



# Strategic Plan

Fiscal Years 2025 – 2029

June 1, 2024



# Strategic Plan

## EMPLOYEES RETIREMENT SYSTEM OF TEXAS

### FISCAL YEARS 2025-2029

BY

PORTER WILSON  
EXECUTIVE DIRECTOR

| Board Member   | Dates of Term                       | Hometown |
|--|-------------------------------------|----------|
| <b>Brian Barth, Chair</b><br>Elected   | September 1, 2019 – August 31, 2025 | Austin   |
| <b>I. Craig Hester</b><br>Appointed by the Chief Justice of the Supreme Court of Texas | November 1, 2005 – August 31, 2028  | Austin   |
| <b>James Kee, Ph.D</b><br>Appointed by the Speaker of the House                        | December 1, 2018 – August 31, 2026  | Waco     |
| <b>Neika Clark</b><br>Elected  | September 1, 2021 – August 31, 2027 | Houston  |
| <b>John Rutherford</b><br>Appointed by the Governor                                    | May 19, 2022 – August 31, 2024      | Houston  |
| <b>Stuart Greenfield, Ph.D.</b><br>Elected   | September 1, 2023 – August 31, 2029 | Austin   |

**June 1, 2024**

Signed \_\_\_\_\_





# Contents

|  |    |
|--|----|
| Agency Mission.....  | 1  |
| Goals and Action Plans.....                                    | 2  |
| Redundancies and Impediments.....                              | 12 |
| Supplemental Schedules   |    |
| • Budget Structure.....  | 15 |
| • Measure Definitions.....                                     | 18 |
| • Historically Underutilized Business Plan.....                | 31 |
| • Agency Workforce Plan.....                                   | 32 |
| • Report on Customer Service.....                              | 41 |
| • Certification of Compliance with Cybersecurity Training..... | 50 |





## Mission

ERS offers competitive benefits to enhance the lives of its members.



## Philosophy

ERS prudently and professionally manages trust funds and benefit programs on behalf of its members. The benefits are an important part of the compensation of State of Texas employees, contributing to their financial security and well-being throughout their lives. We operate in an ethical, cost-effective manner, providing valuable and reliable service delivered by highly qualified staff.



## Fiduciary Duty

ERS is a constitutional trust fund administered by the ERS Board of Trustees.

Article XVI, Section 67 of the Texas Constitution and Section 815.103 of the Texas Government Code provide that the ERS Board of Trustees is the trustee of all ERS assets. ERS' operations are held to a fiduciary duty standard to ensure that the actions and activities of the Board of Trustees, the agency and its employees are conducted in a manner consistent with the protections, preservation, and best interest of the trust and trust's beneficiaries.



# Goals and Action Plans

## Goal: Support Our Members' Retirement Income Security

As public servants, state employees provide critical services to Texans. ERS works to support the current and future workforce by attaining and maintaining actuarially sound retirement plans, providing tools and assistance to enhance retirement readiness, and administering and managing trust assets innovatively to reach target returns within approved risk tolerance.

| Measures as of August 31, 2023  | How Does ERS Plan to Support Members' Retirement Income Security?   |
|---|---|
| <p>Years to amortize the ERS unfunded actuarial accrued liability:<br/>31 Yrs<br/>(Fully Funded by 8/31/2054)</p> <p>Years to amortize the LECOS unfunded actuarial accrued liability:<br/>0 (Fully Funded)</p> <p>Years to amortize the JRS 2 unfunded actuarial accrued liability:<br/>0 (Fully Funded)</p>   | <p><b>Return to and Maintain Actuarial Soundness for the Prefunded Retirement Plans:</b></p> <ul style="list-style-type: none"> <li>• Provide the Legislature information on any funding considerations necessary to continue coverage of normal costs and attain/maintain actuarial soundness of the Retirement Plan (ERS), Law Enforcement and Custodial Officer Supplemental Plan (LECOS) and the Judicial Retirement System Plan Two (JRS 2).</li> <li>• Identify statutory changes required to meet legislative intent.</li> <li>• Maintain and update ERS retirement plans funding policy as required to address changes in funding status and liabilities.</li> <li>• Submit the agency's Legislative Appropriation Request (LAR) consistent with the funding policy and TX Government Code.</li> <li>• Provide information on funding requirements for consideration of COLAs beyond that required by TX Govt. Code §814.604.</li> </ul>  |
| <p><u>Active contributing members:</u></p> <p>Regular class: 139,958<br/>LECO: 31,744<br/>JRS 1 and 2: 624</p> <p><u>Retirees and beneficiaries:</u></p> <p>Regular class: 124,504<br/>LECO: 16,368<br/>JRS 1 and 2: 832</p> <p><u>Average annual annuity:</u></p> <p>Regular class: \$21,985<br/>LECO: \$5,756 (+ regular class)<br/>JRS 2: \$70,310</p> | <p><b>Providing Strong Stewardship of Trust Assets</b></p> <ul style="list-style-type: none"> <li>• Continue to deliver superior long-term investment returns through meaningful contributions from both asset allocation and investment implementation.</li> <li>• Maintain appropriate levels of diversification and risk by adapting the Trust's asset allocation parameters and strategic positioning response to continuously evolving market conditions.</li> <li>• Pursue a repeatable process rooted in a culture of excellence and alignment that routinely leverages the diverse insights of highly qualified staff.</li> <li>• Monitor the trust fund's liquidity profile and educate stakeholders on the constraints these needs place on the capacity to generate high returns as well as the ability to diversify and rebalance.</li> <li>• Maintain a robust governance structure that enables effective decision making while fulfilling the agency's fiduciary responsibilities and ensuring regulatory compliance.</li> </ul> |
|   | <p><b>Retention of Current Workforce</b></p> <ul style="list-style-type: none"> <li>• Evaluate opportunities for phased retirement to allow for smoother transitions for members without negatively impacting retirement benefits for long serving employees.</li> </ul> <p><b>Recruitment of Future Workforce</b></p> <ul style="list-style-type: none"> <li>• Serve as subject matter experts for the State of Texas leadership on pension models structured to attract a skilled workforce to state agencies.</li> <li>• Highlight ability to transfer and grow benefits as individuals move</li> </ul>  |



between state agencies and continue to serve their fellow Texans.

- Highlight overall compensation package, including the value of non-monetary benefits to potential employees.

**Retirement Readiness**

- Evaluate Texa\$aver funds to ensure members are provided low cost options and flexibility to select products with strong histories of investment growth.
- Educate members on the totality of their retirement benefits, including 401k/457 savings and health care coverage, in concert with their Social Security benefits.

**Supporting Member’s Retirement Income Security Supports the Statewide Objectives**

Retiree annuity payments benefit the Texas economy. Approximately 95% of ERS retirees live and spend in Texas. ERS makes annuity payments to retirees/beneficiaries living in 253 of Texas 254 counties.

Retirement benefits should be funded over the employee’s working career, allowing investment earnings to compound and grow. Of the \$2.9 billion in annual annuity payments distributed in Fiscal Year 2023, about 60% of the revenue was generated from investment earnings with the remainder coming from participant and state contributions. Sound pension funding policies and practices contribute to the state’s economic well-being. Credit-rating agencies consider the health of state pension funds when determining the creditworthiness of the state. They have responded positively to action taken by the state to fully fund the plan by 2054.

ERS maintains a well-diversified investment portfolio designed to provide superior performance through the ups and downs of financial markets. Over the last five years, the Trust has averaged net annual returns of 7.71%, a performance that ranks in the top 5% of ERS’ peer group of public pension plans with more than \$1B in assets.

**ERS Investment Performance for the Period ending August 31, 2023**

| Period     | 30-Year | 20-Year | 10-Year | 5-year | 3-Year | 1-Year |
|------------|---------|---------|---------|--------|--------|--------|
| Net Return | 7.38%   | 7.48%   | 7.99%   | 7.71%  | 9.63%  | 6.72%  |

Defined benefit plans serve a key role in recruiting and retaining employees critical to the safety, health and well-being of Texans. Texas relies on a diverse and comprehensive workforce. Because state salaries are generally lower than in the private sector, quality benefits help to bridge the gap and attract qualified individuals to serve in law enforcement, social services and other critical governmental functions.

Key measurements of the retirement system are the normal cost, funded ratio, actuarial cost and number of years to pay off the unfunded liability. The normal cost is the amount of contributions required to cover the cost of future benefits earned for the current year. The actuarially sound contribution (ASC) rate is the rate needed to pay the normal cost and eliminate the unfunded liability within 31 years (Texas Government Code 811.006). When a plan has unfunded liabilities, the funding period (the number of years required to pay off unfunded liabilities given current contribution levels) is the most important metric, as this shows where a plan is headed. The funded ratio, in contrast, shows where a plan has been. A plan can have a high funded ratio but still be on a path to deplete.

**As of August 31, 2023:**

|                                    | ERS     | LECOS | JRS 2  |
|------------------------------------|---------|-------|--------|
| FY23 Normal Cost                   | 13.52%  | 2.11% | 28.24% |
| FY23 Legacy Payment (Recommended)  | \$510 M | -     | -      |
| FY23 ASC (% of payroll)            | -       | 3.26% | 28.61% |
| Funded Ratio (Actuarial Valuation) | 70.08%  | 100%  | 101.2% |
| Amortization Period                | 31      | -     | -      |

The adoption of a policy by the governing board and plan sponsor – one that outlines funding goals and allows a plan actuary to determine the contribution rate needed to meet those goals based on current benefit provisions – is an industry best practice. The funding policy adopted by the ERS Board of Trustees in May 2018 updated in August 2020 clearly outlines its goals related to plan administration.

The status of each plan as of the August 31, 2023 actuarial valuation is below:

|                                   | ERS | LECOS | JRS 2 |
|-----------------------------------|-----|-------|-------|
| Cover Normal Costs                | √   | √     | √     |
| Avoid Trust Fund Depletion        | √   | √     | √     |
| Meet Statutory 31 Year ASC Rate   | √   | √     | √     |
| Meet Additional Funding Standards | √   | √     | √     |

### Other Considerations

The 88<sup>th</sup> Texas Legislature has shown a strong commitment to the state’s retirement plans through their funding of the Legacy payments for the ERS retirement plan established by the 87<sup>th</sup> Legislature. In addition, 88<sup>th</sup> Texas Legislature provided one-time funding of \$900 million which reduces the risk of requiring higher legacy payments during a market downturn to achieve 100% funding by 2054 as required by statute. The increase in contributions has significantly increased liquidity for the trust, requiring fewer investments to be sold each month.

The 88<sup>th</sup> Texas Legislature also provided one-time payments to eliminate the unfunded liabilities for the LECO and JRS 2 plans and increased the state contributions to fund the normal cost of each plan. In addition, to manage the risk of future unfunded liabilities, a new cash balance benefit was added to the JRS 2 plan, similar to the cash balance benefit added to ERS and LECO in the 87<sup>th</sup> Legislature.

A one-time cost-of-living statutory adjustment (COLA) is anticipated to be triggered at the end of fiscal year 2024. TX Government Code §814.604 limits this to individuals who have been retired 20 or more years. The maximum monthly increase is \$100.

