

# Meeting of the ERS Board of Trustees

August 25, 2021



# Public Agenda Item #23

*Call Meeting of the ERS Board of Trustees to Order*

August 25, 2021

## Public Agenda Item #24

*Consideration of the Minutes to the May 26, 2021 ERS Board of Trustees Meeting – (Action)*

August 25, 2021

Questions?  
**Action Item**

## Public Agenda Item #25

*Consideration of Proposed Rates for HealthSelect<sup>SM</sup> Medicare Advantage Preferred Provider Organization Plan for Calendar Year 2022- (**Action**)*

August 25, 2021

Diana Kongevick, Director of Group Benefits

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

Phil S. Dial, FSA, Rudd and Wisdom, Inc.

# HealthSelect Medicare Advantage PPO



- The HealthSelect<sup>SM</sup> Medicare Advantage preferred provider organization (HealthSelect MA PPO) is a fully-insured PPO medical plan customized for the Employees Retirement System of Texas (ERS).
- The federal government subsidizes the plan cost resulting in lower retiree cost and reduced program cost.
- Sierra Health and Life Insurance Company (United), a UnitedHealthcare underwriting entity, became the insurer effective January 1, 2021.

# HealthSelect Medicare Advantage PPO



- The HealthSelect MA PPO continues to provide the most cost-effective medical benefits for both the state and eligible enrolled members.
- Those enrolled in the HealthSelect MA PPO receive prescription drug benefits through the self-funded HealthSelect<sup>SM</sup> Medicare Rx plan.
- The HealthSelect MA PPO is a customized plan designed by ERS. It is not the same UnitedHealthcare product offered to the general public.

HealthSelect MA PPO	January 2019	January 2020	January 2021
<b>Members</b>	63,051	66,762	71,289
<b>Dependents</b>	16,747	17,633	18,596
<b>Total Enrolled Participants</b>	79,798	84,395	89,885

# HealthSelect Medicare Advantage PPO



## *Requirements: Theoretical Cost Index*

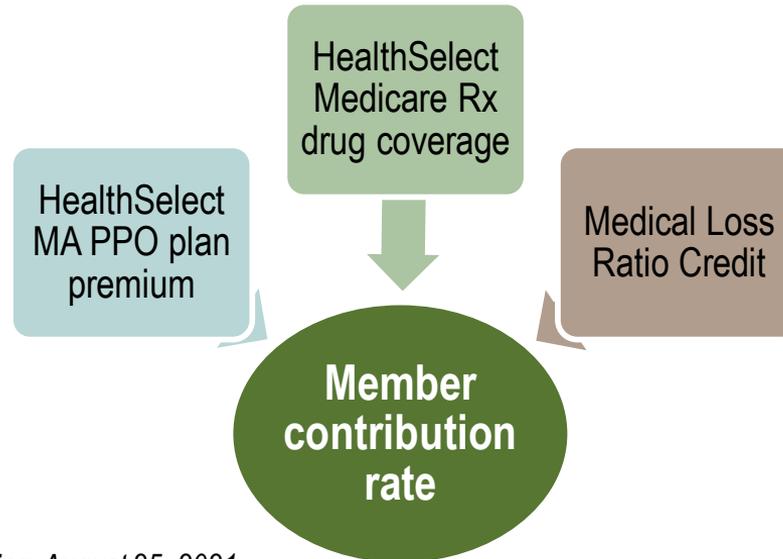
- To ensure the cost effectiveness of the MA PPO plan, the consulting actuary utilizes a theoretical cost index (TCI) model.
- TCI estimates the total cost that would be required to cover HealthSelect MA PPO participants if they were enrolled in HealthSelect of Texas®, the GBP's self-funded health insurance plan.

# HealthSelect Medicare Advantage PPO



## Member Contribution Rates

- The HealthSelect MA member contribution rate is primarily composed of two elements. The HealthSelect MA PPO plan premium and the projected cost of HealthSelect Medicare Rx drug coverage.
- In addition to the two factors above, there is a small credit due to Medical Loss Ratio rebates received.



# HealthSelect Medicare Advantage PPO

## Calendar Year 2022 Total Member Contribution Rates



- \$ 40.00 Medical coverage fully-insured premium
- \$139.28 HealthSelect Medicare Rx prescription drug coverage projected cost
- (\$ 0.24) Medical Loss Ratio rebate paid by two HMOs as discussed at the May board meeting

**\$179.04 Total CY22 monthly participant cost**

# HealthSelect Medicare Advantage PPO

## Proposed CY22 Monthly Contribution Rates



	Medicare-Primary Spouse	Medicare-Primary Surviving Spouse
Current (CY21) HealthSelect MA PPO Rates	\$ 89.52	\$ 179.04
<b>Proposed CY22 HealthSelect MA PPO Rates</b>	<b>\$ 89.52</b>	<b>\$ 179.04</b>
Change from CY21 Rates	(\$ 0.00)	(\$ 0.00)
HealthSelect of Texas FY22 Rates	\$ 357.54	\$ 715.08
<b>Retiree Savings through HealthSelect MA PPO</b> <i>(difference in HealthSelect of Texas and HealthSelect MA PPO rates)</i>	<b>\$ 268.02</b>	<b>\$ 536.04</b>

Note: Plan years differ.

HealthSelect of Texas: Fiscal Year (FY)

HealthSelect MA PPO: Calendar Year (CY)

Questions?  
**Action Item**

## Public Agenda Item # 26

# *Consideration of Fiscal Year 2022 Operating Budget and Fiscal Year 2022 Capital and Property Management Budget – (Action)*

August 25, 2021

Porter Wilson, Executive Director  
Machelle Pharr, Chief Financial Officer  
Robin Hardaway, Director of Customer Benefits

# FY21 Accomplishments



## *Support Our Members Retirement Income Security*

- Passage of Senate Bill 321, providing scheduled payments eliminating the infinite amortization period and adding a new group.
- Issued more than \$2.7 billion in payments to retirees and beneficiaries.
- Successfully sustained operations and investment management during the global pandemic.
- Improved the Texa\$aver<sup>SM</sup> program, adding a passive international fund and launching a monthly webinar to enhance members knowledge of the Texa\$aver features.
- Processed 45 Chapter 615 lump sum payments in the amount of \$25 million to survivors of those who died or were killed in the line of duty as of July 31, 2021.

# FY21 Accomplishments



## *Sustain Competitive Group Benefits Program*

- Continued proactive measures aimed at mitigating the pandemic's impact to participants in the Group Benefits Program (GBP)
  - COVID-19 diagnostic testing at no cost to participant and without prior authorization
  - Targeted COVID-19 vaccine campaign to assist age 65 and older participants with locating and scheduling their vaccine.
- Doubled the number of mental health providers in the HealthSelect<sup>SM</sup> network and emphasized no-cost mental visits availability through telemedicine and virtual visits, increasing participant access.
- Implemented the HealthSelectShoppERS<sup>SM</sup> member reward program seeking to reduce GBP costs by rewarding participants for choosing lower cost in-network providers for certain elective procedures.
- Launched additional episodes of care and bundled pricing programs.

