

Meeting of the ERS Board of Trustees

May 26, 2021



Public Agenda Item #12

Call Meeting of the ERS Board of Trustees to Order

May 26, 2021

Public Agenda Item #13

*Review and Approval of Board of Trustee Meeting Minutes
for March 10, 2021 and April 14, 2021- (**Action**)*

May 26, 2021

Questions?
Action Item

*Public Agenda Item #14

Review, Discussion and Consideration of Retirement and Service Purchase Actuarial Factor Tables – (Action)

May 26, 2021

Robin Hardaway, Director of Customer Benefits

Christi Davis, Assistant Director of Customer Benefits

Actuarial Factor Tables



- Government Code Section 815.105 requires the Board of Trustees (Board) of the Employees Retirement System of Texas (ERS) to adopt mortality, service and other necessary tables after considering the results of the periodic experience studies of the ERS retirement plans.
- The Board adopted the study on May 20, 2020. Following the adoption of the study, ERS staff works with Gabriel, Roeder, Smith and Company (GRS), ERS' external pension actuarial firm, to develop updated factor tables that align with the adopted modifications.
- Updating these factors ensures that the retirement plans administered by ERS are using factors that are actuarially equivalent to the respective plans' provisions and adopted actuarial assumptions.

Actuarial Factor Tables



An actuarial factor is used to calculate **annuity reductions** (for non-standard retirement options) and certain **service purchases**. These factors should reflect actuarial equivalence and are consistent with the assumptions adopted by the board:

- Interest Rate: 7.00% per annum
- Mortality Tables: 2020 State Retirees of Texas (SRT) mortality tables for males and females.
- Mortality Improvements: Projected from the year 2020 to 2028 in accordance with the ultimate rates from the scale published by Retirement Plans Experience Committee of the Society of Actuaries through 2019 (Ultimate-MP).
- Unisex Blend: 50% Male/50% Female

Retirement and Death Benefit Actuarial Factors



Factors are used to reduce annuities when members:

- Select a beneficiary option
 - Option 1 – 100% payment to survivor
 - Option 2 – 50% payment to survivor
 - Option 3 – Five years of payments to survivor
 - Option 4 – 10 years of payments to survivor
 - Option 5 - 75% payment to survivor
- Select a Partial Lump Sum Option
 - 1-36 months of standard annuity paid in a single payment that permanently reduces the monthly annuity for retiree's lifetime.
- Qualify for non-occupational disability retirement
- Pass away as an active contributing employee
- Retire under LECOS early retirement provisions (*≥ 20 years of service and < 50 years of age*)

5,872 Retirements in FY20

Annuity option	% of PY20 retirements
Standard	59.6% (3,499)
Option 1 (100%)	24.32% (1,428)
Option 2 (50%)	8.94% (525)
Option 5 (75%)	5.22% (307)

PLSO

25% (1,441)

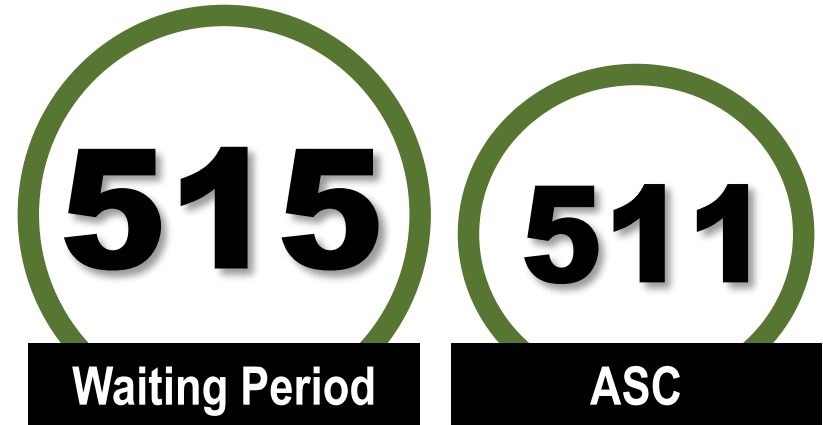
Service Purchase Actuarial Factors



Factors are used to calculate service purchases for:

- Additional Service Credit (ASC)
Up to three years, if member has at least 10 years earned ERS service credit (not including military and unused sick/annual leave) and is contributing.
- Waiting Period Service Credit
The time a member had to wait to participate in ERS retirement, usually 90 days

FY20 Service Purchases



Overall Impact of Factor Table Changes



Annuity factors for survivor payment options and PLSO

- Updates were modest overall.
- Survivor payment options cost less.
 - Under assumptions adopted May 2020, the member is expected to live longer, therefore the survivor option costs less.

Service purchase factors

- Generally, factors increased about 1-5% for Regular Class employees. This means that the cost of the service purchase increased.

Example of Impact – Annuity Factors



Option 1: 100% Payment to Survivor (Spouse)

Member Information – SER, Group 1

Age	Spouse Age	Service	Multiplier for Standard Annuity	Highest Average Salary (HAS)	Current Factor	New Factor
60	58	17 years, 0 months	39.1%	\$5,292.14	89.1%	88.0%

Difference: 1.1 percentage point decrease

Calculation	Current Annuity	New Annuity
1. Calculate the standard annuity: HAS x multiplier for standard annuity = standard annuity	$\$5,292.14 \times 0.391 = \$2,069.23$	$\$5,292.14 \times 0.391 = \$2,069.23$
2. Calculate the Option 1 annuity: standard annuity X factor for Option 1 = annuity with Option 1	$\$2,069.23 \times 0.891 = \$1,843.68$	$\$2,069.23 \times 0.880 = \$1,820.92$

