. Contribution rates are set annually by the ERS Board of Trustees. The GBP retains the risk for the self-funded plans. Approximately 52% of eligible GBP employees were enrolled in short-term disability coverage and 40% were enrolled in long-term disability coverage as of March 31, 2016.

Member contribution rates for the disability plans were developed based on a reasonable expectation of future claims, anticipated claim patterns, expected investment income and the administrative fees associated with TIPP benefit administration. Overall, member enrollment in the TIPP benefit has been relatively stable year over year. Based on staff analysis, current member contribution rates are adequate to provide for short and long-term disability coverage costs for FY 2017.

There being no further questions or discussion, the Board took the following action:

MOTION (15b) made by Mr. Brian Ragland, seconded by Mr. Doug Danzeiser and carried unanimously by the members of the Board of Trustees of the Employees Retirement System of Texas:

I move that the Board of Trustees of the Employees Retirement System of Texas approve the proposed Fiscal Year 2017 member contribution rates for the Texas Income Protection Plan Proposed Rates as presented in this agenda item and effective September 1, 2016.

c. State of Texas Dental Discount Plan, Dental Choice and Dental Health Maintenance Organization Proposed Rates –

Mr. Kukla reviewed the Dental Care Plans. The State of Texas Dental Choice PlanSM (Dental Choice) is a self-funded PPO plan with HumanaDental Insurance Company serving as the Third Party Administrator.

The Dental Health Maintenance Organization (DHMO) plan is a fully-insured DHMO plan with DentiCare, Inc., a wholly owned subsidiary of Humana, Inc. underwriting the DHMO plan. The State of Texas Dental Discount PlanSM is a non-insurance discount plan administered by Careington International.

The Dental Choice plan continues to increase enrollment year to year. Plan design changes exceeded the cost expectations. Even with a rate increase in FY2016, the plan is projected to lose funds again this year. Based on the actuarial analysis, the current member contribution rates require a 9.6% increase for FY2017 in order to be financially sound. The Board and staff discussed a rate increase or reduction in benefits to sustain the plan. Enrollment numbers reflect the popularity of this plan and a rate increase of 9.6% without a reduction in benefits is proposed.

The DHMO has stable enrollment. Staff negotiated a reduction in DHMO rates from September 2015 through August 31, 2018. Premiums are paid in full by member contributions. Member contribution rates for FY17 should be set equal to the contractual premium rates. No rate change is recommended.

The State of Texas Dental Discount Plan is not an insurance program. Participating dentists contract with Careington and agree to accept a discounted rate for payment-in-full. Administrative fees are paid entirely by participants. Rate is dependent on the number of participants enrolled. Enrollment has been lower than expected but rates remain the same.

The Board and staff discussed enrollment numbers, rate increases and changes in benefits communications.

There being no further questions or discussion, the Board took the following action:

MOTION (15c) made by Mr. Brian Ragland, seconded by Mr. Doug Danzeiser and carried unanimously by the members of the Board of Trustees of the Employees Retirement System of Texas:

I move that the Board of Trustees of the Employees Retirement System of Texas approve the proposed member contribution rates for Fiscal Year 2017 for the State of Texas Dental ChoiceSM plan, the Dental Health Maintenance Organization plan, and the dental discount program as presented in this agenda item effective September 1, 2016.

d. Health Maintenance Organizations Proposed Rates –

Mr. Kukla explained that the Texas Employees Group Benefits Program (GBP) offers health maintenance organizations (HMOs) as a comprehensive medical and prescription drug benefit options in certain Texas counties. There are no out of network benefits. The benefits provided by GBP-participating HMOs are funded by the contributions paid by the enrolled members and by the State of Texas through the biennial legislative appropriation and are based on contribution rates adopted by the Employees Retirement System of Texas (ERS) Board of Trustees (Board). The State pays 100% of the contribution rate for eligible employees and retirees and 50% of the contribution rate for dependent coverage.

There are currently three HMOs:

- **Community First Health Plans, Inc.** provides services in an eight county service area of the San Antonio Region
- **Scott and White Health Plan** provides services in a 45 county service area of Austin, San Angelo, Temple and Waco regions
- **KelseyCare powered by CHC** provides services in a five county service area in the Houston region.