**Goal: Sustain Competitive Group Benefits Programs**

ERS strives to offer competitive benefits to members, retirees and their dependents at a reasonable cost. To accomplish this, ERS administers programs that offer value to participants and employers, encourages participants to actively engage in healthy behaviors, and uses data analytics to better manage programs and improve outcomes.

**Measures as of August 31, 2023**

HealthSelect<sup>SM</sup> average annual medical and pharmacy claims cost per participant: \$6,844

Effective cost management reduced annual HealthSelect costs: \$12.7B

Portion of every HealthSelect dollar spent on administrative costs: <3¢

Number of HealthSelect medical and mental health virtual visits: 125,856

Percentage of HealthSelect participants satisfied with network services: 86.7%

**How Does ERS Plan to Sustain Competitive Group Benefits Programs?**

**Competitive Comprehensive Group Benefits**

- Evaluate new or alternate offerings to existing programs and incorporate those determined to be cost-effective and that add value to the Texas Employees Group Benefits Program.
- Monitor emerging approaches and strategies in consideration of improving employee experience and plan efficiency.
- Evaluate life insurance portability.
- Provide information on the current life insurance benefit to the Texas Legislature.
- Continue to research long-term care insurance options.
- Align the short-term disability program to work with the statutory changes to parental leave.

**Promote Health and Well-being**

- Develop a culture of well-being emphasizing the benefits of mental, physical, soul and financial health among participants and employing agencies.
- Support employers in their efforts to improve employees' health through the Assess-Manage-Prevent (AMP) Wellness Campaign, which promotes a greater understanding of wellness offerings available through the various health plans and provides metrics on individual employer engagement.
- Implement wellness provider to increase engagement with condition management programs and overall well-being.

**Data Driven**

- Enhance data analysis capabilities to provide more detailed information about GBP operations.
- Continue to solicit input from the Group Benefits Advisory Committee to support planning and development of benefit programs under the GBP.

**Reasonable Cost to State, Members and Retirees**

- Regularly re-bid administration contracts for GBP plans to ensure competitiveness and value to members and the state.
- Review benefit plan designs and evaluate modern practices to determine appropriate changes to GBP benefit levels as well as remain competitive in the market to attract and retain a quality and qualified workforce.
- Continue educating participants on opportunities to save through HealthSelectShoppERS.

The ERS Group Benefits Program (GBP) plays an important role in attracting and retaining a qualified workforce to support the well-being of Texans. These benefits help ensure that skilled individuals are serving the people of Texas efficiently and effectively.

In accordance with the 87<sup>th</sup> Legislature, Senate Bill 1, Rider 17, ERS engaged a third party vendor to examine alternative methods to deliver the current benefits supplied under the Group Benefits Program. The report from that review is available at <https://www.ers.texas.gov/about-ers/reports-and-studies/reports-and-studies-on-ers-administered-benefit-pr/wtw-67250-ers-rider-17-final>. The report found that:

- The GBP is a cost-efficient program that provides benefits to more than half a million employees, retirees and their dependents. ERS works to implement best-practice solutions and manage program costs through innovative risk-sharing arrangements with providers, collecting subsidies for the Medicare prescription drug plan and negotiating reduced fees for third-party administrative services.
- ERS manages the GBP through prudent plan design and professional oversight. The plan design determines what is covered and how much participants pay in deductibles, copays and coinsurance. Professional oversight includes fraud control programs, monitoring of contracting arrangements with providers, and wellness and disease management offerings. ERS and contracted third-party administrators (TPAs) work together to manage the network of providers; process claims in an efficient, participant-focused manner; and provide customer service to plan members.

The ERS Board of Trustees adopted the Texas Employees Group Benefits Program Policy and Guidelines in 2019 which:

- formalizes goals and establishes guidelines to be followed in effectively setting contribution rates and managing the plans for GBP participants, including guidelines for consideration of increases and reductions in member cost share;
- establishes priorities to guide the development of the GBP Legislative Appropriation Request; and
- ensures the plan sponsor and other stakeholders have clear and accurate information concerning the impact that proposed legislation and policy initiatives have on GBP costs and operations.

The ERS Group Benefits Advisory Committee (GBAC) suggested ERS continue to research/evaluate and/or expand the following health care items during the 5 year period covered by this strategic plan:

- Long-term care
- Income Replacement for Catastrophic events
- Wellness Program – additional ways to assist individuals/agencies
- Mental Healthcare
- Weight Loss Pharmaceutical Coverage
- Bariatric Surgery for Dependents
- Prior Authorization Process

In keeping with the Executive Director's vision to make the State of Texas workforce the healthiest state workforce in the country, ERS is launching a new Well-being Program making it easier for employees and their family members to improve their health and wellness. Using a new interactive platform (available via desktop and mobile application), employees, retirees and their dependents who are enrolled in the HealthSelect of Texas<sup>®</sup> plans will be able to connect with and participate in additional wellness services. This "one-stop" website and mobile application uses data provided by the user and the HealthSelect plan to personalize content and recommendations that address an individual's health and wellness needs, whether they be physical, emotional, mental, social or financial. Employees will receive invitations to individual and team challenges that encourage a healthy lifestyle. Employees will have access to social connection and support from their agency and peers. Employers will be able to use the platform to foster a culture of health and wellness in their workforce utilizing the reporting and data analytics about program utilization to create custom communications and challenges for their employees.

## Other Considerations

The health care market is rapidly changing. ERS monitors these changes to understand the impacts on state programs and opportunities available for increased health outcomes or reduced costs. The five most prevalent chronic conditions of HealthSelect participants are heart disease, diabetes, hypertension, back/joint pain, and mental health/substance abuse. GPL-1 agonist drugs account for 42% of the increase in FY23 spent on drugs in the HealthSelect plan for the treatment of diabetes. New high cost GPL-1 drugs such as Ozempic and Mounjaro have received considerable media attention due to significant weight loss associated with their use and recent FDA approval of their use for weight loss has spurred demand creating a shortage in supply. These drugs are covered in the HealthSelect plan for those with a diabetes diagnosis. The top four highest-cost drug therapeutic classes account for 57% of total drug spend. Over the last 5 years, expenditures for antidiabetics has grown from \$210 million to \$429 million, for anti-inflammatory from \$129 million to \$206 million, for dermatologics from \$61 million to \$159 million, and for oncology from \$77 million to \$141 million.

Without cost management, the HealthSelect rates would be almost 5 times higher. The projected FY24-26 plan cost trend is 7.2%. Savings are achieved through negotiated network discounts, prepayment claims editing, cost sharing, refunds/rebates, benefit coordination and utilization management. Prepayment claims editing is an essential part of the program preventing nearly \$2.6 billion in unnecessary payments. This process removes duplicate claims, eliminates charges that exceed contractual limits, and ensures that HealthSelect pays eligible claims only. Cost sharing encourages participants to more actively engage in their own health care. HealthSelect pays 100% of eligible in-network preventive care services. Even with rising healthcare costs, member out-of-pocket costs remain steady. With age, the risk for common chronic conditions such as high blood pressure, heart disease and diabetes increases. The average age of a GBP member (both employees and retirees) is 55. Without treatment and/or lifestyle modifications, these conditions can lead to higher plan costs. Early detection of conditions through preventive exams can help members effectively management them.

Access to care is driven by the market. As a result, rural areas of the state have fewer options to access care locally. ERS works with third party administrators (TPAs) to provide network coverage throughout the state; however, some specialized services are available only in large urban areas due to the limited number of specialists practicing in the state. For specialized services, members and their dependents may have to travel to other parts of the state to receive care. For more general and mental health needs in the HealthSelect plans, virtual visits and telemedicine are a convenient alternative to office visits, offering lower-cost convenient care through 24-hour access to online physician visits.

More than half of the HealthSelect population is overdue for their annual exam. To make it easier for HealthSelect participants to get an annual exam, ERS is offering Catapult Health VirtualCheckups to all non-Medicare-primary HealthSelect participants in FY24. Catapult Health VirtualCheckup provides at-home testing and a face-to-face video consultation with a licensed nurse practitioner, in a location chose by the participant. The participant receives a personal health report with easy-to-understand graphical information and a personal action plan with recommendations and links to other benefits offered through ERS.

Legislation passed during the 88<sup>th</sup> Legislative Session expanded parental leave for the birth of a child. As a result, ERS has reviewed and continues to review the short-term disability insurance to determine to what extent these overlap and make program changes as appropriate and necessary.

ERS is committed to protecting program participants' protected health information in accordance with federal and state regulations and consistent with the delivery of a quality health plan, effective management of health care operations and payment of covered health care services. This commitment to protecting identifiable member data creates potential issues with providing some requested data to other state agencies, institutions of higher education and other agency stakeholders.

**Goal: Engage Stakeholders for Informed Decision Making**

ERS recognizes the important role that its members, the Texas Legislature, the member groups and countless others play in shaping group benefit program offerings. As new plans or programs are considered or introduced, it is critical that ERS engage its stakeholders to support positive outcomes. Thus, ERS will educate stakeholders on programs and their value, increase its own understanding of stakeholder needs and appropriately apply input into agency activities.

| Measures as of August 31, 2023   | How Will ERS Engage Stakeholders for Informed Decision Making?  |
|--|---|
| <p>Noncontributing members:<br/>ERS: 164,112</p> <p>LECO: 35,082</p> <p>JRS 2: 185</p> | <p>Educate Stakeholders on ERS Programs</p> <ul style="list-style-type: none"> <li>• Evaluate the impact of field staff presence and expand as appropriate throughout the state.</li> <li>• Strengthen engagement with agencies and institutions of higher education across the state to ensure an understanding of the importance of their role and provide them with the appropriate tools to be successful.</li> <li>• Increase financial literacy education for stakeholders to enhance member understanding of how various programs work together to provide retirement security.</li> <li>• Continue ‘Ask ERS’ webinars for members and benefit coordinators.</li> <li>• Continue wellness podcasts and the wellness blog.</li> <li>• Conduct benefits education seminars.</li> <li>• Improve self-service functionality and increase mobile capabilities for stakeholders.</li> </ul> <p>Engage Plan Sponsor (Legislature) and Agencies and Institutions of Higher Education (Employer)</p> <ul style="list-style-type: none"> <li>• Inform policy makers of the importance of benefits in recruiting and retaining a quality workforce.</li> <li>• Provide updated benefits and wellness toolkits and training to benefit coordinators annually.</li> <li>• Evaluate opportunities to engage with the State Comptroller’s Office and State Auditor’s Office to develop a benefit coordinator’s certification program.</li> </ul> <p>Increase ERS’ Understanding of Retirement and GBP Stakeholder Needs</p> <ul style="list-style-type: none"> <li>• Evaluate additional communication channels to engage members more effectively.</li> <li>• Continually re-assess communication methods and tools to ensure communications remain relevant and comprehensive.</li> <li>• Continue targeted communications with non-contributing members in two-year increments.</li> <li>• Implement re-design of public website, modernizing and archiving/purging content for more efficient utilization.</li> <li>• Continuously seek stakeholder input for informed program decision-making and administration.</li> </ul> |

## Engaging Stakeholders Supports the Statewide Objectives

As the manager of state employee benefit programs, ERS administers benefits that state employees, retirees and dependents rely upon every day. It is ERS' responsibility to not only provide these programs, but to educate members and other stakeholders on available programs and encourage participation whenever possible. ERS uses a number of channels to engage stakeholders, which consist of diverse audiences with varying priorities.

