

Meeting of the ERS Board of Trustees

May 17, 2023



Public Agenda Item #1

Call Meeting of the Board of Trustees to Order

May 17, 2023

Public Agenda Item #2

Consideration of Consent Agenda – (Action)

May 17, 2023

Discussion
Action Item

Public Agenda Item #3

*Consideration of Proposed Fiscal Year 2024 Rates for HealthSelect of Texas[®] and Consumer Directed HealthSelectSM Plans – (**Action**)*

May 17, 2023

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

- Contributions from employers and enrolled members fund HealthSelect plan costs.
- Legislative appropriation determines State contributions.
- The State currently pays:
 - 100% of the contribution rate for eligible full-time employees
 - Up to 100% of the contribution rate for retirees based on benefits-eligible years of service and year of retirement
 - 50% of the contribution rate for eligible dependents enrolled in HealthSelect of Texas.
- State contributions are the same for employees and retirees enrolled in HealthSelect of Texas, Consumer Directed HealthSelect and HealthSelect Medicare Advantage.

HealthSelect Plans

PY24 Contribution Rate Analysis



- The Actuarial and Reporting Services unit and consulting actuary analyzed the critical factors listed below.
 - revenue requirements
 - state funding as determined in the state budget each biennium
 - historical enrollment
 - claims experience
 - projected contingency fund balance
 - cost containment practices
 - funding for basic life and accidental death and dismemberment coverages
- No contribution change recommended for PY24.

HealthSelect Plans

Notable Plan Changes



By approving PY24 contribution rates, the Board of Trustees also approves notable changes described below.

- Test strips and diabetic supplies
 - Test strips and diabetic supplies were covered at the retail pharmacy beginning September 1, 2021.
 - Effective September 1, 2023, test strips will no longer be available through the medical plan's durable medical equipment benefit (unless insulin pump or CGM). Participants will obtain through the pharmacy benefit only.
- Continuous Glucose Monitors (CGMs)
 - Effective January 1, 2024, the prescription drug plan will also cover certain CGMs at the retail pharmacy (currently available only through the medical plan).

- Weight loss medications
 - The prescription drug plan will continue coverage of glucagon-like peptide-1 (GLP-1) medications for the treatment of Type 2 Diabetes.
 - The plan will maintain its existing exclusion for weight loss medications and continue to monitor.
- Bariatric surgery
 - The benefit is required to be cost-neutral and statute defines eligibility.
 - The plan is modernizing certain pre-requisites to aid in effective plan administration.

- COVID-19 related costs appear to have stabilized and are expected to add \$41.9 million to total cost in PY23. Going forward, trend is expected to be consistent with historic trend.
- 6.9% - PY24 projected medical and prescription drug trend (combined)
 - 5.6% Medical benefit cost trend
 - 10.0% Prescription drug trend

HealthSelect Plans

Consumer Directed HealthSelect



- By statute, the Consumer Directed HealthSelect plan is required to be revenue neutral. Plan design assumptions were developed to meet this requirement.
- The original pricing assumptions were based on projected 3% enrollment. Current enrollment is at 1.4%. To develop rates, ERS continued its original pricing assumptions.

HealthSelect

Proposed PY24 Rates



	HealthSelect of Texas Proposed Monthly Contribution Rates Plan Year 2024			
	Total Contribution	State Pays	Member Pays	Change in Member Monthly Contribution
Member Only	\$ 622.60	\$ 622.60	\$ 0.00	\$ 0.00
Member & Spouse	1,338.60	980.60	358.00	0.00
Member & Child(ren)	1,102.00	862.30	239.70	0.00
Member & Family	1,818.00	1,220.30	597.70	0.00

Consumer Directed HealthSelect

Proposed PY24 Rates



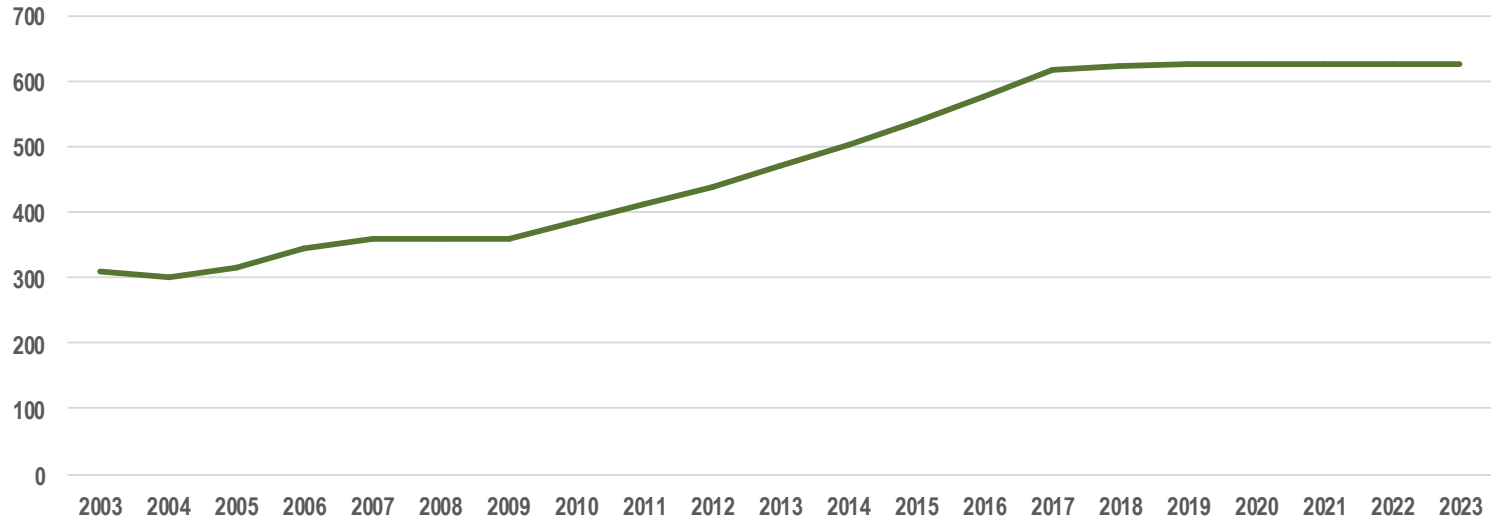
	HealthSelect of Texas Proposed Monthly Contribution Rates Plan Year 2024			
	Total Contribution	State Pays	Member Pays	Change in Member Monthly Contribution
Member Only	\$ 622.60	\$ 622.60	\$ 0.00	\$ 0.00
Member & Spouse	1,302.80	980.60	322.20	0.00
Member & Child(ren)	1,078.02	862.30	215.72	0.00
Member & Family	1,758.22	1,220.30	537.92	0.00

