

Meeting of the ERS Board of Trustees

December 7, 2021



Public Agenda Item #6

Call Meeting of the Board of Trustees to Order

December 7, 2021

Public Agenda Item #7

*Consideration of the Minutes to the August 25, 2021
Board of Trustees Meeting – (Action)*

December 7, 2021

Questions?
Action Item

Public Agenda Item #8

Executive Session

In accordance with section 551.074, Texas Government Code, the Board of Trustees will meet in executive session to deliberate the employment, evaluation and duties of the Internal Auditor of ERS, and in accordance with section 551.071, Texas Government Code, the Board of Trustees will meet in executive session to consult with legal counsel regarding contemplated litigation.

Thereafter, the Board may consider appropriate action in open session.

December 7, 2021

Public Agenda Item #9

*Consideration of Readoption of Proposed Rules of the Board of Trustees, Texas Administrative Code, Title 34, Part IV, Chapter 61 (Terms and Phrases), Chapter 63 (Board of Trustees), and Chapter 65 (Executive Director), with Proposed Amendments - (**Action**)*

December 7, 2021

Keith Yawn, Director of Strategic Initiatives

Administrative Code Review

Chapters 61, 63 and 65



- Texas Government Code, Section 2001.039 directs agencies to regularly review administrative rules to assess whether the reasons for their adoption continue to exist.
- Chapter 63 (Board of Trustees) includes new language to implement legislation passed by the 87th Texas Legislature.

Proposed Amendments to Chapter 61

Terms and Phrases



- Chapter 61 provides definitions of certain terms and phrases used throughout ERS administrative rules for consistency and clarity.
- Exhibit A provides the detailed revisions as publicly posted.
- Reason for revisions: to clarify and simplify the language used in the rules for a public audience; not intended to change the meaning or application of the rules from previous versions.

Proposed Amendments to Chapter 63

Board of Trustees



- Chapter 63 covers Board of Trustee operations, including duties, election activities, and advisory committees.
- Exhibit B provides the detailed revisions as publicly posted.
- Reason for revisions: (1) to implement the provisions of House Bill 917 (87th session) to allow a retiree to serve as a trustee; and (2) to clarify and simplify the language used in the rules for a public audience.

Proposed Amendments to Chapter 63

Board of Trustees – Nomination Process



- Statute allows a retiree to hold 1 of the 3 elected trustee position
- Retirees can run in a board election for the first time in 2023
- An active member may not be nominated to the Board if they are employed by the same agency as another trustee
- A retiree or active member may not be nominated to the Board if they were employed by ERS within the past six years

Proposed Amendments to Chapter 65

Executive Director



- Chapter 65 addresses the authority of the ERS Executive Director, including duties and delegation authority.
- Exhibit C provides the detailed revisions as publicly posted.
- Reason for revisions: to clarify and simplify the language used in the rules for a public audience, and ensure alignment with authorizing statute.

Public Posting and Comment

Chapters 61, 63 and 65



Notices of the proposed amendments to Chapter 61, Chapter 63 and Chapter 65 were published in the October 22, 2021 issue of the Texas Register (46 TexReg 7194).

ERS did not receive any comments on the proposed rule amendments.

Staff Recommendation

Proposed amendments to Chapters 61, 63 and 65



Re-adopt Chapter 61 (Terms and Phrases), Chapter 63 (Board of Trustees), and Chapter 65 (Executive Director) as amended in Exhibits A, B and C of this agenda item and publicly posted to the Texas Register, as the reasons for their adoption continue to exist.

Questions?
Action Item

Public Agenda Item #10

Consideration of Readoption of Rules of the Board of Trustees, Texas Administrative Code, Title 34, Part IV, Chapter 69 (Membership and Refunds), with Proposed Amendments, Including New Provisions Regarding Pension Forfeiture Resulting from Criminal Convictions; and Consideration of Proposed Amendments to Chapter 85 (Flexible Benefits) - (Action)

December, 7, 2021

Emily Miller, Assistant General Counsel
Diana Kongevick, Director, Group Benefits

Proposed Re-adoption of Chapter 69 with Amendments

Membership, Annuity Termination, and Refunds



- **Required Rule Review**

- Pursuant to Tex. Gov't Code § 2001.039
- ERS staff reviewed Chapter 69 and determined that the reasons for adopting the chapter continue to exist.

- **Proposed Rule Amendments**

- Sections 69.1 and 69.9
 - Non-substantive amendments
 - Intended to clarify and simplify the existing rule language

Proposed Re-adoption of Chapter 69 with Amendments

Membership, Annuity Termination, and Refunds



- **Repealed Sections**

- Sections 69.3 (Members of Governing Boards) and 69.7 (Reinstatement of Refunded Accounts within 15 days) were moved to §§ 69.7 and 69.8 to accommodate new provisions.
- Section 69.5 (Interest Payable at Time of Refund) was repealed because it is obsolete.

- **New Annuity Termination Provisions**

- Sections 69.2 through 69.6
 - Required by Tex. Gov't Code §§ 810.003 and 810.004
 - The purpose is to delineate when and how ERS will terminate the annuity of an elected official or corrections officer who is convicted of a qualifying felony.

Proposed Re-adoption of Chapter 69 with Amendments

Membership, Annuity Termination, and Refunds



Key Points

- ERS will terminate the annuity of an elected official or corrections officer who is convicted of a “qualifying felony” related to the person’s office or employment.
 - Remaining retirement contributions will be refunded.
 - ERS will reinstate the annuity if the conviction is overturned or actual innocence is established and ERS receives (1) an application to reinstate and (2) repayment of any refund within 120 days.
- If an annuitant fails to provide timely notice of a conviction and thus continues to receive annuity payments, he or she must repay ERS.

Proposed Re-adoption of Chapter 69 with Amendments

Membership, Annuity Termination, and Refunds



Key Points (cont'd)

- For a QDRO that pre-dates the termination statute, ERS will continue to pay the alternate payee if payment has begun. If payment has not begun, ERS will pay the alternate payee a portion of any refund.
- A court may award part of a terminated annuity to a spouse who is not convicted of the qualifying felony or an offense arising out of the same criminal episode. The rules cap a spousal award at 50%.

Proposed Re-adoption of Chapter 69 with Amendments

Membership, Annuity Termination, and Refunds



- Notice of the proposed rules for Chapter 69 was published in the October 29, 2021 issue of the *Texas Register* (46 TexReg 7360).
- Notice of the proposed rules was also included in the ERS newsletter.
- ERS did not receive comments regarding the proposed amendments.