# FY21 Accomplishments



## *Engage Stakeholders for Informed Decision Making*

- Conducted extensive communications to educate
  - Retirees about the HealthSelect<sup>SM</sup> Medicare Advantage Plan insurer changes
  - KelseyCare Advantage, Community First Health Plans and Scott and White Care Plans participants about the discontinuation of the HMOs in the GBP.
- Communicated temporary provisions of federal legislation as a result of COVID, as well as the change to a new flexible savings account vendor effective September 1, 2021.
- Added video counseling capabilities to support members as they considered retirement options, conducting 398 scheduled sessions either by phone or video.
- ERS Statewide Wellness Coordinator launched webinars to engage members in prevention activities and conducted walk and talk podcasts to encourage members to engage in physical activity.

# FY21 Accomplishments



## *Enhance Agency Performance and Accountability*

- Completed construction of the 1836 San Jacinto Building.
- Conducted a search and hired a new Chief Investment Officer.
- Implemented the statewide Centralize Accounting Payroll/Personnel System – HR modules.
- Completed ten audit engagements in accordance with the FY21 Audit plan providing assurance on the effectiveness of agency controls and operations
- Collected and reconciled over \$3.6 billion in employee and employer insurance contributions and \$730 million in member retirement contributions.
- Enhanced agency guidelines for working safely during the pandemic.
- Coordinated a drive-up Flu Clinic for ERS employees and their families.
- Implemented Multifactor Authentication for Virtual Desktop Infrastructure and Outlook Web access.
- Increased paperless processing and scanned over 280,000 images

# FY22 Initiatives



- Develop and implement a new retirement benefit for state employees hired on or after September 1, 2022 as prescribed by Senate Bill 321 (87<sup>th</sup> Regular Session)
- Increase trust asset diversity and complexity
  - Add up to 3 new hedge funds for the Absolute Return Portfolio
  - Continue to deploy capital into emerging hedge fund managers with up to 4 investments
  - Add up to 6 new private infrastructure investments.
- Perform due diligence for the addition of a high yield bond fund offering within Texa\$aver.
- Continue evaluation of individual long term care options.
- Decommission the commuter spending account
- Conduct an evaluation of ERS' public website and implement a redesign

# FY22 Initiatives



- Develop and publish solicitations for recurring and new services; evaluation, selection and implementation of vendors including Pharmacy Benefit Administration
- Continue improvement to data quality detection
- Obtain office and retail tenants for 1836 San Jacinto Building
- Determine renovation scope of work for 200 E. 18<sup>th</sup> Street building.
- Review and assess CAPPs recruitment module
- Conduct an evaluation of the in-house information governance program
- Evaluate and implement document storage, robotics and artificial intelligence solutions to improve agency efficiency

# Proposed Fiscal Year 2022 Operating Budget



## *Budget Drivers and Initiatives*

The proposed FY22 budget restores the 5% reduction made in FY21. The budget is increased by 2.7% to address critical activities:

- Continued management of investments
- System maintenance
- Data quality and security
- Reduction of Contact Center wait times
- Sustained recruitment and retention efforts of Contact Center staff
- Survivor benefits

# Proposed Fiscal Year 2022 Operation Budget



## *By Budget Category*

- Salary – related costs comprise 62.6% of the budget
- FTES – 2/3rds of the 9 FTEs added to Customer Benefits

	FY20	FY21	FY22
Salary - related	\$53.6 M	\$52.1 M	\$54.9 M
Non-salary-related	\$32.1 M	\$31.3 M	\$32.8 M
Total Budget	\$85.7 M	\$81.4 M	\$87.7 M
FTEs	415	415	424

- \$4.8 million included in contingency

# Proposed Fiscal Year 2022 Operating Budget

## By Division

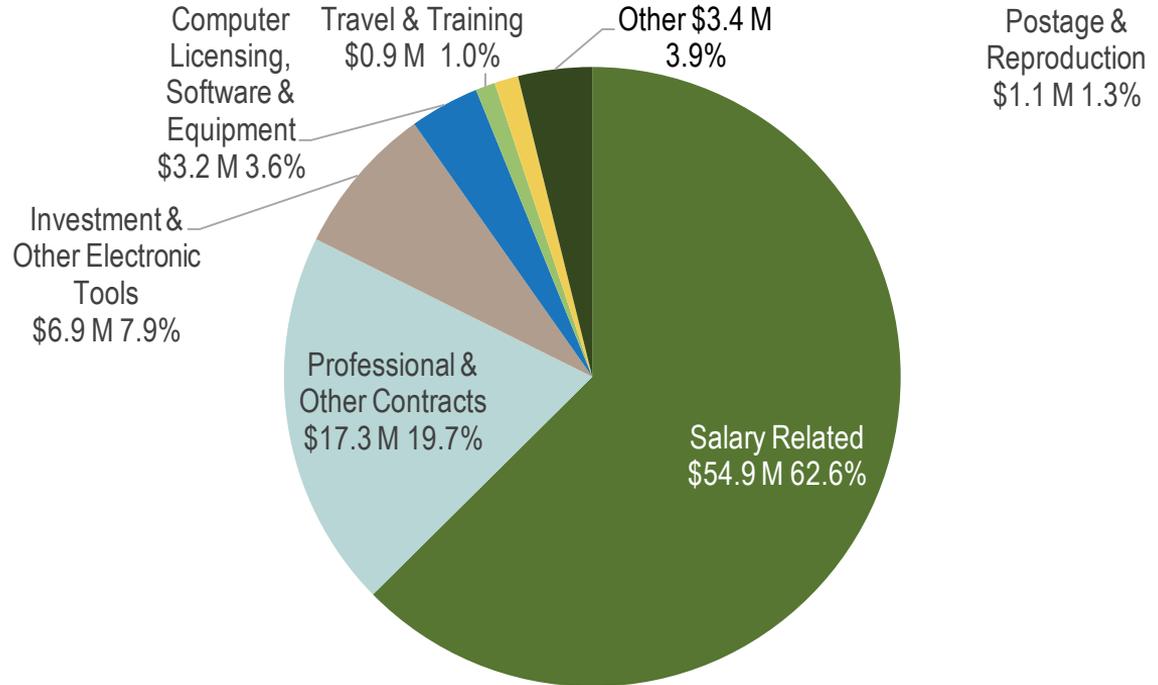


Key non-salary drivers and initiatives:

- Contractual Increases
- System Maintenance
- Data Quality and Security

Exhibit B

- Professional and other contracted services – Executive Director authorized to contract on behalf of ERS
- Notes referenced in division budgets