HealthSelect Plans

HealthSelect Contribution Rate History



Member Only Coverage Contribution History



Discussion
Action Item

Public Agenda Item #4

Consideration of Proposed Plan Year 2024 Rates for the Group Benefits Program Optional Coverages– (Action)

May 17, 2023

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 Plan and Dental Health Maintenance Organization

GBP Dental Plans

Recommendation



- State of Texas Dental Choice PlanSM (PPO)
 - No contribution increase recommended for PY24
 - PY23 claims lower than projected
- Recommend DHMO rates return to PY22 levels
 - PY23 member rates were reduced by 10% to pass on the DeltaUSA[®], Inc. COVID-related refund

State of Texas Dental Choice Plan

PY23



GBP Dental Choice Member Enrollment as of March 31, 2023

	PY22	PY23
Member Only	116,848	124,961
Member & Spouse	37,402	38,541
Member & Child(ren)	27,056	27,856
Member & Family	23,378	23,500
Total	204,684	214,858

State of Texas Dental Choice Plan



Rate Development

- The Texas Employees Group Benefits Program (GBP) assumes risk for claims and administrative expenses of this self-funded plan.
- Member contributions must be sufficient to support anticipated costs for the upcoming year.
- Member contribution rates are based on:
 - claims experience through March 31, 2023;
 - estimated trends in per capita benefit costs;
 - projected provider reimbursement;
 - historical enrollment patterns;
 - contractually guaranteed administrative fees; and
 - notable benefit changes (if applicable).

State of Texas Dental Choice Plan Experience

Projected through PY24



State of Texas Dental Choice Projected Experience (Through PY24)

	PY21	PY22	PY23 Projected	PY24 Projected
Contributions	108,085,209	112,746,889	119,214,587	122,791,024
Claims	104,963,781	108,350,380	112,814,988	117,942,429
Administrative Cost	4,648,206	4,735,834	4,944,130	5,092,454
Gain/(Loss)	(\$1,526,778)	(\$339,325)	\$1,455,469	(\$243,858)

State of Texas Dental Choice Plan



Proposed PY24 Rates

- ERS Actuarial and Reporting Services team and Rudd and Wisdom recommend no increase to PY24 member contribution rates.

**State of Texas Dental Choice
Proposed Monthly Contribution Rates**

	Current PY23	Proposed PY24	Change from Current Rate
Member Only	\$ 28.73	\$ 28.73	\$0.00
Member & Spouse	57.46	57.46	0.00
Member & Child(ren)	68.95	68.95	0.00
Member & Family	97.68	97.68	0.00

Dental Health Maintenance Organization

PY23



DHMO Member Enrollment as of March 31, 2023

	PY22	PY23
Member Only	37,587	37,433
Member & Spouse	9,660	9,038
Member & Child(ren)	6,957	6,419
Member & Family	5,436	4,958
Total	59,640	57,848

Dental Health Maintenance Organization



Premium Refund

- To not profit from the pandemic, Delta Dental voluntarily returned \$980,000 in PY22.
- The refund amount represented approximately 10% of the total PY23 expected premium.
- PY23 member contribution rates were reduced by 10%
- These funds are now exhausted and contributions rates should return to PY22 levels.
- Premium amount will be consistent with premiums paid to Delta Dental.

Dental Health Maintenance Organization



Proposed PY24 Rates

- ERS Actuarial and Reporting Services team and Rudd and Wisdom recommend a return to PY22 member contribution rates.

Dental Health Maintenance Organization Proposed Monthly Contribution Rates

	Current PY23	Proposed PY24	Change from Current Rate
Member Only	\$ 8.63	\$ 9.59	\$ 0.96
Member & Spouse	17.26	19.18	1.92
Member & Child(ren)	20.72	23.02	2.30
Member & Family	29.33	32.59	3.26

Discussion

State of Texas VisionSM

State of Texas Vision

Recommendation



- No contribution increase recommended for PY24.
 - Expenses expected to continue to exceed contributions
 - Funds accrued from prior years are sufficient to cover losses
 - EyeMed is the new third party administrator effective September 1, 2023

Vision Plan Enrollment

PY23



GBP Vision Plan Member Enrollment as of March 31, 2023

	PY22	PY23
Member Only	96,556	107,499
Member & Spouse	25,273	27,181
Member & Child(ren)	21,689	22,926
Member & Family	18,246	19,066
Total	161,764	176,672