Questions?

Proposed Amendments to Chapter 85

Flexible Benefits



- Rule amendments to Chapter 85 are proposed pursuant to Tex. Insurance Code § 1551.052 and Tex. Insurance Code § 1551.206(b).
- Chapter 85 serves as the TexFlex Program's plan document.
- Rule amendments:
 - Sections 85.1 (Introduction and Definitions)
 - 85.4 (Separate Plans)
 - 85.6 (Relief Options due to the Coronavirus (COVID-19))
 - 85.7 (Enrollment)

Proposed Amendments to Chapter 85

Commuter Spending Account



- **Repealed Sections**

- Section 85.4 Separate Plans – repeal subsection (d) Qualified transportation benefit plan because it is obsolete.

Key Points

- May 2021: Board approved to terminate the Commuter Spending Account effective August 31, 2021, with a runout period ending December 31, 2021. The remaining eligible balances will be refunded to participants on a taxable basis.

Proposed Amendments to Chapter 85

Relief Options due to the Coronavirus (COVID-19)



- **New Relief Options Provisions**

- Section 85.6 (Relief Options due to the Coronavirus (COVID-19)) is added to define the temporary relief options for Plan Years 2020 and 2021 as allowed under the federal Consolidated Appropriations Act of 2021.
- Options are available for dependent care reimbursement accounts and health care FSAs, including limited purpose FSAs.
- ERS administered the COVID-19 relief options for TexFlex participants as permitted under federal regulations.
- Options must be adopted into plan document by December 31, 2021.

Proposed Amendments to Chapter 85

Relief Options due to the Coronavirus (COVID-19)



Key Points

COVID-19 relief options are temporary provisions to the program to help address challenges for participants who were unable to use their FSA benefits as participants originally intended.

- Removed FSA carryover limits for both 2020 and 2021 plan years
- Adopted spend-down provisions for plan years ending 2020 and 2021, to allow those who leave the plan to submit claims up to the contribution amount for dates of service during the entire plan year

Proposed Amendments to Chapter 85

Relief Options due to the Coronavirus (COVID-19)



Key Points (cont'd)

- Adopted the special carry forward rule for dependent care reimbursement where dependents aged out during the pandemic.
“Eligible employee” may be reimbursed for an eligible dependent who is not yet age 14 for purposes of determining the dependent care assistance, which may be paid or reimbursed under the dependent care reimbursement account.
- Allowed prospective FSA elections for PY21 without a qualifying life event

Proposed Amendments to Chapter 85

Definitions and Enrollment



- **Proposed Rule Amendments**

- Section 85.1 (Introduction and Definitions) amends subsection (c) Definitions to include applicable references to new rule 85.6, when appropriate
- Section 85.7 (Enrollment) amends subsections (e) Forfeiture of Account Balances and (g) Carryover of Unexpended Balances to include references to the new rule 85.6, when appropriate

Public Posting and Participant Communications

Flexible Benefits



Public Posting

- Notice of the proposed amendments to Chapter 85 was published in the October 22, 2021 issue of the *Texas Register* (46 TexReg 7198).
- Notice of the proposed rules was also included in the ERS newsletter.
- ERS did not receive comments regarding the proposed amendments.

Communication

- WageWorks, Inc. notified
 - CSA participants of benefit closing
 - FSA participants of temporary relief options available
- ERS included benefit changes on ERS website

Staff Recommendation

Re-adoption of Chapter 69 with Amendments



Re-adopt Texas Administrative Code, Title 34, Part IV, Chapter 69 (Membership and Refunds), as revised by the proposed amendments detailed in Exhibit A to item 10 on the Board's agenda, including changes to the text published in the *Texas Register*.

Staff Recommendation

Adopt Proposed Amendments to Chapter 85



Adopt the proposed amendments to Texas Administrative Code, Title 34, Part IV, Chapter 85 (Flexible Benefits), as detailed in Exhibit B to item 10 on the Board's agenda.

Questions?
Action Item

Public Agenda Item #11

Report of the Group Benefits Advisory Committee

December 7, 2021

Bernie Hajovsky, Director of Enterprise Planning

Megan LaVoie, Group Benefits Advisory Committee Member

GBAC Annual Report

Committee Background



- 11-member committee provides stakeholder and expert input in the planning and development of the Group Benefits Program
- Committee charter sets the framework for structure and activities
- Committee meets twice each year

GBAC Annual Report

Recap of 2021 Meetings



Topics Discussed in March

- ❑ 2021 legislative session
- ❑ COVID-19 impact on health plans
- ❑ Fertility benefits and coverage
- ❑ Resources to support GBP participants

Topics Discussed in October

- ❑ New legislation from the 2021 session
- ❑ ERS Rider 17 on alternative methods for delivering current GBP benefits
- ❑ GBP and wellness updates

GBAC Annual Report

Committee Feedback



- ❑ No formal recommendations for the Board of Trustees
- ❑ Suggestions for staff consideration
 - Maintain the existing fertility benefits and coverage currently available to GBP health plan participants without expansion
 - Explore offering additional benefits with impact to more participants
 - Increase awareness of GBP wellness opportunities
 - Explore the possibility of hosting virtual sessions to provide healthy eating tips for health plan participants

Questions?

Public Agenda Item #12

Appointment of Group Benefits Advisory Committee Members- (Action)

December 7, 2021

Bernie Hajovsky, Director of Enterprise Planning Office

Appointment of GBAC Members



Membership

- ❑ Up to 11 committee members
- ❑ Requires at least one (1) year of GBP enrollment and employer support
- ❑ Serve 3-year staggered terms
- ❑ **Serve at the will of the Board**

Appointment of GBAC Members

Committee Representation



- ❑ (2) State agencies, large (800+ FTEs)
- ❑ (2) State agencies, mid-sized (100-799 FTEs)
- ❑ (1) State agencies, small (<100 FTEs)
- ❑ (1) Institutions of higher education, 4-year
- ❑ (1) Institutions of higher education, 2-year
- ❑ (1) Health-related institution (academic, administrator or practitioner)
- ❑ (2) Retirees (1 Medicare, 1 non-Medicare)
- ❑ (1) Insurance or benefits design professional (GBP eligibility does not apply)