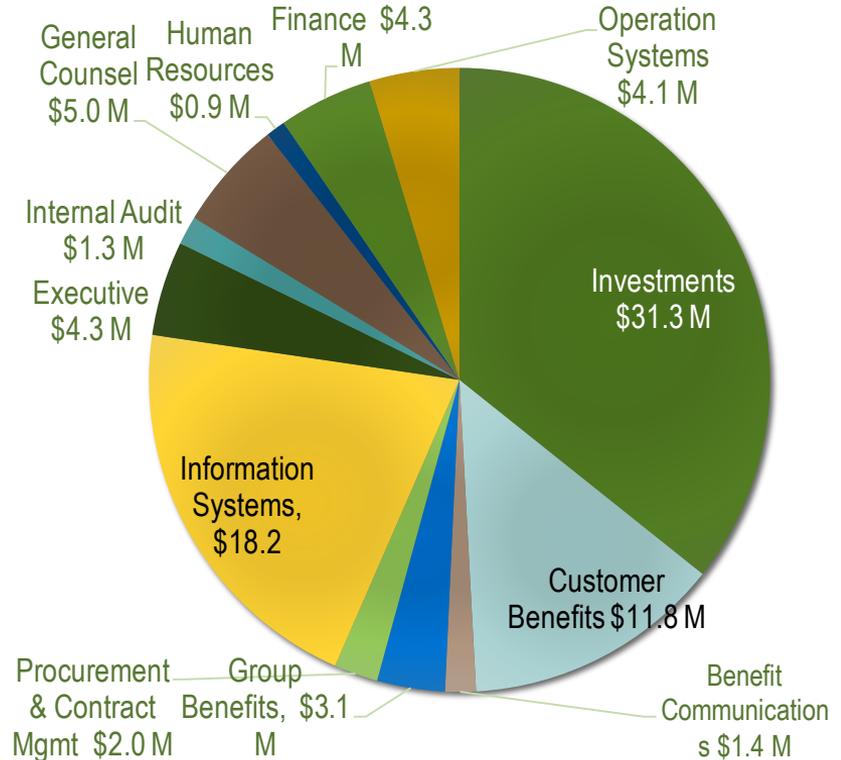
# Proposed Fiscal Year 2022 Operating Budget



## By Division – Amount

Direct Investment-related Expenses	
Investments	\$31.3 M
Other Divisions	\$4.0 M
<b>Total Direct Investment-related Expenses</b>	<b>\$35.3 M</b>

