

# Meeting of the Board of Trustees

August 21, 2024



# Public Agenda Item #5

## *Call Board of Trustees to Order*

August 21, 2024

## Public Agenda Item #6

*Consideration of Consent Agenda – (Action)*

August 21, 2024

Discussion  
*Action Item*

# PUBLIC COMMENTS

August 21, 2024

## Public Agenda Item #7

### *Stakeholder Connection:*

### *A Panel Discussion with Law Enforcement and Custodial Officer State Employee Associations*

August 21, 2024

Jennifer Chambers, Director of Government Relations & Special Projects  
Lt. Richard Jankovsky, President of Texas Department of Public Safety Officers Association  
Game Warden Scott Blackburn, President of Texas Game Warden Association  
Jeff Ormsby, Executive Director of AFSCME Texas Corrections

# Stakeholder Connection



## **Lt. Richard Jankovsky**

- Texas Department of Public Safety
- Over 20 years of law enforcement experience
- President, Texas Department of Public Safety Officers Association

## **Game Warden Scott Blackburn**

- Texas Parks and Wildlife Department
- Over 23 years of state service
- President, Texas Game Wardens Association

## **Jeff Ormsby**

- Executive Director, AFSCME Texas Corrections

# Discussion



## Public Agenda Item #8

*Consideration of Texas Employees Group Benefits Program Update:  
Proposed CY 2025 Rates for HealthSelect<sup>SM</sup> Medicare Advantage PPO Plans – (Action)*

August 21, 2024

Blaise Duran, FSA, Director, Group Benefits  
Phil Dial, FSA, Rudd and Wisdom, Inc.

During the implementation process with BCBS, the following health management enhancement programs were evaluated and will be added effective September 1, 2024.

- Hello Heart
- Hinge Health
- Learn to Live
- Progeny

# HealthSelect Rx

## GLP-1 Coverage



- In 2024 the FDA approved Wegovy as a treatment to reduce the risk of a major adverse cardiovascular event for those at high risk.
- Following this approval CMS added Wegovy for this purpose as a Part D medication and it became covered in HealthSelect Medicare Rx in April 2024.
- Initial utilization of Wegovy in HealthSelect Medicare Rx has been low
- Effective September 1, 2024, Wegovy will be covered using the same criteria for the HealthSelect Prescription Drug Program as well.

# HealthSelect Medicare Advantage PPO



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

# HealthSelect Medicare Advantage PPO



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

HealthSelect MA PPO	January 2022	January 2023	January 2024
<b>Members</b>	76,334	79,880	81,936
<b>Dependents</b>	19,707	20,440	20,730
<b>Total Enrolled Participants</b>	96,041	100,320	102,666

# HealthSelect Medicare Advantage PPO



## *Requirements: Theoretical Cost Index*

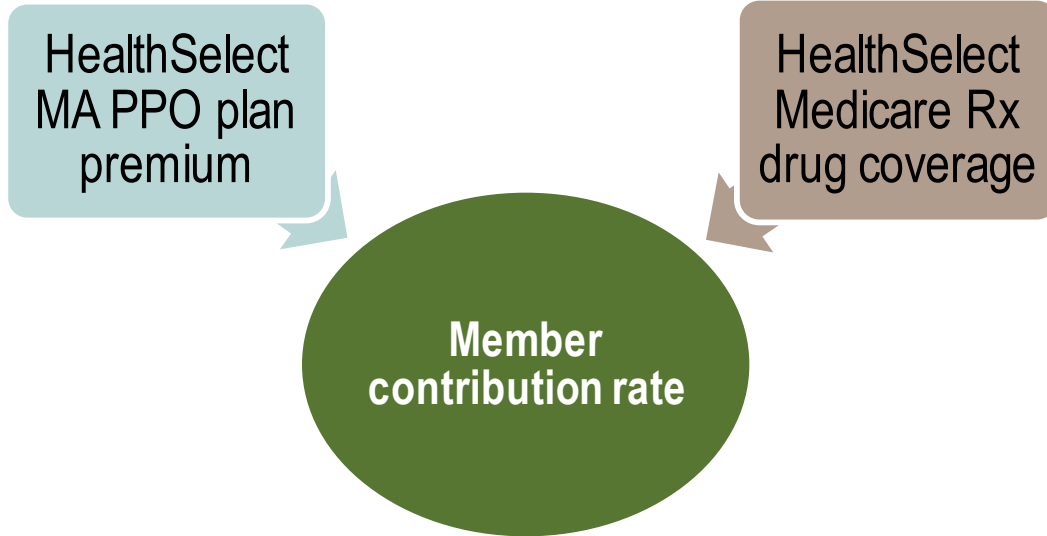
- To ensure the cost effectiveness of the MA PPO plan, the consulting actuary utilizes a theoretical cost index (TCI) model.
- TCI estimates the total cost that would be required to cover HealthSelect MA PPO participants if they were enrolled in HealthSelect<sup>SM</sup> of Texas, the GBP's self-funded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

# HealthSelect Medicare Advantage PPO



## Member Contribution Rates

- The HealthSelect MA member contribution rate is composed of two elements. The HealthSelect MA PPO plan premium and the projected cost of HealthSelect Medicare Rx drug coverage.



# HealthSelect Medicare Advantage PPO

## *Calendar Year (CY) 2024 Member Contribution Rates*



- \$ 46.57 Medical coverage fully-insured premium
- \$180.67 HealthSelect Medicare Rx prescription drug coverage projected cost

**\$227.24 Total CY24 member contribution rate**



# HealthSelect Medicare Advantage PPO

## *Calendar Year (CY) 2025 Member Contribution Rates*



- \$118.75 Medical coverage fully-insured premium
- \$118.69 HealthSelect Medicare Rx prescription drug coverage projected cost

**\$237.44 Total CY25 member contribution rate**

# HealthSelect Medicare Advantage PPO

## Historical Member Contribution Rates



HealthSelect MA PPO	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025 (proposed)
<b>Member Only</b>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Spouse</b>	\$151.70	\$89.52	\$89.52	\$106.66	\$113.62	\$118.72
<b>Surviving Spouse</b>	\$303.40	\$179.04	\$179.04	\$213.32	\$227.24	\$237.44

# HealthSelect Medicare Advantage PPO

## Proposed CY25 Monthly Contribution Rates



	Medicare-Primary Spouse	Medicare-Primary Surviving Spouse
Current (CY24) HealthSelect MA PPO Rates	\$ 113.62	\$ 227.24
<b>Proposed CY25 HealthSelect MA PPO Rates</b>	<b>\$ 118.72</b>	<b>\$ 237.44</b>
Change from CY24 Rates	\$5.10	\$10.20

# HealthSelect Medicare Advantage PPO

## Proposed CY25 Monthly Contribution Rates



	Medicare-Primary Spouse	Medicare-Primary Surviving Spouse
HealthSelect of Texas FY24 Rates	\$ 358.00	\$ 716.00
Proposed CY25 HealthSelect MA PPO Rates	\$ 118.72	\$ 237.44
<b>Retiree Savings through HealthSelect MA PPO</b> <i>(difference in HealthSelect of Texas and HealthSelect MA PPO rates)</i>	<b>\$239.28</b>	<b>\$478.56</b>

Discussion

*Action Item*

## Public Agenda Item #9

*Consideration of Fiscal Year 2025 Operating and Capital and  
Property Management Budgets - (**Action**)*

August 21, 2024

Porter Wilson, Executive Director  
Machelle Pharr, Chief Financial Officer

# FY24 Accomplishments



*Support our members' retirement income security*

- Board adopted pension actuarial experience study
  - No changes to assumptions
- Issued **\$3 billion+** in annuity payments
- Sustained investment operations and management
  - **Trust returns of 9.74+%** on a net basis as of 6/30/24
  - **Trust assets of \$39.1 billion** as of 6/30/24
- Completed initial gain share allocation for Group 4
- Retained investment governance specialist
- Implemented multi-factor authentication for employers, members, and vendors

# FY24 Accomplishments



## *Sustain competitive group benefits program*

- Well-being program vendor approved by the Board
  - Enhanced offerings targeting participation and streamlining access
- HealthSelect contribution rates held stable for the **eighth consecutive year** while maintaining competitive benefits
- Implemented a new third party administrator for pharmacy benefits
- Evaluated and addressed the impact of GLP-1 agonist medications within the pharmacy benefits



# FY24 Accomplishments



## *Engage stakeholders for informed decision making*

- Initiated Stakeholder Connection Panel in quarterly Board meetings
- 70 in-person and virtual member events with total attendance > 7,600
- Published 42 editions of newsletters and Board meeting recaps for a total of 2.5 million deliveries, with improved open rates by 7%.
- Continued high service levels with members and employers
  - Members: 461,950 phone calls and 15,900 emails
  - Employers: 15,000 emails and 13,000 requests for assistance
- Initiated in-person counseling outside of Austin

# FY24 Accomplishments



## *Enhance agency performance and accountability*

- Filled Special Advisor role charged with identifying opportunities for process improvement, efficiency and effectiveness
- Conducted the Survey of Employee Engagement with high levels of participation and impressive engagement and construct scores
- Consulted with the Board Working Groups on Agency Matters, Investment Advisory Committee, and Group Benefits
- Completed the Investment Practices Review as required by statute