Difference: \$22.76 per month decrease

Examples of Impact – Annuity Factors



Group	Member Age	Option	Beneficiary Age	Current Factor	New Factor	Current Annuity	New Annuity	Difference Per Month
SER Service Class								
1	61 years	5 (75%)	66 years spouse	92.6%	92.7%	\$1,827.39	\$1,829.36	\$1.97 increase
2	73 years	2 (50%)	32 years non-spouse	76.6%	76.2%	\$864.71	\$860.20	\$4.51 decrease
3	63 years	5 (75%)	58 years spouse	88.0%	87.9%	\$1,383.04	\$1,381.47	\$1.57 decrease
LECO Class								
1	55 years	1 (100%)	39 years non-spouse	88.2%	87.8%	\$1,146.74	\$1,141.54	\$5.20 decrease
2	57 years	4 (10 years)	NA	98.8%	98.9%	\$780.67	\$781.46	\$0.79 increase
3	55 years	3 (5 years)	NA	99.7%	99.8%	\$612.70	\$619.35	\$6.65 increase

Examples of Impact – Service Purchase Factors



Member Info	Purchase Type	Current Factor	New Factor	Current Cost	New Cost	Difference
SER Service Class – Group 1						
25 years service, 60 years old, \$6,079.84 monthly salary	ASC – 1 year	24.654%	25.956%	\$17,987.09	\$18,937.00	\$950 increase
	ASC – 2 year	49.308%	51.912%	\$35,974.17	\$37,874.00	\$1,900 increase
	ASC – 3 year	73.961%	77.869%	\$53,960.53	\$56,811.73	\$2,851 increase
SER Service Class – Group 2						
10 years service, 40 years old, \$4,423.45 monthly salary	ASC – 1 year	13.669%	14.710%	\$7,255.70	\$7,808.27	\$553 increase
	ASC – 2 year	27.659%	29.526%	\$14,681.78	\$15,672.81	\$991 increase
	ASC – 3 year	42.188%	44.710%	\$22,393.98	\$23,732.69	\$1,339 increase
LECO Service Class – Group 1						
19 years service, 55 years old, \$3,440.66 monthly salary	ASC – 1 year	31.177%	32.925%	\$12,782.33	\$13,594.04	\$812 increase
	ASC – 2 year	62.354%	65.851%	\$25,744.67	\$27,188.50	\$1,444 increase
	ASC – 3 year	93.531%	98.776%	\$38,617.00	\$40,782.55	\$2,166 increase

System Implementation of Actuarial Factors



Retirement Annuity Options and Additional Optional Retirement Eligibilities (formula-based factors)

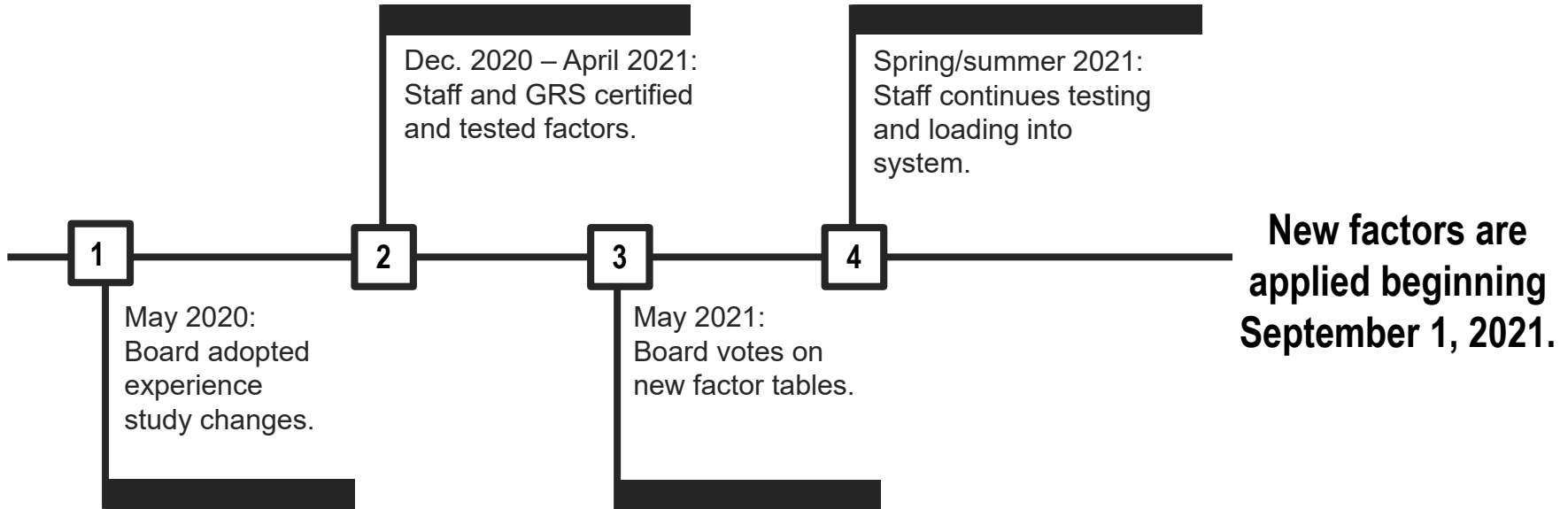
- The formulas were provided by Gabriel Roeder Smith & Company (GRS), ERS' consulting actuary for retirement.
- Formulas were loaded into ERS OnLine by ERS' Information Systems.
- Annuity actuarial factor tables were produced internally from the programmed formulas.
- GRS closely examined and validated ERS' system-generated factors and certified their accuracy and consistency with the actuarial assumptions adopted on May 20, 2020.
- Once adopted by the Board, the proposed annuity reduction factors will be ready June 1 for retirements beginning September 1, 2021.