Mr. Duran and Mr. Dial reviewed the financial evaluation for the HMOs rate determination. Mr. Kukla then reviewed the proposed rates for all three HMOs. The Board and staff discussed questions about theoretical cost index and the rate analysis. There being no further questions or discussion, the Board took the following action:

MOTION (15d) made by Mr. Doug Danzeiser, seconded by Mr. Brian Ragland and carried unanimously by the members of the Board of Trustees of the Employees Retirement System of Texas:

The following motion to the Board of Trustees is for the Health Maintenance Organizations (HMOs) and applicable rates to be available under the Texas Employees Group Benefits Program (GBP) for fiscal year 2017. I move that the Board of Trustees of the Employees Retirement System of Texas approve the extension of the incumbent HMO Carrier plans at the applicable contribution rates as presented in this agenda item be made available for participation in the Texas Employees Group Benefits Program in Fiscal Year 2017 beginning September 1, 2016 and ending August 31, 2017:

- **Community First Health Plans, Inc.** to provide services in the application area of San Antonio which includes the counties indicated in Exhibit A-1 of this agenda item.
- **Scott and White Health Plan** to provide services in the application areas of Austin, San Angelo, Temple and Waco which include the counties indicated in Exhibit A-2 of this agenda item.
- **KelseyCare powered by CHC** to provide services in the application areas of Houston which include the counties indicated in Exhibit A-3 of this agenda item.

e. *GBP Financial Status Update and Rate Proposals for HealthSelect of TexasSM and Consumer Directed HealthSelect –*

Mr. Kukla reviewed the background of HealthSelect of Texas which is funded by member and state contributions. The State pays 100% of full-time employee/retiree contributions (50% of dependent coverage contribution). The State pays 50% of the part-time employee/retiree contributions (25% dependent coverage contribution). Members share costs through copayments, deductibles and coinsurance. About 83% of GBP members are enrolled in HealthSelect of Texas. Total membership is 435,000+.

He discussed the effects of the Affordable Care Act on HealthSelect of Texas benefits and fees. ERS has success with Patient-Centered Medical Homes. Mr. Duran updated the Board on the HealthSelect of Texas cost reduction strategies.

Mr. Kukla recapped the plan design for Consumer Directed HealthSelect previously reviewed and approved by the Board. HealthSelect of Texas contribution Rate Analysis for FY 2017 included factors such as the revenue requirements, state funding, historical enrollment, ACA cost increases, contingency fund balance, cost containment practices, claims experience, the impact of HMOs and the funding of basic life and AD&D coverage. The medical benefit cost trend continues at a rate of 6.5% through FY16 and the prescription drug trend is projected to be 16%, giving a total health plan benefit cost trend of 9%. Benefits will stay at the same level.

ERS staff recommends a 7.1% increase in HealthSelect of Texas contribution rates. Member contributions for Consumer Directed HealthSelect dependents are 90% of the cost of HealthSelect of Texas dependents to ensure revenue neutrality. Mr. Dial explained the rate increase combined with increased subsidies and rebates under the pharmacy program will have a positive effect on the program costs.

The Board and staff discussed the necessity of the rate increase and future cost trend projections. Drug cost and utilization increases are driving rising costs. Mr. Kukla reviewed the proposed contribution rates for Consumer Directed HealthSelect for FY 2017, noting it is revenue neutral.