# FY24 Accomplishments



*Enhance agency performance and accountability*

- Completed Records Information Management Review with recommendations from outside consultant.
- Completed Phases 1-3 of Retirement Insurance System Enhancement (RISE) project
- Implemented a reconciliation report to assist state agencies with contribution discrepancies
- UTHHealth Houston occupied their leased space
- Reduced turnover rate from 13% to 7.75%

# FY25 Initiatives



## *Support Our Members' Retirement Income Security*

- Execute a statutory one-time cost-of-living adjustment for certain retirees.
- Engage with legislators and policy makers for continued support of state pension funding
- Continue to enhance ERS systems to support cash balance Group 4 and JRS 2 benefit structures
- Perform a strategic review of the Texa\$aver program.
- Conduct an election to fill one of the three elected positions on the ERS Board

# FY25 Initiatives



## *Sustain Competitive Group Benefits Program*

- Educate legislators and policymakers on the importance and value of health benefits and continued support of state funding for benefits
- Implement the enhanced well-being program, Buena Vida, designed to engage health plan participants
- Develop, evaluate and award contracts for Dental Choice PPO, and Dental HMO programs

# FY25 Initiatives



## *Sustain Competitive Group Benefits Program*

- Develop and evaluate solicitations for HealthSelect Medicare Advantage
- Evaluate opportunities to implement bundled payment programs
- Perform a comprehensive review of the life insurance benefit
- Continue review of the state wellness statute for potential enhancements

# FY25 Initiatives



## *Engage Stakeholders for Informed Decision Making*

- Implement ERS' redesigned public website for better navigation and stability
- Communicate the Buena Vida well-being program
- Explore opportunities for different stakeholder groups to participate in Stakeholder Connection panel discussion to increase awareness and education opportunities
- Enhance the Benefits Coordinator Community Group portal and explore a certification program for benefit coordinators and payroll officers.
- Utilize voice biometrics to quickly assess caller's needs and assist with fraud detection

# FY25 Initiatives

## *Enhance Agency Performance and Accountability*



- Implement CAPPs Financials
- Complete appropriate milestones in the implementation of RISE
- Leverage the Survey of Employee Engagement (SEE) results
- Evaluate and launch an enhanced Learning Management System for agency employees
- Solicit and select external financial opinion audit partner
- Solicit and engage actuarial services auditor
- Develop benefits training program for internal staff



# Proposed Fiscal Year 2025 Operating Budget



## *Budget drivers and initiatives*

The proposed FY25 budget reflects an increase of \$10 million (9.4%) to carry out the mission and objectives of the agency

- *Salary-related costs comprise 64% of the total budget*
- *Salary increases include:*
  - *5% across-the-board legislative pay increase*
  - *Equity adjustments to market based on compensation studies*
  - *Incentive compensation estimates*
  - *Recommended new positions*

	<b>FY24</b>	<b>FY25*</b>
Salary-related	\$66.3 M	\$75.2 M
Non-salary-related	\$40.3 M	\$41.4 M
<b>Total budget</b>	<b>\$106.6 M</b>	<b>\$116.6 M</b>
FTEs	440	448

*\*Additional \$8.5 M in contingency.*

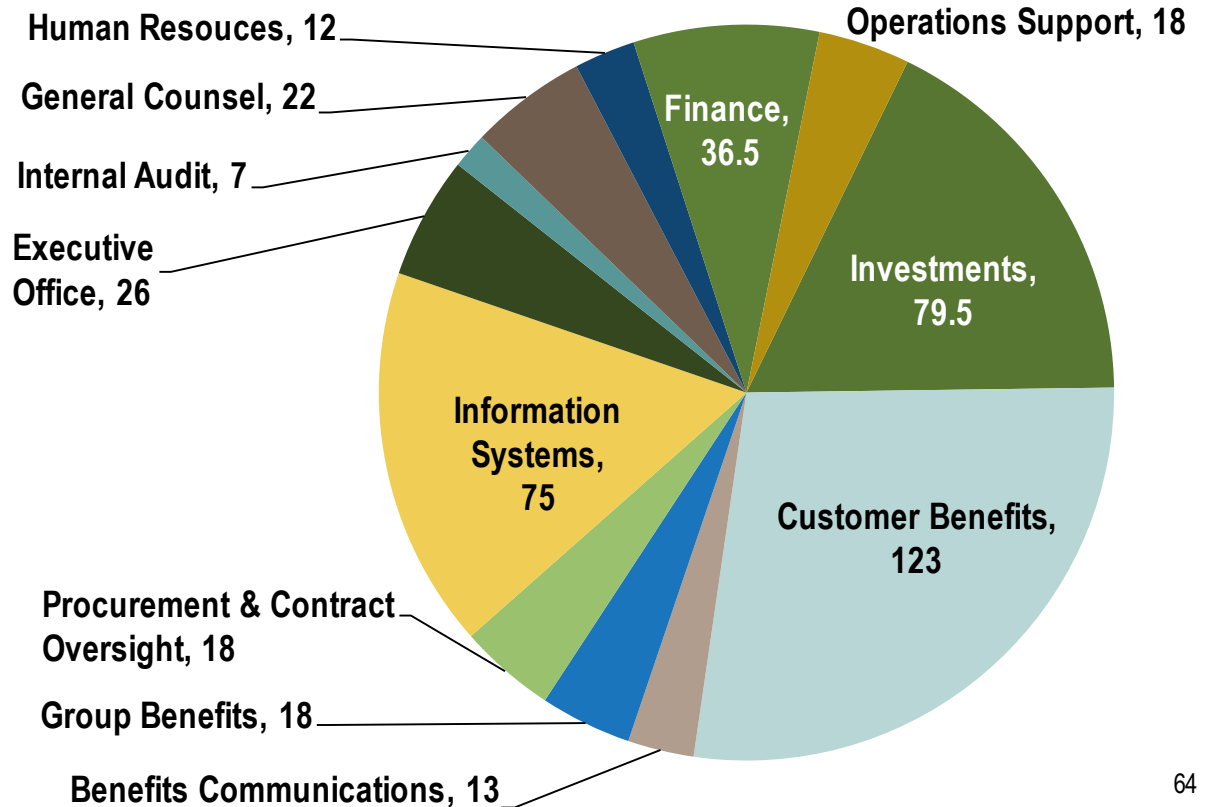
*Unspent funds remain in the Trust*

# Proposed Fiscal Year 2025 Operating Budget



## Proposed FY25 FTEs

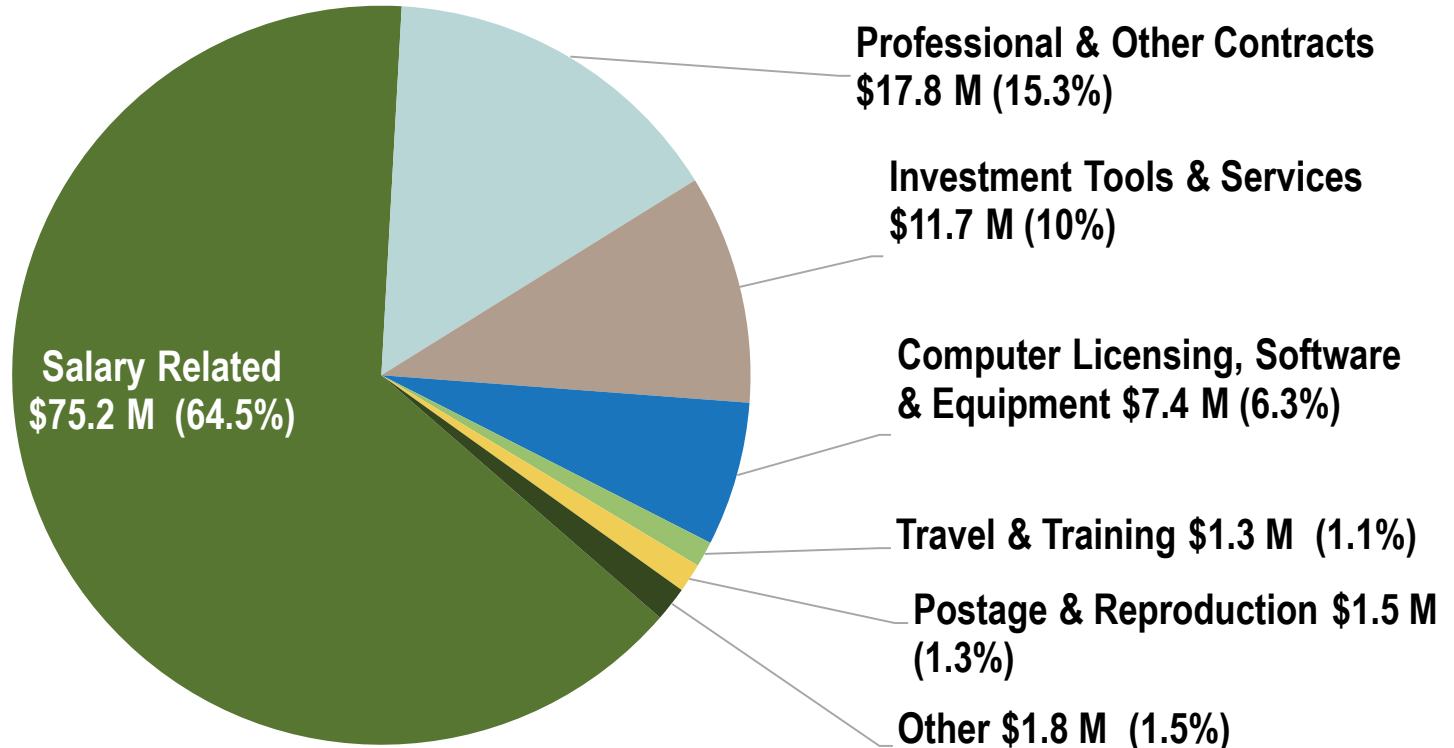
Proposed New FTEs	
Customer Support	1
Investment Related	2
Operational Support - Advance Agency Initiatives	4
<b>Total</b>	<b>7</b>