Investment advisor fees are detailed in Exhibit B – Note 3



# Proposed Fiscal Year 2022 Operating Budget

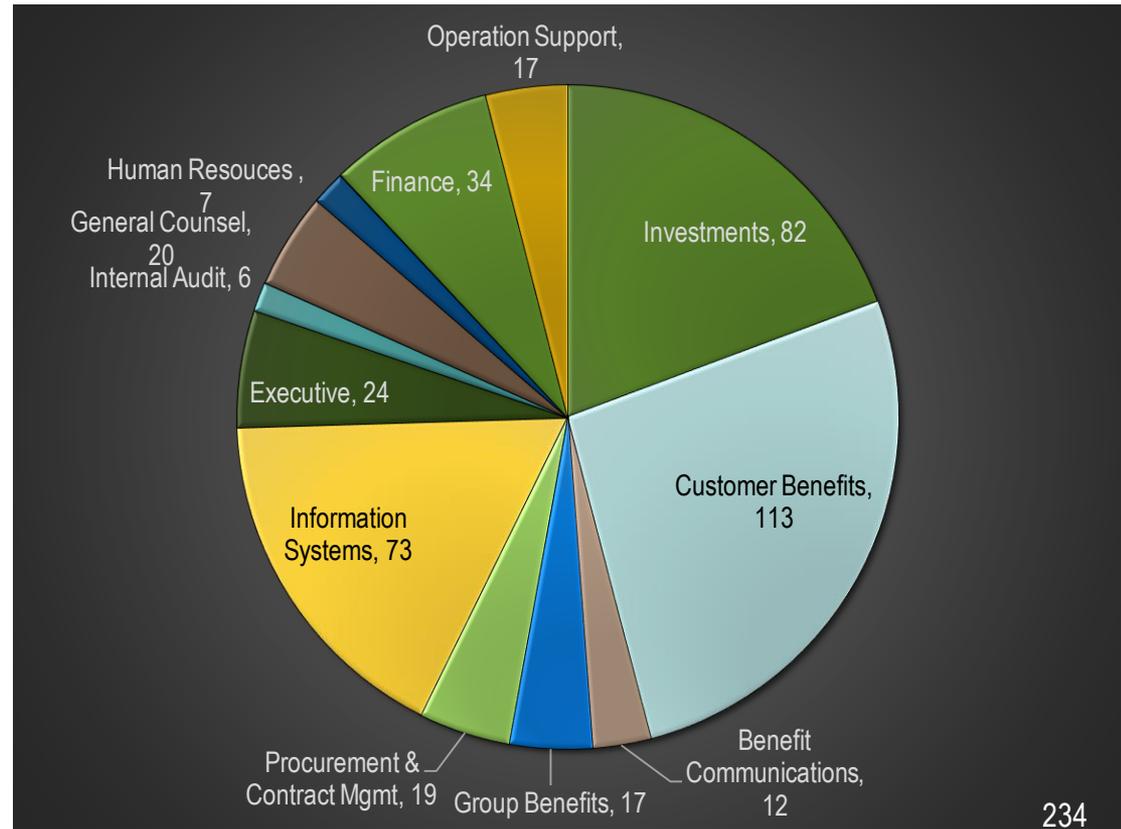


## By Division – Amount and FTE

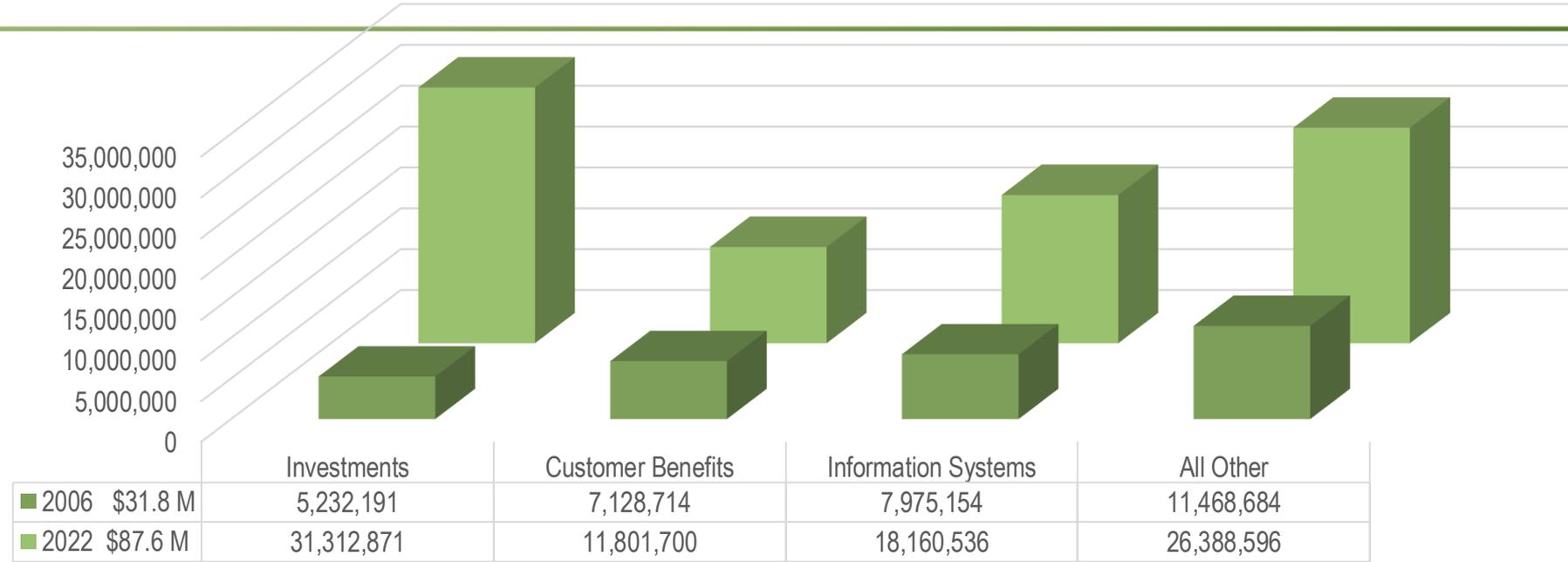
FTES Added	
Investments	1*
Customer Benefits	7**
Office of General Counsel	1