The Board and staff deliberated a number of issues such as the contingency reserve fund amount, the PBM contract, rate increase effects and future funding challenges. There being no further questions or discussion, the Board took the following action:

MOTION (15e) made by Mr. Brian Ragland, seconded by Ms. Ilesa Daniels and carried unanimously by the members of the Board of Trustees of the Employees Retirement System of Texas:

I move that the Board of Trustees of the Employees Retirement System of Texas approve the proposed HealthSelect of TexasSM and Consumer Directed HealthSelect contribution rates for Fiscal Year 2017 as presented in this agenda item be effective September 1, 2016.

f. TexFlex Program Proposed Fees and Rates –

Mr. Kukla reviewed the TexFlexSM program for health care and dependent care reimbursement plans. ERS enacted an administrative fee holiday and the new vendor provides TexFlex branded debit card at no additional charge. Premium conversion generated approximately \$40 million in FICA tax savings in FY 2015. Plan forfeitures, while declining, continue to fund the plan fees. The TexFlex program also includes the commuter spending accounts, whose participants pay a \$3.00 monthly administrative fee. ERS maintains a balance of funds more than adequate to cover the administrative costs and staff recommends the Board approve an administrative fee holiday for FY2017 for the health care and dependent care reimbursement plans.

The Board and staff discussed the forfeiture balance and projected funding. There being no further questions or discussion, the Board took the following action:

MOTION (15f) made by Ms. Ilesa Daniels, seconded by Mr. Doug Danzeiser and carried unanimously by the members of the Board of Trustees of the Employees Retirement System of Texas.

Staff recommends the Board approve an administrative fee holiday for TexFlex participants for FY 2017.

I move that the Board of Trustees of the Employees Retirement System of Texas approve an administrative fee holiday for the TexFlex program for Fiscal Year 2017 for the Flexible Spending Health Care Reimbursement and Dependent Care Reimbursement plans.

I further move that the Board of Trustees approve the proposed rates for Fiscal Year 2017 for the Commuter Spending Account as presented in this agenda item effective September 1, 2016.

XVI. Review, Discussion and Selection of Contract Award Recommendation for Actuarial Services for Insurance:

Bernie Hajovsky, Director of the Enterprise Planning Office, and Gabriella Stokes, Director of the Office of Procurement and Contract Oversight presented the background and the Request for Proposal (RFP) evaluation process for actuarial services for the GBP. ERS contracts with a qualified actuarial firm for services related to the GBP pursuant to §1551.210, Texas Insurance Code. The actuaries assist ERS in the administration of the GBP with experience reporting and studies; trend, claims, reserves and financial analyses; and GASB and valuation reporting. The current benefits actuarial contract expires August 31, 2016. ERS published the RFP for actuarial services for the GBP in January 2016. ERS received two proposals.

Mr. Hajovsky and Ms. Stokes explained the evaluation process. First, both proposals were evaluated to ensure compliance with the RFP and that minimum requirements were met. Both proposals passed this preliminary review. Both proposals were then evaluated based on price proposal and financial considerations (40% of the overall score) and then on qualifications and experience (50% of the overall score). Contractibility and legal disclosures were evaluated on a pass/fail basis. On the basis of this evaluation, both vendors became finalists. During the finalists evaluation, the vendors participated in a face-to-face interview and ERS checked references. ERS determined site visits were unnecessary. The face-to-face and references accounted for 10% of the overall score. Both vendors submitted a best and final offer. Based on the comprehensive analysis performed by the evaluation team, the Director of Procurement and Contract Oversight was able to sign off on the solicitation process and the recommended vendor for best value. Staff

recommends the contract award go to Rudd & Wisdom, Inc. to provide actuarial services for insurance for the six-year term beginning September 1, 2016. The Board and staff discussed the selection of Rudd & Wisdom, Inc. Rudd & Wisdom, Inc. demonstrated impressive qualifications and experience with similar organizations. Also, Rudd & Wisdom's proposed staff is overall more qualified for this type of service than the proposed staff of the other vendor. Furthermore, Rudd & Wisdom offered more favorable pricing compared to that of the other vendor.

There being no further questions or discussion, the Board took the following action:

MOTION made by Mr. Doug Danzeiser, seconded by Mr. Brian Ragland and carried unanimously by the members of the Board of Trustees of the Employees Retirement System of Texas.

Based on the information provided to ERS in response to the Request for Proposal, the evaluation process and the results presented to the Board at this meeting, I move that the Board of Trustees approve the selection of Rudd & Wisdom, Inc. to provide actuarial services for insurance under the GBP pursuant to terms and conditions in the governing contract.