Additional Service Credit (ASC) and Waiting Period (WP) Service Purchases

1. GRS developed the proposed actuarial factor tables for ASC and WPD purchases made on or after September 1, 2021.
2. Once adopted, the factor tables will be loaded into ERS Online.

Factor Table Timeline

May 2020 - September 2021



Proposed Changes to the Retirement Plan Factor Tables Effective September 1, 2021



Staff Recommendation

Staff recommends the adoption of the factor tables presented in Exhibit A and Exhibit C, effective September 1, 2021.

Questions?
Action Item

Public Agenda Item #15

Review, Discussion and Consideration of Contract Award Recommendations for the Group Term Life Insurance and Accidental Death and Dismemberment Insurance Plans under the Texas Employees Group Benefits Program - (Action)

May 26, 2021

Diana Kongevick, Director of Group Benefits

Georgina Bouton, Assistant Director of Group Benefits

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

Gabrielle Schreiber, Director of Procurement and Contract Oversight

Group Term Life and AD&D Insurance

Request for Proposals (RFP)



ERS currently contracts with Minnesota Life Insurance Company to underwrite and administer the following services under the Texas Employees Group Benefits Program (GBP) for participants covered in the GBP:

- Group Term Life Insurance coverages with Accidental Death and Dismemberment Insurance coverages; and
- Voluntary Accidental Death and Dismemberment Insurance coverages.

Group Term Life and AD&D Insurance

Request for Proposals (RFP)



On October 6, 2020, ERS issued a Request for Proposals (RFP) for a qualified entity to provide Group Term Life Insurance and Accidental Death and Dismemberment Insurance, which includes:

- Benefits underwriting; claims processing; communication; account management; technology services; customer care and plan reporting.

Group Term Life and AD&D Insurance

Minimum Requirements Review Phase



- Minimum Requirements Questionnaires were due on November 20, 2020.
- ERS received Minimum Requirements Questionnaires from six entities proposing to underwrite and administer GTLI and AD&D coverage.
- All six entities passed the Minimum Requirements Review Phase.

Group Term Life and AD&D Insurance

Proposals Due



- Proposals were due on December 3, 2020.
- ERS received proposals from five of the six entities that submitted Minimum Requirements Questionnaires.

Group Term Life and AD&D Insurance

Preliminary Review Phase



For the Preliminary Review Phase, ERS evaluated:

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

Group Term Life and AD&D Insurance

Proposal Review Phase



ERS passed five entities through to the Proposal Review Phase:

- Dearborn Life Insurance Company¹;
- Metropolitan Life Insurance Company;
- Minnesota Life Insurance Company;
- The Prudential Insurance Company of America; and
- Standard Insurance Company.

¹ Blue Cross and Blue Shield of Texas is the trade name of Dearborn Life Insurance Company, an independent licensee of the Blue Cross and Blue Shield Association. Insurance products are issued by Dearborn Life Insurance Company.

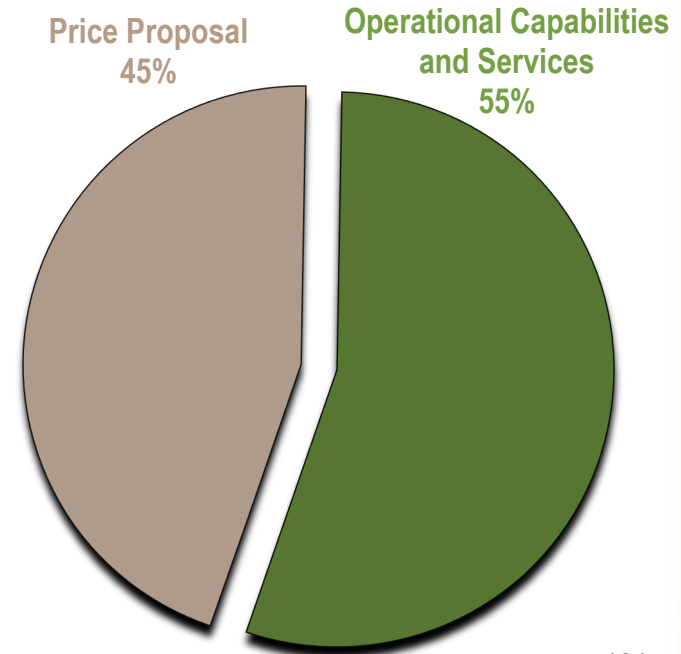
Group Term Life and AD&D Insurance

Proposal Review Phase



Two main categories scored:

- Operational Capabilities and Service Capabilities: 55%
 - Coverage, Eligibility and Plan Design Services
 - Communication Services
 - Information Systems Services
 - Operational Specifications
 - Funding, Payment and Accounting Services
- Price Proposal: 45%



Group Term Life and AD&D Insurance

Proposal Review Phase



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

- SOC-2; and
- Financial Stability.

Group Term Life and AD&D Insurance

Finalists Review Phase



Based on the scores for pass/fail items, Operational Capabilities and Services, and Price Proposals during the Proposal Review Phase, ERS selected the following entities as finalists:

- Dearborn Life Insurance Company;
- Metropolitan Life Insurance Company; and
- Minnesota Life Insurance Company.