# Proposed Fiscal Year 2025 Operating Budget



*All categories*

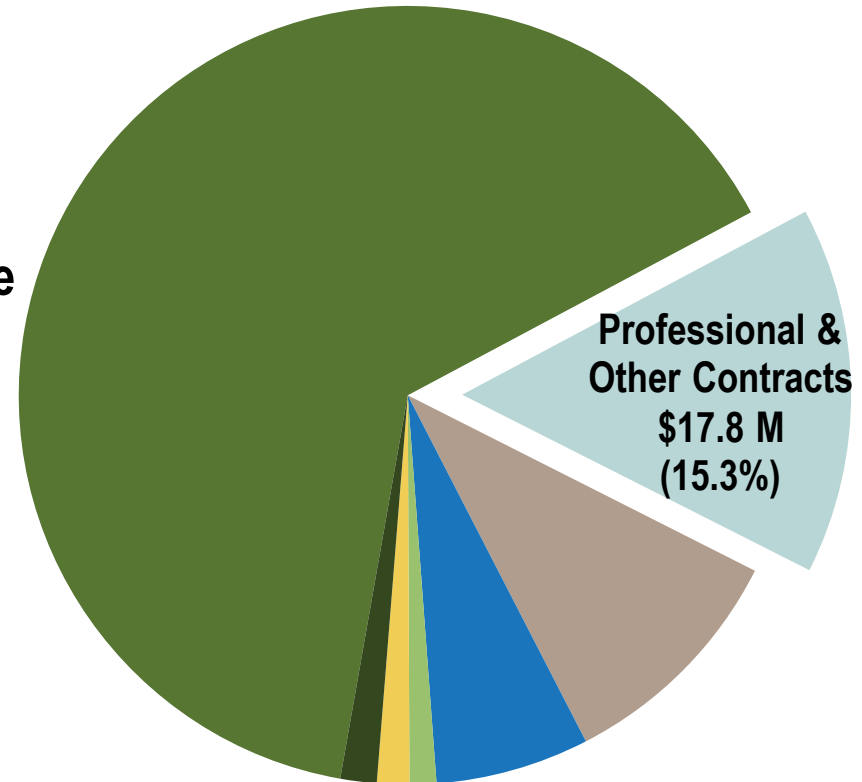


# Proposed Fiscal Year 2025 Operating Budget



## Key drivers - Professional & Other Contracts

- **Trustee Election**
- **Investment Governance Review**
- **Reduction of customer wait times**
- **System modernization and maintenance**
- **Data quality and security**
- **Outside legal services**
- **Actuarial services**
  - Pension
  - Group Benefits

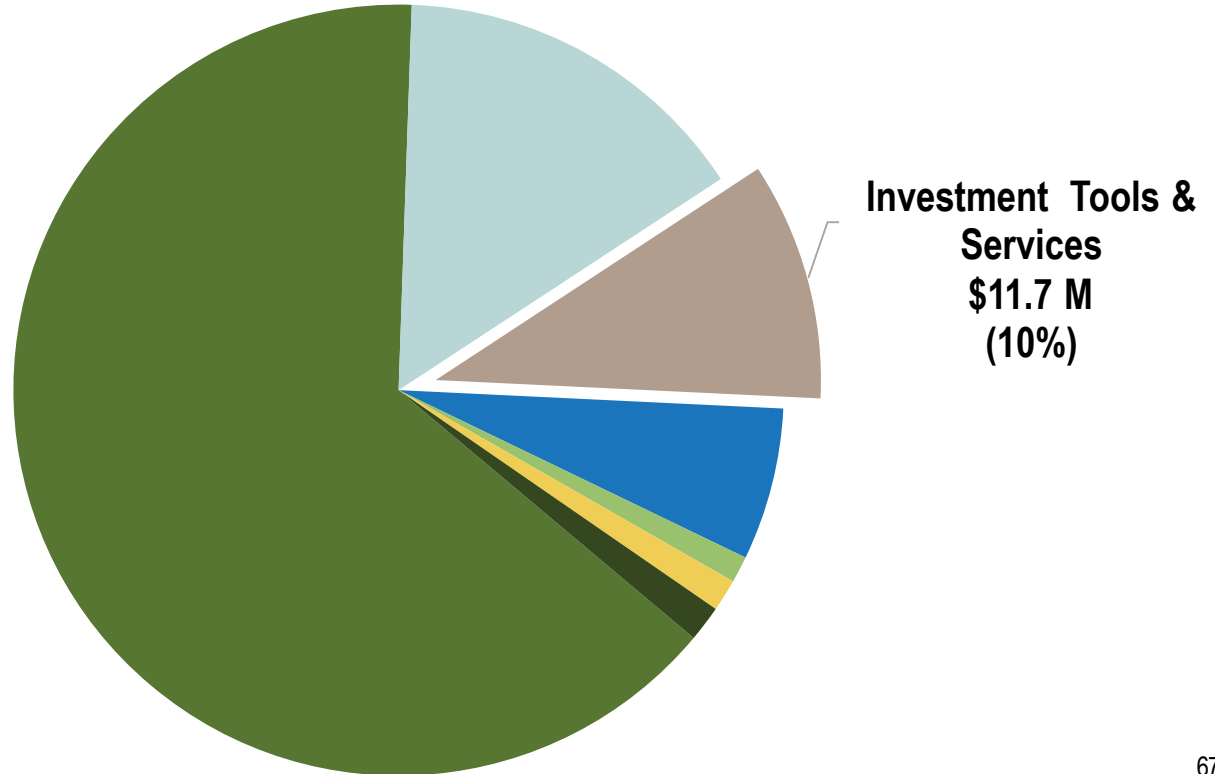


# Proposed Fiscal Year 2025 Operating Budget



## Key drivers - Investment Tools & Services

- Investment Consulting Services
- Subscriptions to investment research services and tools