State of Texas Vision



Rates

- The GBP assumes all risk for this self-funded plan, paying all claims and administrative expenses in excess of contributions.
- Contributions must be sufficient to support the anticipated costs for the upcoming year.
- Member contributions rates are based on:
 - claims experience through February 28, 2023;
 - estimated trends in benefit costs;
 - projected provider reimbursement rates;
 - contractually guaranteed administrative fees; and
 - notable plan changes (if any)
 - Out-of-network contact lens allowance will increase from \$150 to \$200 effective September 1, 2023

Vision Plan Experience

Projected through PY24



State of Texas Vision Plan Projected Experience (Through PY24)

	PY21	PY22	PY23 Projected	PY24 Projected
Contributions	14,644,017	13,913,338	14,778,236	15,439,562
Claims	13,811,584	13,624,213	14,923,517	16,280,811
Administrative Cost	992,528	1,042,232	1,094,343	361,741
Gain/(Loss)	(\$160,096)	(\$753,107)	(\$1,239,624)	(\$1,202,990)

State of Texas Vision



Proposed PY24 rates

ERS Actuarial and Reporting Services team and Rudd and Wisdom recommend no change to PY24 plan contribution rates.

State of Texas Vision Proposed Monthly Member Contribution Rates

	PY23	PY24	Change from Current Rate
Member Only	\$ 4.61	\$ 4.61	\$0.00
Member & Spouse	9.22	9.22	0.00
Member & Child(ren)	9.91	9.91	0.00
Member & Family	14.52	14.52	0.00

Discussion

*Basic and Optional Term Life, Accidental Death
and Dismemberment Plans*

GBP Life and AD&D Plans



Recommendation

- No contribution change recommended for Life and Accidental Death and Dismemberment (AD&D) plans for PY24.
 - Rates were increased by approximately 5.8% in PY23.
- No contribution change for Voluntary AD&D plans for PY24.

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 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)

- Voluntary 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



Member contribution rates for the Life plan 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 ERS; and
- maximum claims rates and administrative fees included in the Minnesota Life contract.

Basic and Optional Life

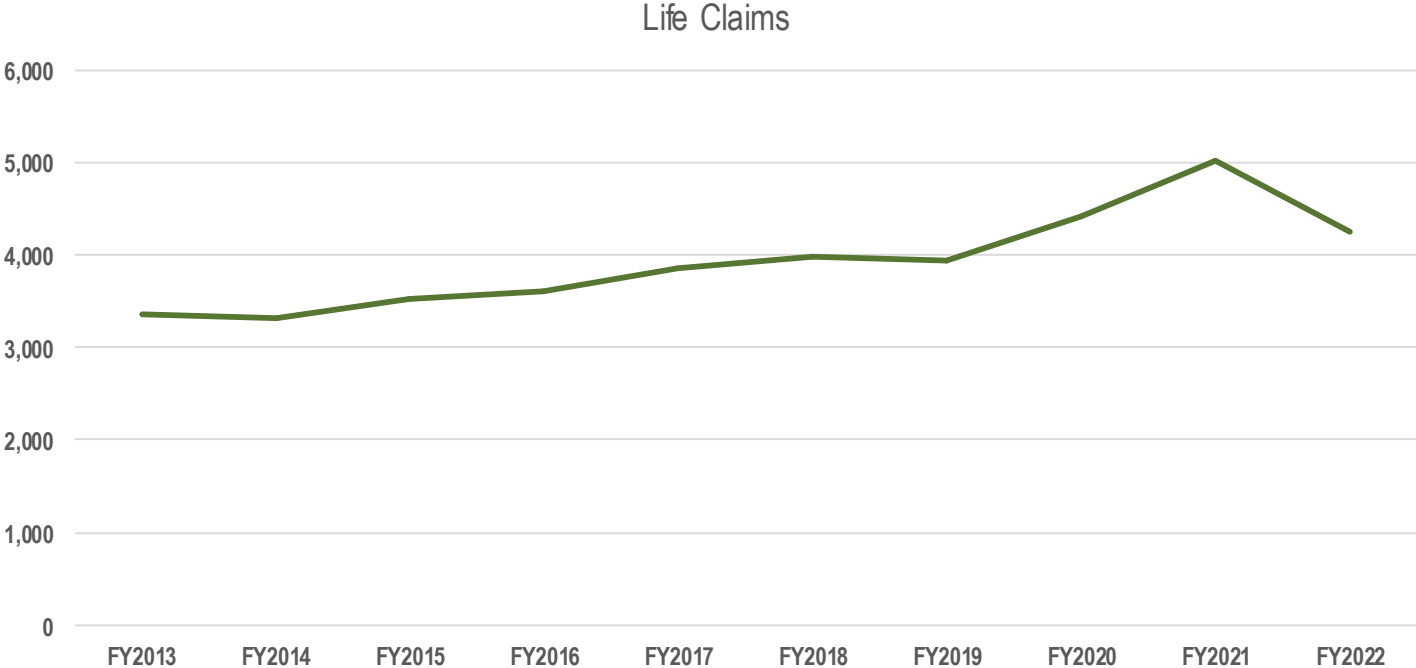
COVID-19 Impact



- The pandemic caused a significant claims increase.
- Claims peaked in PY21 and have since come back down in PY22 and PY23.
- Despite reduction, claims continue to be elevated relative to pre-pandemic levels.