Appointment of GBAC Members

Vacancies Within Two Categories



- ❑ State agencies, large
- ❑ State agencies, mid-sized
- ❑ State agencies, small
- ❑ ***Institutions of higher education, 4-year (1)***
- ❑ Institutions of higher education, 2-year
- ❑ Health-related institution (academic, administrator or practitioner)
- ❑ ***Retirees (1)***
- ❑ Insurance or benefits design professional (GBP eligibility does not apply)

Appointment of GBAC Members

Staff Recommendations for Three-Year Terms Beginning in 2022



Nominee	Category	Organization	Title
Janet Bezner *	State Institution of Higher Education, Four-Year	Texas State University	Professor and Chair, Department of Physical Therapy
Gary White *	Retiree	N/A	N/A

* Current GBAC Member

Agenda Item 12 – Board of Trustees Meeting, December 7, 2021

Questions?
Action Item

Public Agenda Item #13

Health Insurance Financial Update for Fiscal Year 2021 and Outlook for Fiscal Year 2022

December 7, 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 of Texas[®] Review



Trends

	PY19	PY20	PY21 Estimated Trend	PY21 over PY19 Annualized Trend
Medical Trend	3.0%	-0.8%	12.8%	5.7%
Pharmacy Trend	7.2%	5.6%	8.7%	7.1%
Combined Medical and Pharmacy Trend	4.1%	1.0%	11.6%	6.1%

HealthSelect Review

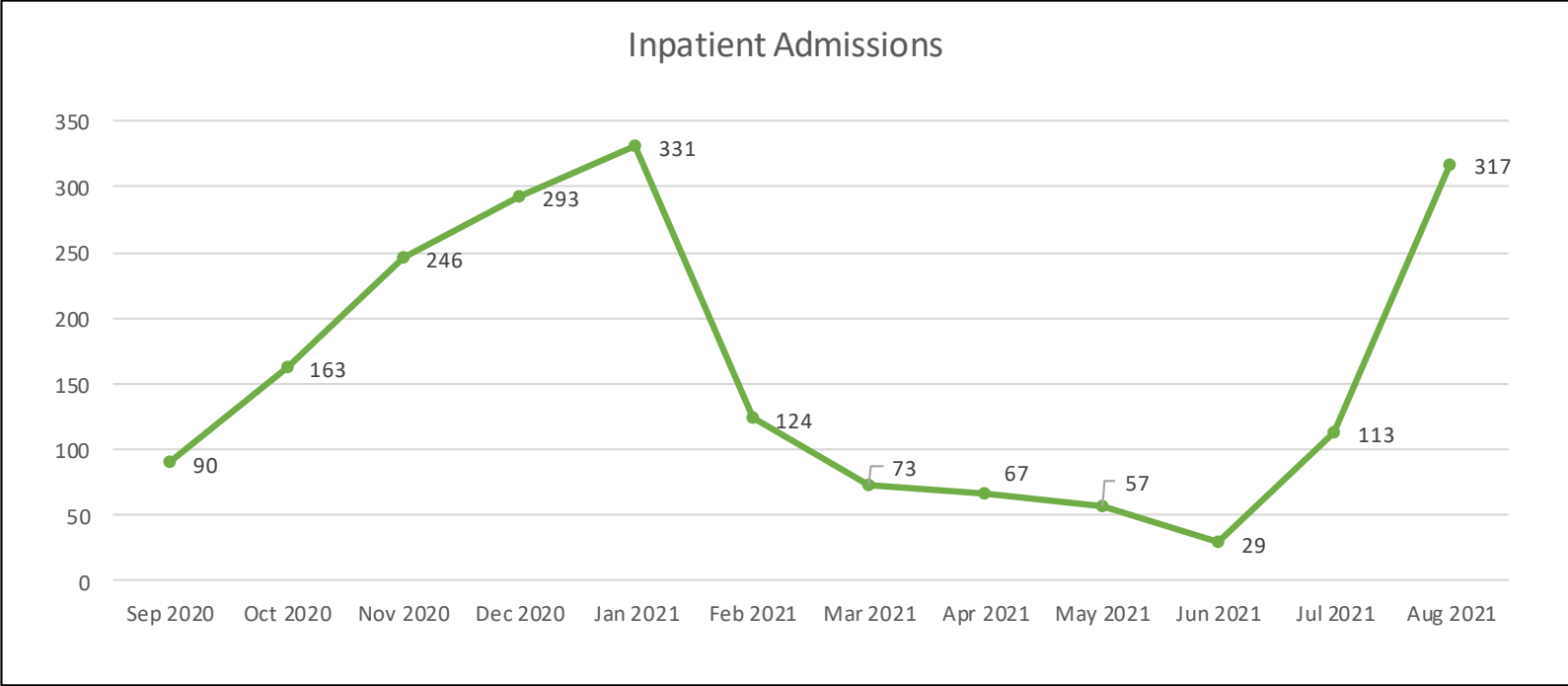
Impact of the COVID-19 Pandemic



- Based on claims data, HealthSelect had approximately 41,000 cases in PY21 with an estimated cost of \$126.9 million.
- The plan spent an additional estimated \$20.7 million on tests and vaccine administration.
- Participants used fewer services than expected due to the pandemic. As a result, the plan spent \$61.7 million less on services unrelated to COVID-19 than expected.
- The PY21 net cost impact due to the pandemic resulted in an estimated \$85.9 million increase.
 - Net cost impact: The cost of COVID-19 claims, testing, and vaccine administration less the reduction in the use of services unrelated to COVID-19.

HealthSelect Review

Seasonality of the Pandemic



Fiscal Year Projections

Plan Year 2022 Financial Outlook



- As vaccination rates rise, PY22 should reflect a reduction in cases.
- Even with an expected increase in cases this winter, fewer cases are expected than the winter of PY21.
- Without large surges in the number of COVID-19 cases, the use of services is expected to return to normal.
- Assuming no significant COVID-19 case rate surges, we expect trend to return to normal in PY23 and beyond.

Fiscal Year Projections



Group Benefit Health Plan Performance (in millions)

	FY20	FY21 Estimated	FY22 Projected	FY23 Projected	FY24 Projected	FY25 Projected	FY26 Projected	FY27 Projected
Revenue	\$4,112	\$4,139	\$4,121	\$4,197	\$4,283	\$4,369.	\$4,455	\$4,541
Expenditures	\$3,508	3,732	3,932	4,192	4,557	4,937	5,335	5,772
Net Gain (Loss)	604	407	189	5	(274)	(568)	(880)	(1,231)
Contingency Fund Balance	2,696	3,103	3,292	3,297	3,023	2,455	1,575	344

Includes all GBP health plans

Questions?