XVII. Review, Discussion and Consideration of the Incentive Compensation Plan

DeeDee Sterns, Director of Human Resources, presented the annual review of the Incentive Compensation Plan (ICP). No action is required and plan revisions will be reviewed and recommended for approval at the August Board of Trustees meeting. The ICP was last revised and approved in August 2015. The ICP communicates strategic performance priorities established by the Board. Proposed plan revisions are:

- Reconsideration of Qualitative Metric
- Modify eligibility dates for new hires
- Various plan process improvements

Prior to 2015, a qualitative measurement was used only when a quantitative measurement could not be established. In 2015, a 25% qualitative performance measure was added for all the eligible ICP participants. The Investments Division requested the removal of the qualitative performance measure from all investment professionals' goals because of the subjective nature and administrative challenges. Modification of the eligibility date for participation in the ICP would make the ICP eligibility requirements consistent with existing ERS policies. Additional language has been proposed to reaffirm and increase Human Resources oversight and management of the ICP as well as other plan process improvements, segregation of duties and calculations, and the salary basis for the ICP calculation. Mr. Porter Wilson, Executive Director, asked the Board to consider these proposals for action at the August meeting. The Board and staff discussed revision impacts and the current ERS performance evaluation and how it correlates with the ICP.

This agenda item is provided for informational and discussion purposes only. No action is required.

XVIII. Review and Discussion of Sunset Commission Report Findings

Keith Yawn, Office of Management Support, serves as the ERS liaison to the Sunset Commission and presented an overview of the Sunset Commission's review process and a summary of the Report's findings and recommendations. The Sunset review is a statutorily required legislative evaluation process. As a constitutional entity, ERS is not reviewed regularly and has not undergone a review since 1992. Given the changes in Agency structure and benefit offerings during this period, the review was well-timed to provide an independent perspective on the Agency's operations and identify improvements in how ERS serves the state workforce. The Sunset Review Team worked closely with ERS staff to understand not only what we do, but also gain an understanding of the complexity of public benefits administration.

The Sunset Review process started with an ERS generated Self-Evaluation Report, published September 2015. The next step was a General Agency Review from October through December, 2015. Sunset Commission staff conducted a detailed review of targeted programs and operations on site from January to March 2016 and issued a Staff Report in April 2016.

The Sunset Staff Report identified findings in five issue areas and made proposed recommendations for both statutory changes and management directives. Recommendations are:

- ERS needs to make additional improvements to ensure its contracts adhere to best practices and provide best value to the state.
- ERS does not strategically manage the group benefits program to ensure its effectiveness and plan for the future.
- ERS' benefit decision process lacks balanced treatment of, and full information for, members.
- ERS does not adequately track or report all costs associated with alternative investments.
- ERS' statute does not reflect standard elements of Sunset Reviews, commonly referred to as Across the Board (ATBs) recommendations.

ERS continues to improve contracting operations at ERS. To implement new statewide contracting requirements, the agency created a dedicated contracts division to manage contract consistency and quality. Sunset recommended the ERS Board of Trustees establish a new health insurance advisory committee to solicit stakeholder input on benefit design decisions, evaluate benefit changes, and enhance reporting of GBP operations and outcomes.

Communication related Sunset recommendations primarily focused on member communications and interactions related to the appeals and grievance review processes and several special benefit applications, such as disabled dependents and Chapter 615 Survivor Benefits. Member education and communication is a core focus at ERS. Staff works continuously to improve and enhance website and print communications. All Agency divisions directly serving member populations work cooperatively to achieve this goal. ERS staff agrees with the report's finding that member communications and education efforts can continue to be improved. The Agency is committed to implementing changes that increase member awareness and knowledge of benefit programs, especially within the areas, processes, and member populations identified in the report.

The recommendations dealing with investment operations recommend a statutory change to enhance reporting of profit sharing fees related to alternative investments. Staff continues to research industry standards and best practices for profit sharing results reporting and will improve reporting to ensure these reports are readily available to the public and transparent.