\* In addition, 1 FTE moved from Finance

\*\* 2 positions added last year

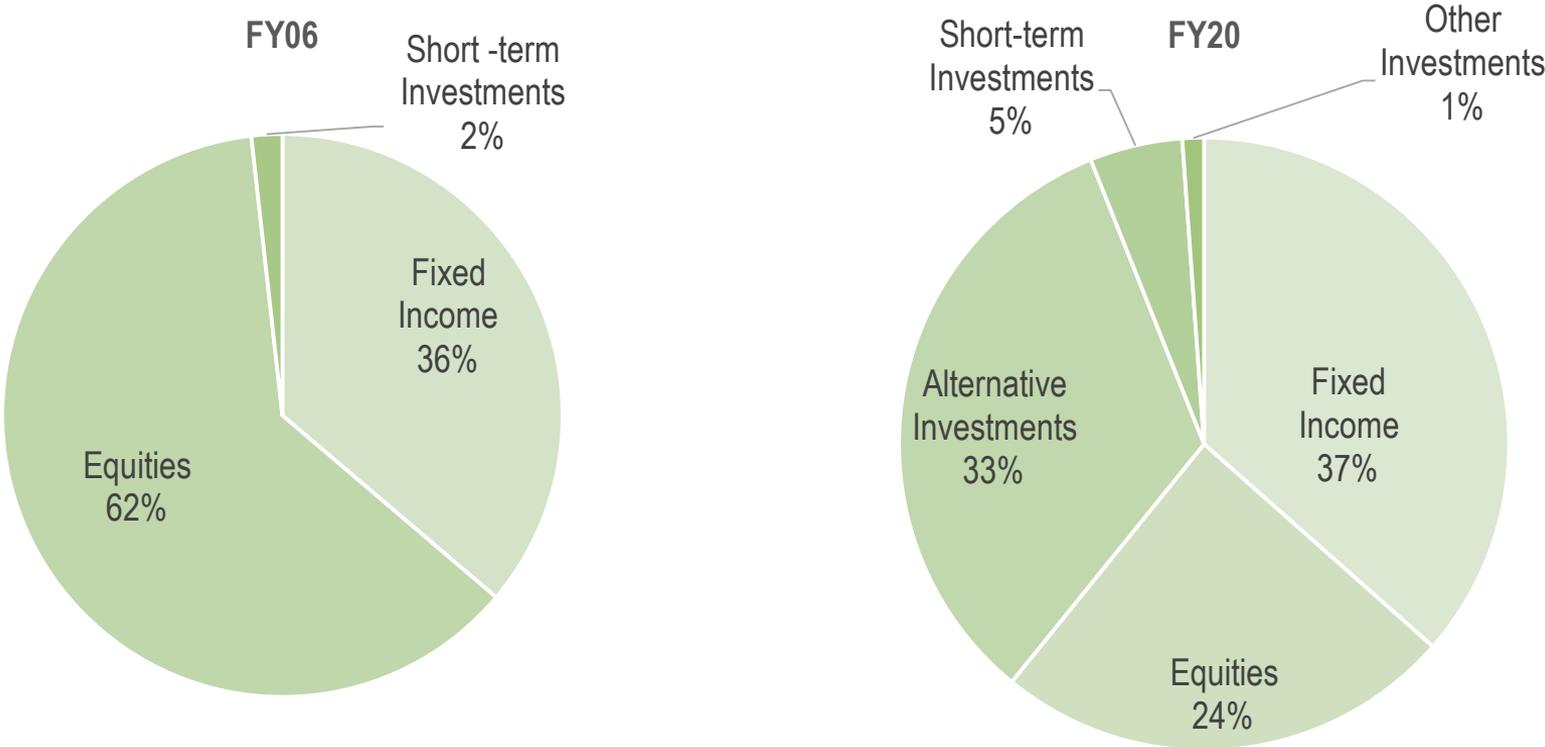


# Budget Comparison 2006-2022



# Proposed Fiscal Year 2022 Operation Budget

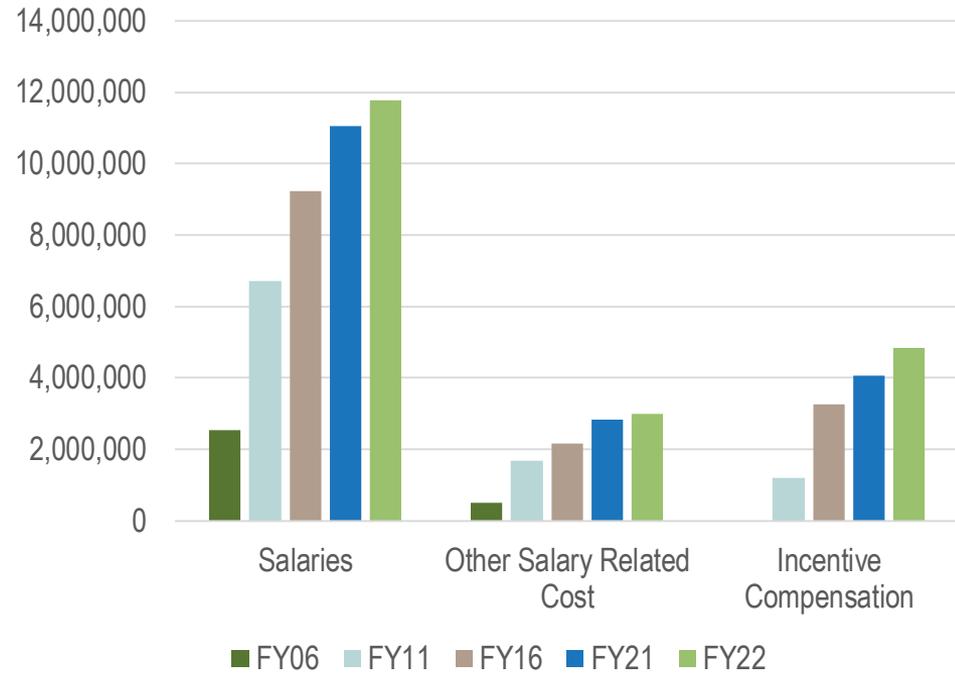
## Comparison of Asset Allocation



# Investments

## Salary Related Costs

FY	FTEs
2006	29
2011	59
2016	74
2021	80
2022	82



ICP first approved Dec 2006.

# Proposed Fiscal Year 2022 Operating Budget

## Agency Complexity – Retirement Plans and TexaSaver



### 2010 - 2013

- Retirement Group 2
- Emerging Manager Program
- Securities Lending Program
- Hedge Fund Portfolio
- Infrastructure asset Class
- Roth option to TexaSaver

### 2014 - 17

- Retirement Group 3
- Separate accounting & actuarial calculations for LECO participants
- State & Employee Contribution Increases
- Elimination of 60 day waiting period

### 2018-2019

- Funding Priorities and Guidelines adopted by the Board
- Investment system architecture evaluation
- Security Changes
- Data Quality & Conditioning
- Data Partitioning – Phase 1

### 2020

- Tiered judicial salaries
- Knowledge Management system integration with Interactive Voice Response
- Data Partitioning – Phase 2

### 2021

- 1836 San Jacinto Building completed
- TexaSaver compliance with federal laws related to COVID-19
- Video counseling capabilities
- Multifactor Authentication

### 2022

- Retirement Group 4
- RISE
- Continued diversification of investments
- Legacy payments
- Data Security

# Proposed Fiscal Year 2022 Operating Budget

## Agency Complexity – Group Benefit Program



### 2011-2013

- Major changes to Insurance benefits to address funding shortfall
- 100% Dependent Eligibility Audit
- Medicare Advantage Employer-Sponsored PPO
- Tobacco use contribution differential
- Employee Group Waiver Plan plus

### 2014-2016

- 60 day wait
- Separate insurance enrollment period for retirees
- Ongoing dependent eligibility
- Tiered Insurance for retirees
- Federal Affordable Care Act
- Choose to Quit
- Qualified Transportation Fringe Benefit

### 2017-2018

- Consumer Directed Health Plan
- Health Savings Account
- Vision Plan
- Enhanced agency contracting processes and procedures
- Two new diabetes program

### 2019-2020

- Expanded health and wellness promotion programs
- Mental Health Virtual Visit Program
- Changing the Script Program
- Data Quality & Conditioning
- Proactive prevention measures against COVID-19 pandemic

### 2021

- SmartShoppERS member reward program
- Expand mental health provider network
- Expanded bundled pricing programs
- COVID-19 Subsidy for eligible COBRA participants.

### 2022

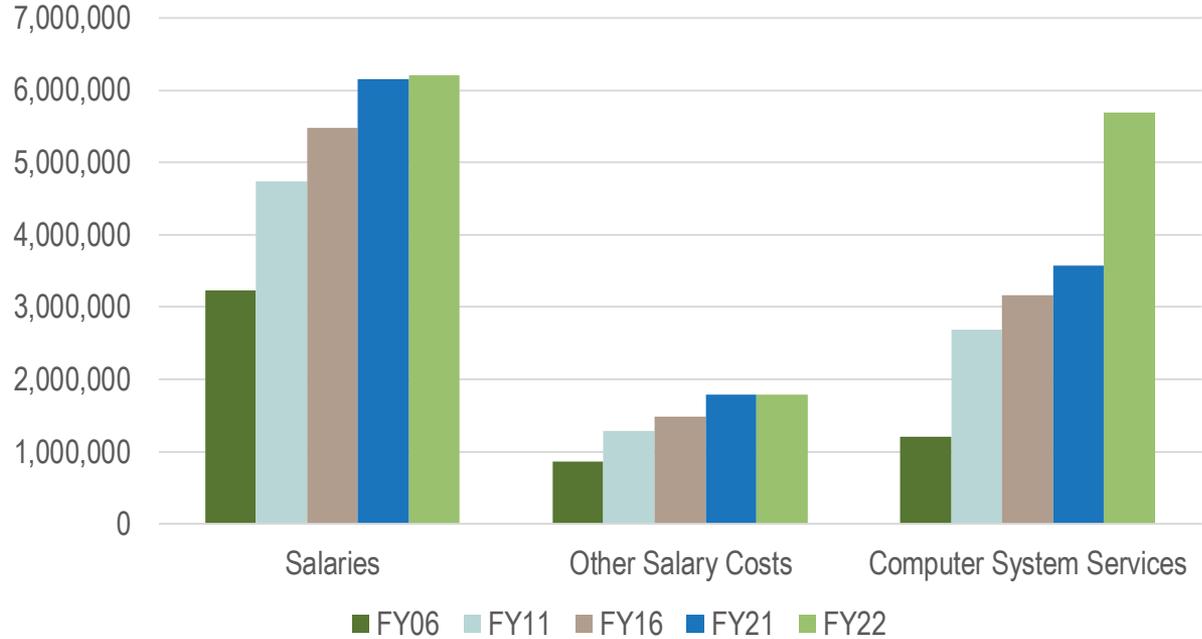
- Evaluate individual long term care options
- RISE
- Data Security
- Decommission Commuter Spending Account