Basic and Optional Life

COVID-19 Impact



Basic and Optional Life

Experience Summary PY13 – PY22



Coverages *	Average Volume	Total Premium	Incurred Claims	Administrative Fees	Gain/(Loss)
Basic Life	\$1,346,118,000	\$83,933,153	\$92,507,791	\$2,244,146	(\$9,716,165)
Optional Life	\$20,630,921,000	\$732,499,030	\$775,785,241	\$19,211,830	(\$62,498,041)
Dependent Life	\$472,404,000	\$22,263,862	\$23,646,460	\$612,698	(\$1,995,296)
Life Total	\$22,449,444,000	\$838,696,045	\$891,939,492	\$22,068,673	(\$75,312,121)

*Includes both employee and retiree lives.

Life and AD&D

Proposed PY24 Rates



	Current PY23	Proposed PY24	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 - \$11.18	\$ 0.05 - \$11.18	No change
Active Dependent Life and AD&D	\$ 1.45	\$1.45	No change
Retiree Minimum Optional Life	\$ 2.48	\$ 2.48	No change
Retiree Dependent Life	\$ 3.23	\$ 3.23	No change
Voluntary AD&D:			
Employee Only	\$ 0.02	\$ 0.02	No change
Employee & Family	\$ 0.04	\$ 0.04	No change

Discussion

Texas Income Protection PlanSM (TIPP)

- Short Term Disability – recommend a 7.7% reduction.
 - Short Term Disability claims are significantly reduced in PY22 and PY23.
 - Reed Group advises this is consistent across their book of business.
- Long term Disability – recommend no change
 - Rates were increased in PY22 and are expected to be adequate in PY24.

Two self-funded plans

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

TIPP Member Enrollment as of March 31, 2023

	PY22	PY23
Short-Term Disability	79,984	80,654
Long-Term Disability	103,754	105,439

- TIPP member contributions are based on the following items:
 - reasonable expectations of future claims;
 - anticipated claim-payment patterns;
 - expected investment income on funds held by ERS; and
 - administrative fees associated with the TIPP benefit administration.

PY24 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.

	PY22	PY23* (as of March 31, 2023)
Member Contributions	14,846,496	9,051,066
Incurred Claims	7,279,157	4,857,262
Administrative Fees	2,896,447	1,428,649
Total Expense	10,175,603	6,317,734
Contribution Gain / (Loss)	\$4,670,893	\$2,733,332

*Partial-year experience

PY12 – PY21 Cumulative	
Adjusted Member Contributions*	303,576,377
Incurred Claims with Discounted Reserves	269,086,044
Administrative Fees	28,730,398
Total Expense	297,816,442
Contribution Gain / (Loss)	\$5,759,935

*Adjusted to in-force rates

Texas Income Protection Plan Proposed Monthly Member Contribution Rates* Plan Year 2024			
	PY23	PY24	Change from Current Rate
Short-term Disability	\$0.26	\$0.24	\$(0.02)
Long-term Disability	\$0.68	\$0.68	No change

*Rates per \$100 of monthly covered salary

Discussion
Action Item

Public Agenda Item #5

*Consideration of Legislative Proposed Salary Increase for State
Classified Employees - (**Action**)*

May 17, 2023

Machelle Pharr, Chief Financial Officer
DeeDee Sterns, Director of Human Resources

Legislative Proposed Salary Increase

State (Classified) Employees



- ERS follows the Texas State Classification Plan and Salary Administration Policies.
- Senate Bill 30 includes a 5% salary increase for state employees effective July 1, 2023.
- Senate Bill 30 has passed out of both chambers with amendments; set for conference committee

Proposed Fiscal Year 2023 Budget Amendment

By Budget Category



- Minimum increase - \$250 monthly
- Anticipated increase to FY 2024 budget
 - \$2.2 million salaries
 - \$0.8 million other salary cost

	Approved FY 23 Budget	Proposed Budget Amendment
Salaries	\$41.35 M	\$ 355,000
Other Salary Related Cost	\$11.58 M	\$62,658

Discussion
Action Item

Public Agenda #6

Agency Update

May 17, 2023

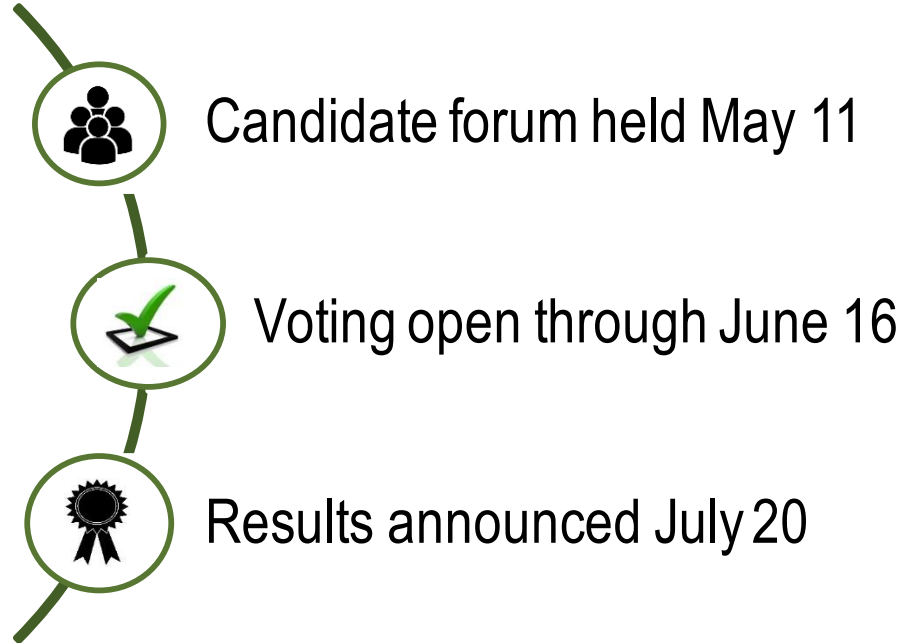
Porter Wilson, Executive Director

Agency Update

2023 Board of Trustees Election

Election candidates

- ❑ James (Jimmy) Jackson
- ❑ Suzy Whittenton
- ❑ Stuart Greenfield
- ❑ Chris Nelson
- ❑ Ilesa Daniels