ERS makes consistent efforts to update members, legislators and legislative staff, and other stakeholders on the impact of proposed benefit changes, retirement funding, insurance funding and the implementation of legislation. We communicate with key legislative audiences through presentations, handouts, testimony, and briefing documents.

ERS also spends a significant amount of time updating digital content to ensure that information is relevant and easily accessible to all stakeholder populations.

ERS takes pride in meeting the expectations of its members, and we have developed comprehensive quality improvement programs that include satisfaction surveys to assess program performance. Providing members with the highest level of service, and factoring their input into our decisions and actions, is our way to honor the service of state employees and retirees. In recent months, ERS has invited stakeholder groups (employer agencies, member and retiree associations) to participate in panel discussions at the ERS board meetings to provide the ERS Trustees with a better understanding of how programs administered by ERS impact our members and recruitment and retention efforts at employer agencies.

During the 2024-25 biennium, ERS began locating staff in different regions of the state to provide closer proximity to employers and employees for counseling and attendance at stakeholder forums. This initiative began with 3 staff members and will be evaluated for effectiveness and expansion opportunities.

## Other Considerations

The state offers a vast array of complex benefit programs that require extensive communications. ERS strives to convey information on a level that can be easily understood by all members and retirees. It is challenging to present this information in a simple manner while delivering the core content to the audience. The balance between providing the necessary information and providing information that is easy to understand is something ERS tries to address in all communications. Additionally, ERS must inform and present what the pension and insurance funds need for sustainability, which may not always align with the immediate needs of individual members.

ERS is eager to hear from members on how well the current benefit programs meet their needs as well as what improvements would assist our employers in attracting and retaining staff. One of the avenues for obtaining that information is through surveys that depend on stakeholder engagement. ERS continues to evaluate new and evolving communication channels that could better engage stakeholders across multiple generations. One of those channels is the Group Benefits Advisory Committee, a diverse group of state and higher education employees and retirees appointed by the ERS Board of Trustees, to advise trustees on member views of the Group Benefits Program.

The human resources departments of state agencies and institutions of higher education serve as the primary source of information on benefit programs for the state workforce. As a result of turnover, individual coordinators may not have an in-depth knowledge of benefit programs and, therefore, may provide inaccurate or incomplete information. ERS provides a dedicated website for agency HR departments and benefits coordinators containing targeted resources available to assist in providing information to their employees on available benefits. ERS is currently reviewing this website to archive communications that are out of date to provide a more streamlined resource tool to the coordinators.

Annual summer and fall enrollments are resource-intensive events but are important to managing benefits programs. Every effort is made to ensure members have the information they require to make informed decisions that will impact their well-being and net paycheck over the course of the next year. For instance, ERS provides each covered member a personalized enrollment statement, summarizing their current coverage, coverage options, costs, and dependent participation.

Replacement of the ERS retirement and pension systems will impact the members, retirees, state agencies and universities. This is a long-term project which is expected to be implemented in 2030. It is important to find the correct balance of providing early notification to employers so that systems and processes can be modified as necessary but not overloading members and retirees and stakeholders with too much information too early.

**Goal: Enhance Agency Performance and Accountability**

As benefit plans and products evolve and more state employees look toward retirement, it is important that the agency be nimble in adapting to changes and seize opportunities to increase efficiency and effectiveness. At the same time, ERS must ensure policies, processes and procedures are transparent and maintain the trust of our members and the public while ensuring the security of our members' vital data. ERS recognizes that employees are our greatest asset. We value the contribution that each individual makes to the agency's success and seek to leverage their input, skills and talents to achieve the agency's mission.

| Measures as of August 31, 2023  | How will ERS Enhance Its Performance and Accountability?   |
|---|--|
| <p>Investment expense as basis points of net position: 12.57</p> <p>Percentage of time the ERS On-Line system is available to customers: 99.15%</p> | <p><b>Effective and Efficient Processes and Procedures/Customer Service</b></p> <ul style="list-style-type: none"> <li>• Continue to enhance contract oversight and management through improved executive reporting.</li> <li>• Implement new pension and group benefits system leveraging new technology to improve the customer experience while providing efficient and secure operations.</li> <li>• Evaluate and implement opportunities to improve processes and workflow through generative AI, robotics and digitalization.</li> <li>• Enhance training of benefit coordinators and payroll officer to reduce errors in enrollment and contribution processes.</li> <li>• Enlist agencies and institutions of higher education in assessing benefits training and tools for benefit coordinators and payroll officers.</li> </ul> <p><b>Quality Data and Protection of Member Information</b></p> <ul style="list-style-type: none"> <li>• Enhance data quality and data analysis capabilities throughout the agency to increase efficiency, inform communication, refine decision making and enhance programs for members.</li> <li>• Leverage the data quality analysis and management framework to prioritize critical data elements that will be imported into a new pension and benefits system.</li> <li>• Maintain the security of data, both physical and digital, and continue to identify opportunities for enhanced privacy and security protections in business operations.</li> </ul> <p><b>Staff Development and Succession Planning</b></p> <ul style="list-style-type: none"> <li>• Utilizing information from the Survey of Employee Engagement, implement a plan of action to address opportunities by December 31, 2024.</li> <li>• Continue to evaluate and implement new recruitment and retention strategies.</li> </ul> |



## Enhancing ERS Performance and Accountability Supports the Statewide Objectives

ERS issued a Request for Proposal to replace its aging pension and insurance administration systems, evaluated responses and in March 2023 entered into a seven year contract with Telus Health to implement by 2030. This project is referred to as RISE, Retirement and Insurance Systems Enhancement. This system will provide mobile access to ERS members and participants as well as eliminate many manual workarounds required with the current systems.

ERS is also implementing CAPPs Financials with a target implementation of September 1, 2025 (FY26). Interfaces will be built to the current pension and insurance systems and then redesigned to interface when the new system goes live.

ERS continues to review and refine its business operations to eliminate outdated and inefficient processes and procedures including the identification of opportunities for generative AI and robotic process automation. Document imaging, storage, workflow and retention is being addressed throughout the agency to create efficiencies for members, vendors and staff whether the work is occurring on or off site. Additionally, ERS continues to refine its contract processes for efficiency, working to ensure the agency consistently obtains the best value available and provides transparency to stakeholders.

ERS remains vigilant in protecting data and member information. The first layer of protection is our employees, who receive both cybersecurity and HIPAA training each year. To protect data due to the ever changing environment, ERS must continue to evaluate and update protocols, technology and interfaces with external parties. At the same time, ERS will continue to evaluate and upgrade technology to improve the availability of information to our members and employees.

ERS completed construction of 1836 San Jacinto and relocated some staff to the new building in FY22. ERS then began renovation of the legacy building which includes enhancements of technology capabilities, increased opportunities for team collaboration, and an auditorium for stakeholder venues.

UT Health Science Center Houston recently moved into the 1<sup>st</sup>, 5<sup>th</sup> and 6<sup>th</sup> floors of 1836 San Jacinto. ERS has been working to fill the retail space on the 1<sup>st</sup> floor, and recently signed a lease with Capitol Café for a portion of the space. The tenants offset the cost of the new building allowing for the additional space to be at a lower, and eventually no cost, for ERS.

## Other Considerations

With the continuing business growth in Austin, recruitment and retention of skilled staff is a challenge. The primary reason given for termination, other than retirement, was increased pay, often at another state agency. ERS routinely performs a compensation study for staff in the Investment Division. To address retention in other areas of the agency, ERS has employed a compensation specialist who will establish a regular time period for compensation review of the remainder of the agency similar to that performed for the Investments Division.

ERS went live on CAPPs HR system in FY21. Since being on CAPPs HR, ERS has seen an increase in the number of applicants it receives for open positions. However, we continue to utilize other recruiting tools for positions that require unique skills in investments, investment accounting, and information technology. ERS is expanding its utilization of interns to engage individuals who may not be considering a position in state government to highlight opportunities and professional career growth.

# Redundancies and Impediments

| Service, Statute, Rule or Regulation (Provide Specific Citation if Applicable) | Describe Why the Service, Statute, Rule or Regulation Is Resulting in Inefficient or Ineffective Agency Operations  | Provide Agency Recommendation for Modification or Elimination   | Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change   |
|--|---|---|---|
| Benefits Coordinator Training  | Human resources departments of state agencies and institutions of higher education serve as the front-line conduit of information on state employee benefits programs to the state workforce. Due to turnover, individual coordinators may not have an in-depth knowledge of benefit programs and as a result provide inaccurate or incomplete information. | <p>Require benefits coordinators to participate in specific training offered by ERS for benefits coordinators.</p> <p>Create a benefit coordinator certification program.</p> | <p>Increase coordinators' knowledge of employee benefit programs.</p> <p>Reduce the frequency with which inaccurate or incomplete information is provided to employees.</p> |
| Government Code § 2101.0115<br>Non-Financial Annual Report                     | The Non-Financial Annual Report includes various schedules that are either duplicative of other reports or not used by internal or external parties.  | Amend statute to identify the specific schedules and information required in the report to be designated by rule.   | Allow oversight agencies to determine specific content that is needed and not available from other sources.   |



# Principles

## Trust

Earn and maintain the confidence of our stakeholders.

## Integrity

Make ethical and prudent decisions.

## Service

Deliver quality and respectful service to all participants.

## Adaptability

Ably adjust to different conditions.

## Communication

Exchange information in a consistent, concise and clear manner.

## Stewardship

Prudently manage resources.

## Innovation

Embrace new ideas and concepts.

## Collaboration

Exhibit teamwork in accomplishing the task at hand.





# Appendices



# Appendix A - Budget Structure ABEST

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## OBJECTIVES AND OUTCOME MEASURES

### Goal 1

Administer comprehensive and actuarially sound retirement programs.

#### Objective 1

Ensure actuarially sound retirement programs so that ERS, JRS 2 and LECOS retirement funds do not exceed the 30-year amortization period limit, that each retirement program receives sufficient funding from contributions and investment income to maintain actuarial soundness, and that the retirement programs maintain a five-year rolling, time-weighted rate of return equal to the actuarially assumed rate of return.

#### Outcome Measures

1. Percentage of ERS Retirees Expressing Satisfaction with Benefit Services
2. Number of Years to Amortize the ERS Unfunded Actuarial Accrued Liability
3. Number of Years to Amortize the LECOS Unfunded Actuarial Accrued Liability
4. Number of Years to Amortize the JRS 2 Unfunded Actuarial Accrued Liability
5. ERS Time-weighted Rate of Return (Five-year Rolling Basis)
6. ERS Annual Operating Expense Per Member
7. Investment Expenses as Basis Points of Net Position
8. Percentage of Time the ERS Online System Is Available to Customers

### Goal 2

Provide employees and retirees with a quality health program.

#### Objective 1

Manage the group benefits program for general state and higher education employees so that the annual change in monthly premiums is reasonable, and the average time to process group insurance claims is reasonable while allowing sufficient time for fraud detection.