As a standard part of most Sunset reports, statutory changes called ATBs are recommended to standardize government operations and structures across state agencies. For ERS these recommendations relate to Board member training requirements and rulemaking process. Working collaboratively with Sunset Staff and legislative offices, ERS staff will ensure the recommendations are implemented appropriately to achieve their desired effect. ERS has not estimated the cost of fully implementing the Report's recommendations, but some of the recommendations may require budgetary increases.

The Sunset Commission will begin public hearings in June to seek input from all interested stakeholders. While ERS is already working to address some of the Report's findings, we expect to begin implementation of the remaining management directives as soon as they are approved later this year. Recommendations requiring statutory changes will be reviewed and implemented beginning in June 2017 following the legislative session.

This agenda item is provided for informational and discussion purposes only. No action is required.

XIX. Review and Discussion of Board Policy on Pension Funding Priorities and Guidelines

Ms. Jennifer Jones presented research on pension funding policies and a draft policy document for board discussion. The agenda item was informational in nature and not an action item.

Ms. Jones guided the board through the draft policy and highlighted key policy decisions included in the policy. Key policy components that staff addressed in the draft document included:

- **Actuarial cost method:** Allocates the total present value of benefits (TPV) between past service (actuarial accrued liability) and future service (normal cost). The current method, in place since 2009, is a variation of the ultimate entry age normal cost method, which reflects the normal cost of a new hire. There were no recommended changes to this method;
- **Asset smoothing:** The technique used to recognize pension assets gains and losses over time - to reduce the effects of market volatility and stabilize year-to-year contributions. Currently, ERS uses a method that recognizes 20% of gains/losses over time. Ms. Jones mentioned that while staff would not recommend a change at this time, a methodology change might be recommended as part of the experience study in 2017. In particular, ERS struggles with a misconception that all asset losses are recognized within a five-year period, which is incorrect. So the ERS consulting actuary may recommend a change to the smoothing during the experience that is easier to communicate;
- **Amortization period:** The length of time and the structure selected to increase or decrease contributions to systematically eliminate any unfunded actuarial accrued liability or surplus. Staff presented two options, but discussed others that would ultimately result in a 20-year rolling amortization and
- **Benefit enhancements:** A policy on how and when to incorporate benefit enhancements. Ms. Jones noted that ERS is not designed to have regular benefit enhancements. Staff recommended that plans have achieved a funding period of 20 years and a funded ratio of 90% before any benefit enhancements are granted.

Mr. Danzeiser and Mr. Ragland asked several clarifying questions about how these components work and the limitations for an ERS funding policy given that the Legislature sets both the contribution rates and benefit design.

After discussion, the board members directed staff to revise the draft policy for possible adoption at the August 2016 board meeting. This agenda item is provided for informational and discussion purposes only. No action is required.

XX. Executive Director Agency Update:

Mr. Porter Wilson, Executive Director proceeded with the next agenda item, Executive Director Agency Update. His report¹ to the Board is included with these minutes.

This agenda item is provided for informational and discussion purposes only. No action is required.

XXI. Set Date for the Next Joint Meeting of the ERS Board of Trustees and Investment Advisory Committee, the Next Meeting of the Board of Trustees and the Next Meeting of the Audit Committee

The dates for the 2016 meetings of the ERS Board of Trustees and Investment Advisory Committee, the Meeting of the Board of Trustees and the Meeting of the Audit Committee are as follow:

Tuesday, February 23, 2016
 Tuesday, May 17, 2016
 Tuesday, August 16, 2016

2 Day Workshop:
 Thursday – Friday, December 1 & 2, 2016

XXII. Adjournment of the Board of Trustees:

The May 17, 2016 Meeting of the Board of Trustees adjourned at 4:22 p.m.

¹ Executive Director Agency Update Report

PUBLIC AGENDA ITEM - # 20

20. Executive Director Agency Update

May 17, 2016

Legislative Updates

The agency has been busy performing research, preparing presentations, and testifying before House and Senate interim committees. On March 30, ERS testified to the House Insurance Committee on the subject of acquired brain injuries, to the Senate Finance Committee on state debt and to the House Pensions Committee with a general overview. The following week, ERS appeared before the House Public Health Committee. We provided information on chronic health conditions, their cost to the state, and ideas on how to reduce that cost.