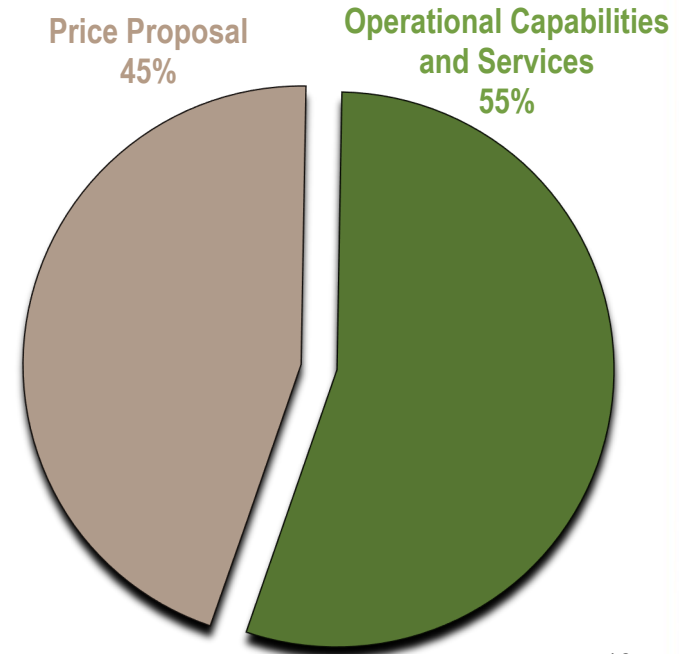
Group Term Life and AD&D Insurance

Finalists Review Phase



ERS evaluated Finalists based on new and clarified information:

- Data Center and Security Operations Center Site Visits (Remote)
- Operational and Call Center Site Visits (Remote)
- Interviews (Remote)
- Past Performance
- Contractibility and Legal Requirements and Regulatory Compliance
- Best and Final Offers (Price)



Group Term Life and AD&D Insurance

Finalists Review Phase



- Operational Capabilities and Services
 - EOI and claims processing
 - Member experience
 - Education and engagement
 - Customer care (call center)
 - Technology integration

Group Term Life and AD&D Insurance

Finalists Review Phase



The cost of the contract is broken up into three pieces.

- The administrative fee for optional and basic life claims.
- The fully insured premiums for Voluntary AD&D.
- The value of the maximum claim amounts.

Group Term Life and AD&D Insurance

Finalists Review Phase



The projected total cost of the contract is the sum of the basic and optional life administrative fees and the fully insured premiums for Voluntary AD&D less the value of the maximum claim amounts.

Total Value of Contract
December 31, 2021 – August 31, 2027

	Current*	BCBS	MetLife	Minnesota Life
Total Cost	\$64,097,409	\$62,574,395	\$62,236,661	\$57,799,587

*Current assumes the current contract terms remain in force for the new contract term.

Group Term Life and AD&D Insurance

Finalists Review Phase



- The RFP evaluation team and OPCO representatives met with Executive Office and reviewed the RFP evaluation team findings.
- A best-value determination was made.

Group Term Life and AD&D Insurance

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 Group Term Life Insurance and Accidental Death and Dismemberment Insurance.

Questions?
Action Item

Public Agenda Item #16

Review, Discussion and Consideration of the Proposed Rates for HealthSelect of Texas® and Consumer Directed HealthSelectSM Plans, with Rates Inclusive of Plan Changes for Fiscal Year 2022 - (Action)

May 26, 2021

Diana Kongevick, Director of Group Benefits

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

Phil Dial, FSA, Rudd and Wisdom, Inc.

- HealthSelect plan costs are funded by contributions paid by employers and enrolled members.
- State contributions are determined based on legislative appropriation.
- The State currently pays 100% of the contribution rate for eligible full-time employees and certain retirees, and 50% of the contribution rate for eligible dependents.
- State contributions are the same for HealthSelect of Texas[®], Consumer Directed HealthSelectSM and HealthSelectSM Medicare Advantage.

HealthSelect Plans

PY22 Contribution Rate Analysis



- The Actuarial and Reporting Services unit and consulting actuary analyzed the following critical factors:
 - revenue requirements
 - state funding
 - historical enrollment
 - claims experience
 - projected contingency fund balance
 - cost containment practices
 - the impact of participating Health Maintenance Organizations
 - funding for basic life and accidental death and dismemberment coverages

- PY20 costs were \$134 million less than expected during the pandemic as a result of significant utilization reductions (fewer services).
- PY21 costs are expected to reflect a net increase of \$67 million. Increased COVID-19 cases, vaccination costs, and services deferred from the prior year are expected to more than offset pandemic-related utilization reductions.
- Plan experience is expected to return to normal in PY22 with a reduced number of COVID-19 cases and normal utilization patterns return.

HealthSelect Plans



PY21 and PY22 Estimated Trend

- PY21 medical and prescription drug (combined) trend estimated at 14.2%
 - 15.9% - Medical benefit cost trend
 - 9.7% - Prescription drug trend
- PY22 medical and prescription drug (combined) trend estimated at 5.0%
 - 3.2% - Medical benefit cost trend
 - 10.0% - Prescription drug trend

HealthSelect Plans

COVID-19 Temporary Plan Changes



ERS implemented several temporary plan changes for HealthSelect of Texas® and Consumer Directed HealthSelectSM

- Waived prior authorizations March 16, 2020 – May 31, 2020
- Waived prior authorizations for interfacility transfers to lower levels of care March 16, 2020 – February 28, 2021
- ERS honored all prior authorizations approved January 1, 2020 - June 30, 2020 until December 31, 2020
- ERS waived copays, coinsurance, and deductibles for all virtual visits and telemedicine effective March 27, 2020 - May 31, 2021.

HealthSelect Plans

Plan Changes PY22



Effective September 1, 2021 unless otherwise noted.

- Formulary Insulin coverage bypasses the prescription drug deductible. Copays and coinsurance will still apply.
- Diagnostic Hemoglobin A1c test coverage for those with a diabetes diagnosis bypasses the deductible. Copays and coinsurance will still apply.
- To align with IRS rules, the annual out of pocket maximum will increase from \$6,750 to \$7,000 for individuals and from \$13,500 to \$14,000 for families.
- Beginning July 1, 2021, mental health virtual visits through Doctor on Demand and MD Live will permanently change to the same member no or low cost as a medical virtual visit.
- The temporary non-COVID telemedicine no-cost visit (through a provider platform) expires June 30, 2021. Beginning July 1, 2021, telemedicine visits are available at the same copay as an office visit (or deductible/coinsurance).