#### Outcome Measure

1. Percentage of HealthSelect Participants Satisfied with TPA Services

# STRATEGIES AND OUTPUT, EFFICIENCY AND EXPLANATORY MEASURES

## **Strategy A.1.1 Retirement Contributions**

### Output Measures:

1. Number of ERS Annuitants Added to Annuity Payroll
2. Number of ERS Accounts Maintained

### Explanatory/Input Measures:

1. Number of ERS Annuitants

## **Strategy A.1.2 Law Enforcement and Custodial Officers Supplemental Retirement Fund (LECOS)**

### Output Measures:

1. Number of LECOS Annuitants Added to Annuity Payroll
2. Number of LECOS Accounts Maintained

### Explanatory/Input Measures:

1. Number of LECOS Annuitants

## **Strategy A.1.3 Judicial Retirement System – Plan 2 (JRS 2)**

### Output Measures:

1. Number of JRS 2 Annuitants Added to Annuity Payroll
2. Number of JRS 2 Accounts Maintained

### Explanatory/Input Measures:

1. Number of JRS 2 Annuitants

## **Strategy A.1.4 Judicial Retirement System – Plan 1 (JRS 1)**

### Output Measures:

1. Number of JRS 1 Annuitants Added to Annuity Payroll
2. Number of JRS 1 Accounts Maintained

### Explanatory/Input Measures:

1. Number of JRS 1 Annuitants

## **Strategy A.1.5 Public Safety Benefits**

### Output Measures:

1. Number of Death Benefit Claims Processed
2. Number of Beneficiaries Receiving Benefits

## **Strategy A.1.6 Retiree Death Benefits**

### **Output Measures:**

1. Number of Retiree Death Benefits Paid

### **Efficiency Measures:**

1. Average Number of Business Days to Process Retiree Death Benefits

## **Strategy B.1.1 Group Insurance**

### **Output Measures:**

1. In-network Services as a Percentage of Total Services
2. Mental Health/Substance Abuse Costs as a Percentage of Total HealthSelect Costs
3. Prescription Drug Program Costs as a Percentage of Total HealthSelect Costs

### **Efficiency Measures:**

1. Percentage of Claims Processed within 22 Business Days
2. Percentage of All Electronic Retail Pharmacy Claims Processed Within 15 Business Days
3. HealthSelect Administration Fee as Percentage of Total HealthSelect Costs

### **Explanatory/Input Measures:**

1. Number of Employees, Retirees and Dependents Covered by GBP Health Care Plans
2. Percent of Eligible Retirees and Spouses enrolled in the Medicare Advantage Plan

## **Strategy B.1.2 Probation Health Insurance**

# Appendix B - Measure Definitions

This appendix includes the Objective Outcome Definitions and the Strategy-related Measures Definitions from the Automated Budget and Evaluation System of Texas (ABEST).

## Objective: Ensure Actuarially Sound Retirement Programs

### Outcome Measures: Percentage of ERS Retirees Expressing Satisfaction with Member Benefit Services

**Definition:** The number of retirees in ERS satisfied with benefit services offered by the agency

**Purpose:** This measure is intended to reflect the success of the agency's effort to administer comprehensive and actuarially sound retirement programs.

**Data Source:** ERS Annuity Survey

**Methodology:** The ERS Annuity Survey is mailed to all new retirees 75 days after their first annuity check. Surveys received throughout the year with Satisfied/Extremely Satisfied are ranked as satisfied. The total number of retirees expressing satisfaction is divided by the total number of retirees responding to the survey to arrive at a percentage.

**Data Limitations:** The measure depends on adequate numbers of responses from survey participants.

**Calculation Method:** Non-cumulative

**New Measure:** Continuous without change

**Target Attainment:** Actual performance higher than the target is desirable.

### Outcome Measures: Number of Years to Amortize the ERS Unfunded Actuarial Accrued Liability

**Definition:** Number of years required to amortize any unfunded liability of the Employees Retirement System (ERS)

**Purpose:** This measure reports the success of the agency's effort to administer comprehensive and actuarially sound retirement programs such that the ERS retirement fund does not exceed the 30-year amortization period limit.

**Data Source:** Actuarial valuation reports

**Methodology:** The System's actuarial valuation reports the actuarial value of assets and the actuarial accrued liability. If liabilities exceed assets, the valuation will report an amortization period in years. If assets exceed liabilities, the amortization period will be zero years. An infinite number of years is represented as 999,999,999 on ABEST.

**Data Limitations:** The state contribution and the number of years required to meet actuarial soundness are set by the Texas Legislature.

**Calculation Method:** Non-cumulative

**New Measure:** Continuous without change

**Target Attainment:** Actual performance lower than the target is desirable.



**Outcome Measures: Number of Years to Amortize the LECOS Unfunded Actuarial Accrued Liability**

Definition: The number years required to amortize any unfunded liability of the LECOS

Purpose: This measure reports the success of the agency’s effort to administer comprehensive and actuarially sound retirement programs such that the LECOS retirement fund does not exceed the 30-year amortization period limit.

Data Source: Actuarial valuation reports

Methodology: The System’s actuarial valuation reports the actuarial value of assets and the actuarial accrued liability. If liabilities exceed assets, the valuation will report an amortization period in year. If assets exceed liabilities, the amortization period will be zero years.

Data Limitations: The state contribution and the number of years required to meet actuarial soundness are set by the Texas Legislature.

Calculation Method: Non-cumulative

New Measure: Continuous without change

Target Attainment: Actual performance lower than the target is desirable.

**Outcome Measures: Number of Years to Amortize the JRS 2 Unfunded Actuarial Accrued Liability**

Definition: The number years required to amortize any unfunded liability of the Judicial Retirement System Plan 2 (JRS 2)

Purpose: This measure reports the success of the agency’s effort to administer comprehensive and actuarially sound retirement programs such that the JRS 2 retirement fund does not exceed the 30-year amortization period limit.

Data Source: Actuarial valuation reports

Methodology: The System’s actuarial valuation reports the actuarial value of assets and the actuarial accrued liability. If liabilities exceed assets, the valuation will report an amortization period in years. If assets exceed liabilities, the amortization period will be zero years.

Data Limitations: The state contribution and the number of years required to meet actuarial soundness are set by the Texas Legislature.

Calculation Method: Non-cumulative

New Measure: Continuous without change

Target Attainment: Actual performance lower than the target is desirable.

**Outcome Measures: ERS Time-weighted Rate of Return ( Five-year Rolling Basis )**

Definition: The rate of investment return achieved by the Pension Investment Pool (ERS, LECOS, JRS 2), adjusted to a five-year rolling basis

Purpose: This measure is intended to reflect the success of the agency’s effort to administer comprehensive and actuarially sound retirement programs such that the Employees Retirement Fund maintains a five-year rolling, time-weighted rate of return equal to the Board-approved actuarially assumed investment rate each year of the five-year planning period. The rate of return measures the performance of the total investment portfolio, considering income and market impact, eliminating the effect of the timing of cash flows. The five-year rolling return is used to smooth market swings and to maintain consistency with the long-term nature of the fund.

---

Data Source: Time-weighted Rates of Return and Asset Allocations schedules in the agency's Annual Comprehensive Financial Report (ACFR). The custodian of the fund's portfolio maintains data on holdings, transactions and income.

---

Methodology: The Trust's custodian calculates the rate of return (ROR) daily on the Investment Pool using the Modified Dietz Method. The calculation for the ROR is  $(EMV - BMV - CF) / (BMV + CF)$ . Cash flows (CF) include contributions to and withdrawals from the investment pool. Daily rates are then linked to derive monthly and annual rates of return. Annualized rates of return are derived using the following calculation (assumes 60 months to arrive at the five-year annualized ROR above):

$$\{(ROR_1 + 1)(ROR_2 + 1)(ROR_3 + 1) \dots (ROR_{60} + 1)\}^{1/60} - 1$$

Beginning Market Value (BMV)  
Ending Market Value (EMV)

---

Data Limitations: None

---

Calculation Method: Non-cumulative

---

New Measure: Continuous without change

---

Target Attainment: Actual performance higher than the target is desirable.

---

**Outcome Measures: ERS Annual Operating Expense Per Member**

Definition: The cost per active, non-contributing and retired member and beneficiaries to administer ERS

---

Purpose: This measure is intended to reflect the efficiency of the agency's efforts to administer comprehensive and actuarially sound retirement programs.

---

Data Source: Highlights of Retirement Programs and Statement of Changes in Fiduciary Net Position- Pension and Other Employee Benefit Trust Funds in the agency's Annual Comprehensive Financial Report.

---

Methodology: Cost per member equals Net Administrative Expenses divided by Total Members. Net administrative expense is calculated using the Statement of Changes in Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds reported for the ERS Fund (Fund 0955) as (1) Total Administrative expense less (2) Depreciation, and less (3) amortization. Total members is the sum of (1) active members, (2) non-contributing member, and (3) retirees and beneficiaries currently receiving benefits from the Highlights data reported for the ERS fund. This measure does not include investment expenses, which are measured as basis points of net position.

---

Data Limitations: None

---

Calculation Method: Non-cumulative

---

New Measure: Continuous without change

---

Target Attainment: Actual performance lower than the target is desirable.

---

**Outcome Measures: Investment Expense as Basis Points of Net Position**

Definition: The ratio of investment expenses to the total position of the Employees Retirement Fund (0955)

---

Purpose: This measure is intended to report the efficiency of the agency's efforts to administer comprehensive and actuarially sound retirement programs.

---

Data Source: Statement of Changes in Fiduciary Net Position and the Other Supplementary Information – Schedule 4, Administrative & Investment Expenses/Expenditures in the agency's Annual Comprehensive Financial Report.