On April 13, ERS had two committee hearings on the same morning. We returned to the House Pensions Committee to discuss global investments. The Senate State Affairs committee also conducted its general oversight hearing that morning. Finally, on April 20, ERS testified before the House Appropriations Committee on the great work done by the legislature last session to increase contributions and put the trust fund on a path to actuarial soundness.

Thanks to Tom Tull and Rob Kukla for attending hearings and providing testimony. Also our thanks to Machel Pharr, Shar Kassam and the staff of the Governmental Affairs division for doing prep work, research and preparing all of our presentations, with help from Benefits Communications.

At the invitation of the Lt. Governor and Senator Nelson, the Executive Director, CFO and Board Member Brian Ragland attended a presentation on zero-based budgeting. In Senator Nelson's address to the audience, she stated that select agencies would be asked to provide additional detail on specific programs so that a more in-depth review could be conducted. Senator Nelson introduced Teresa MacCarthy to present how Zero-Based Budgeting works in Georgia. Ms. MacCarthy is the Director of the Governor's Office of Budget and Planning in Georgia. Ms. MacCarthy discussed how Zero-Based Budgeting is integrated with other forms of budgeting in Georgia and how it might be utilized in Texas. Senator Nelson advised the audience to eliminate the assumption that current funding level is the starting point for the next biennial budget.

ERS' Office of Procurement and Contract Oversight

On April 1, ERS created a new division the Office of Procurement and Contract Oversight to assist the entire agency with procuring and managing contracts. Gabrielle Stokes, the Director of Procurement is directing the new team which combines staff from the legal and benefit contracts divisions. The Division has two managers: Carol Stueler, Contract and Procurement Manager, and Ginger Grissom, Proposal Activity Manager.

The new Division will work closely with the appropriate business division to develop solicitation documents and oversee all steps of the procurement and contract management processes. The business units will continue to make business decisions related to their procurements and contracts, with oversight and guidance from Procurement and Oversight. The new division is busy drafting consistent agency policies and procedures, ensuring compliance with Senate Bill 20 provisions and issuing a number of RFPs, including one of our biggest procurements – a third party administrator for HealthSelect.

This division will report to Paula Jones, who will continue to oversee legal services, in addition to these new responsibilities. Her title will be Deputy Executive Director and General Counsel.

DeeDee Sterns – Named Director of Human Resources

DeeDee has worked at ERS for 21 years. Except for a short stint as Technical Training Coordinator in Customer Benefits, she has devoted her career to Human Resources. She has earned important human resource professional certifications, including the Senior Professional in Human Resources (SPHR®) certification. In June 2013, as part of succession planning, she attended leadership training and shadowed Ralph Salinas until his retirement last December. For the last few months she has served as the Acting Director of Human Resources.

DeeDee brings a wealth of institutional knowledge to this position, along with analytical and collaborative skills. Her goals include working with each division to help them attract and grow staff, and to identify and develop new strategies to make ERS an even better place to work.

Machelle Pharr – Named as the ERS Chief Financial Officer

Machelle joined ERS in June 2014 as the Assistant Director of Finance. When Mike Wheeler, the previous CFO, retired in August 2015 Machelle stepped in as Interim CFO, leading the division through the recent publication of the CAFR, Sunset review, and implementation of new legislation from the 84th session.

Machelle has held CFO and other senior-level positions at Texas agencies for over 20 years. During her time at agencies including Comptroller of Public Accounts, Department of Public Safety and Texas Commission on Environmental Quality Machelle gained a wealth of knowledge about Texas financial reporting, budgeting, purchasing and accounting systems.

Annual Enrollment for Plan Year 2017

Summer Enrollment for Plan Year 2017 will take place over a five-week period from July 11 – August 12, 2016. Summer Enrollment will be divided into four phases. Each phase will span a two-week period in which members can make enrollment changes. (See phase chart below.)