# Proposed Fiscal Year 2022 Operating Budget

## Information Systems

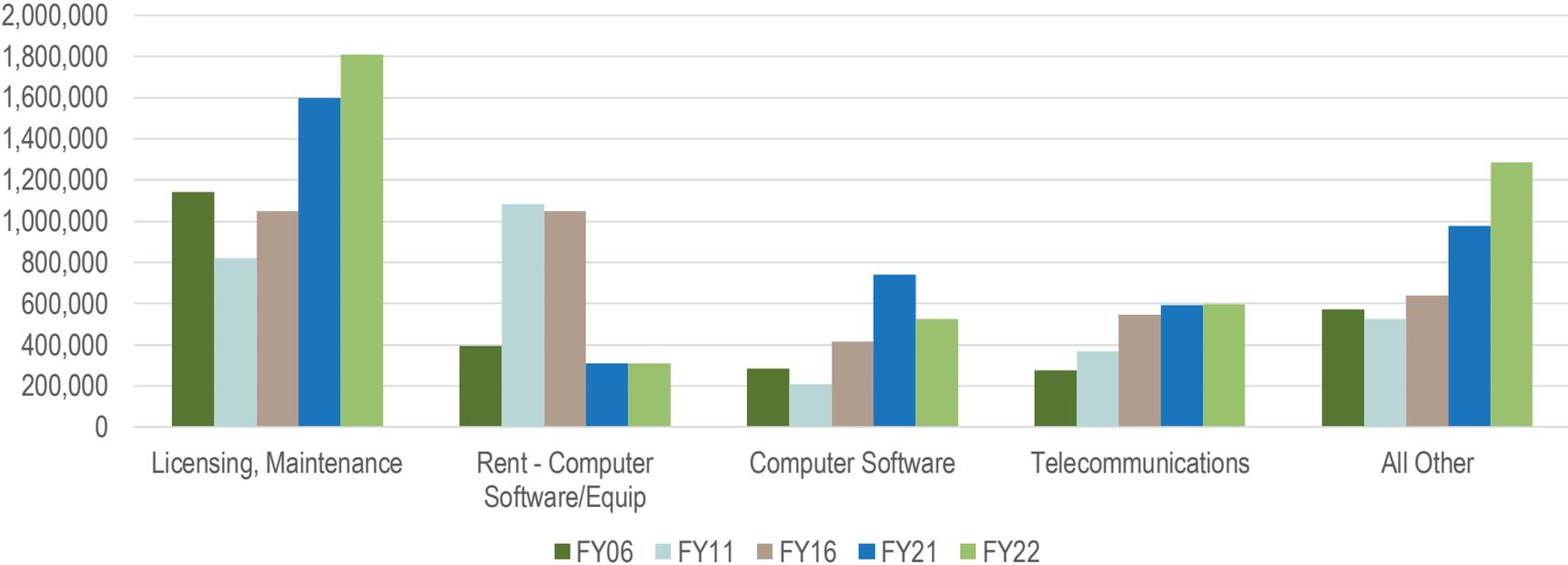


FY	FTEs
2006	58
2011	64
2016	68
2021	73
2022	73



# Proposed Fiscal Year 2022 Operating Budget

## Information Systems



2021 and 2022 increase in Other is associated with Data Conditioning and Security

# Customer Trends



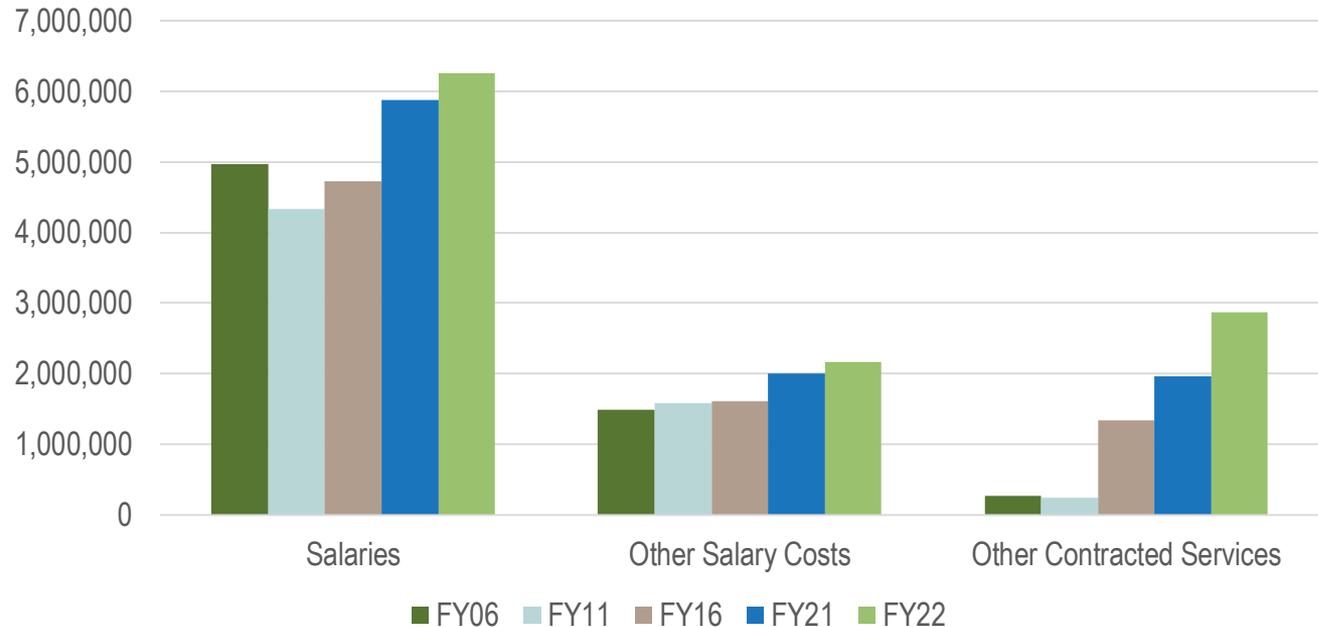
	2006	2011	2016	2020
ERS				
Active members	132,411	137,293	146,390	142,062
Inactive members	61,567	84,900	108,873	134,909
Retirees & Beneficiaries	67,596	83,430	103,758	117,996
LECOS				
Active members	37,103	36,806	39,066	35,230
Inactive members	33	5,785	15,203	25,511
Retirees & Beneficiaries	5,318	7,728	11,515	14,697
GBP Participants	505,854	547,602	556,593	569,511

# Proposed Fiscal Year 2022 Operating Budget

## Customer Benefits



FY	FTEs
2006	122
2011	110
2016	99
2021	106*
2022	113



Between 2007 and 2011 Benefit System Design Function, the Reconciliation Group, and Communications & Research moved to Other Divisions  
 2013: 1<sup>st</sup> year not at 100%; assumed vacancy rate of 2.4%; eliminated administrative positions due to completion of records imaging project  
 \*2021: 2 positions added. Included as FTEs in 2022 proposed budget

# Customer Benefits

## Retirement Data



Retirees by class	FY20	FY21 (9/1 – 7/31/2021)
Regular state employees	4,006	3,379
Commissioned peace officers or custodial officers	851	666
Elected state officials	7	23
Judicial plan 1 & 2	13	44
<b>Total</b>	<b>4,877</b>	<b>4,112</b>