---

|                     |   |
|---------------------|---|
| Methodology:        | Investment Expenses minus Alternative Investment Expenses for Fund 0955 is divided by the total assets for Fund 0955. The ratio is expressed in basis points – 100 basis point equals 1%. |
| Data Limitations:   | None  |
| Calculation Method: | Non-cumulative  |
| New Measure:        | Continuous without change   |
| Target Attainment:  | Actual performance lower than the target is desirable.  |

**Outcome Measures: Percentage of Time the ERS Online System Is Available to Customers**

|                     |  |
|---------------------|--|
| Definition:         | The percentage of time that the Employees’ Retirement System (ERS) online system is available to customers   |
| Purpose:            | The measure addresses the extent to which ERS services are available and accessible to customers. ERS has made significant efforts to modernize systems and to make services to customers, including self-service components, readily available and easily accessible through the ERS website. |
| Data Source:        | An automated software tool is used to monitor and report on system availability.   |
| Methodology:        | A percentage is obtained by dividing the number of minutes the system was available by the number of minutes for the period.   |
| Data Limitations:   | None   |
| Calculation Method: | Non-cumulative   |
| New Measure:        | Continuous without change  |
| Target Attainment:  | Actual performance higher than the target is desirable.  |

## Objective: Manage GBP for State and Higher Education Employees

### Outcome Measures: Percentage of HealthSelect Participants Satisfied with TPA Services

|                     |   |
|---------------------|---|
| Definition:         | The percentage of all members reporting satisfaction with HealthSelect's third-party administrator (TPA)  |
| Purpose:            | This measure shows member satisfaction with their ability to access and receive medical services in a timely and professional manner.   |
| Data Source:        | The TPA collects responses from a defined number of HealthSelect members during the reporting period. The TPA then provides ERS with survey results.  |
| Methodology:        | The satisfaction data is accumulated for each quarter in the plan year and reported to ERS. Upon the end of the fiscal year, the TPA provides ERS an annualized member satisfaction number. "Participant Satisfaction Rate" means the average found by taking (i) the number of plan participants responding to the TPA's Participant Satisfaction Survey as being satisfied with the TPA divided by (ii) the total number of plan participants responding to such Participant Satisfaction Survey. |
| Data Limitations:   | Member satisfaction level calculations are prepared by the TPA. Benefit plan changes may result in unfavorable member responses. Provider terminations may be perceived as lack of access.  |
| Calculation Method: | Non-cumulative  |
| New Measure:        | Continuous without change   |
| Target Attainment:  | Actual performance higher than the target is desirable.   |

## Strategy: Provide an Actuarially Sound Level of Funding as Defined by State Law

### Explanatory Measure: Number of ERS Annuitants

|                     |  |
|---------------------|--|
| Definition:         | The number of retirees and their beneficiaries from the ERS Fund 0955  |
| Purpose:            | This measure shows the demand for the agency's services to administer comprehensive and actuarially sound retirement programs and to provide an actuarially sound level of retirement funding as defined by state law. |
| Data Source:        | Annuity payroll system   |
| Methodology:        | An automated monthly report from annuity payroll determines the total number of warrants issued from the ERS Fund 0955. The report for the month of August is used for this measure.                                   |
| Data Limitations:   | None   |
| Calculation Method: | Cumulative   |
| New Measure:        | Continuous without change  |
| Target Attainment:  | Actual performance higher than the target is desirable.  |

### Output Measures: Number of ERS Annuitants Added to Annuity Payroll

|              |   |
|--------------|---|
| Definition:  | The number of ERS retirees and beneficiaries added to annuity payroll from the ERS Fund 0955  |
| Purpose:     | This measure shows the demand for the agency's services to administer comprehensive and actuarially sound retirement programs and to provide an actuarially sound level of retirement funding for ERS annuitants as defined by state law. |
| Data Source: | Annuity payroll system  |

|                     |  |
|---------------------|--|
| Methodology:        | An automated monthly report from the annuity payroll system totals the number of annuitants added to the payroll from the ERS Fund 0955. |
| Data Limitations:   | None   |
| Calculation Method: | Non-cumulative   |
| New Measure:        | Continuous without change  |
| Target Attainment:  | Actual performance higher than the target is desirable.  |

### Output Measures: Number of ERS Accounts Maintained

|                     |  |
|---------------------|--|
| Definition:         | The number of ERS accounts, which includes both employee and elected class, maintained by agency staff from the ERS Fund 0955  |
| Purpose:            | This measure shows the demand for the agency's services to administer comprehensive and actuarially sound retirement programs and to provide an actuarially sound level of retirement funding as defined by state law. |
| Data Source:        | ERS member files   |
| Methodology:        | The automated reports total the number of contributing and non-contributing accounts from the ERS Fund 0955.   |
| Data Limitations:   | None   |
| Calculation Method: | Non-cumulative   |
| New Measure:        | Continuous without change  |
| Target Attainment:  | Actual performance higher than the target is desirable.  |

## Strategy: Maintain a Retirement Program for Law Enforcement and Certain Texas Department of Criminal Justice Employees (LECOS)

### Explanatory Measure: Number of LECOS Annuitants

|                     |  |
|---------------------|--|
| Definition:         | The number of retirees and their beneficiaries receiving benefits from the LECOS Supplemental Fund 0977  |
| Purpose:            | This measure shows the demand for the agency's services to administer a comprehensive and actuarially sound retirement program and to provide an actuarially sound level of retirement funding as defined by state law for commissioned law enforcement officers and certified peace officers/ custodial officers (LECOS). |
| Data Source:        | Annuity payroll system   |
| Methodology:        | An automated monthly report from annuity payroll determines the total number of payments issued from the LECOS Fund 0977. The report for the month of August is used for this measure.   |
| Data Limitations:   | None   |
| Calculation Method: | Non-cumulative   |
| New Measure:        | Continuous without change  |
| Target Attainment:  | Actual performance higher than the target is desirable.  |

### Output Measure: Number of LECOS Annuitants Added to Annuity Payroll

|             |   |
|-------------|---|
| Definition: | The number of LECOS retirees and beneficiaries added to annuity payroll from the LECOS Supplemental Fund 0977 |
|-------------|---|

|                     |   |
|---------------------|---|
| Purpose:            | This measure shows the demand for the agency's services to administer comprehensive and actuarially sound retirement programs and to provide an actuarially sound level of retirement funding for LECOS annuitants as defined by state law. |
| Data Source:        | Annuity payroll system  |
| Methodology:        | An automated monthly report from the annuity payroll system totals the number of LECOS annuitants added to the payroll from the LECOS Supplemental Fund 0977.   |
| Data Limitations:   | None  |
| Calculation Method: | Cumulative  |
| New Measure:        | Continuous without change   |
| Target Attainment:  | Actual performance higher than the target is desirable.   |

### Output Measure: Number of LECOS Accounts Maintained

|                     |   |
|---------------------|---|
| Definition:         | The number of accounts maintained by agency staff from the LECOS Supplemental Fund 0977   |
| Purpose:            | This measure shows the demand for the agency's services to maintain a retirement program for commissioned law enforcement officers and certified peace officers/custodial officers (LECOS).                               |
| Data Source:        | LECOS member files  |
| Methodology:        | Automated reports total the number of CPO-certified and previously CPO-certified inactive accounts from the LECOS Supplemental Fund 0977.   |
| Data Limitations:   | The change in the number of commissioned law enforcement officers and certified peace officers/custodial officers, the turnover rate and the number of members leaving their accounts with ERS are beyond agency control. |
| Calculation Method: | Non-cumulative  |
| New Measure:        | Continuous without change   |
| Target Attainment:  | Actual performance higher than the target is desirable.   |

## Strategy: Maintain an Actuarially Sound Retirement Program for State Judicial Officers (JRS 2 Fund)

### Explanatory Measure: Number of JRS 2 Annuitants

|                     |  |
|---------------------|--|
| Definition:         | The number of retirees and their beneficiaries from the Judicial Retirement System Plan 2 Fund 0993  |
| Purpose:            | This measure shows the demand for the agency's services to administer comprehensive and actuarially sound retirement programs and to provide an actuarially sound level of retirement funding as defined by state law for JRS 2 annuitant. |
| Data Source:        | Annuity payroll system   |
| Methodology:        | An automated monthly report from annuity payroll determines the total number of warrants issued from the JRS 2 Fund 0993. The report for the month of August is used for this measure.   |
| Data Limitations:   | None   |
| Calculation Method: | Non-cumulative   |
| New Measure:        | Continuous without change  |
| Target Attainment:  | Actual performance higher than the target is desirable.  |

### Output Measure: Number of JRS 2 Annuitants Added to Annuity Payroll

**Definition:** The number of Judicial Retirement System Plan 2 retirees and beneficiaries added to annuity payroll from the JRS 2 Fund 0993

**Purpose:** This measure shows the demand for the agency's services to administer comprehensive and actuarially sound retirement programs and to provide an actuarially sound level of retirement funding for JRS 2 annuitants as defined by state law.

**Data Source:** Annuity payroll system

**Methodology:** The number is calculated from payroll records from the JRS 2 Fund 0993.

**Data Limitations:** None

**Calculation Method:** Cumulative

**New Measure:** Continuous without change

**Target Attainment:** Actual performance higher than the target is desirable.

### Output Measure: Number of JRS 2 Accounts Maintained

**Definition:** The number of Judicial Retirement System Plan 2 accounts maintained from the JRS 2 Fund 0993

**Purpose:** This measure shows the demand for the agency's services to provide for the payment of JRS 2 benefits as required by law by totaling the number of accounts belonging to contributing and non-contributing members.

**Data Source:** JRS 2 member files

**Methodology:** The automated reports total the number of contributing and non-contributing accounts.

**Data Limitations:** The growth in state employees, the turnover rate and the number of members leaving their account with ERS are beyond agency control.

**Calculation Method:** Non-cumulative

**New Measure:** Continuous without change

**Target Attainment:** Actual performance higher than the target is desirable.

## Strategy: Provide for the Payment of JRS 1 Benefits as Required by Law

### Explanatory Measure: Number of JRS 1 Annuitants

**Definition:** The number of retirees and their beneficiaries in the Judicial Retirement System Plan 1

**Purpose:** This measure shows the demand for the agency's services to administer comprehensive and actuarially sound retirement programs and to provide an actuarially sound level of retirement funding for JRS 1 annuitants as defined by state law.

**Data Source:** Annuity payroll system

**Methodology:** An automated monthly report from annuity payroll determines the total number of warrants issued from the JRS 1 Fund. The report for the month of August is used for this measure.

**Data Limitations:** None

**Calculation Method:** Non-cumulative

**New Measure:** Continuous without change

**Target Attainment:** Actual performance higher than the target is desirable.

---

## Strategy: Provide the Payment of Death Benefits to Beneficiaries of Public Safety Workers

### Output Measure: Number of Death Benefit Claims Processed

**Definition:** The number of death benefit claims processed by agency staff to beneficiaries of certain law enforcement officers, firefighters and emergency technicians killed in the line of duty as required by Chapter 615, Government Code

**Purpose:** This measure shows the demand for the agency's services to determine eligibility and provide for the payment of benefits to beneficiaries of certain law enforcement officers, firefighters and emergency technicians killed in the line of duty as required by Chapter 615, Government Code.

**Data Source:** Annuity payroll system

**Methodology:** Pull report AN143 for each month in the fiscal year. Use page 6 for 615 to total the number of beneficiaries who received a lump-sum payment. Go to the Number Payees column and add the numbers in the following categories: Lump-sum Surviving Spouse, Beneficiaries and Violent Crimes Lump-sum, Beneficiaries. Repeat the process for each month in the fiscal year. Add the totals for all 12 months to get the number of Death Benefit Claims processed for the entire fiscal year.

**Data Limitations:** None

**Calculation Method:** Cumulative

**New Measure:** Continuous without change

**Target Attainment:** Actual performance lower than the target is desirable.

### Output Measure: Number of Beneficiaries Receiving Benefits

**Definition:** The number of beneficiaries receiving payments as a result of a qualifying death of certain law enforcement officers, firefighters and emergency technicians killed in the line of duty as required by Chapter 615, Government Code

**Purpose:** This measure shows the demand for the agency's services to determine eligibility and provide for the payment of benefits to beneficiaries of certain law enforcement officers, firefighters and emergency technicians killed in the line of duty as required by Chapter 615, Government Code.

**Data Source:** Annuity payroll system

**Methodology:** Pull report AN143 for August. Page 6 for 615 will be used to total the number of beneficiaries who received a payment. In the first column, Number Payees, add the numbers in the following categories: Surviving Child Payments-Beneficiaries and Surviving Spouse Annuity-Beneficiaries.