HealthSelect Plans

Medical Loss Ratio



- In PY21 ERS received \$2.16 million in rebates from one of the participating GBP HMO plans.
- ERS is required to distribute to members, the portion of the rebate consistent with the portion of the premium paid by members, during the period for which the rebates are required.
- The current rate reduction for MLR rebates received in PY20 is sufficient to distribute the rebates received in PY21.

HealthSelect Plans

Consumer Directed HealthSelect



- By statute, the Consumer Directed HealthSelect plan must be revenue neutral. The assumptions used to develop rates meet this requirement.
- The original pricing assumptions were based on projected 3% enrollment. Current enrollment is at 0.9%. Despite enrollment below original projections, staff believes the 3% figure continues to be viable to project cost and develop rates.

HealthSelect

Proposed PY22 Rates



	HealthSelect of Texas Proposed Monthly Contribution Rates Plan Year 2022*			
	Total Contribution	State Pays	Member Pays	Change in Members Monthly Contribution
Member Only	\$ 622.60	\$ 622.60	\$ 0.00	\$ 0.00
Member & Spouse	1,337.68	980.14	357.54	0.00
Member & Child(ren)	1,101.36	861.98	239.38	0.00
Member & Family	1,816.44	1,219.52	596.92	0.00

*Rates remain at PY21 levels.

Consumer Directed HealthSelect

Proposed PY22 Rates



	HealthSelect of Texas Proposed Monthly Contribution Rates Plan Year 2022*			
	Total Contribution	State Pays	Member Pays	Change in Members Monthly Contribution
Member Only	\$ 622.60	\$ 622.60	\$ 0.00	\$ 0.00
Member & Spouse	1,301.94	980.14	321.80	0.00
Member & Child(ren)	1,077.42	861.98	215.44	0.00
Member & Family	1,756.76	1,219.52	537.24	0.00

*Rates remain at PY21 levels.

Questions?
Action Item

Public Agenda Item #17

Review, Discussion and Consideration of Proposed Fiscal Year 2022 Rates for the Group Benefits Program Optional Coverages - (Action)

May 26, 2021

Diana Kongevick, Director of Group Benefits

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

Phil Dial, FSA, Rudd and Wisdom, Inc.

State of Texas Dental Choice PlanSM and Dental Health Maintenance Organization

Dental Plan Enrollment

PY21



GBP Dental Plan Member Enrollment as of March 31, 2021

	State of Texas Dental Choice	Dental Health Maintenance Organization
Member Only	114,650	40,034
Member & Spouse	36,630	10,328
Member & Child(ren)	27,015	7,695
Member & Family	23,421	6,141
Total	201,716	64,198

Dental Choice Plan Experience

Projected through PY22



State of Texas Dental Choice Projected Experience

	Plan Year 2020	Plan Year 2021 Projected	Plan Year 2022 Projected
Contributions	105,187,691	108,221,841	113,632,933
Claims	88,843,305	103,511,910	115,051,541
Administrative Cost	4,504,087	4,653,692	4,886,377
Gain/(Loss)	\$11,840,299	\$56,239	(\$6,304,985)

State of Texas Dental Choice



Rate Development

- The plan is self-funded with the Texas Employees Group Benefits Program (GBP) assuming risk for claims and administrative expenses.
- Contributions from members must be sufficient to support anticipated costs for upcoming year.
- Member contribution rates are based on:
 - claims experience through March 31, 2021
 - estimated trends in per capita benefit costs
 - projected provider reimbursement
 - historical enrollment patterns
 - contractually guaranteed administrative fees
 - proposed benefit changes

State of Texas Dental Choice



COVID-19 Potential Impact

- The plan experienced reduced utilization in the second half of PY20 and the first half of PY21 due to the pandemic.
- The plan may experience increased costs in the second half of PY21 due to deferred services during the pandemic. These costs will be paid from gains accrued during the period of decreased utilization.
- Utilization is expected to return to normal levels in PY22.

State of Texas Dental Choice



Proposed PY22 Rates

- Staff recommends a 3% increase to PY22 member contribution rates.

State of Texas Dental Choice Monthly Contribution Rates

	Current PY21	Proposed PY22	Change from Current Rate
Member Only	\$ 27.21	\$ 28.03	\$0.82
Member & Spouse	54.42	56.06	1.64
Member & Child(ren)	65.30	67.27	1.97
Member & Family	92.51	95.30	2.79

Dental Health Maintenance Organization



Proposed PY22 Rates

- Beginning September 1, 2019, Delta Dental administers the DHMO plan (DeltaCare HMO USA).
- The Delta Dental PY22 proposed premiums are identical to PY21 premiums.
- Premiums are paid in full by member contributions; therefore, PY22 member contribution rates are set equal to the contractual premium rates.

**Dental Health Maintenance Organization
Monthly Contribution Rates**

	Current PY21	Proposed PY22	Change from Current Rate
Member Only	\$ 9.59	\$ 9.59	\$0.00
Member & Spouse	19.18	19.18	0.00
Member & Child(ren)	23.02	23.02	0.00
Member & Family	32.59	32.59	0.00

Questions?
Motion at Conclusion of Agenda Item

State of Texas Vision PlanSM

State of Texas Vision

PY22 Rates



- The plan is self-funded with the Texas Employees Group Benefits Program (GBP) assuming risk for claims and administrative expenses.
- Contributions must be sufficient to support the anticipated costs for the upcoming year.
- Member contributions rates are based on:
 - claims experience through March 31, 2021
 - estimated trend
 - projected provider reimbursement rates
 - contractually guaranteed administrative fees

State of Texas Vision

COVID-19 Potential Impact



- The State of Texas Vision plan experienced reduced utilization in the second half of PY20 due to the pandemic.
- Utilization returned to normal in PY21 and is expected to continue at normal levels during PY22.