More than 15,000 active employees are eligible to retire next fiscal year (9% of the workforce)

# Customer Benefits

## *Additional Data*



<b>Customer Benefits Operations</b>	<b>FY21 (thru 7/31/2021)</b>
Retirement Account Withdrawals	11,808
Beneficiary Updates	17,199
Benefits Coordinator Assistance (Calls, emails, exceptions, processing requests)	25,665
Projects and system fixes	70
Data Corrections	Over 2,000

# Survivor Benefits

## Overview



Standard Member Benefits				Public Safety Benefits (615)
Retiree Benefits	Active Member Benefits	Insurance Benefits	Other Benefits	Benefits
Optional annuity	Active additional death Benefit	Health	Funeral assignment	\$511,500 lump sum payment
Retiree lump sum death benefit	Active death account refund	Dental	Texa\$aver	Surviving spouse annuity
Retirement account refund	Active death annuity	Vision		Surviving child payments
		COBRA		Funeral expenses
		Basic term life		Health insurance
		Optional term life		

# Survivor Benefits

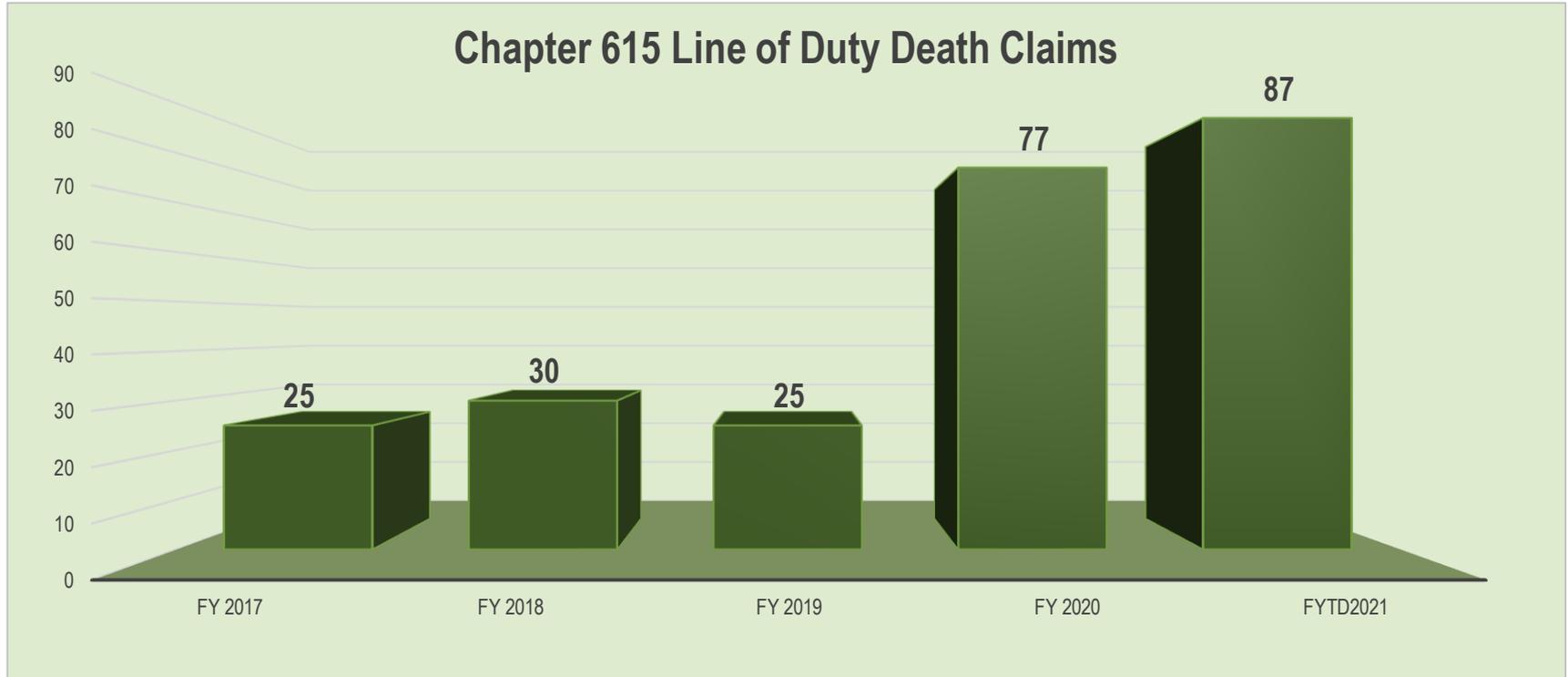


## *Public Safety (Chapter 615) Benefits*

- Chapter 615 of the Texas Government Code provides death benefits for eligible survivors of certain law enforcement officers, fire fighters, and others who have died or been killed in the line of duty.
- The program is state funded and administered by ERS.
  - It is not part of any ERS retirement program.

# Survivor Benefits

## *Public Safety (Chapter 615) Benefits*





# Survivor Benefits

## *Staffing Increase Justification*



- Meet the service expectations of surviving families.
- Decrease overtime performed by staff in survivor benefits and other departments that are assisting to help manage the increased workload.
- Reduces the needs to maintain temp staffing throughout the year.

Overtime performed in FY21 by survivor benefit staff and other support staff:  
Over 1,700 hours

### Current Staffing

- Budgeted FTE's: 4
- Current Filled FTE's: 3
- Requested FTE's: 1

### Workload:

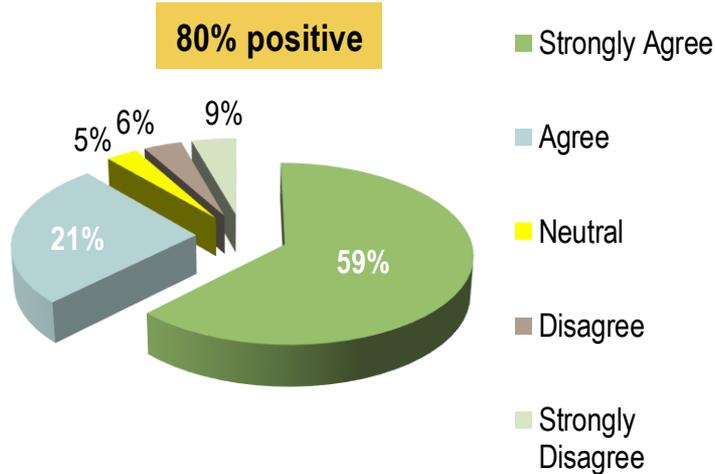
- Standard Death Benefits Processing increased 27%
- Chapter 615 claims increased over 300%