Public Agenda Item #14

Review of Compliance and Operational Updates Related to the Texas Employees Group Benefits Program

December 7, 2021

Diana Kongevick, Director of Group Benefits

Georgina Bouton, CTCM, Assistant Director of Group Benefits

Nora Alvarado, CTCM, Voluntary Income Plans, Group Benefits

Group Benefits Programs

Fiscal Year 2021 Overview



Health Benefits

HealthSelect of Texas[®]

- HealthSelect of Texas
- Consumer Directed HealthSelectSM
- HealthSelectSM Prescription Drug Program

Health Maintenance Organizations (HMOs)

Ended August 31, 2021

- Community First Health Plans
- Scott & White Care Plans



Medicare-eligible Retiree Health Benefits

Medicare-Eligible Retiree Plans

- HealthSelectSM Medicare Advantage Plan, a preferred provider organization (MAPPO)
- HealthSelectSM Secondary plan
- HealthSelectSM MedicareRx - Employer Group Waiver Plan (EGWP) + Wrap

Ended December 31 2020:

- KelseyCare Advantage Medicare health maintenance organization (MA HMO)

HMOs

Ended August 31, 2021

- Community First Health Plans
- Scott & White Care Plans



Optional Add-on Benefits

Dental Plans

- State of Texas Dental Choice PlanSM
- DeltaCare USA DHMO

State of Texas Vision

Optional Life, AD&D Insurance

Group Benefits Programs

Fiscal Year 2021 Overview



State of Texas Employees Flexible Benefit Program

TexFlexSM flexible spending accounts (FSA)
§125 reimbursement account

- TexFlex health care FSA
- TexFlex dependent care FSA
- TexFlex limited purpose FSA

TexFlex Commuter Spending Account (CSA)
§ 132(f) reimbursement account
Ended August 31, 2021



Short- and long-term disability insurance

Texas Income Protection PlanSM (TIPP)
Short-term disability coverage

TIPP
Long-term disability coverage

Contract Monitoring Overview



Performance Guarantee Assessments

- A performance guarantee (PG) is connected to a business-critical service function(s) required of a vendor throughout the contract period.
- PG metrics are formulated from regulatory standards and industry best practices. Each PG is then risk-rated using risk assessment modeling and given a PG severity level.
- Severity levels identify the basis for the assessment amount in the event a PG is missed. The severity levels are:

Severity 1: Emergency

Severity 2: Critical

Severity 3: Moderate

Severity 4: Minor

Group Benefits Programs

Compliance: GBP Vendor Contracts



GBP vendor contract compliance is high during FY21. For this reporting period:

- 2 vendors reported no contractual performance issues
- 10 vendors had only minor or moderate issues
- 2 vendors experienced an emergency issue connected to data file processing
 - Holiday weekend notification, January 2021
 - Winter storm power outages, February 2021

Contract Monitoring Overview

Met All Performance Standard Guarantees FY21



- State of Texas Vision Plan
 - Superior Vision Services, Inc.
- Life Insurance Plans, AD&D Coverages
 - Securian (Minnesota Life)

HealthSelect Medical Plans

BCBSTX Performance Reporting, FY21



- Blue Cross and Blue Shield of Texas (BCBSTX) administers the HealthSelect of Texas and Consumer Directed HealthSelect medical plans.

Severity Level	PG Category	Vendor Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	1 Moderate PG assessment	Claims Financial Accuracy Rate 1 PG assessed (1 of 12 months)	99.00% per month	98.94%

Regional HMOs

FY21 Update



- ERS offered two regional HMO plans to GBP participants in FY21.
 - Community First Health Plans in the San Antonio region; and
 - Scott & White Care Plans in the central Texas region.
- HMOs are no longer offered under the GPB. Coverage ended August 31, 2021. HMO enrollees were successfully transitioned into a HealthSelect medical plan on September 1, 2021.

Regional HMOs

Community First Health Plans



Severity Level	PG Category	Vendor Performance Results	PG Assessments	PG Requirement	PG Actual
1	Emergency PGs	2 Emergency PGs waived	Maintenance Eligibility File Processing 1 PG waived (1 of 12 months)	100% per month	80.00%
			System Availability Rate 1 PG waived (1 of 12 months)	99.50% per quarter	96.50%

The Severity 1 misses were waived due to unprecedented power outages during the Texas Winter Storm of 2021.

Regional HMOs

Scott and White Care Plans



Severity Level	PG Category	Vendor Performance Results	PG Assessments	PG Requirement	PG Actual
4	Minor PGs	1 Minor PG assessment	Interval Service Level (Calls Answered) 1 PG assessed (1 of 4 quarters)	80.00% per quarter	76.66%

Medicare Advantage Plans

CY20 Update



- The GBP offered two Medicare Advantage plan options to Medicare-eligible retirees and their dependents in Calendar Year 2020:
 - HealthSelect MA PPO Plan
 - Humana Insurance Company administered the plan CY20.
 - UnitedHealthcare Inc. (Sierra Health) became the plan administrator on January 1, 2021.
 - KelseyCare Advantage MA HMO Plan
 - Available to Houston area retirees and dependents in CY20
 - No longer offered as a health plan option under the GBP

HealthSelect MA PPO Plan

Humana Insurance Company, CY20



Severity Level	PG Category	Vendor Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	1 Moderate PG assessment	Claims Financial Accuracy Rate 1 PG assessed (1 of 12 months)	99.00% per month	97.39%
4	Minor PGs	1 Minor PG assessment	Interval Service Level (Calls Answered) 1 PG assessed (1 of 4 quarters)	80.00% per quarter	64.62%

MA HMO Plan

KelseyCare Advantage, CY20



Severity Level	PG Category	Vendor Performance Results	PG Assessments	PG Requirement	PG Actual
4	Minor PGs	3 Minor PG assessments	Reporting Requirements 2 PGs assessed (2 occurrences in 1 of 12 months)	100% per reporting period	No report
			Participant Satisfaction Rate 1 PG assessed	85.00% per year	No report

HealthSelect Prescription Drug Program

UHC Performance Reporting, FY21



- UnitedHealthcare Services Inc. (OptumRx) administers the self-funded HealthSelect Prescription Drug Program (PDP).

Severity Level	PG Category	Vendor Performance Results	PG Assessments	PG Requirement	PG Actual
1	Emergency PGs	1 Emergency PG assessment	Maintenance Eligibility File Processing 1 PG assessment (1 of 12 months)	100% per occurrence	85.00%
4	Minor PGs	1 Minor PG pending	Interval Service Level (Calls Answered) 1 PG pending (1 of 4 quarters)	80.00% per quarter	78.03%

An ERS weekly eligibility file delivered during a holiday weekend was not timely loaded and processed.