State of Texas Vision

Plan Enrollment



**State of Texas Vision Plan
Plan Enrollment
March 31, 2021**

	Plan Year 2021
Actives	128,659
Dependents	105,055
Retirees	25,930
Dependents	12,986
Total	272,630

State of Texas Vision

Projected Plan Experience



GBP Projected Vision Plan Experience Data as of March 31, 2021

	PY20	PY21 Projected	PY22 Projected
Contributions	13,576,114	14,789,692	17,008,146
Claims	10,221,853	12,761,428	14,675,642
Administrative Cost	918,537	998,235	1,147,970
Gain/(Loss)	\$2,435,724	\$1,030,029	\$1,184,534

State of Texas Vision

Proposed PY22 Rates



Staff recommends a 10% reduction to PY22 member contribution rates.

State of Texas Vision
Proposed Monthly Member Contribution Rates
Fiscal Year 2022

	PY21	PY22	Change from Current Rate
Member Only	\$ 5.12	\$ 4.61	(\$ 0.51)
Member & Spouse	10.24	9.22	(1.02)
Member & Child(ren)	11.01	9.91	(1.10)
Member & Family	16.13	14.52	(1.61)

Questions?
Motion at Conclusion of Agenda Item

Basic and Optional Term Life, Accidental Death and Dismemberment Plans

Life and AD&D



Insurance Funding

- Life insurance is funded through a fully-insured minimum-premium arrangement with Minnesota Life, an affiliate of Securian Financial Group, Inc.
- On a weekly basis, ERS reimburses the insurer in an amount equal to the actual life insurance claims paid by the insurer.
- On a monthly basis, ERS pays the insurer the contractual administrative fees.
- The minimum-premium arrangement includes maximum premium rates for each coverage type, which are guaranteed for the term of the contract.

Life and AD&D



Insurance Funding (continued)

- Accidental Death & Dismemberment (AD&D)
 - Fully-insured by Minnesota Life.
 - Based on premium rates guaranteed for the term of the contract.
- Life and AD&D RFP completed in PY21.

Basic and Optional Life

Contribution Rates



Life plan member contribution rates are developed based on the following factors:

- reasonable expectations of future claims determined through a review of the plan experience over the last 10 years
- anticipated claim-payment patterns
- expected investment income earned on funds held by the GBP trust
- maximum claims rates and administrative fees included in the Minnesota Life contract

Basic and Optional Life

COVID-19 Impact



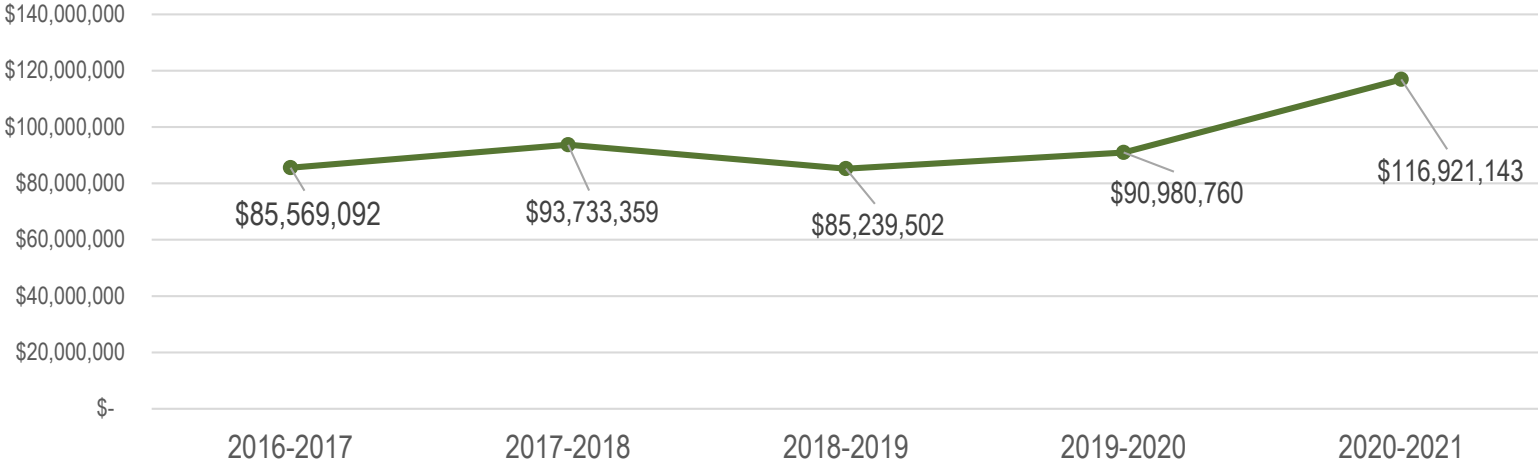
- A significant increase in claims occurred during the pandemic.
- A 12.2% increase in the number of claims and a 28.5% increase in the claims amount occurred when comparing March 1, 2020 – February 28, 2021 activity to the same period during the prior year.
- Sufficient plan reserves exist to cover the increased claims level.
- The increased claims level is not expected to continue into PY22.

Basic and Optional Life

Life and AD&D Claims



Life and AD&D Claims Per 12 Month Period*



*Each 12-month period shown begins in March and ends the following February.