# Customer Service Surveys FY21 (9/1/20- 6/30/21)



*Member satisfaction with contact center service has declined*

## ERS Contact Center and Outsource Contact Center



Customer Service Survey  
**FY 20 Results**

ERS: **86%** Positive  
Outsource: **85%** Positive

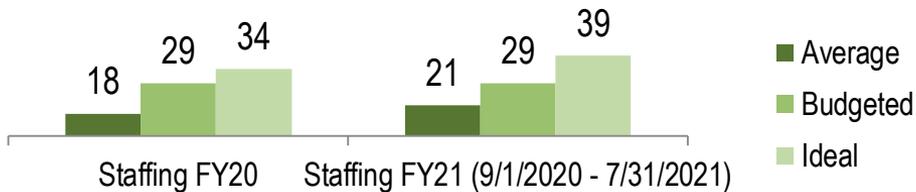
# Customer Service Performance – Goal is to answer 70% of calls in 60 seconds



	Outsource		ERS	
	FY20	FYTD21	FY20	FYTD21
Call volume	250,870	274,877	159,910	147,225
Service level	37.64%	13.07%	6.50%	4.61%
Average speed of answer (ASA)	6:15	29:52	36:57	50:55
Average handle time	7:56	10:09	14:47	17:13

	FY End Forecast
ERS	166,472
Group O	300,255

**ERS is at 54% of ideal staffing levels**



### Successes

- Compensation increases
- Successful implementation of new outsource vendor
  - Transition planning for insurance volume
- Successfully completed assessment on new technology options and are in development stages of the RFP.
- Implemented new software to help counselors navigate resources more effectively.

### Challenges

- Attracting/retaining quality staff
- Lengthy learning curve
- Multi-skilled environment
- Complexity of benefits have increased
- Daily work is not deferrable

# Customer Service Performance – Future goal is to answer 70% of calls in 3 minutes



Actual staffing required to achieve performance objectives

March:  
Majority of Insurance  
volume is moved to  
Group O.

	September	October	November	December	January	February	March	April	May	June	July	August
Phone Volume	15,991	15,682	12,874	14,020	15,356	12,831	8,432	7,801	7,739	9,018	9,292	8,360
Non Phone Volume *	4,064	3,943	3,108	2,913	3,985	3,627	3,724	3,756	3,641	4,127	4,736	4,244
Required FTE (based on 60 sec ASA) phone and non phone	49	47	44	45	51	45	33	33	34	35	42	34
Required FTE (based on 3 min ASA) phone and non phone	45	45	41	40	48	42	30	30	31	32	39	32

\* Non Phone volume: Member visits, emails, worklist and research items

# Proposed Fiscal Year 2022 Capital and Property Management Budget



	FY 21	FY 22
1836 San Jacinto	\$1.7 M	\$1.9 M
200 E. 18 <sup>th</sup> Street*	\$0.6M	\$1.0 M
Total	\$2.3 M	\$2.9 M

\* A budget amendment will be presented upon determination of the renovation costs.

# Proposed FY22 Operating, Capital & Property Management Budgets Contracts and Other Costs Notes – Exhibit B



- Professional and other contracted services – Executive Director authorized to contract on behalf of ERS
- Notes are referenced in division budget
- Investment advisor fees are presented in detail in Exhibit B – Note 3

Questions?  
**Action Item**

# Public Agenda Item #27

## *Agency Update*

August 25, 2021

Porter Wilson, Executive Director

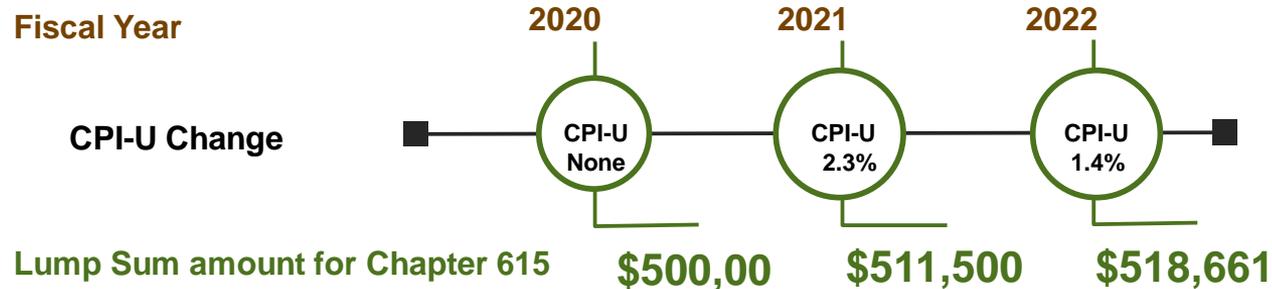
# Agency Update

## CPI-U Adjustment for Chapter 615 benefits for FY22



The system's actuary reports the percentage change of the Consumer Price Index for All Urban Consumers from December to December of the previous year.

The amount of the payment to eligible surviving families for certain law enforcement and other emergency related first responders who are killed in the line of duty is based on deaths reported within each fiscal year.



# Plan Year 2022 Summer Enrollment

## *Benefits Enrollment Information*



ERS mailed  
**266,802**  
PBES packets.



The Contact Center and  
Group O fielded  
**6,033**  
Summer Enrollment calls.



Members made  
**60,884**  
coverage changes.

# Plan Year 2022 Summer Enrollment

## *Online-only Benefits Education*

- The ERS website had **250,337** visits, with **1,195,048** page views.
  - The Summer Enrollment page had **22,564** views.
- **5,718** members attended **50** webinars.
  - Attendance increased almost **15%** from 2020.
  - Attendees asked almost **3,000** questions.
  - More than **97%** of survey respondents said the webinars were helpful.



---

***Preparation for Fall Enrollment, November 1 - 19, is well underway, with plans to conduct in-person fairs.***



Questions?

# Public Agenda Item #28

## *Board Member Recognition*

August 25, 2021

# Public Agenda Item #29

## *Executive Session*

August 25, 2021

# Executive Session



In accordance with Section 551.074, Texas Government Code, the ERS Board of Trustees will meet in executive session to deliberate the employment, evaluation and duties of the Executive Director of the Employees Retirement System of Texas. Thereafter, the Board may consider appropriate action in open session.

## Public Agenda Item #30

*Election of Chair and Vice Chair of the ERS Board of Trustees for  
Fiscal Year 2022 – (Action)*

August 25, 2021

Questions?  
**Action Item**

# Public Agenda Item #31

*Adjournment of the Board of Trustees Meeting*

August 25, 2021

# *Next Meeting Dates*



## **Next Meeting Date:**

2-Day Workshop:

Tuesday, December 7, 2021

Wednesday, December 8, 2021

## **Proposed Fiscal Year 2022 Meeting Dates:**

Wednesday, March 9, 2022

Wednesday, May 11, 2022

Wednesday, August 24, 2022