Annual Enrollment for Plan Year 2017				
July 11, 2016 – August 12, 2016				
	Monday July 11	Sunday July 17	Sunday July 24	Sunday July 31
Phase 1 (July 11 – July 23)	[Blue bar]			
Phase 2 (July 17 – July 30)		[Red bar]		
Phase 3 (July 24 – August 6)			[Green bar]	
Phase 4 (July 31 – August 12)				[Yellow bar]

ERS will have new and complex information to communicate to our members this summer as we prepare to implement the new Consumer Directed HealthSelect (CDHS) plan and a new vision plan for September 1, 2016. We will communicate the details of these plans and other benefit information to our members throughout Summer Enrollment. We plan to host 35 Summer Enrollment fairs across the State and conduct 10 webinars, from July 5 through August 10. The fairs provide us an opportunity to share important benefit information and allow members to make their desired benefits changes. The fairs are a great way for ERS to directly interact with our members.

Fall Enrollment for our Medicare-eligible retirees will be in the October – November timeframe to coincide with the federal Medicare enrollment period.

Consumer Directed HealthSelectSM Communications

Communications are underway to introduce members to Consumer Directed HealthSelect, the high-deductible health plan with health savings account being offered as a new health insurance option to Texas Employees Group Benefits Program participants.

The ERS implementation team worked with an outside consultant and ERS leadership to create the brand name and logo. Articles about the plan have run in *News About Your Benefits*, the monthly email newsletter for active employees, and *Update-express*, the biweekly email newsletter for benefits coordinators. Articles will continue to run in those newsletters, as well as in *Your ERS Connection*, the quarterly retiree newsletter, throughout Summer Enrollment and beyond. ERS also worked with an outside production company to develop a five-minute video that provides an overview of the plan and how its coverage compares to the existing HealthSelect of Texas plan and the regional HMOs.

In addition, ERS and the plan's third-party administrators – UnitedHealthcare, Caremark and Optum Bank will conduct pre-Summer Enrollment seminars and webinars for members and benefits coordinators. There will also be comprehensive information available at the Summer Enrollment fairs and on the ERS website.

Our goal is to help members understand the potential costs and benefits of Consumer Directed HealthSelect, so they can make informed choices about their health coverage.

HealthSelect Innovation Day

On March 29, HealthSelectSM of Texas administrator UnitedHealthcare hosted two Innovation Day events in Austin, with the goal of highlighting value-added programs that can help HealthSelect of Texas participants make the most of the health plan and live healthier lives. One event was for legislators and their staff, with about 50 attendees. The second event, for agency and institution benefits coordinators, had 90 attendees. Both events featured presentations about UnitedHealthcare programs – such as Virtual Visits online urgent care, the Real Appeal weight loss program, the Health4Me app and the myHealthcare Cost Estimator. The benefits coordinators were especially appreciative of the information and seemed eager to share it with employees at their agencies and institutions. In a survey conducted after the benefits coordinator event, 100% of respondents said they found it informative and useful, and more than 90% said they shared the information at their agency or institution.

2016 Get Fit Challenge

BACKGROUND:

The 2016 Get Fit Texas! Challenge kicked off January 17 with a challenge to “bring home the gold” and regain bragging rights as the #1 Fittest State Agency.

Since Get Fit's inception in 2013, ERS has dominated the mid-size agency category. In 2013 and 2014, ERS earned #1 Fittest State Agency and took home second place honors in 2015.

RESULTS:

ERS' participation rate in this year's Get Fit Challenge was incredible. Two hundred fifty six employees, or 71%, registered to participate.

Two hundred eighteen employees completed the six-week challenge. The results of the challenge were announced on April 20. ERS accomplished its goal of regaining bragging rights as the #1 Fittest State Agency in our category. Additionally, we completed the competition with the greatest margin of victory ever.

Congratulations to the other agencies that placed in our category: Texas Legislative Council and Texas Department of Licensing and Regulation.

Results from the 2016 Survey of Employee Engagement (SEE)

ERS participated in its 8th organizational assessment survey in March 2016. The employee engagement measurement tool is prepared and given by the Institute for Organizational Excellence at the University of Texas. ERS has participated every even numbered year since 2002.