Agency Update

Legislative Update



- 88th Legislative Session will adjourn on Monday, May 29, 2023
- At that point, the Governor has until June 18th to take executive action on all bills passed by both the House and Senate
- Status of ERS related funding and policy issues:
 - Budget Issues
 - Policy Issues

Agency Update

Action Beyond the Call



- **Benefits Counseling Center:**

- Fully staffed.
- Subject matter training underway for existing staff.
- May 8th the outsourced vendor began taking insurance calls with the continued support of ERS counselors.
- Outsourced vendor will phase in appropriate staffing levels through August when ERS counselors will no longer support the transition.

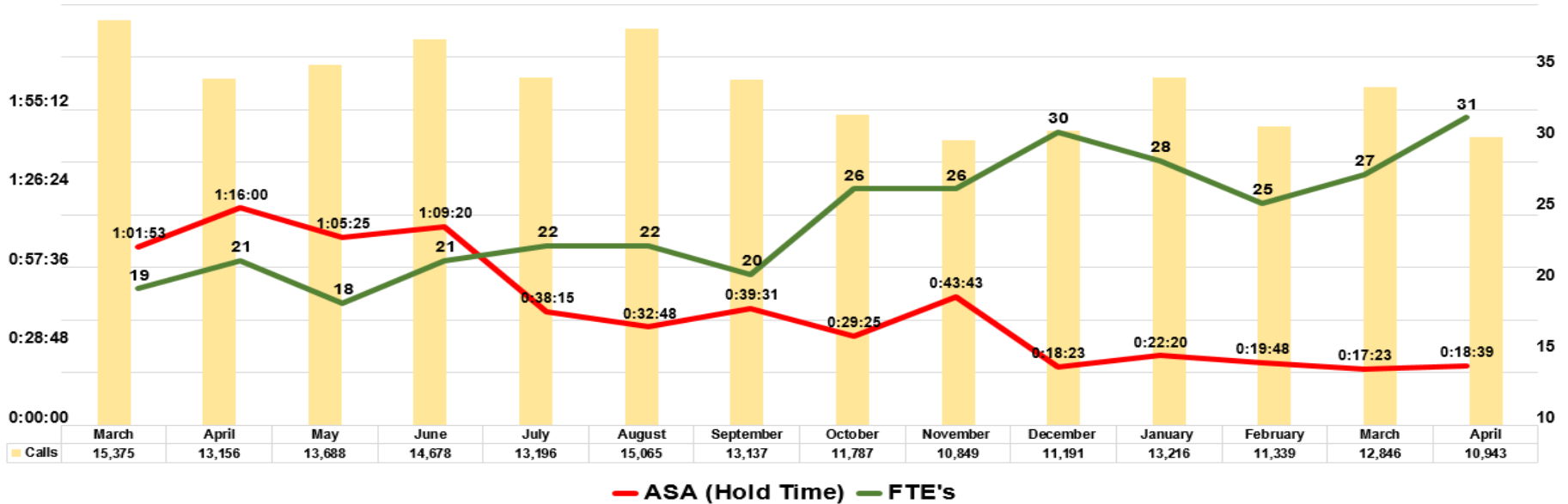
- **Survivor Benefits:**

- One vacancy – hiring in process.
- ERS continues to see improvements in processing times.