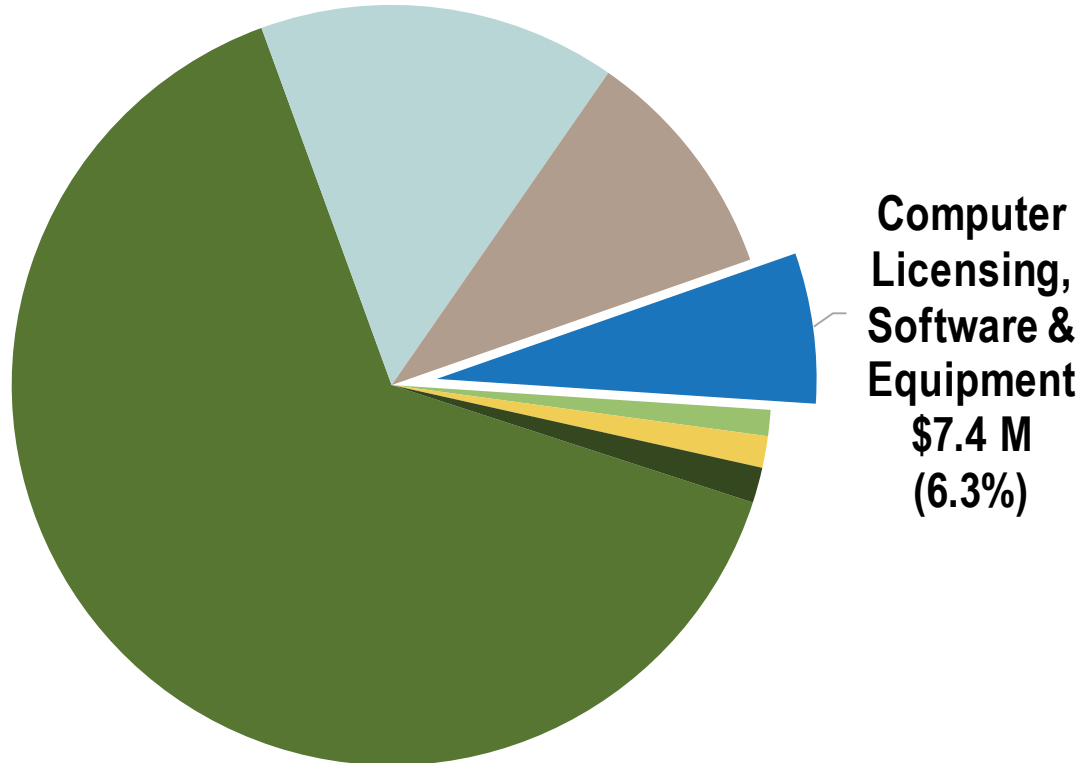


# Proposed Fiscal Year 2025 Operating Budget



*Key drivers - Computer licensing, software & equipment*

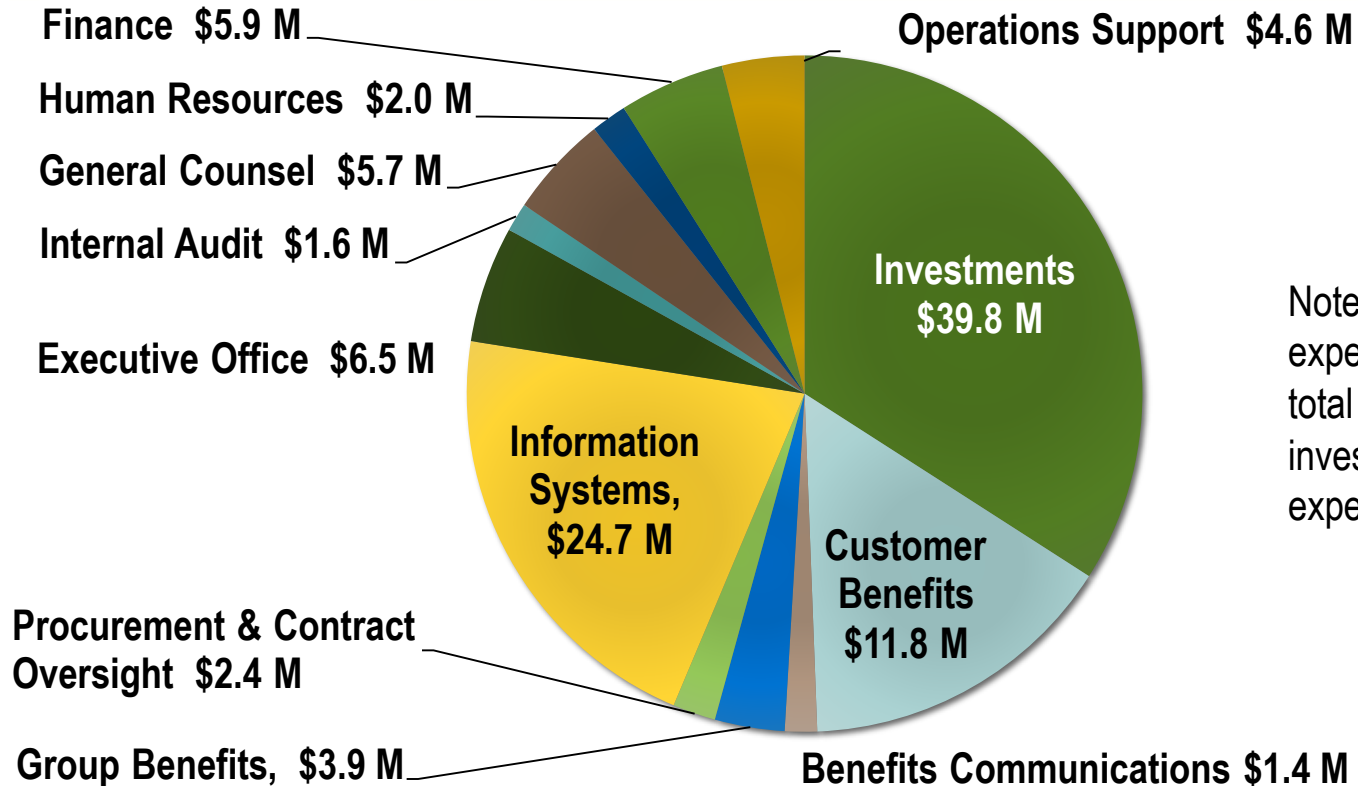
- 70+ computer software applications
- Lease and procurement of computer and telecommunications equipment



# Proposed Fiscal Year 2025 Operating Budget



*By division*



Note: Investment-related expenses in other divisions total \$4.2 M, for total direct investment-related expenses of \$44 M

# Performance Measures



	FY24 Target	FY24 Estimated	FY25 Target
Percent of ERS Retirees Expressing Satisfaction with Member Benefit Services	97.0%	97%	97%
Participants Enrolled in Optional Plans	78.0%	77.9%	77.5%
Inbound Call Service Level	70.0%	78%	70%
ERS Online Uptime	99.0%	95.0%	99.0%
Benefit Coordinator Community Group Unique Visitors*	17,500	11,888	12,482
Average Attendance at Benefits Education Sessions	74	81.4	85.5

\*Measure revised



# Customer Trends



	2014	2019	2023	2024
<b>ERS</b>				<i>(as of June 30<sup>th</sup>)</i>
Active members	134,162	141,865	139,958	145,873
Inactive members	96,507	125,935	163,112	165,338
Retirees and beneficiaries	95,840	115,155	124,504	121,532
<b>LECOS</b> (Included above in ERS)				
Active members	37,084	36,296	31,744	32,236
Inactive members	11,311	22,207	35,082	43,363
Retirees and beneficiaries	10,024	13,981	16,368	17,500
<b>GBP Participants</b>				
	518,218	541,719	536,565	547,981

# Proposed Fiscal Year 2025



## Capital and Property Management Budget

### Property Management

- On-going costs – anticipated to be offset by rental revenue

### Capital

- Continued utilization of prior year budget for multi-year projects

	FY24	FY25
Property Management	\$4.2 M	\$1.5 M
Capital	\$4.0 M	\$0
<b>Total</b>	<b>\$8.2 M</b>	<b>\$1.5 M</b>

# Proposed FY25 Budgets



## *Exhibit B: Contracts and other costs notes*

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

Discussion  
Action Item

# Public Agenda Item #10

## *Consideration of the ERS Board of Trustees Self-Evaluation Report*

August 21, 2024

Bernie Hajovsky, Director of Enterprise Planning

# 2024 Board of Trustees Self-Evaluation



## *Background*

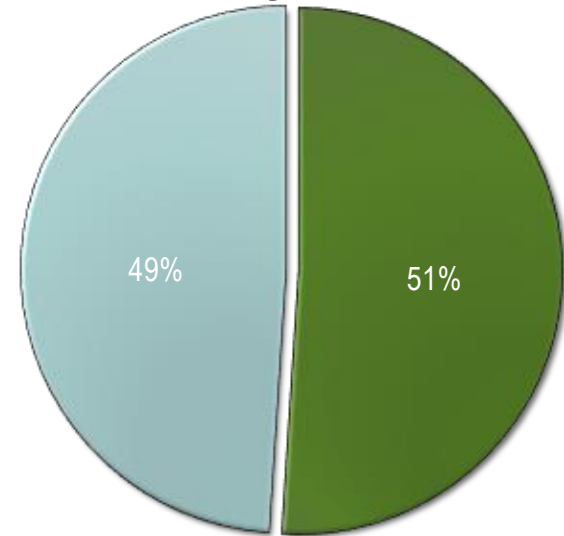
- ❑ Periodic evaluation is an essential part of governance practices
  
- ❑ Allows Trustees to anonymously evaluate the Board's performance from collective and individual perspectives
  - Collective – 34 statements
  - Individual – 15 statements
  
- ❑ Previous assessment conducted in the summer of 2022

# 2024 Board of Trustees Self-Evaluation

## *Response Summary*

- **Responses reflect an effective board, but with opportunities to improve**
  - Unanimous agreement on 24 of 49 statements
    - 2022 → 47 of 49 statements
    - 2020 → 42 of 48 statements
  - Agreement or neutral on 40 of 49 statements

Survey Results



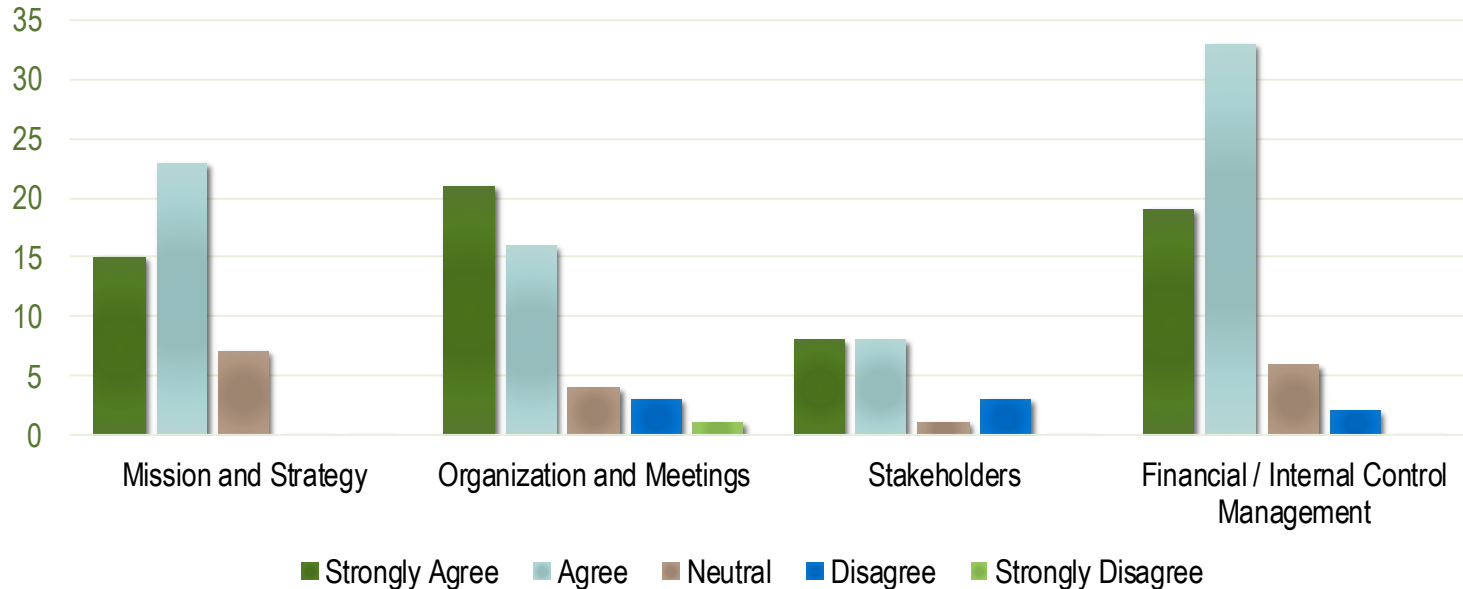
■ Varying Responses    □ Unanimous Agreement