HealthSelect Medicare Rx Plan

UHC Performance Reporting, CY20



- UnitedHealthcare Services Inc. administers the HealthSelect Medicare Rx EGWP + Wrap Plan available to Medicare-enrolled retirees and their dependents.

Severity Level	PG Category	Vendor Performance Results	PG Assessments	PG Requirement	PG Actual
4	Minor PGs	1 Minor PG assessment	Communication Materials 1 PG assessment	100% of communication materials approved in advance	99.33%

Optional Dental Plans

Dental PPO Performance Reporting, FY21



- Delta Dental administers the self-funded State of Texas Dental Choice Plan, a dental preferred provider organization (PPO) available nationally.

Optional Dental Plans

Dental PPO Performance Reporting, FY21



Severity Level	PG Category	Vendor Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	4 Moderate PG assessments	Written Correspondence Rate 1 PG assessed (1 of 4 quarters)	100% per quarter	78%
			Grievance and Appeals (Post-Service) 2 PGs assessed (2 of 12 months)	95% per month	75% and 89%
			Grievance and Appeals (Pre-Service) 1 PG assessed (1 of 12 months)	95% per month	0%
4	Minor PGs	1 Minor PG assessment	Reporting Requirements 1 PG assessed (1 of 12 months)	100% per reporting period	80%

Optional Dental Plans

DHMO Performance Reporting, FY21



- The fully-insured dental DHMO is available in Texas and administered by DeltaCare USA.

Severity Level	PG Category	Vendor Performance Results	PG Assessments	PG Requirement	PG Actual
4	Minor PGs	1 Minor PG assessment	Reporting Requirements 1 PG assessed (1 of 12 months)	100% per reporting period	80%

Texas Income Protection Plan (TIPP)

ReedGroup Performance Reporting, CY20



- Reed Group Management, LLC administers the optional self-insured short-term and long-term disability insurance coverage (TIPP).

Texas Income Protection Plan (TIPP)

ReedGroup Performance Reporting, CY20



Severity Level	PG Category	Vendor Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	4 Moderate PG assessments	Financial Accuracy Rate of Claims 3 PG's assessed (3 of 4 quarters)	98% per quarter	96%, 97% and 97%
			Timely Claims Processing 1 PG assessed (1 of 4 quarters)	98% per quarter	
4	Minor PGs	2 Minor PG assessments	Reporting Requirements 1 PG assessed (1 of 12 months)	100% per month	88%
			Interval Service Level (Calls Answered) 1 PG assessed (1 of 4 quarters)	85% per quarter	49.11%

TexFlex Flexible Spending Program

WageWorks, Inc Performance Reporting, FY21



- The flexible spending account (FSA) program allows payment or reimbursement of eligible, out-of-pocket health care and day care.
- An FSA is available to active employees and return-to-work retirees with active benefits.
 - WageWorks, Inc. administered the plan during FY21.
 - PayFlex became the new administrator effective September 1, 2021.

TexFlex Flexible Spending Program

WageWorks, Inc. Performance Reporting, FY21



Severity Level	PG Category	Vendor Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	4 Moderate PG assessments	Resolution of Transaction Errors	100% per month	83.33%
			Notification of File and/or Transfer Errors (1st, 2nd and 3rd occurrence)	100% per month	66.67%, 66.67% and 88.89%
4	Minor PGs	3 Minor PG assessments	Communication Materials	100% per month	99.89% and 68.71%
			Participant Survey	85% per year	82.39%

Questions?

Public Agenda Item # 15

Consideration of Contract Award Recommendation for Benefits Consultant Services for the Texas Employees Group Benefits Program - (Action)

December 7, 2021

Diana Kongevick, Director of Group Benefits

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

Gabrielle Schreiber, Director of Procurement and Contract Oversight

Benefits Consultant Services

Request for Qualifications (RFQ)



ERS does not have a current contract in place for benefits consultant services.

The Benefits Consultant Services Request for Qualifications (RFQ) sought a qualified entity to provide benefits consultant services and assist with potential projects in connection with health and welfare benefits and programs available within the Texas Employees Group Benefits Program (GBP).

Benefits Consultant Services

Request for Qualifications (RFQ)



- On June 1, 2021, ERS issued the RFQ.
- On July 19, 2021, ERS received 5 responses:
 - Aon Consulting, Inc.;
 - Gallagher Benefit Services, Inc.;
 - Milliman, Inc.;
 - The Segal Company (Southeast), Inc.; and
 - Willis Towers Watson US LLC.

Benefits Consultant Services

Preliminary Review Phase



For the Preliminary Review Phase, ERS evaluated:

- Minimum Requirements;
- Compliance with the RFQ;
- Responsiveness; and
- Certain vendor performance checks required by the Texas Comptroller of Public Accounts.

Benefits Consultant Services

Qualifications Review Phase



ERS passed all five entities through to the Qualifications Review Phase:

- Aon Consulting, Inc.;
- Gallagher Benefit Services, Inc.;
- Milliman, Inc.;
- The Segal Company (Southeast), Inc.; and
- Willis Towers Watson US LLC.

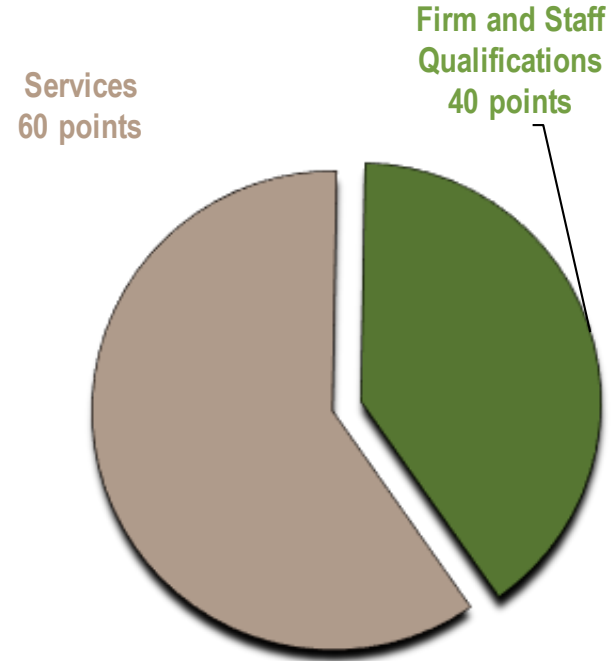
Benefits Consultant Services

Qualifications Review Phase



Two main categories scored:

- Firm and Staff Qualifications: 40 points
- Services: 60 points



Benefits Consultant Services

Qualifications Review Phase



ERS evaluated these pass/fail items during the Qualifications Review Phase:

- Legal Requirements and Regulatory Compliance; and
- Financial Stability.