**Data Limitations:** None

**Calculation Method:** Non-cumulative

**New Measure:** Continuous without change

**Target Attainment:** Actual performance lower than the target is desirable.

---



## Strategy: Provide Lump-sum Retiree Death Benefits

### Efficiency Measure: Average Number of Business Days to Process Retiree Death Benefits

**Definition:** The average number of business days elapsed from the date a properly completed claim for retiree death benefits is approved under Section 814 .501, Government Code to the date the request for death benefits is sent to the Comptroller.

**Purpose:** This measure shows the efficiency of the agency's efforts to provide ERS retiree death benefits under Section 814 Subchapter F, Government Code.

**Data Source:** Annuity payroll system

**Methodology:** Average Number of Business Days is calculated by the Total Number of Business Days divided by Total Number of Payments.

**Data Limitations:** None

**Calculation Method:** Non-cumulative

**New Measure:** Continuous without change

**Target Attainment:** Actual performance lower than the target is desirable.

### Output Measure: Number of Retiree Death Benefits Paid

**Definition:** The number of retiree death benefits paid under Section 814 .501, Government Code.

**Purpose:** This measure shows the demand for the agency's services to determine eligibility and provide lump-sum retiree death benefits under Section 814 .501, Government Code.

**Data Source:** Annuity payroll system

**Methodology:** Pull report AN143 for each month in the fiscal year. In the second column, Number Payees, add the number of 5K Death-Beneficiary on each page. Repeat for each month in the fiscal year, then total all 12 months.

**Data Limitations:** None

**Calculation Method:** Cumulative

**New Measure:** Continuous without change

**Target Attainment:** Actual performance lower than the target is desirable.

## Strategy: Provide General Benefits Program to State Employees, Retirees and Their Dependents

### Efficiency Measure: Percentage of Medical Claims Processed within 22 Business Days

**Definition:** The percentage of all HealthSelect medical claims received by the claims administrator that are processed within 22 business days.

**Purpose:** This measure shows the efficiency of the agency's efforts to manage a comprehensive, quality health program for general state and higher education employee.

**Data Source:** Monthly Administrative Performance Report (MAPR)

**Methodology:** The number of HealthSelect claims processed within 22 business days is divided by the total of all claims received to arrive at a percentage.

**Data Limitations:** None

**Calculation Method:** Non-cumulative

---

New Measure: Continuous without change

---

Target Attainment: Actual performance higher than the target is desirable.

---

**Efficiency Measure: Percentage of All Electronic Retail Pharmacy Claims Processed within 15 Business Days**

Definition: The percentage of all HealthSelect RX electronic retail pharmacy claims received by the claims administrator that are processed within 15 business days

---

Purpose: This measure shows the efficiency of the pharmacy benefit manager (PBM) in processing pharmacy claims for members in a timely manner.

---

Data Source: Monthly Administrative Performance Report (MAPR)

---

Methodology: The number of HealthSelect RX claims processed within 15 business days is divided by the total of all electronic retail claims received to arrive at a percentage.

---

Data Limitations: None

---

Calculation Method: Non-cumulative

---

New Measure: Continuous without change

---

Target Attainment: Actual performance higher than the target is desirable.

---

**Efficiency Measure: HealthSelect Administration Fees as Percentage of Total HealthSelect Costs**

Definition: HealthSelect administrative costs as a percentage of total HealthSelect costs

---

Purpose: This measure depicts the agency's efforts to assure the efficient management of a comprehensive, quality health care program for general state and higher education employees.

---

Data Source: Monthly Financial Report

---

Methodology: The total dollar amount of administrative fees paid to the HealthSelect PBM and TPA is divided by the dollar amount of total HealthSelect costs to arrive at a percentage. Total HealthSelect costs include administrative fees, medical claims and prescription drug claims net of rebates, subsidies and discount guarantees.

---

Data Limitations: None

---

Calculation Method: Non-cumulative

---

New Measure: Continuous without change

---

Target Attainment: Actual performance lower than the target is desirable.

---

**Explanatory Measures: Number of Employees, Retirees, and Dependents Covered by GBP Health Care Plans**

Definition: The number of participants in the Texas Employees Group Benefits Program (GBP) who are enrolled in HealthSelect or HealthSelect Medicare Advantage.

---

Purpose: This measure shows the demand for the agency's services to provide employees, retirees and dependents with a comprehensive, quality health program.

---

Data Source: Benefit administration system

---

Methodology: The number of state and higher education employees, retirees and dependents covered by HealthSelect and HealthSelect Medicare Advantage, including nominees and COBRA participants and other direct pay in each of 12 months is totaled, then divided by 12 as of the end of the fiscal year.

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Data Limitations: None

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---

Calculation Method: Non-cumulative

---

New Measure: Continuous without change

---

Target Attainment: Actual performance higher than the target is desirable.

---

### **Explanatory Measure: Percent of Eligible Retirees and Spouses Enrolled in the Medicare Advantage Plan**

Definition: The percentage of eligible retirees and spouses enrolled in the Medicare Advantage (MA) plan.

---

Purpose: This measure shows the acceptance of the GBP's most cost effective plan for Medicare eligible retirees.

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Data Source: Benefit administration system

---

Methodology: A percentage is computed by dividing the number of GBP participants enrolled in the MA plan by the total of all GBP participants eligible for the MA plan as of the end of the fiscal year.

---

Data Limitations: None

---

Calculation Method: Non-cumulative

---

New Measure: Continuous without change

---

Target Attainment: Actual performance higher than the target is desirable.

---

### **Output Measure: In-network Services as a Percentage of Total Services**

Definition: The percentage of paid claims for use of facilities or providers in the HealthSelect network

---

Purpose: This measure shows the impact of the agency's efforts to provide a basic health care program for general state and higher education employees. A high percentage of network utilization shows that the HealthSelect provider network generally meets the needs of participants.

---

Data Source: ERS' Business Intelligence Data Warehouse

---

Methodology: The total number of paid in-network claims (facility and provider) is divided by the total number of all paid claims (facility and provider) to arrive at a percentage.

---

Data Limitations: None

---

Calculation Method: Non-cumulative

---

New Measure: Continuous without change

---

Target Attainment: Actual performance higher than the target is desirable.

---

### **Output Measure: Mental Health/Substance Abuse Costs as Percentage of Total HealthSelect Costs**

Definition: The percentage of mental health claims (facility and provider) paid in the HealthSelect network.

---

Purpose: This measure shows the impact of the agency's efforts to provide mental health care for general state and higher education employees. A high percentage of network utilization shows that the HealthSelect mental health provider network generally meets the needs of participants.

---

Data Source: ERS' Business Intelligence Data Warehouse

---

Methodology: The total number of mental health claims paid in-network (facility and provider) is divided by the total number of all paid mental health claims (facility and provider) to arrive at a percentage

---

Data Limitations: None

---

Calculation Method: Non-cumulative

---

---

New Measure: New

---

Target Attainment: Actual performance higher than the target is desirable.

---

**Output Measure: Prescription Drug Program Costs as Percentage of Total HealthSelect Costs**

---

Definition: The percentage of all HealthSelect costs which are attributable to prescription drugs

---

Purpose: This measure shows the efficiency of the agency's efforts to manage a comprehensive, quality health program for general state and higher education employees and enables the agency to monitor health care cost trends.

---

Data Source: Monthly Financial Report (MFR)

---

Methodology: The total dollar amount of prescription drug claims paid by the HealthSelect PBM net of rebates, subsidies and discount guarantees is divided by the total dollar amount of medical and prescription drug claims net of rebates, subsidies and discount guarantees paid by the HealthSelect TPA and PBM, respectively, to arrive at a percentage.

---

Data Limitations: None

---

Calculation Method: Non-cumulative

---

New Measure: Continuous without change

---

Target Attainment: Actual performance lower than the target is desirable.

---

# Historically Underutilized Business Plan

---

The Employees Retirement System of Texas (ERS) is actively committed to promoting contract opportunities to certified Historically Underutilized Businesses (HUBs). ERS pursues initiatives to promote HUB opportunities, including subcontracting efforts and attendance at HUB Economic Opportunity Forums. ERS travels to events and forums to encourage participation from HUB vendors throughout the state, as well as participating in virtual events.

ERS has adopted the statewide (HUB) goals. The only deviation from the statewide goals is that ERS will not have a Heavy Construction goal as ERS does not engage in Heavy Construction.

## ERS HUB Goals

|   |       |
|---|-------|
| Heavy Construction  | 0.0%  |
| Building Construction, Including General Contractors and Operative Builders | 21.1% |
| Special Trade Construction  | 32.9% |
| Professional Services   | 23.7% |
| Other Services  | 26.0% |
| Commodities   | 21.1% |

In an effort to meet the agency's goals, ERS has established strategies that include:

- Attend HUB conferences and provide HUB vendors with information on how to contract with ERS in order to encourage and increase participation.
- Participate in HUB-related meetings and forums as well as Economic Opportunity Forums (EOFs e.g. vendor fair, spot bid fairs, conferences).
- Meet with certified HUB vendors to discuss the products and /or services that vendors provide and the potential opportunities available at ERS when requested.
- Direct HUB vendors to other state agencies that may also be interested in the vendors' products and/or services when applicable.
- When feasible, solicit more certified HUBs than required on all applicable bid opportunities.
- Contact HUBS directly for procurements that are under the competitive procurement threshold for bidding.
- Work with non-HUB vendors who are interested in becoming HUB-certified; this will include directing potential HUB vendors to the Comptroller of Public Accounts' website.
- ERS will review its mentor/protégé program procedures.
- While ERS' offerings do not generally lend themselves to subcontracting opportunities, ERS does anticipate a higher utilization of subcontractors (and potentially HUBs) for its ongoing construction and design on its new building.
- ERS will assess and re-evaluate agency goals based on actual performance and updated Disparity Studies as conducted by the Comptroller of Public Accounts.

# Agency Workforce Plan

## I. AGENCY OVERVIEW

ERS administers retirement; health and other insurance benefits, TexFlex, a tax-savings flexible benefit program, and 401(k) and 457 investment accounts as part of the Texa\$aver program. We also manage and invest the ERS Trust for the sole benefit of retirement system members.

### A. Mission

ERS offers competitive benefits to enhance the lives of its members.

### B. Philosophy

ERS prudently and professionally manages the trust funds and programs on behalf of its members. Benefits are an important part of the compensation of State of Texas employees, contributing to their financial security and well-being throughout their lives. We operate in an ethical, cost-effective manner, providing valuable and reliable service delivered by highly qualified staff.