# 2024 Board of Trustees Self-Evaluation

## Collective Responses by Category



### Collective Results (Excludes Individual Statements)





# 2024 Board of Trustees Self-Evaluation



## *Mission and Strategy*

### Strengths

#1 - Understands ERS' mission and reflects this understanding when addressing key issues

#7 – Promotes appropriate ethics and values in the organization

### Opportunities

#5 – The BOT provides appropriate input and direction to guide the development of GBP funding strategies

# 2024 Board of Trustees Self-Evaluation



## Organization and Meetings

### Strengths

#10 – The agenda items for the BOT meetings are appropriate

#12 – BOT members receive meeting notices, written agendas, minutes and other appropriate materials sufficiently in advance of meetings

### Opportunities

#11 – The BOT holds the proper number of meetings

#14 – The decorum and protocols used in meetings are appropriate

#16 – There is established criteria to measure the performance of management in meeting goals and objectives

#17 – There is established criteria to measure the performance of the BOT in meeting goals and objectives

# 2024 Board of Trustees Self-Evaluation



## Stakeholders

### Strengths

#19 – The BOT has a good understanding of ERS' stakeholders

#21 – The BOT periodically monitors the plan design in employee benefits programs and its impact on the membership as well as service to members and retirees

### Opportunity

#20 – The BOT seeks opportunities to communicate with the stakeholders to inform them about ERS related issues and to seek input from them

# 2024 Board of Trustees Self-Evaluation

## *Financial and Internal Control Management*



### Strengths

#23 – The BOT ensures appropriate internal and third-party audits are performed

#25 – The audit function provides effective assurance to the BOT

#26 – The compliance function provides effective assurance to the BOT

#33 – The BOT effectively establishes and measures performance against defined job standards for the Internal Auditor and Executive Director

# 2024 Board of Trustees Self-Evaluation



## *Financial and Internal Control Management (cont'd)*

### **Opportunity**

#22 – The BOT obtains sufficient information to assess governance effectiveness

#27 – The BOT is effective at monitoring program performance and financial information (HealthSelect, Trust fund, Investment returns, TexFlex)

#28 – The BOT is effective at monitoring investment-related capital market and liquidity planning, performance and management

# 2024 Board of Trustees Self-Evaluation



## *Individual / “I” Statements*

- ❑ Trustees indicate they:
  - #35 / 36 / 37 / 38 – Attend and participate in all meetings
  - #39 – Abstain from actions that may be perceived as a conflict of interest
  - #41 – Make efforts to educate themselves on aspects of programs for which they do not have a great level of understanding
  - #46 – Understand their role as a Trustee versus staff’s role in program administration

# 2024 Board of Trustees Self-Evaluation



## *Individual / “I” Statements (cont’d)*

- ❑ Trustees indicate they:
  - #47 – Support Board decisions once they are made
  - #48 – Understand and comply with fiduciary responsibilities
  
- ❑ Summary: an effective Board with opportunities for improvement

# Discussion



# Public Agenda Item #11

## *Agency Update*

August 21, 2024

Porter Wilson, Executive Director

# Survey of Employee Engagement



**INSTITUTE FOR ORGANIZATIONAL EXCELLENCE**  
THE UNIVERSITY OF TEXAS AT AUSTIN

Dr. Noel Landuyt  
nlanduyt@Austin.utexas.edu  
Rhonda McCray, HR Manager

# Institute for Organizational Excellence

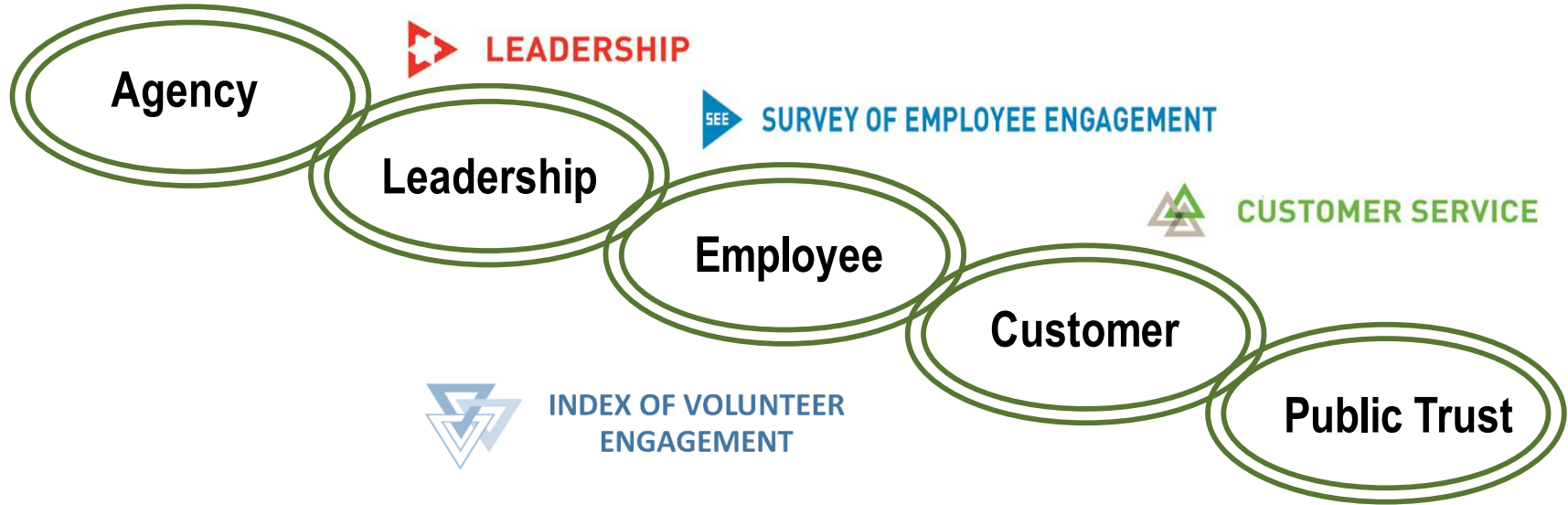
The University of Texas at Austin



- Since 1979
- Research work in 35 states
- Multiple benchmark groupings
- “Soft measures” to hard numbers
- Annually:
  - **Employee Engagement** (250,000 employees)  
 **SURVEY OF EMPLOYEE ENGAGEMENT**
  - **Customer Surveys** (1.6 million customers of services)  
 **CUSTOMER SERVICE**
  - **Leadership Excellence** (360, Collaboration, Supervision)  
 **LEADERSHIP**
  - **Custom Projects** (Market, Evaluation, Opinion)  
 **CUSTOM PROJECTS**
  - **Volunteer Engagement** (Volunteer Capacity, Satisfaction)  
 **INDEX OF VOLUNTEER ENGAGEMENT**

# Organizational Values and SEE Constructs

# Organizational Value Chain



Heintzman and Marson (2006) People, Service and Trust: Links in the Public Service Chain. International Review of Administrative Sciences.

## Primary Items

The Survey of Employee Engagement (SEE) consists of a series of 48 primary items used to assess essential and fundamental aspects of how the organization functions. The items are on a 5-point scale from Strongly Disagree (1) to Strongly Agree (5).



## Constructs

Similar items are grouped together, and their scores are averaged to produce twelve construct measures. These constructs capture the concepts most utilized by leadership and drive organizational performance and engagement.



# ERS' 2024 SEE Results



# Administration Profile

SEE SURVEY OF EMPLOYEE ENGAGEMENT



Employees Retirement System of Texas

## **Organizational Leadership:**

Porter Wilson, Executive Director

## **Benchmark Categories:**

Size 4: Organizations with 301 to 1,000 employees

Mission 1/10: General Government

## **Survey Administration:**

Collection Period: Jan. 8 – Feb. 2, 2024

## **53 Breakout Categories**

- Organizations can use breakout categories to get a cross-sectional look at specific functional or geographical areas. Your organization had a total of 53 breakout categories.

## **17 Additional items**

- Organizations can customize their survey with up to 20 additional items. These items can target issues specific to the organization. Your organization added 17 additional items.