Benefits Consultant Services

Qualifications Review Phase



Based on the scores for pass/fail items, Firm and Staff Qualifications and Services during the Qualifications Review Phase, ERS selected the following entities as finalists:

- Milliman, Inc. and
- Willis Towers Watson US LLC.

Benefits Consultant Services

Finalists Review Phase



ERS evaluated Finalists based on new and clarified information:

- Interviews (Remote)
- Past Performance
- Contractibility and Legal Requirements and Regulatory Compliance

Services
60 points

Firm and Staff
Qualifications
40 points



Benefits Consultant Services



Finalists Review Phase

- The RFQ evaluation team and OPCO representatives met with Executive Office and reviewed the RFQ evaluation team findings.
- A determination was made as to the most-qualified benefits consultant firm offering a fair and reasonable price.

Benefits Consultant Services



ERS Recommendation

Based on the evaluation process discussed, ERS recommends the Board of Trustees of the Employees Retirement System of Texas award the contract to [_____] to provide Benefits Consultant Services.

Questions?
Action Item

Public Agenda Item #16

Review of the Texas Employees Group Benefits Program: Actuarial Valuation of Retiree Health Insurance Benefits as of August 31, 2021

December 7, 2021

Machelle Pharr, Chief Financial Officer
Phil S. Dial, FSA, Rudd and Wisdom, Inc.
Mitchell Bilbe, Rudd and Wisdom, Inc.

Employees Retirement System of Texas

Texas Employees Group Benefits Program (GBP)

**Actuarial Valuation of
Other Post Employment Benefits (OPEB)
Provided Under the GBP
for Fiscal Year 2021**

**Board of Trustees
December 7, 2021**

**Philip S. Dial
Christopher S. Johnson**



Rudd and Wisdom, Inc.

FY 2021 GBP OPEB Valuation

General Information

- ❑ The GBP provides Other Post Employment Benefits (OPEB) to the retirees of state agencies, certain higher education institutions and other employers (see Appendix 2 for list of other employers).

- ❑ OPEB provided through the GBP include the following benefits.
 - Health
 - Basic Life

- ❑ OPEB does not include optional benefits available to retirees under the GBP (dental, vision, and life insurance), since those benefits are fully funded by member contributions and, therefore, do not generate employer obligations.

- ❑ OPEB does not include retirement benefits.

FY 2021 GBP OPEB Valuation

GBP Membership

Category	Members	Covered Spouses	Covered Dependent Children	Total
Actives	224,904 ¹	38,224 ²	118,711 ²	381,839²
Deferred Vested	14,969	0 ²	0 ²	14,969²
Retirees and Nominees	134,517 ³	32,109	11,080	177,706
Total - August 31, 2021	374,390	70,333	129,791	574,514
Total - August 31, 2020	375,594	70,527	134,508	580,629
Change	(1,204)	(194)	(4,717)	(6,115)

¹ Includes (a) return-to-work retirees and (b) employees who have not yet satisfied the waiting period.

² Rather than use current spouse/dependent child coverage information, actuarial assumptions are used to estimate the future number of spouses and dependent children that will be covered at retirement.

³ Includes 5,044 retirees not enrolled in a health plan and 328 retirees who receive the Opt-Out Credit in lieu of health benefits.



FY 2021 GBP OPEB Valuation

Application of GASB 74/75 Reporting Standards

- ERS plan reporting for OPEB is governed by GASB Statement No. 74 (GASB 74)

- GASB Statement No. 75 (GASB 75), which governs employer reporting for OPEB, became effective for GBP-participating employer reporting beginning with FY 2018.
 - The Comptroller reports OPEB expense and liability information for ERS and TRS in the financial statements in the State's ACFR.
 - In addition, GASB 75 requires increased reporting by some GBP-participating employers (i.e., they must report proportionate shares of Net OPEB Liability and OPEB Expense).
 - Community colleges
 - A few state agencies that prepare audited financial statements; e.g., TXDOT.

FY 2021 GBP OPEB Valuation

Actuarial Cost Method and Assumptions

- Actuarial cost method
 - Entry Age actuarial funding method.
 - Same method used for ERS retirement plan valuation.
 - Normal cost and 30 year amortization amounts for Actuarially Determined Contribution are determined as level percentages of pay.

- Actuarial assumptions
 - Demographic and economic assumptions
 - Discount Rate
 - Per Capita Health Benefit Costs
 - Health Benefit Cost Trend

FY 2021 GBP OPEB Valuation

Demographic and Economic Assumptions

- For state agency employees and retirees we use the same demographic and economic assumptions as those utilized by ERS for its FY 2021 retirement plan valuation.
- For higher education employees and retirees, we use the same demographic and economic assumptions as those utilized by TRS for its FY 2021 retirement plan valuation.

FY 2021 GBP OPEB Valuation

Discount Rate Assumption

- Since OPEB benefits provided under the GBP are funded on a PAYGO basis, GASB 74 requires the Discount Rate assumption to be based on yields of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
 - Yields are determined as of the measurement date.
- For this purpose, we use the Bond Buyer Index of general obligation bonds with 20 years to maturity with an average credit quality that is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA rating.
- Due to the requirements of GASB 74, this rate will change annually potentially causing significant volatility in OPEB liability.

Fiscal Year	GASB 74 Discount Rate
2017	3.51%
2018	3.96%
2019	2.97%
2020	2.20%
2021	2.14%



FY 2021 GBP OPEB Valuation

FY 2022 Per Capita Health Benefit Costs

- HealthSelect (for participants for whom Medicare is not primary and for Medicare-primary participants who elect to remain in HealthSelect)
 - Extensive historical data allows us to examine both current cost as well as evolving cost trends.
 - HealthSelect experience data through FY 2021 is used to establish current gender/age-specific costs for HealthSelect medical and prescription drug benefits.