Basic and Optional Life

Experience Summary PY11 – PY20



Coverages *	Average Volume	Total Premium	Incurred Claims	Loss Ratio
Basic Life	13,241,714,000	81,557,566	81,104,328	99.4%
Optional Life	195,439,553,000	656,666,508	647,814,243	98.7%
Dependent Life	4,882,121,000	22,014,791	21,850,000	99.3%
Life Total	\$213,563,388,000	\$760,238,864	\$750,768,571	98.8%

*Includes both employee and retiree lives.

Life and AD&D

Proposed PY22 Rates



	Current PY21	Proposed PY22	Change from Current Rate
Active and Retiree Basic Term Life and AD&D	\$ 2.22	\$ 2.22	No change
Active and Retiree Optional Life and AD&D Range based on age from <25 to ≥90	\$ 0.05 to \$10.57	\$ 0.05 to \$10.57	No change
Active Dependent Life and AD&D	\$ 1.38	\$ 1.38	No change
Retiree Minimum Optional Life	\$ 2.34	\$ 2.34	No change
Retiree Dependent Life	\$ 3.05	\$ 3.05	No change
Voluntary AD&D:			
Employee Only	\$ 0.02	\$ 0.02	No change
Employee & Family	\$ 0.04	\$ 0.04	No change

Questions?
Motion at Conclusion of Agenda Item

Texas Income Protection PlanSM

Texas Income Protection Plan (TIPP)



Two Self Funded Plans

- Short-term disability – Benefits last approximately five months following a one-month elimination period.
- Long-term disability – Benefits can last for many years and the maximum benefit period ranges from 12 months to the Social Security Retirement Age, following a 6-month elimination period.
- Member contributions fund TIPP benefits.

- Disability plan member contribution rates are based on the following items:
 - reasonable expectations of future claims
 - anticipated claim-payment patterns
 - expected investment income on GBP trust
 - administrative fees associated with the TIPP benefit administration

PY22 Contribution Rate Analysis (continued)

- Different contribution rate approaches apply to short-term and long-term disability.
 - Short-term disability has short-term liabilities and recent experience is used.
 - Long-term disability claims are longer in duration and experience is evaluated over many years.

TIPP

Enrollment PY21



- Member enrollment in the TIPP benefit remains relatively stable.
- As of March 31, 2021
 - 109,753 GBP employees (approximately 47%) are enrolled in short-term disability coverage
 - 83,774 GBP employees (approximately 36%) are enrolled in long-term disability coverage

TIPP

Short-term Disability Experience



	PY20	PY21* (as of March 31, 2021)
Member Contributions	\$14,938,354	\$8,758,770
Incurred Claims	\$11,468,151	\$6,037,916
Administrative Fees	\$3,152,953	\$1,819,603
Total Expense	\$14,621,104	\$7,857,519
Contribution Gain / (Loss)	\$317,250	\$901,251

*Partial-year experience

PY10 – PY19 Cumulative	
Adjusted Member Contributions*	\$273,600,577
Incurred Claims with Discounted Reserves	\$271,435,110
Administrative Fees	\$29,022,986
Total Expense	\$300,458,095
Contribution Gain / (Loss)	(\$26,857,518)

*Adjusted to in-force rates.

Texas Income Protection Plan Proposed Monthly Member Contribution Rates* Fiscal Year 2022			
	FY21	FY22	Change from Current Rate
Short-term Disability	\$0.26	\$0.26	No change
Long-term Disability	\$0.63	\$0.68	\$0.05

*Rates are per \$100 of monthly covered salary

Questions?
Action Item

Public Agenda Item #18

Review, Discussion and Consideration of Proposed Fiscal Year 2022 Fees for TexFlex Program and Termination of the Commuter Spending Account Program – (Action)

May 26, 2021

Diana Kongevick, Director of Group Benefits
Blaise Duran, FSA, Actuarial and Reporting Services, Group Benefits
Phil Dial, FSA, Rudd and Wisdom, Inc.

TexFlexSM Program



- TexFlex flexible spending accounts:
 - Health Care Reimbursement Account
 - Limited Purpose Reimbursement Account
 - Dependent Care Reimbursement Account
- Commuter Spending Account
- Funded by pre-tax salary contributions from active employees
- Reimburses participants for qualified, eligible expenses

TexFlex Program

Administrative Fee Holiday



- In previous years, employees enrolled in a flexible spending account were responsible for a nominal account administrative fee of \$1 per account per month.
- ERS waived the administrative fee for those enrolled in the plans during PY17- PY21, and ERS staff recommends waiving the administrative fee for PY22.
- The \$1 per account per month administrative fee was paid for through the previous year's forfeited funds balance.

TexFlex Program



Administrative Fee Holiday Recommendation

- Staff recommends continuing the administrative fee holiday for FY22, allowing for administrative fees to be paid from the plan forfeiture account.
- Consistent with IRS rules, forfeited fund balances cannot be used to pay the Commuter Spending Account administrative fee.

	Enrollment (#s)			Contribution Elections** (\$)		
	PY20	PY21	Change %	PY20	PY21	Change %
Health Care Reimbursement Plan	45,096	42,635	-5.5%	\$57,261,588	\$54,371,256	-5.1%
Dependent Care Reimbursement Plan	3,544	2,443	-31.1%	\$12,656,099	\$8,642,710	-31.7%
Total Participation*	46,392	43,541	-6.2%	\$69,917,687	\$63,013,966	-9.9%

**Total unique participant enrollment is not equal to the sum of health care and dependent care enrollment because some members are enrolled in both plans.*

*** Contribution elections are pledges into the program and are reported commitments for the applicable fiscal year.*

- The pandemic affected TexFlex enrollment and employee contribution amounts.
- Many employees made their PY20 TexFlex benefit selections prior to the public health emergency and were unable to use their FSA benefits (health care and dependent care) as they originally intended.
- ERS enacted temporary provisions under the Consolidated Appropriations Act of 2021 to help address these challenges.