Benefit Counseling Data



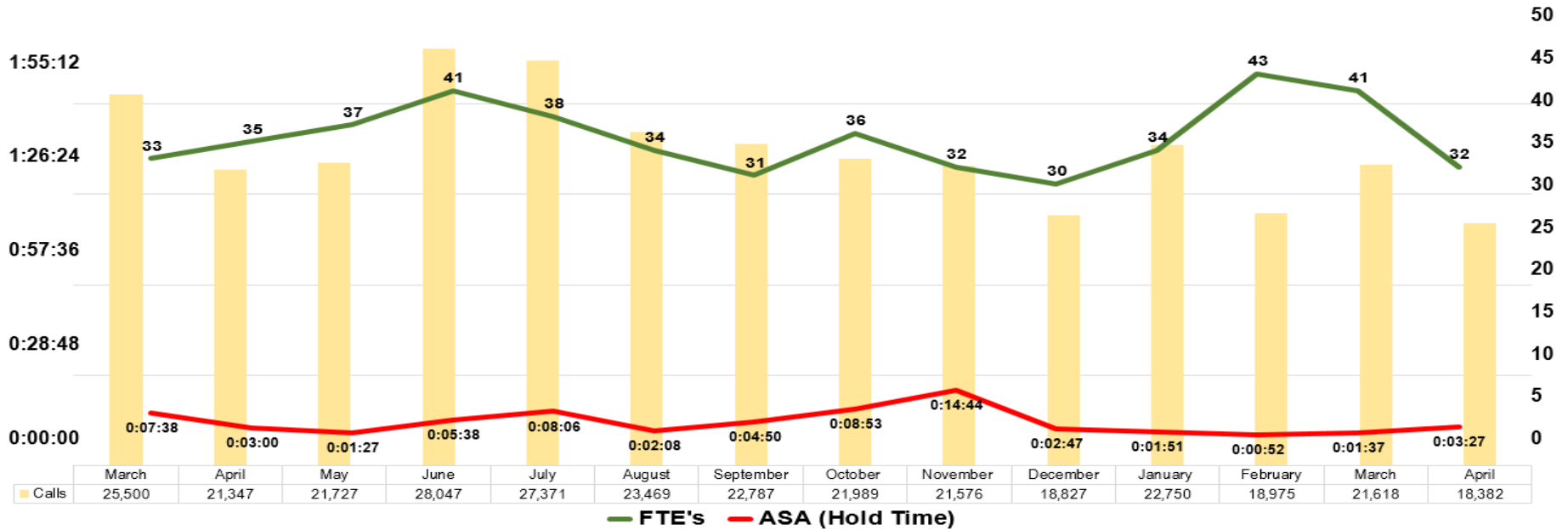
Benefits Counseling Center FY 22-23



Outsource Call Center Data



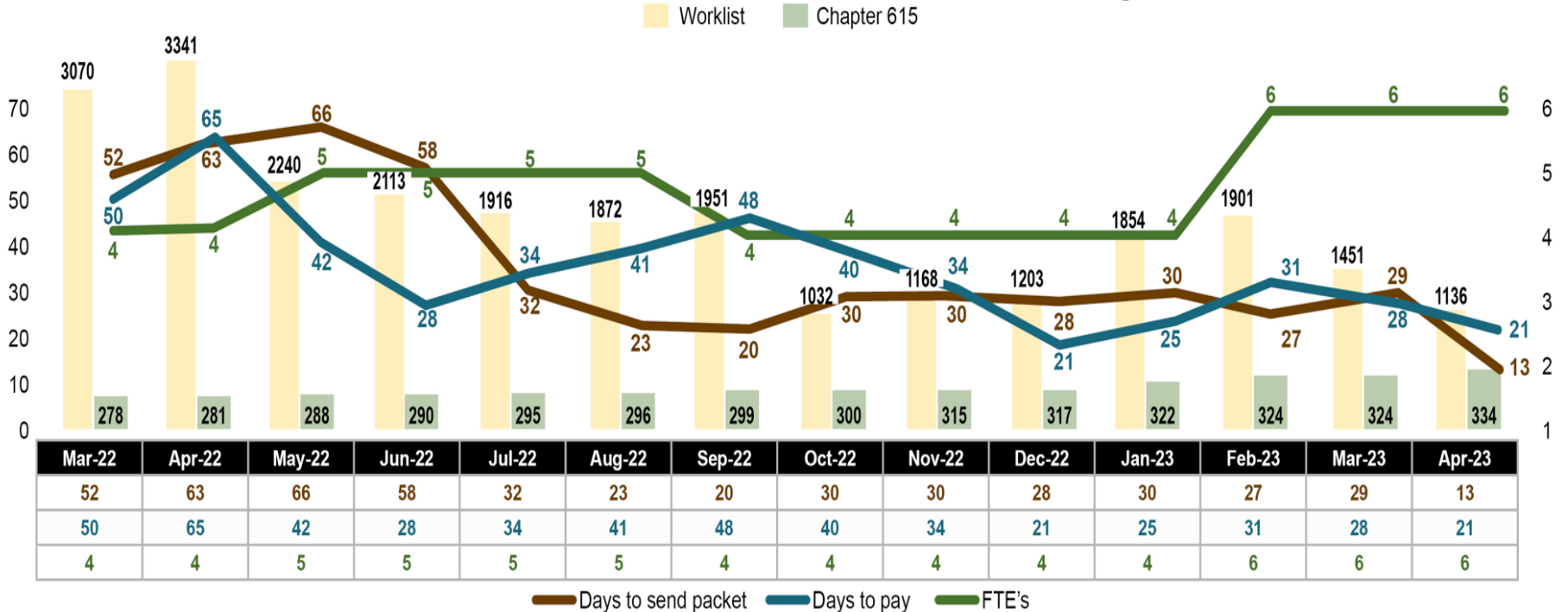
Outsource Call Center (Group O) FY 22-23



Survivor Benefits Data



Survivor Benefits / Death Processing



Workforce Update

Recruitment Challenges



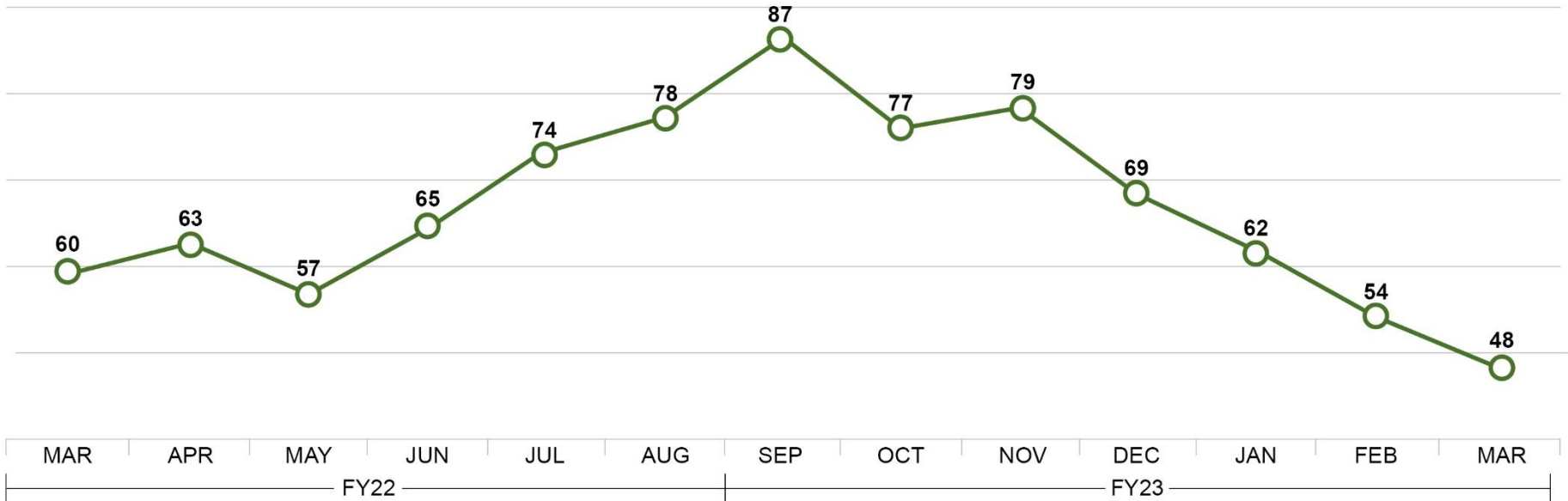
- Low unemployment
- Smaller applicant pools
- Competition for qualified candidates
- Accelerated hiring process
- Turnover