- HealthSelect Medicare Advantage (for Medicare-primary participants who elect HealthSelect Medicare Advantage)
 - Per capita medical costs are based on age-adjusted HealthSelect Medicare Advantage premiums applicable to the fully insured medical benefits and the associated Health Insurance Provider Fee as required under the Affordable Care Act (ACA).
 - Per capita prescription drug costs are the same as those applicable to HealthSelect participants, since HealthSelect Medicare Advantage participants have the same prescription drug coverage as HealthSelect participants.

FY 2021 GBP OPEB Valuation

Health Benefit Cost Trend

Fiscal Year	HealthSelect Medical Only	HealthSelect MA Medical Only	Prescription Drugs Both Plans
2023	5.25% ¹	Varies each year from FY2023 to FY2025 to reflect unique factors ²	10.00%
2024	5.15%		10.00%
2025	5.00%		9.00%
2026	4.75%	4.75% ³	8.00%
2027	4.60%	4.60%	7.00%
2028	4.50%	4.50%	6.00%
2029	4.40%	4.40%	5.00%
2030 and beyond	4.30%	4.30%	4.30%

1. FY 2023 HealthSelect Medical trend includes provision for the projected increase in cost attributable to SB166 and SB1065 enacted by the 87th Texas Legislature.
2. HealthSelect MA medical trend from FY2023 to FY2025 varies by year due to guaranteed Medical rates for CY2021-2023 as a result of the 2020 procurement process with an expected increase in CY2024 after the guarantee ends.
3. The HealthSelect MA Medical trend is assumed to align with the HS Medical trend in FY2026.

See Appendix 1 for additional information concerning the Health Benefit Cost Trend.

FY 2021 GBP OPEB Valuation

Results (See page II-1 of the GASB No. 74 Actuarial Valuation Report.)

Member Class	APV Projected Benefit Payments	Normal Cost (2021)	APV Future Normal Cost (After 2021)	Total OPEB Liability
Actives	\$40,260M	\$1,617M	\$19,696M	\$18,947M
Vested Non-Contributing	2,711M	0	0	2,711M
Retirees	14,353M	0	0	14,353M
Total	\$57,324M	\$1,617M	\$19,696M	\$36,011M

Terminology

- APV = Actuarial Present Value
- Total OPEB Liability = APVPBP – NC (2021) – APVFNC (After 2021)



FY 2021 GBP OPEB Valuation

Results (See page II-3 of the GASB No. 74 Actuarial Valuation Report.)

Actuarially Determined Contribution (ADC)		
OPEB Measure	FY 2020	FY 2021
Normal Cost	\$1,565M	\$1,617M
Amortization of Net OPEB Liability	1,025M	1,104M
Total ADC	\$2,590M	\$2,721M

OPEB Measure	FY 2020	FY 2021
Normal Cost - % of Payroll	12.4%	12.8%
Amortization - % of Payroll	8.1%	8.8%
ADC - % of Payroll	20.5%	21.6%

The ADC is determined as NC + 30-year level percent amortization of Net OPEB Liability using discount rate and payroll assumptions in effect on measurement date. It is presented for illustrative purposes only since the Employer is not required to contribute the ADC to the plan each year.



FY 2021 GBP OPEB Valuation

Reconciliation with FY 2020

(See page II-5 of the GASB No. 74 Actuarial Valuation Report.)

OPEB Measure	Actual FY 2020	Expected FY 2021 Based on FY 2020 Assumptions	Change Attributable to			Actual FY 2021
			Differences in Actual vs Expected	Assumption Changes	Discount Rate	
Total OPEB Liability	\$33,150M	\$34,701M	(\$16M)	\$969M	\$357M	\$36,011M
Normal Cost	\$1,565M	\$1,600M	(\$42M)	\$31M	\$28M	\$1,617M

- a) Year-to-year increases will occur if actual and expected experience are the same:
 - Total OPEB Liability: Since OPEB is funded on a PAYGO basis, the excess of NC plus interest over the PAYGO amount increases the Total OPEB Liability.
 - Normal Cost (NC): NC is determined as a level percentage of payroll; therefore the dollar amount increases due to growth in active employment and/or inflationary increases in salaries.

- b) Gains/losses from differences in actual vs expected will occur to the extent that the assumptions are too pessimistic or optimistic; e.g., fewer retirements than were expected would create a gain.

- c) See Slide 13 for impact of the components of Assumption Changes.

FY 2021 GBP OPEB Valuation

Impact Of Assumption Changes

Assumption Change	Approximate Increase / (Decrease)			
	Total OPEB Liability		Normal Cost	
	Amount	Percentage*	Amount	Percentage*
1. Health Benefit Claims Cost and Member Contributions	\$214M	0.6%	\$10M	0.6%
2. Trend	\$900M	2.6%	\$34M	2.2%
3. Demographic	(\$145M)	(0.4)%	(\$13M)	(0.8)%
4. Subtotal [1. + 2. + 3.]	\$969M	2.8%	\$31M	2.0%
5. Discount Rate	\$357M	1.0%	\$28M	1.8%
6. Grand Total [4. + 5.]	\$1,326M	3.8%	\$59M	3.8%

*As a percentage of corresponding amount prior to assumption changes.



FY 2021 GBP OPEB Valuation

Sensitivity Analysis

The note disclosures and supplementary information required under GASB 74 must include an analysis of the sensitivity of the Net OPEB Liability to $\pm 1\%$ changes in (a) the Discount Rate assumption, and (b) the Health Benefit Cost, Retiree Contribution and expense trend rate assumptions.

Sensitivity to Changes in Discount Rate			
	1% Decrease (1.14%)	Current (2.14%)	1% Increase (3.14%)
Net OPEB Liability	\$42.7 Billion	\$35.9 Billion	\$30.5 Billion

Sensitivity to Changes in Health Benefit Cost Trend			
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$30.0 Billion	\$35.9 Billion	\$43.5 Billion

Appendix 1

Health Benefit Cost Trend

- ❑ A select and ultimate trend assumption is used which begins at the levels we are using for the current biennium.
- ❑ The trends have been revised to reflect updated projections for FY 2023 – FY 2029.
- ❑ The Health Benefit Cost trend has been established consistent with other economic assumptions as required by GASB.

Appendix 1 (cont'd)

Health Benefit Cost Trend

- We use three Health Benefit Cost trend tables:
 - HealthSelect Medical Only
 - HealthSelect MA Medical Only
 - Prescription Drugs

- For each benefit type:
 - For the first two years, a select and ultimate trend assumption is used initially which begins at the levels we are using to project experience for the next biennium and, in the case of HealthSelect MA Medical, reflects the current three-year premium guarantee.
 - The trends then decline over the next six years (FY25 – FY30) to a “sustainable” ultimate level.
 - The ultimate level is 200 basis points in excess of the assumed rate of inflation ($4.3\% = 2.3\% + 2.0\%$).