Consolidated Appropriations Act of 2021

ERS took quick action.

- Removed FSA carryover limits for both 2020 and 2021 plan years
- Adopted spend-down provisions for plan years ending 2020 and 2021, allowing those who leave the plan to submit claims up to the contribution amount for dates of service during the entire plan year
- Adopted special carry forward rule for dependent care reimbursement for those turning age 14
- Allowed prospective FSA elections for PY21 only without a qualifying life event (QLE)

TexFlex Program

Commuter Spending Account (CSA)



- Enrollment into the CSA program began January 1, 2016 with a benefit start date of March 1, 2016.
- The account is available to those who utilize mass transit and/or incur parking expenses as part of their daily commute to and from work.
- Participants can enroll and dis-enroll on a monthly basis without waiting for summer enrollment or a Qualified Life Event (QLE).

TexFlex Program

Commuter spending account (CSA)



- Since inception, there is minimal utilization across both the parking and transit CSA accounts despite communication campaign efforts and direct mailings to members living and working in cities using mass transit.
- As of March 31, 2021, .001% of the total eligible population participates in the CSA with 291 enrolled in the transit account and 60 enrolled in the parking benefit.
- Of that population, 49 continue to contribute to the transit benefit and 19 to the parking benefit.

TexFlex Program

Commuter Spending Account (CSA)



- With the administrative challenges of the program, low participation and low enrollment, staff recommends the plan end at August 31, 2021 with a claims run-out period ending December 31, 2021.
- Staff further recommends a refund of remaining balances following the end of the run-out period and those payments will be taxable. Additional refund details will be provided at a later date.

Questions?
Action Item

Public Agenda Item #19

Review, Discussion and Consideration of Proposed Rules of the Board of Trustees, Texas Administrative Code, Title 34, Part IV, Chapter 63 (Board of Trustees)- (Action)

May 26, 2021

Bernie Hajovsky, Director of Enterprise Planning Office

Proposed Amendment to Chapter 63

Board of Trustees



Amendment to § 63.4, Election of Trustees (Ballot)

Authorize the board or the board's designee to cancel an election and certify the lone candidate as the trustee-elect

Reasons

- Conducting an election with only one candidate is unnecessary
 - Voters cannot “write-in” candidates
- Budgeted election monies would remain in the trust fund if the election is cancelled

Proposed Amendment to Chapter 63

Board of Trustees



Notice of the proposed amendments to Chapter 63 was published in the April 23, 2021 issue of the Texas Register (46 TexReg 17).

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

Proposed Amendment to Chapter 63

Staff Recommendation



Adopt the proposed amendment to 34 TAC Chapter 63, concerning Board of Trustees, as reflected in Exhibit A and this agenda item.

Questions?
Action Item

Public Agenda Item #20

Agency Update

May 26, 2021

Porter Wilson, Executive Director

Agency Update

2021 Legislative Session



87th Legislative Session adjourns on Monday, May 31st

- HB 917
 - Permits one ERS Board of Trustees elected member to be a retiree
 - Signed by the Governor on May 15th and is effective on September 1, 2021
- Appropriations Update
- Legislation Update

Agency Update

Summer Enrollment for Plan Year 2022



For employees and non-Medicare retirees*

Annual Enrollment for Plan Year 2022: June 21 - July 23, 2021					
	Monday, June 21	Monday, June 28	Monday, July 05	Monday, July 12	Friday, July 23
Phase 1 (June 21 - July 3)	█				
Phase 2 (June 28 - July 10)		█			
Phase 3 (July 5 - 17)			█		
Phase 4 (July 12 - 23)				█	

*Retirees enrolled in Medicare make benefits changes during Fall Enrollment in November.

Agency Update

Summer Enrollment for Plan Year 2022



Enrollment support and resources

- Personal Benefits Enrollment Statement packets, mailed to all eligible members
- Customer Benefits' support by phone and email.
- 50 webinars:
 - General enrollment information
 - Specifics of each benefit plan
 - Guidance for participants in decommissioned HMOs
- Support and information from program administrators
- Online guide, webinars and regular updates for HR professionals



Agency Update

1836 San Jacinto Building Update

- We are in the process of finalizing a contract with Property Management Firm
- Furniture to be installed on Level 1, 6 and 9 this summer
- CBRE continues to solicit tenant proposals and conduct broker tours
- We are in the process of finalizing a contract with an Architectural Firm for 200 E. 18th building



Agency Update

2021 Get Fit Texas Challenge Results



The Get Fit Texas State Agency Challenge began on January 11 and ended on March 28. We are excited to announce that ERS came in first place for the fourth year in a row and have officially achieved “dynasty” status.

Below are the agencies who finished in first place based on the number of FTEs:

# of employees	First Place Agency	% Participation	Minutes
5K+	Texas Department of Public Safety	52.60%	16,668,014
1001-5K	Texas Commission on Environmental Quality	39.90%	2,439,634
501-1K	Texas Department of Licensing and Regulation	49.70%	720,446
201-500	Employees Retirement System of Texas	57.70%	745,763
51-200	Texas State Library and Archives Commission	57.30%	293,006
<51	Court of Appeals District 10 Waco	86.70%	44,910

Questions?

Public Agenda Item #21

Executive Session

May 26, 2021

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 Executive Director of the Employees Retirement System of Texas.

A quorum of the Board of Trustees will attend the executive session via video conference call in accordance with Section 551.127, Texas Government Code, as modified by Governor Abbott's Emergency Order suspending certain provisions of the Texas Open Meetings Act on March 16, 2020.

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

Public Agenda Item #22

Adjournment of the Board of Trustees Meeting

May 26, 2021