The purpose of the SEE is to:

- Assess the organizational climate
- Serve as a measurement tool for employee engagement
- Focus on the key drivers relative to the ability to engage employees towards successfully fulfilling the vision and mission of the organization

The employee response to the survey was again exceptional, with an 89.4% response rate, exceeding our agency goal of 85%. Survey scores measure employee perceptions of agency success and areas of improvement. State agencies overall survey scores typically range from 325 to 375. ERS scored **391**, compared to its 2014 score of 401.

As a reminder, survey questions were rated on a 1-5 scale, from strongly disagree, disagree, neutral, agree and strongly agree. A score above 375 in an area, or 3.75 on an individual question, is viewed as an area of substantial strength.

The Texa\$averSM 401(k) / 457 Program continues its winning streak

Texa\$aver submitted award entries for its “Pump Up Your Savings” video and was awarded the following:

Pension & Investments announced Texa\$aver received a 2nd place 2016 Eddy Award in the category of Special Projects.

The P&I Eddy Awards were created over 20 years ago to identify and reward the best practices in providing investment education to defined contribution plan participants. The awards are judged by an independent panel of plan sponsors and consultants. Awards are given out in seven categories, which are broken down by corporate employee size and/or type of firm.

AVA Digital Awards announced Texa\$aver won two 2016 AVA Digital Awards. The Program won the Platinum Award, the highest honor in the competition, in the category Video for the Web Government, and won the Gold Award in the category Video for the Web: Informational.

AVA Digital Awards is an international competition that recognizes excellence by creative professionals responsible for the planning, concept, direction, design and production of digital communication. Work ranges from digital engagement campaigns – to audio and video production – to website development – to social media interaction – to mobile marketing.

Association of Marketing and Communication Professionals (AMCP) announced Texa\$aver is the winner of four Platinum Hermes Creative Awards, the highest honor in the competition, in the following categories: Communication/Marketing Campaign, Video for the Web, Benefits Video, Marketing (Service). The Program was also awarded two Gold Hermes Creative Awards in the Government and Video Script categories.

AMCP is an international organization consisting of marketing, communication, advertising, public relations, media production, web and freelance professionals. As part of its mission, AMCP fosters and supports the efforts of marketing and communication professionals who contribute their unique talents to public service and charitable organizations.

National Association of Government Communicators (NAGC) announced Texa\$aver is the winner of a 2016 Blue Pencil & Gold Screen (BP&GS) Award in the category of Internal Communications. The First Place, Second Place and Awards of Excellence will be announced at the Blue Pencil & Gold Screen Awards Ceremony and Reception to be held on June 7.

The custom, "Pump Up Your Savings" video targeted enrolled participants on how increasing their contribution, in conjunction with compound growth, could result in even more savings at retirement.

The video, released on June 17, 2015, was promoted from www.texasaver.com via a clickable web banner and a targeted email which resulted in a 40% open rate, well above the industry average. From the video's release through September 28, an additional 4.4% of eligible participants enrolled in Texa\$aver and 10,148 participants increased their contribution percentage in Texa\$aver. This is a 123% increase from the same time as last year.* The "Pump Up Your Savings" video educated and informed current and prospective participants of how Texa\$aver can help close the savings gap and help them PUMP UP THEIR SAVINGS.

* Contribution percentage may include individuals automatically enrolled at 1% in the 401(k) plan.

Investments Update

Honorable Mentions:

The Fixed Income team won the Best Institutional ETF User award. ERS has been a vocal and significant adopter of ETFs, particularly Fixed-Income ETFs. The firm showed how the liquidity that ETFs offer allowed it to efficiently migrate capital to adjust for a changing fixed-income environment.

Tom Tull was awarded the Young Jewish Professionals Leadership and Achievement Award at the Young Jewish Professionals CIO Forum in March of 2016. The organization provides business networking and mentoring sessions for the new generation of business leaders.

Anthony Curtiss, ERS' Hedge Fund Portfolio Manager was named 2016 Forty Under Forty by Chief Investment Officer Magazine. This prestigious honor is comprised of nominations from asset managers and allocators.