### C. Principles

TRUST - Earn and maintain the confidence of our stakeholders

INTEGRITY - Make ethical and prudent decisions

SERVICE - Deliver quality and respectful service to all participants

ADAPTABILITY – Able to adjust to different conditions

COMMUNICATION - Exchange information in a consistent, concise and clear manner

STEWARDSHIP - Prudently manage resources

INNOVATION – Embrace new ideas and concepts

COLLABORATION – Exhibit teamwork in accomplishing the task at hand

### D. Goals and Objectives

GOAL: SUPPORT OUR MEMBERS' RETIREMENT INCOME SECURITY

Objectives:

- Attain Defined Benefit Plan Sustainability
- Assist Members in Preparing for Retirement Readiness
- Maintain a Professional and Diversified Investment Program

GOAL: SUSTAIN COMPETITIVE GROUP BENEFITS PROGRAMS

Objectives:

- Manage Health Care Program
- Promote Health and Well-Being
- Enhance Data Analysis

## GOAL: ENGAGE STAKEHOLDERS FOR INFORMED DECISION MAKING

### Objectives:

- Enhance Communications and Measure the Effectiveness
- Educate Stakeholders on Programs and Their Value
- Increase Understanding of Stakeholder Needs

## GOAL: ENHANCE AGENCY PERFORMANCE AND ACCOUNTABILITY

### Objectives:

- Ensure the Security of Member Data
- Leverage Input, Skills and Talents of ERS Staff
- Increase Process Efficiency and Effectiveness to Meet Changing Needs
- Improve Transparency to Maintain Trust

## II. CURRENT WORKFORCE PROFILE

### A. WORKFORCE SKILLS AND COMPETENCIES

ERS' ability to operate successfully relies on several critical skills and competencies. These essential skills enable ERS to provide exceptional benefit and retirement services to our members. The profile is identified below:

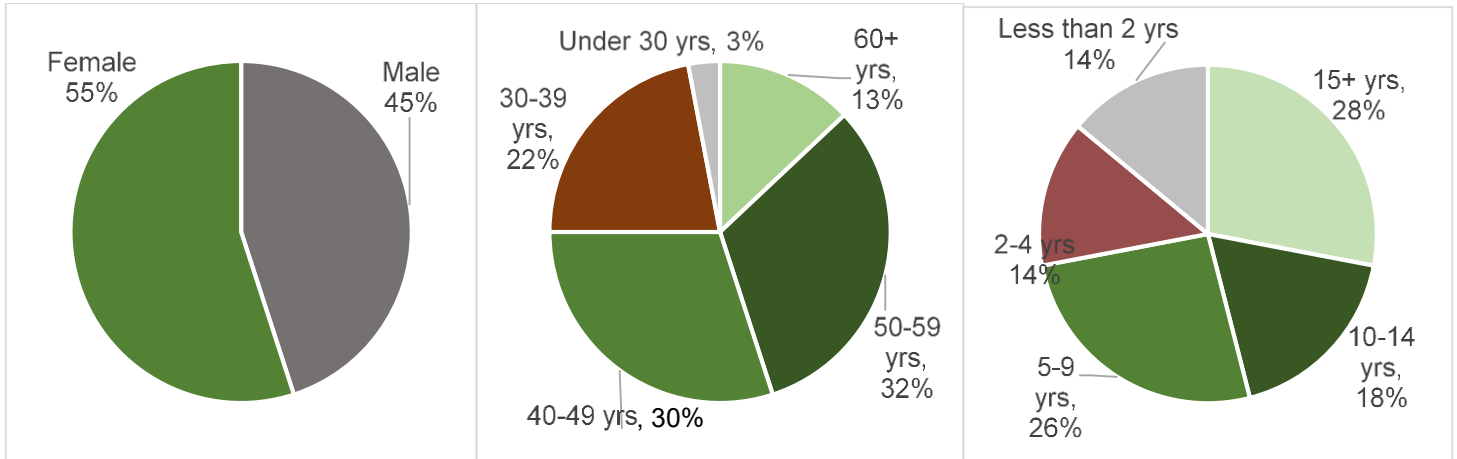
- Ability to interpret legislation.
- Ability to communicate detailed information.
- Ability to write guidelines and procedures for a targeted audience.
- Ability to use automated benefit systems.
- Ability to transition business processes from manual systems to web-based investment systems.
- Ability to develop long-term and short-term goals for the investment program.
- Ability to manage alternative asset classes.
- Risk management skills.
- Quality assurance skills.
- Ability to effectively and efficiently manage projects.
- Ability to identify and implement strategic technology and business responses to address issues and opportunities.
- Ability to develop and monitor complex contract plans.
- Ability to think critically.

In addition, ERS needs highly skilled and knowledgeable investments staff to administer comprehensive and actuarially sound retirement programs.

## B. Workforce Demographics

As of May 2024, the ERS had 403 full-time employees to carry out the mission of the agency. ERS offers competitive benefits to enhance the lives of its members. The following three charts illustrate the demographic make-up of ERS' workforce.

### Workforce Breakdown



#### Gender

ERS' workforce is composed of 55% females and 45% males.

#### Age

More than 70% of the agency's employees are over the age of 40.

#### Agency Tenure

72% percent of ERS' workforce has five years or more of state service, and 28% of the workforce has fewer than four years of state service.



## Agency Minority Workforce

The following table compares the percentage of minority workers at ERS as of May 2024 to the statewide civilian workforce.

| Job Category              | African-American |         | Hispanic-American |         | Females |         |
|---------------------------|------------------|---------|-------------------|---------|---------|---------|
|                           | ERS %            | State % | ERS %             | State % | ERS %   | State % |
| Officials, Administration | 5.00%            | 8.60%   | 5.00%             | 25.20%  | 60.00%  | 40.20%  |
| Professional <sup>1</sup> | 11.68%           | 10.60%  | 17.96%            | 23.00%  | 58.08%  | 53.00%  |
| Technical                 | 15.67%           | 11.70%  | 19.05%            | 38.50%  | 33.33%  | 63.50%  |
| Administrative Support    | 0%               | 15.20%  | 40.00%            | 38.30%  | 60.00%  | 74.10%  |
| Skilled Craft             | 0%               | 10.20%  | 0%                | 51.80%  | 0%      | 12.30%  |
| Service and Maintenance   | 0%               | 13.00%  | 0%                | 55.00%  | 0%      | 47.80%  |

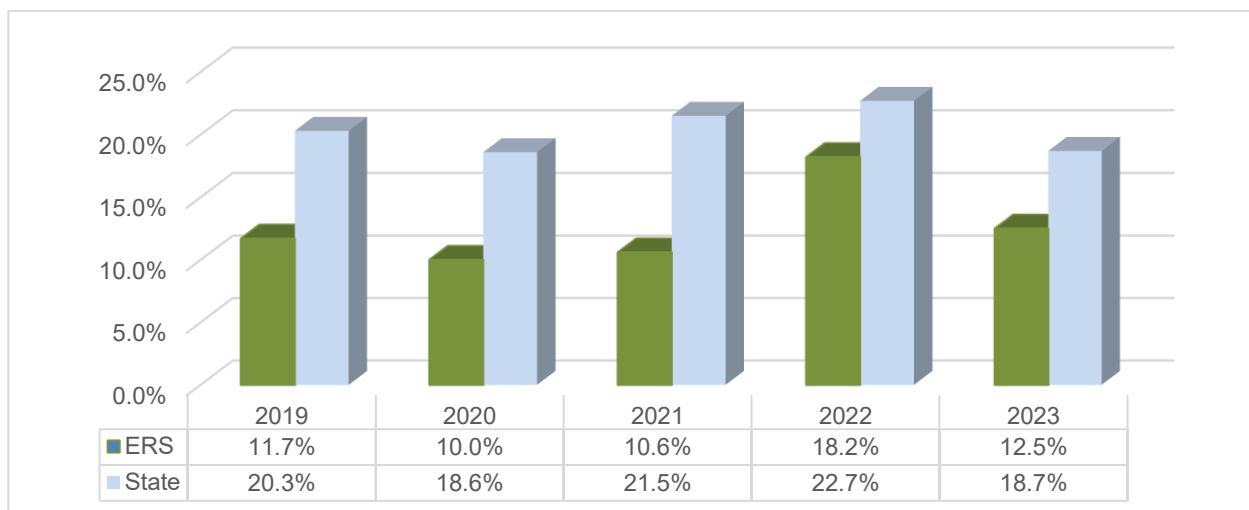
Sources: *Hiring Practices and Equal Employment Opportunity Report Fiscal Years (2012-22 (Table 1) published by the Texas Workforce Commission and the Centralized Accounting and Payroll/Personnel System.*

<sup>1</sup> The State category "paraprofessional" is not listed in the Census data. Staff identified in internal ERS systems as paraprofessional are included in the "professional" category for purposes of this report.

There are seven categories of zero-represented classes within ERS. These are African-American: Administrative Support, Skilled Craft, and Service and Maintenance; and Female: Skilled Craft, Service and Maintenance. ERS employs two staff in Services and Maintenance, and five in Administrative Support which is a contributing factor to under-representation in those categories.

## Employee Turnover

The following graph compares the average ERS turnover to that of the state for Fiscal Years 2019 through 2023. During this time, ERS' turnover rate was below the statewide turnover rate.



As of May 2024, the agency turnover rate is 5.70% for the current fiscal year.

| Occupational Category            | Turnover Percentage |
|----------------------------------|---------------------|
| Insurance                        | 33.3%               |
| Accounting, Auditing and Finance | 22.92%              |
| Program Management               | 16.67%              |

## Turnover by Length of Service

| Length of State Service | ERS Turnover % by Service FY23 | State Turnover % by Service FY23 |
|-------------------------|--------------------------------|----------------------------------|
| Less than 2 years       | 31.5%                          | 45.1%                            |
| 2 to 4.99 years         | 11.8%                          | 20.9%                            |
| 5 to 9.99 years         | 6.7%                           | 12.2%                            |
| 10 to 14 .99 years      | 7.8%                           | 11.3%                            |
| 15 years and more       | 11.65%                         | 12.03%                           |
| Overall Turnover        | 12.48%                         | 21.11%                           |

The highest percentage of turnover for both state and ERS employees continues to be for those who have fewer than two years of service. ERS strives to minimize turnover by enhancing employee engagement, as shown in the Survey of Employee Engagement (SEE) results. We support career development through resources, guidance, training, and professional growth opportunities. Additionally, we offer competitive salaries, flexible benefits, and a positive, adaptable work culture.

## Turnover by Age

Turnover by age reflects the make-up of the agency workforce. Below is a chart showing the percentage of turnover by age.

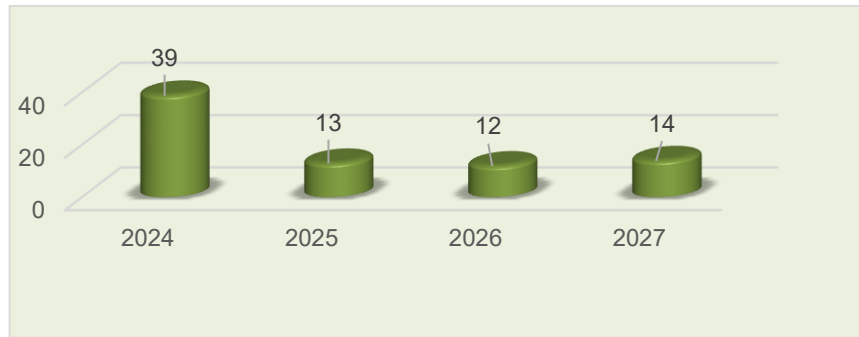
| Length of State Service | ERS Turnover % by Age FY23 | State Turnover % by Age FY23 |
|-------------------------|----------------------------|------------------------------|
| Under 30 years          | 38.7%                      | 45.5%                        |
| 30 to 39 years          | 11.7%                      | 21.1%                        |
| 40 to 49 years          | 9.1%                       | 13.9%                        |
| 50 to 59 years          | 11.5%                      | 14.5%                        |
| 60 years and over       | 15.4%                      | 18.9%                        |
| Overall Turnover        | 12.5%                      | 21.1%                        |

During Fiscal Year 2023, employees in the 40-to-49 and 50-to-59 groups experienced the lowest level of turnover at ERS. The greatest turnover was in the under 30 years of age group.