# Response Rate



**Employees Retirement  
System of Texas**

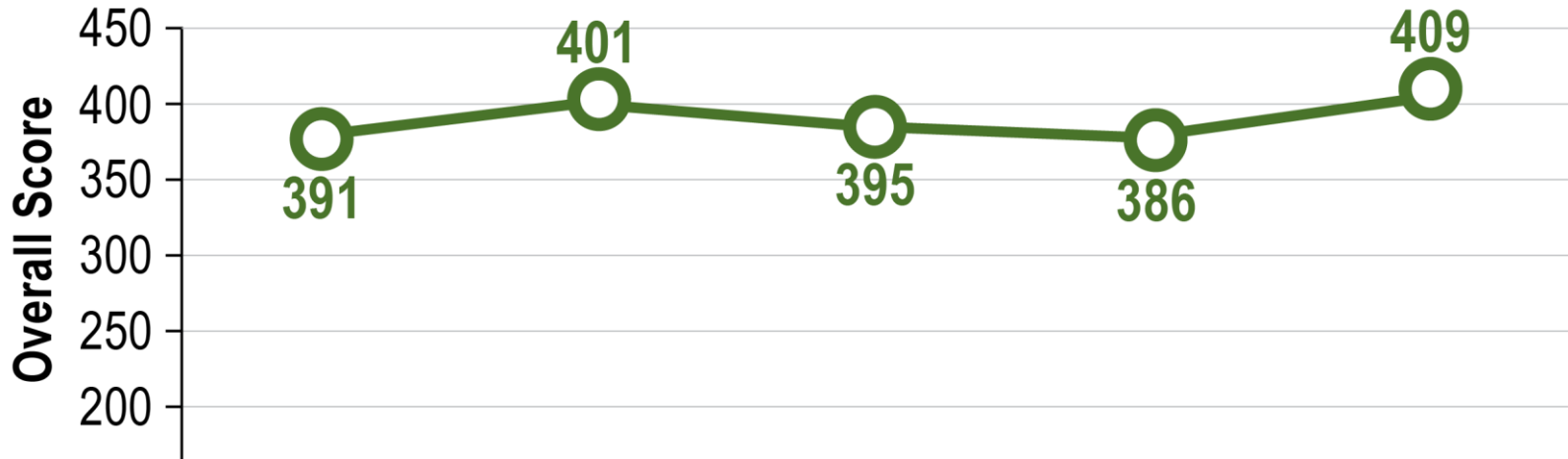


**State Agency Average**

# Overall Score and Response Rate Up

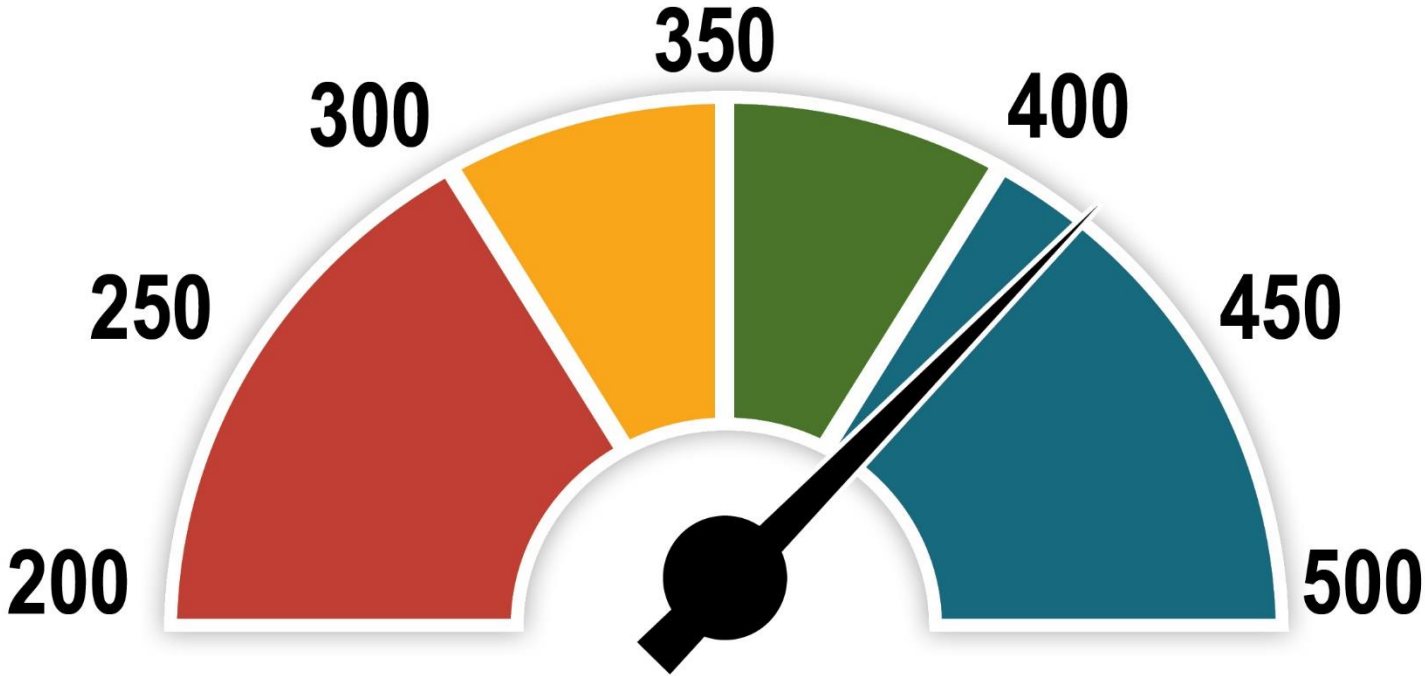


## ERS Survey of Employee Engagement Trend (5 Year)



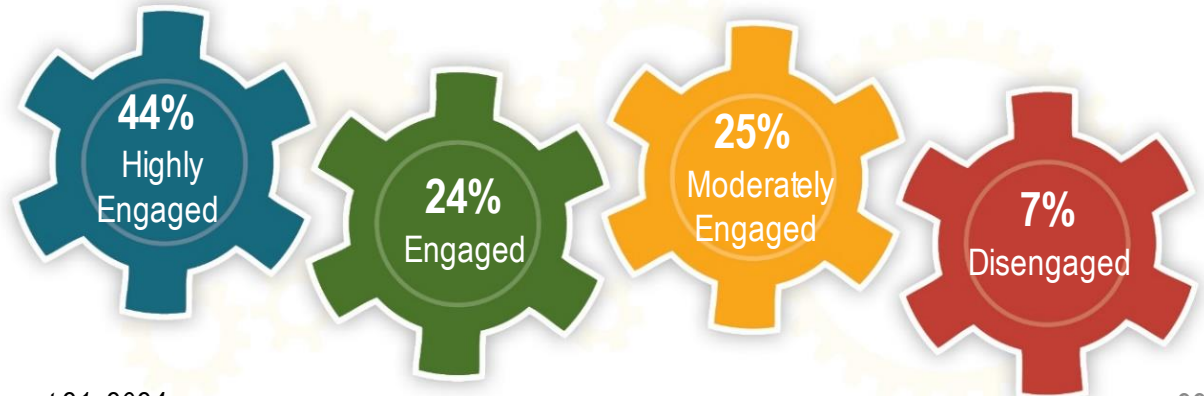
Fiscal Year	2016	2018	2020	2022	2024
Respondents	313	338	296	313	360
Response Rate	89.0%	92.0%	90.0%	83.9%	93.0%

Overall Score: 409



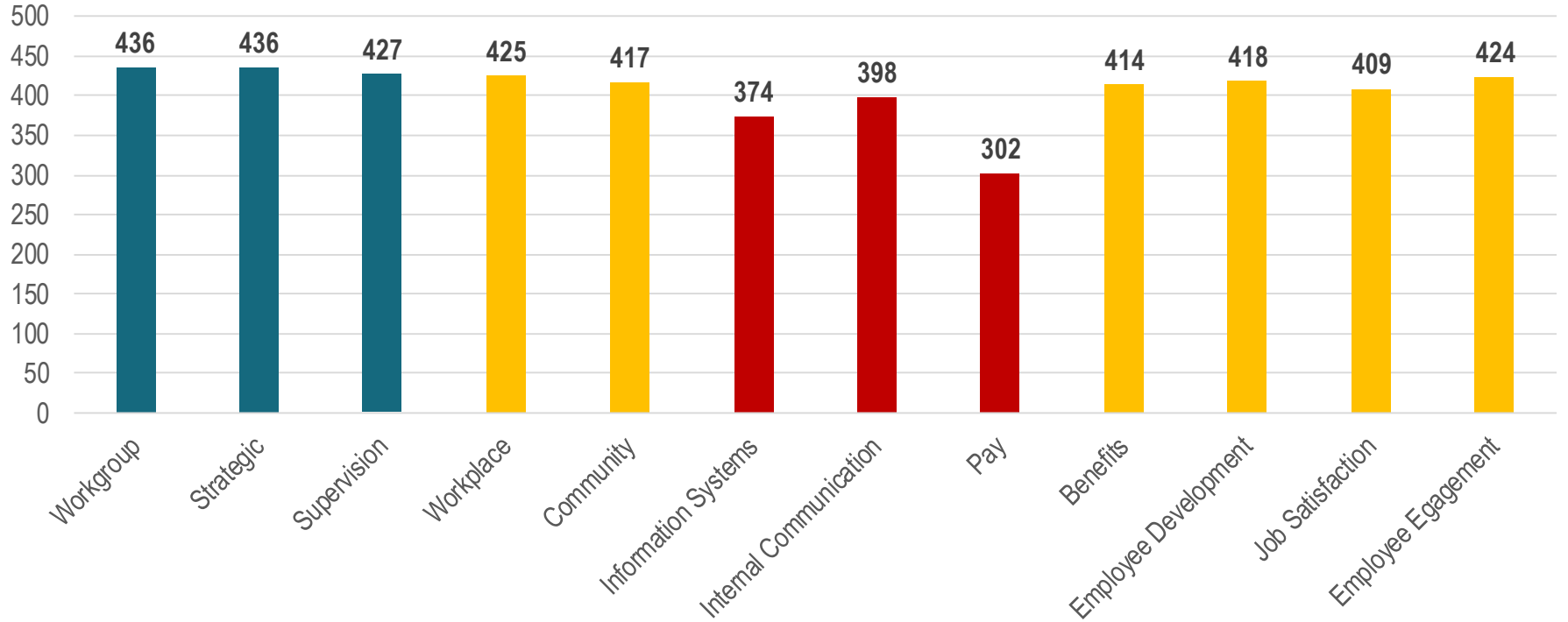
# Employee Engagement

- Highly Engaged – Willing to go above and beyond in their employment
- Engaged – More present in the workplace and show an effort to help out
- Moderately Engaged – Physically present, but put minimal effort toward accomplishing the job
- Disengaged – Disinterested in their jobs and may be actively working against their coworkers