Workforce Update

Vacancy Totals



Monthly Vacancy Totals

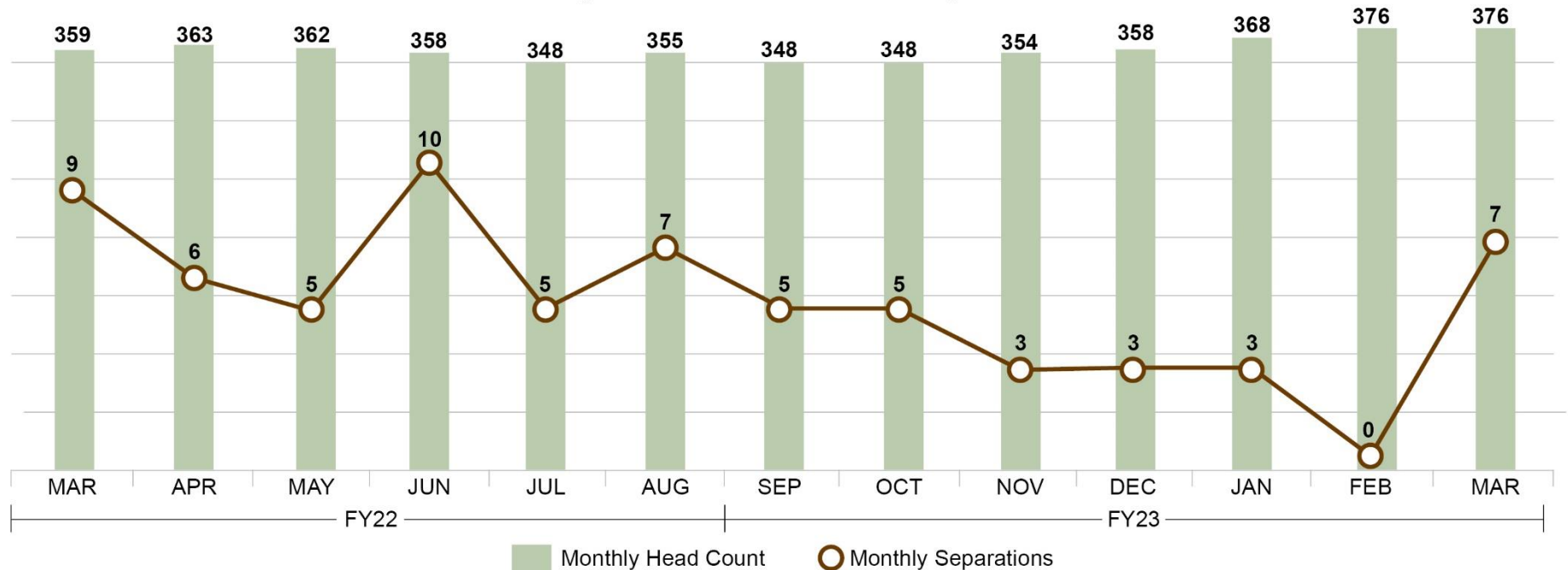


Workforce Update

Separations by Month



Monthly Head Count with Separations

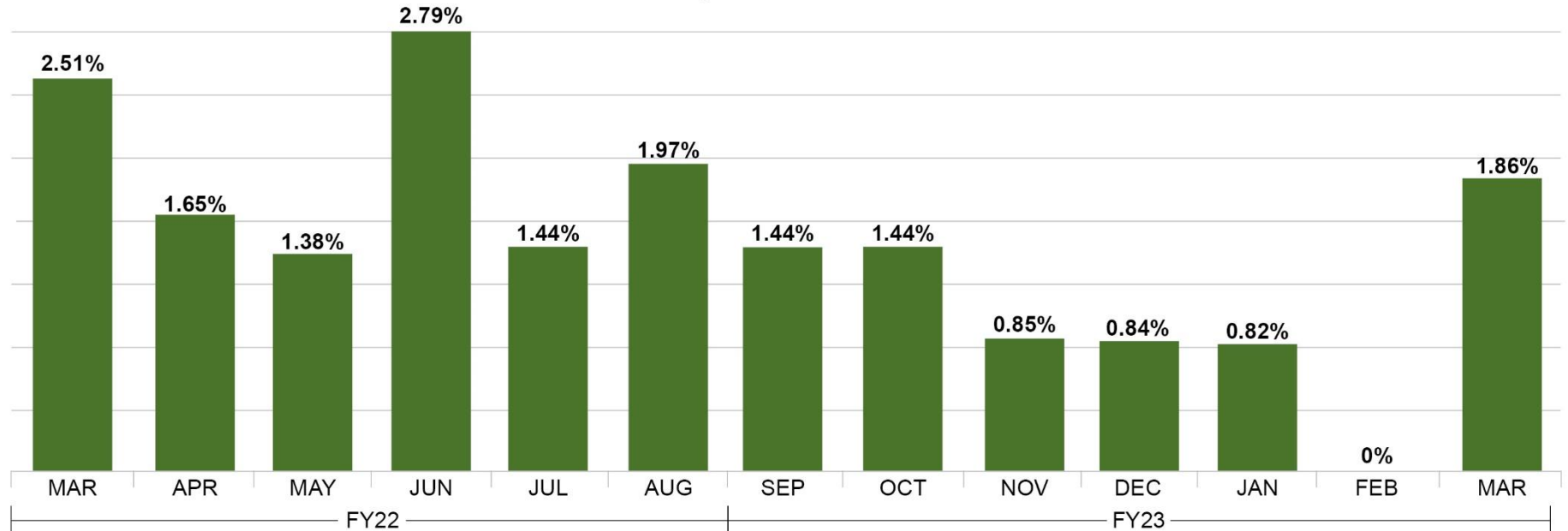


Workforce Update

Monthly Turnover Rates



Monthly Turnover Rates

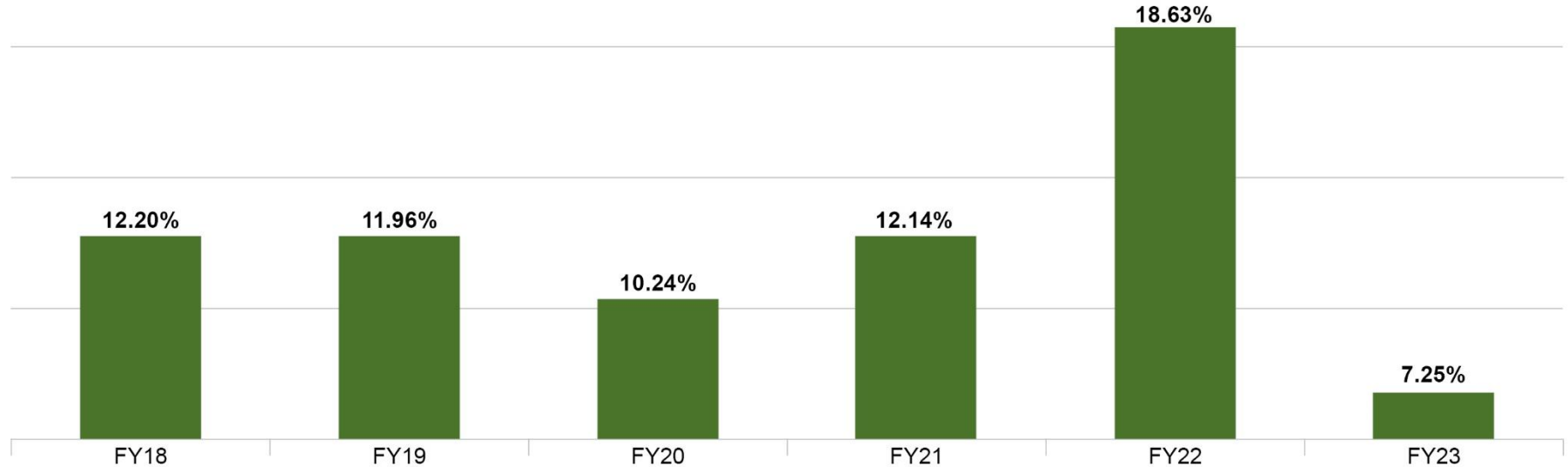


Workforce Update

Yearly Turnover Rates



Average Yearly Turnover

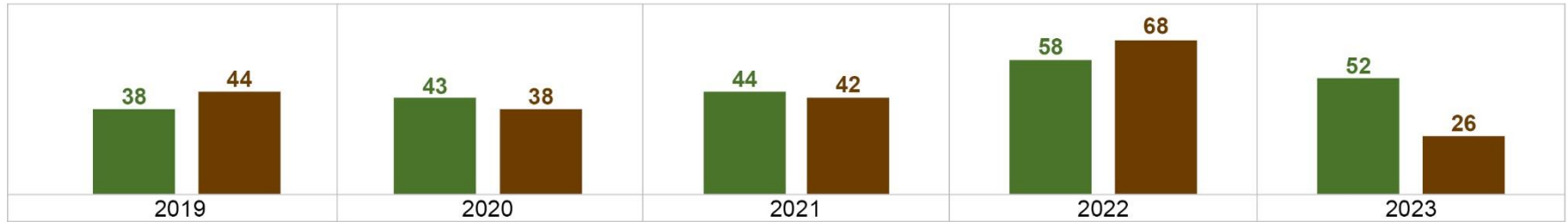


Workforce Update

ERS Staffing



Fiscal Year 2019 to 2023



March 2022 to March 2023



2023 Get Fit Texas Challenge Results



Get Fit Texas State Agency Challenge began on January 23 and ended on April 2.

# of employees	First Place Agency	% Completion
5K+	Texas Department of Transportation	51.30%
1001-5K	Texas Commission on Environmental Quality	43.60%
501-1K	General Land Office	26.50%
201-500	Texas Higher Education Coordinating Board	61.50%
51-200	Texas State Library & Archives Commission	60.50%
<51	Texas Board of Architectural Examiners	85.0%

Discussion

Public Agenda Item #7

Recess of the Board of Trustees.

Following a temporary recess, the Board of Trustees will reconvene to take up the remaining agenda items posted on the agenda.

May 17, 2023