- The Health Benefit Cost trend has been established consistent with other economic assumptions as required by GASB.

Appendix 2

- ❑ See Section X of the GASB No. 74 Actuarial Valuation Report for the definitions of certain terms used in this presentation.
- ❑ Other employers include the following:
 - Community Supervision and Corrections Departments
 - Texas Cooperative Inspection Program
 - Texas County and District Retirement System
 - Texas Municipal Retirement System
 - Texas Turnpike Authority
 - University of Texas Medical Branch at Galveston
 - University of Texas Mental Sciences Institute
 - Windham School District

Questions?

Public Agenda Item #17

** Training Regarding the Health Insurance Portability and
Accountability Act (HIPAA)*

December 7, 2021

Cynthia Hamilton, General Counsel
Betsy F. Hodge, Partner, Healthcare, Akerman

Texas ERS Board of Trustees HIPAA Training

Betsy Hodge

December 7, 2021

The logo for the law firm akerman, featuring the name in a lowercase, sans-serif font with a red underline under the letter 'a'.

HIPAA Training

1. HIPAA Refresh
2. Current “Hot” Topics
3. Issues on the Horizon
4. Q&A



HIPAA Refresh

HIPAA at a High Level

- Health Insurance Portability and Accountability Act of 1996 (HIPAA)
 - Established federal privacy and security standards
 - Required implementing guidance to be issued by the Department of Health and Human Services (HHS)
- Health Information Technology for Economic and Clinical Health (HITECH) Act (2009)
 - Expanded HIPAA's privacy and security requirements
 - Established notification rules for breaches of protected health information (PHI)
- Comprehensive final regulations (January 2013)



HIPAA Refresh

When is HIPAA Applicable

- HIPAA covered entities (CEs) are:
 - Health plans
 - Health care clearinghouses
 - Health care providers that conduct certain health care transactions in electronic form (e.g., fund transfers)
- For HIPAA purposes, health plans include:
 - Health insurance companies
 - Health maintenance organizations (HMOs)
 - Employer-sponsored group health plans
 - Medicare, Medicaid, and other government health programs
- HIPAA applies to a CE's "business associates" (BAs)



HIPAA Refresh

Enforcement



- Department of Health and Human Services' Office for Civil Rights (OCR)
 - The Centers for Medicare and Medicaid Services (CMS) also has some enforcement powers and the U.S. Food and Drug Administration (FDA) and the Federal Communications Commission (FCC) have participated in HIPAA enforcement to some degree.
- OCR BACKGROUND
 - In late September, Lisa J. Pino was appointed as Director.
 - OCR prefers to resolve HIPAA violations through voluntary compliance. I.e. the covered entity accepts that HIPAA violations have occurred, and takes voluntary actions to correct the violation to prevent any repeat occurrences.
 - OCR may issue technical guidance to help a covered entity achieve compliance.
 - OCR may issue financial penalties for HIPAA violations.
 - OCR may impose civil monetary penalties

Hot Topics

- OCR recently issued its **20th settlement** to date in a case involving a patient "right of access" dispute involving Omaha, Nebraska-based Children's Hospital & Medical Center.
 - “To date, OCR has settled or imposed a civil money penalty in 101 cases resulting in a total dollar amount of \$131,060,482.00. OCR has investigated complaints against many different types of entities including: national pharmacy chains, major medical centers, group health plans, hospital chains, and small provider offices.” – OCR, Enforcement Results as of September 30, 2021
- On September 30, 2021, OCR issued guidance on HIPAA, COVID-19 Vaccinations, and the Workplace



Issues on the Horizon

1. Ransomware Attacks
2. System Security
 - Per OCR's October cybersecurity newsletter, many health care organizations rely on legacy systems, which is a term for an information system with one or more components that have been supplanted by newer technology and for which the manufacturer is no longer offering support.
3. Data Security
4. Proposed Modification of Privacy Rule



Questions



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Public Agenda Item #18

Agency Update

December 7, 2021

Porter Wilson, Executive Director

Implementation of Senate Bill 321

Group 4 Cash Balance Retirement Benefit



- Enrollment begins with new state employees starting work on or after September 1, 2022
- Work involves the development of computer systems, data interfaces, operational policies and procedures, administrative code rules, and communication / educational materials
- Extensive use of internal resources and external partners

Implementation of Senate Bill 321

Cash Balance Retirement Benefit (continued)



- **Legacy Payment:** 1st payment of \$510 million received in September 2021
- **Enrollment / Administration System:**
 - Ongoing development of internal hybrid administration system using Agile development models (designed to mitigate impact to legacy systems)
 - Coordination with external agencies to appropriately interface administration system with state payroll systems
- **Policy Development:** 4 policies adopted, 2 under development – rule proposals planned for Board review beginning in May 2022
- **Communications:** summary notifications and early recruitment materials distributed, materials workload inventory in development

Customer Benefits Update



Internal Initiative “Action Beyond the Call”

- Staff recruitment and retention
- Improving call answer times
- Improving processing times
- Streamlining processes

Plan Year 2022 Fall Enrollment

Benefits enrollment information



**ERS mailed
102,986 PBES
packets.**



**ERS' Fall Enrollment
webpage had about
1,540 views.**



**Retirees made
4,367 coverage
changes.**

Plan Year 2022 Fall Enrollment

Contact with retirees



**Received
3,550 enrollment
related calls**



**366 retirees participated in
22 webinars and 9 phone
sessions, with a 95%
average helpfulness rating.**

State Employee Charitable Campaign



- 63% of ERS employees contributed
- Four divisions had 100% participation
- Full agency effort lead by Andrew Hodson and Betty Martin

General Counsel Announcement



- Cynthia Hamilton named General Counsel effective October 1, 2021
 - Graduate of The George Washington University National Law Center
 - 4 years of ERS service, with prior service as a state agency general counsel
 - Certified by the Texas Board of Legal Specialization in Civil Appellate Law and holds certification as a Sr. Professional in Human Resources
 - Welcome addition to the senior leadership team

Questions?

Public Agenda Item #19

Recess of the Board of Trustees

The Board of Trustees will reconvene on Wednesday, December 8, 2021 at 8:30 a.m. with the Investment Advisory Committee to take up the remaining agenda items.

December 7, 2021