# Constructs

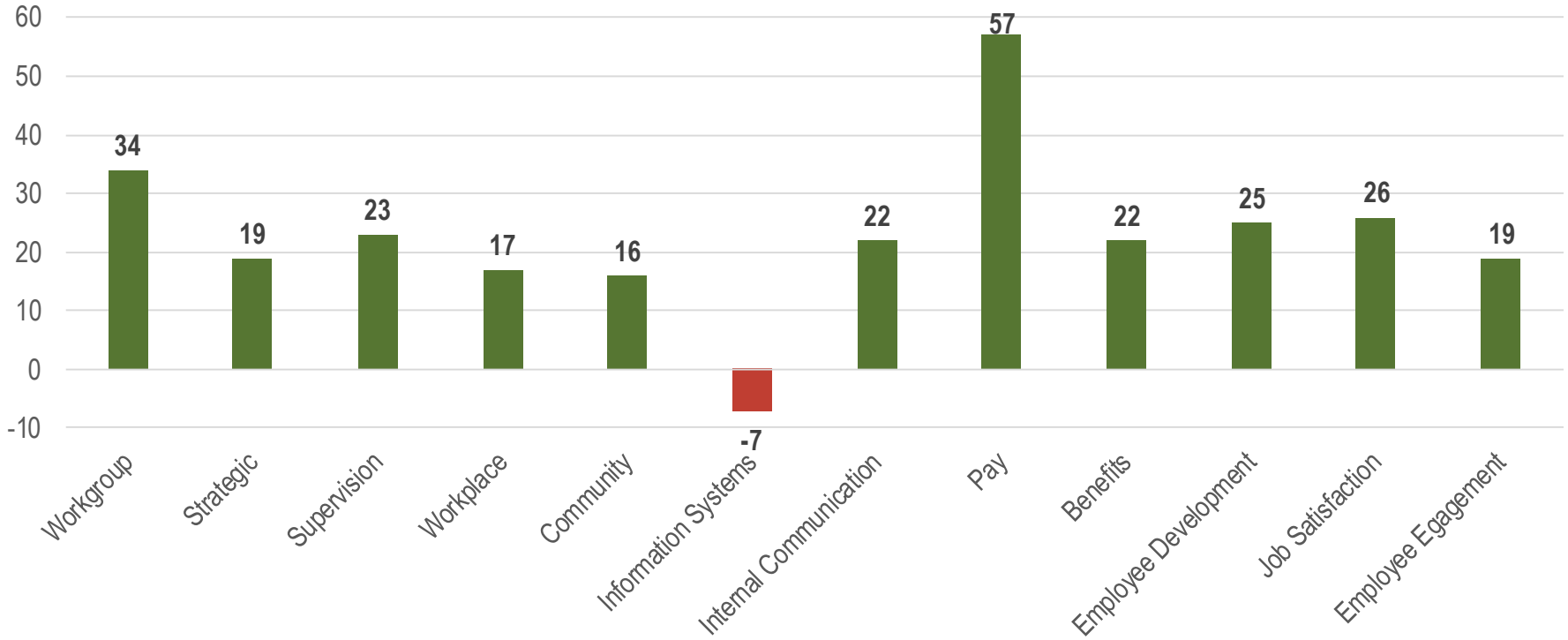
## ERS Scores Are Strong



# Constructs Since FY22 SEE



## Most Constructs Improved



# Highest Constructs

Employees perceptions of ...



## **WORKGROUP** 436 points

... the people they work with on a daily basis and how effective they are

## **STRATEGIC** 436 points

... their role in the organization, and the organization's mission, vision and strategic plan

## **SUPERVISION** 427 points

... the nature of supervisory relationships within the organization



# Lowest Constructs

Employees perceptions of ...



## INTERNAL COMMUNICATION

**398 points**

... whether communication within the organization is reasonable, candid and helpful

## INFORMATION SYSTEMS

**374 points**

... whether computer and communication systems provide accessible, accurate and clear information

## PAY

**302 points**

... how well the compensation package offered by the organization holds up when compared to similar jobs in other organizations

# Insights from Our Survey



I trust the people in my workplace.

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Don't Know / NA
Respondents (359)	125	140	61	18	11	4
Percentage	34.82%	39.00%	16.99%	5.01%	3.06%	1.11%

<b>ERS' 2024 SCORE</b>	<b>3.99</b>
ERS' 2022 Score	3.86
Average Score for All Organizations	3.96

# Insights from Our Survey



I believe we will use the information from this survey to improve our workplace.

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Don't Know / NA
Respondents (359)	115	143	62	21	15	3
Percentage	32.03%	39.83%	17.27%	5.85%	4.18%	0.84%

<b>ERS' 2024 SCORE</b>	<b>3.90</b>
ERS' 2022 Score	3.46
Average Score for All Organizations	3.60

# Climate Analysis

The efficiency and effectiveness of an organization



## **SUPERVISOR FEEDBACK**

**12.1%**

feel there aren't enough opportunities to give supervisor feedback. Consider 360-degree leadership evaluations with feedback from boss, peers and direct reports.

## **ACTION FROM SURVEY**

**10.0%**

believe the information from this survey will go unused. It's critical that leadership acts upon the data and informs employees as changes occur.

## **FAIR TREATMENT**

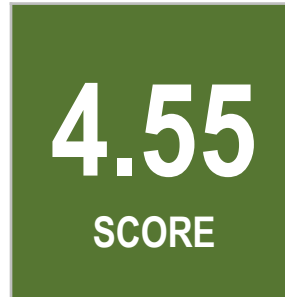
**7.8%**

feel they are not treated fairly in the workplace. When possible, ensure responsibilities and opportunities are being shared evenly and appropriately.

# Additional Survey Items

The ERS executive director projects a positive image.

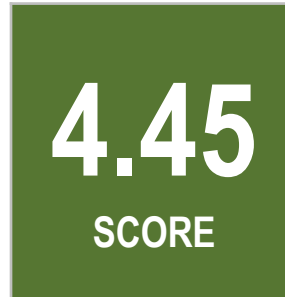
Response	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Don't Know / NA
Respondents (359)	223	113	17	2	2	2
Percentage	62.12%	31.48%	4.74%	0.56%	0.56%	0.56%



# Additional Survey Items

The ERS executive director leads the organization effectively.

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Don't Know / NA
Respondents (359)	201	124	26	4	2	2
Percentage	55.99%	34.54%	7.24%	1.11%	0.56%	0.56%



# What's Next?

# Next Steps



**Engage Employees**

**Review the Data**

**Share the Data**

**Plan**

**Action**



# Agency Response to 2024 SEE



- Held Aug. 6 *Continue the Conversation* Q&A session about ERS' SEE scores
- Executive Leadership are reviewing reports with each Division director
- Each division will consider more *Focus Forward* options, specific to their needs
- Following compensation analysis and *Agency Matters* Workgroup recommendations, agency plans to implement compensation adjustments in FY25
  - Internal Compensation specialist hired after 2022 SEE.
- Leaders encouraged to collaborate with team for making “Good Better and Better Best”

# Steps



**Focus Groups**

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**Action Planning**

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**Focus Interviews**

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**Pulse Surveys**

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**Leadership Excellence**

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**Customer Service**

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# Thank You!



**INSTITUTE FOR ORGANIZATIONAL EXCELLENCE**  
THE UNIVERSITY OF TEXAS AT AUSTIN

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# Legislative Appropriations Request

# Agency Update



## *Legislative Appropriations Request (LAR) 2026-2027*

- ERS' base level funding for retirement and group benefit programs is maintained at the second year of the current biennium.
- ERS Retirement Trust Legacy Payment included in the base funding.
- Funds needed to meet program obligations not included in the base must be requested as exceptional items.
- ERS anticipates including a request for additional funding to address projected health care cost trends and eventual depletion of the statutorily required health plan reserve fund balance.

# Implementation of New Annuity Option that Allows a Member to Select an Increasing Annuity that is Self-Funded

# Agency Update



## *New Retirement Self-Funded Increase Option*

Texas Government Code 814.110 allows certain members of ERS Retirement Groups 1, 2 and 3 to select an increasing annuity option

For service retirements effective on or after September 1, 2024

Members are not eligible if they retire:

- before full retirement,
- under the Proportionate Retirement Program,
- as a disability retirement, or
- as an elected class retirement.

# Agency Update



## *New Retirement Self-Funded Increase Option*

Members who select the self-funded increase option:

- will have their monthly payment reduced by an actuarially-determined factor at the time of retirement
- lifetime annuity will increase 2% per year

In addition, members:

- can choose one of the survivor retirement annuity selections (Options 1-5).
- can choose the Partial Lump Sum Option (PLSO).



Cost of Living Adjustment  
Mandated by the Texas Government Code

### Background

- By 2013 pension reform legislation codified in TGC 814.604
  - Goal to address the growing unfunded liabilities
  - Introduced variety of reforms including creation of Group 3
  - Requires a one-time, limited Cost of Living Adjustment (COLA) for ERS/LECOS retirees who will have been retired 20 years or more at the time the Board determines statutory requirements are met
- By statute, the COLA can only be paid if the ERS plan is actuarially sound before and after the payment

# Agency Update

## 2025 Cost of Living Adjustment



### Background (*cont.*)

- ERS plan has not been actuarially sound since passage of the legislation
- In 2021, the Legislature established the Legacy Payment and closed the amortization schedule to address existing unfunded liabilities by FY54
- The plan's funding period will be 30 years at the annual actuarial valuation presented at the December 2024 meeting, which will allow for the COLA in statute to be paid
- Once this COLA is paid, the statutory requirements have been met

### Who is Eligible for this COLA?

- Retired for 20 or more years at the time the Board determines statutory requirements are met
- Beneficiaries of these eligible retirees

Increase is the **lesser** of:

- 3% of gross monthly annuity **OR** \$100 per month

**Projections estimate 25% of ERS retirees and beneficiaries are eligible for the one-time COLA and 90% of the eligible population get full 3%**

### Agency Preparation Activities

- Benefits Communications
  - Broad communication plan that includes articles in retiree newsletters and personalized letters to each COLA recipient
- Customer Benefits
  - Identify eligible population
  - Calculate increases for each eligible retiree
- Information Systems
  - Program internal system to update gross monthly annuities

# Agency Update

## 2025 cost-of-living adjustment



### Next steps:

- Formal presentation of the valuation in December
- Final determination of the eligible population by December 31, 2024
- Payment for Cost of Living Adjustment added to annuity payroll in January

# Discussion

## Public Agenda Item #12

### *Executive Session –*

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

August 21, 2024



## Public Agenda Item #13

*Consideration of Recommendation to Award a Contract to Provide Actuarial Services for the Texas Employees Group Benefits Program (Action)*

August 21, 2024

Blaise Duran, FSA, Director of Group Benefits

Gabrielle Schreiber, Director of Procurement and Contract Oversight

# Actuarial Services for Insurance

## *Current Contract*



ERS contracts with **Rudd and Wisdom, Inc.** to provide insurance actuarial services for the Texas Employees Group Benefits Program (GBP).

# Actuarial Services for Insurance

## *Issuance of Solicitation*



On January 16, 2024, ERS issued a request for proposals (RFP) to solicit for a qualified entity to provide insurance actuarial services for the GBP.

The solicitation provides for a contract term of six years, which begins upon execution of the contract by ERS and extends through December 31, 2030, subject to the terms of the contract.

# Actuarial Services for Insurance *Proposals*



- ERS received two proposal submissions:
  - Milliman, Inc.; and
  - Rudd and Wisdom, Inc.

# Actuarial Services for Insurance

## *Preliminary Review Phase*



- For the Preliminary Review Phase, ERS evaluated the proposals on:
  - Minimum Requirements;
  - Responsiveness;
  - Compliance with the RFP; and
  - Certain vendor performance checks required by the Texas Comptroller of Public Accounts.
  
- Both Milliman and Rudd and Wisdom passed the Preliminary Review Phase and moved to the Proposal Review Phase.

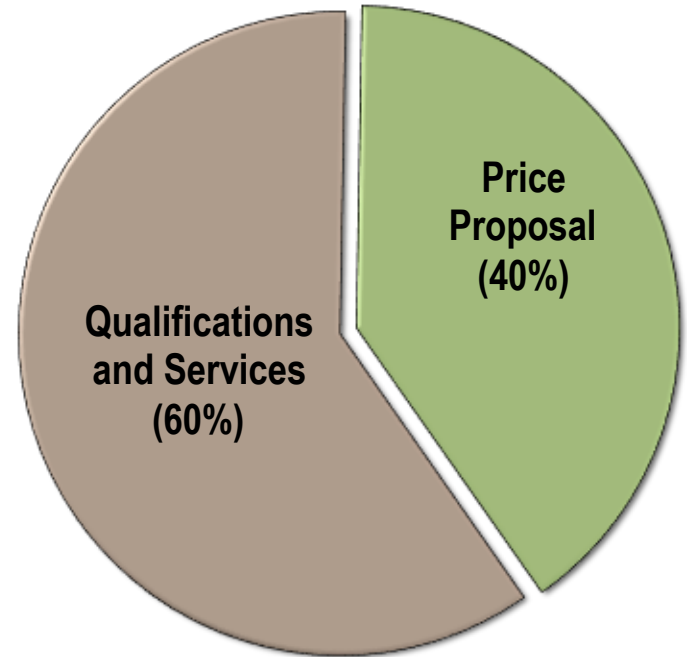
# Actuarial Services for Insurance

## *Proposal Review Phase*



Proposal Review weights are as follows:

- Qualifications and Services, 60%; and
- Price Proposal, 40%.



# Actuarial Services for Insurance

## *Proposal Review Phase*



- Qualifications and Services (60%) includes evaluation of:
  - Firm and general qualifications;
  - Staff qualifications;
  - Actuarial and valuation services;
  - Methodology and soundness of approach; and
  - Information systems.
- Price Proposal (40%) includes analysis of:
  - Hourly rates.

# Actuarial Services for Insurance

## *Proposal Review Phase*



ERS also began evaluating several pass/fail items during the Proposal Review Phase:

- Contractibility;
- Legal requirements and regulatory compliance;
- SOC-2 audit reports; and
- Financial stability.



# Actuarial Services for Insurance

## *Proposal Review Phase*



Based on the evaluation of the pass/fail items, Qualifications and Services and Price Proposals during the Proposal Review Phase, ERS chose to continue to review Milliman's and Rudd and Wisdom's proposals in the Finalists Review Phase.

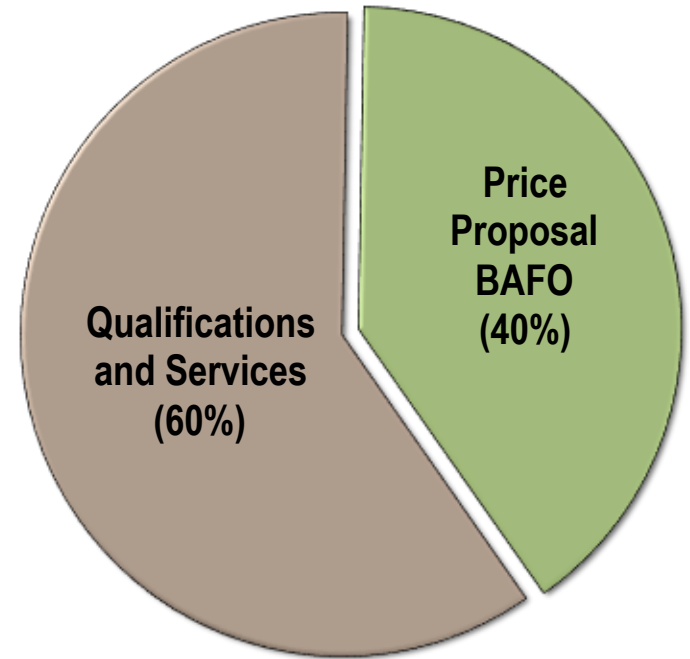
# Actuarial Services for Insurance

## *Finalists Review Phase*



ERS evaluated the Finalists based on new and clarified information:

- Data Center and Security Operations Center Site Visits (via video conference);
- Interviews (in person);
- Past Performance;
- SOC-2 audit reports;
- Contractibility; and
- Best and Final Offer (BAFO), Price.



# Actuarial Services for Insurance

## Finalists Review Phase – Scoring



	<b>Total 100%</b>	<b>Qualifications and Services 60%</b>	<b>Price 40%</b>
<b>Rudd and Wisdom</b>	<b>90.90</b>	50.90	40.00
<b>Milliman</b>	<b>75.79</b>	43.62	32.17

# Actuarial Services for Insurance

## Finalists Review Phase: Price Proposal



### Projected Total Cost FY25-30 (40%)

Respondent	Current	Rudd and Wisdom	Milliman
Projected Fees	\$2.7 million	\$3.2 million	\$3.9 million
<b>Increase vs Current</b>		\$0.5 million	\$1.2 million

# Actuarial Services for 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 Actuarial Services for Insurance for the Texas Employees Group Benefits Program.

Discussion  
**Action Item**

## Public Agenda Item #14

*Recess of the Board of Trustees Meeting:*

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

August 21, 2024