## Turnover from Projected Retirements

Based on limited data available, ERS projects that during the next three fiscal years, approximately 10% of ERS' workforce will be eligible to retire, taking with them institutional knowledge and expertise. ERS will continue to prepare for the retirement of employees in key positions through succession planning, cross-training and employee development.

### Number of Potential Retirees



## III. Future Workforce Profile

ERS continues to design and implement systems to meet the challenges of the five vision elements. The vision elements include:

- Engaging members
- Having dynamic internal and external collaboration
- Providing competitive sustainable benefits
- Having innovative solutions
- Demonstrating a model work environment

### A. CRITICAL FUNCTIONS

ERS needs a workforce who can accomplish the following goals:

- Support our members' retirement income security
- Sustain a competitive group benefits programs
- Engage stakeholders for informed decision making
- Enhance agency performance and accountability

### B. WORKFORCE OPPORTUNITIES

Supervisors at ERS must have an ability to examine and improve business processes, and to lead their teams through transitions of new and very complex systems, as well as effectively communicate the new processes to agency staff. Enhance recruitment and retention strategies in the Customer Benefits Division along with advance training of staff for new systems. Staff in the Investments Division must be experienced in various investment asset classes.

### C. CRITICAL FUNCTIONS REQUIRED IN ACHIEVING THE STRATEGIC PLAN

The strategic directions identified under the critical functions subheading will continue to be necessary and important over the next several years. ERS customers continue to demand more, faster and easier access to their benefit information, more innovative products, and reasonable costs for services and products. ERS offers and delivers services that are very complex. As a result, the skills to deliver these complex services will have to be acquired or developed by the agency workforce.

Leveraging skills and talents of ERS staff through employee and organization development is critical to the success of the agency. ERS must have a well-trained, highly skilled and flexible workforce to respond to the needs of both our customers and to program changes resulting from federal and state legislation. Employees must continue to receive cross-training, formal training and upskilling to maintain their employment with ERS.

### ***D. Future Workforce Skills Needed***

ERS relies on a competent and knowledgeable workforce. The following skills and abilities are essential for ERS' workforce to attain the five vision elements:

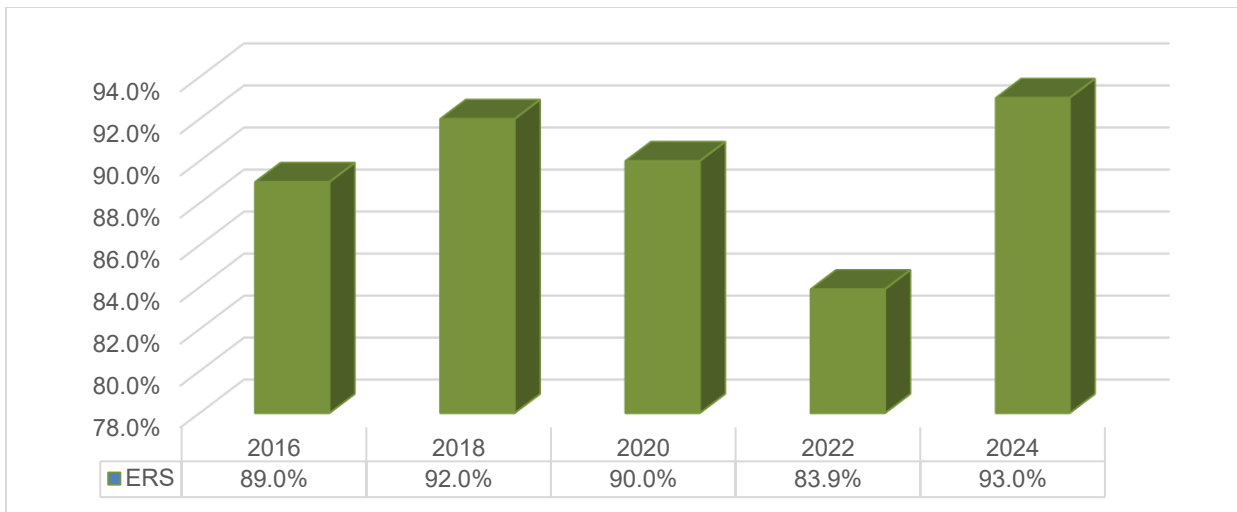
- Leadership, people management and supervision skills
- Problem-solving skills that align with agency strategic plan and objectives.
- Ability to effectively communicate with internal and external customers.
- Innovation skills.
- Investment skills.
- Ability to develop long-term and short-term goals for the investment program.
- Ability to manage alternative asset classes, private real estate, private equity and hedge funds.
- Project management skills.
- Machine learning/artificial intelligence, and algorithm development skills.
- Information Technology skills that include Web-based technology, Cloud computing and Cybersecurity skills.
- Contract management skills.
- Organizational change management skills.
- Process analysis and changes.
- Strategic planning.
- Risk management skills.

## **IV. Survey of Employee Engagement Results and Utilization Plans**

ERS has participated in the Survey of Employee Engagement (SEE) since the 1994 survey. The survey is used as a means of obtaining employee feedback on the ERS workplace. Assessing employee attitudes toward the agency, identifying employee perceptions of the strengths and weaknesses of the agency, and identifying organizational areas that can be improved.

### ***A. Response Rate***

The employee response to the survey was exceptional. As a general rule, rates higher than 50 percent suggest soundness. High response rates suggest employees have an investment in the organization, want to see the organization improve, have a sense of responsibility to the organization and have a high expectation from the leadership to act on the survey results. Below are the ERS response rates for the last five surveys:



## B. Overall Survey Score

This score is a broad indicator for overall comparison with other entities. It is composed of the average of all survey items and represents the overall score for the organization. Scores typically range from **325** to **375**.

The overall survey score for ERS was **409**.

## C. Construct Scores

The survey is organized into 12 categories, or concepts most utilized by leadership and those which drive organizational performance and engagement. Scores are measures as follows:

- Above 375 = areas of substantial strength (11 ERS scores)
- Between 350 – 375 = perceived more positively than negatively (No ERS score)
- Between 325 – 349 = viewed less positively by employees ( No ERS score)
- Below 325 = significant source of concern and requires immediate attention (1 ERS score)

## D. Construct and Score Results

The constructs and score results for the 2024 SEE for ERS were:

1. Workgroup – the degree to which employees view their workgroup as effective, cohesive and open to the opinions of all members. **Score: 436** (2022 Score: 417)
2. Strategic – the degree to which employees understand their role in the organization and consider the organization’s reputation to be positive. **Score: 436** (2022 Score: 417)
3. Supervision – the degree to which employees view their supervisors as fair, helpful and critical to the workflow: **Score: 427** (2022 Score: 404)
4. Workplace – captures employees’ perception of the total work atmosphere, workplace safety, and the overall feel. **Score: 425** (2022 Score: 408)
5. Community – the degree to which employees feel respected, cared for, and have established trust with their colleagues. **Score: 417** (2022 Score: 401)
6. Information Systems – whether computer and communication systems enhance the ability to get the job

done by providing accessible, accurate and clear information. **Score: 374** (2022 Score: 381)

7. Internal Communication – the degree to which employees view communication with peers, supervisors and other parts of the organization as functional and effective. **Score: 398** (2022 Score: 376)
8. Pay – evaluation from the employees’ viewpoint of the competitiveness of the compensation package, how well the package “holds up: when employees compare it to similar jobs in other organizations. **Score: 302** (2022 Score: 245)
9. Benefits – employee perceptions of how the benefits package compares to packages at similar organizations and how flexible it is. **Score 414** (2022 Score: 392)
10. Employee Development – the degree to which employees feel the organization provides opportunities for growth in organizational responsibilities and personal needs in the employee’s career. **Score: 418** (2022 Score: 393)
11. Job Satisfaction – satisfaction with overall work situation: weighs heavily on work-life balance, sense of pride, and offering meaningful contribution to the workplace. **Score: 409** (2022 Score: 383)
12. Employee Engagement – sense of trust, level of employees’ participating in carrying out their work responsibilities towards delivering high quality work. **Score: 424** (2022 Score: 404)

# Customer Service Report

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Fiscal Years 2023-2024

## ERS offers competitive benefits to enhance the lives of its members.

The ERS Customer Benefits Division handles approximately 480,000 direct member interactions annually regarding insurance and retirement benefits through incoming phone calls, emails and member visits.

We offer 24-hour self-service options, including our telephone interactive voice response (IVR) system, to provide information regarding retirement account balance and service credit. In addition, our online tool, ERS OnLine, allows members to obtain information about their benefits and make changes or updates to their personal information.

It is important to ERS that we are meeting the expectations of our members. Therefore, we have developed a comprehensive quality improvement program that includes satisfaction surveys to assess our performance.

The results of our member satisfaction surveys are very positive:

- 94% of survey respondents rate the ERS telephone/email representative as courteous and professional.
- New retirees rate ERS' handling of their first annuity payment with an 88% satisfaction rate.

Providing our customers with the highest level of service—and listening to what they have to say—is our way to honor the service of Texas state employees and retirees.

# ERS Customer Inventory

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## **The current General Appropriations Act enumerates budget strategies relevant to the programs described below.**

(Data are primarily from the ERS Annual Comprehensive Financial Report for Fiscal Year 2023.)

### Strategy A.1.1. ERS Retirement Plan

- Active employees — 139,958
- Retired employees — 124,504
- Inactive members — 164,112 (terminated employees who retain ERS membership)

### Strategy A.1.3. JRS Retirement Plan 2

- Active officers — 623
- Retired officers and beneficiaries— 579

### Strategy A.1.5. Public Safety Death Benefits Program – Chapter 615

- Surviving spouse lump-sum benefits awarded — 40
- Guardians receiving payments on behalf of surviving children — 176

### Strategy A.1.6. ERS Retiree Death Benefit Program

- 2,863 retiree deaths

### Strategy B.1.1. Group Benefits Program for Insurance (GBP)

538,487 participants and dependents:

- Active employees — approximately 38.7% of the total
- Retired employees — approximately 24.0% of the total
- Dependents/others — approximately 37.3% of the total

### Strategy B.1.2. Probation Health Insurance

Included in Strategy B.1.1



# Customer Satisfaction Surveys

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ERS conducted a random sample of email and phone call interactions with 54,772 surveys sent during the period of September 1, 2022 through April 30, 2024. We received 4,829 survey responses, representing an 8.8% response rate for these interactions. The ERS representatives conducting these interactions are unaware of which calls are selected to receive the survey.

The survey results allow ERS to focus on key performance areas and to identify opportunities to improve our service to members. These surveys are evaluated as they are received to identify trends quickly, and are analyzed to assess overall performance and to design training programs to address areas that need improvement.

Following are questions from the survey.

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Question 1 – Overall, I am satisfied with the service I received from ERS.

Question 2 –The ERS representative was courteous and professional.

Question 3 – The ERS representative answered my questions in terms I understood.

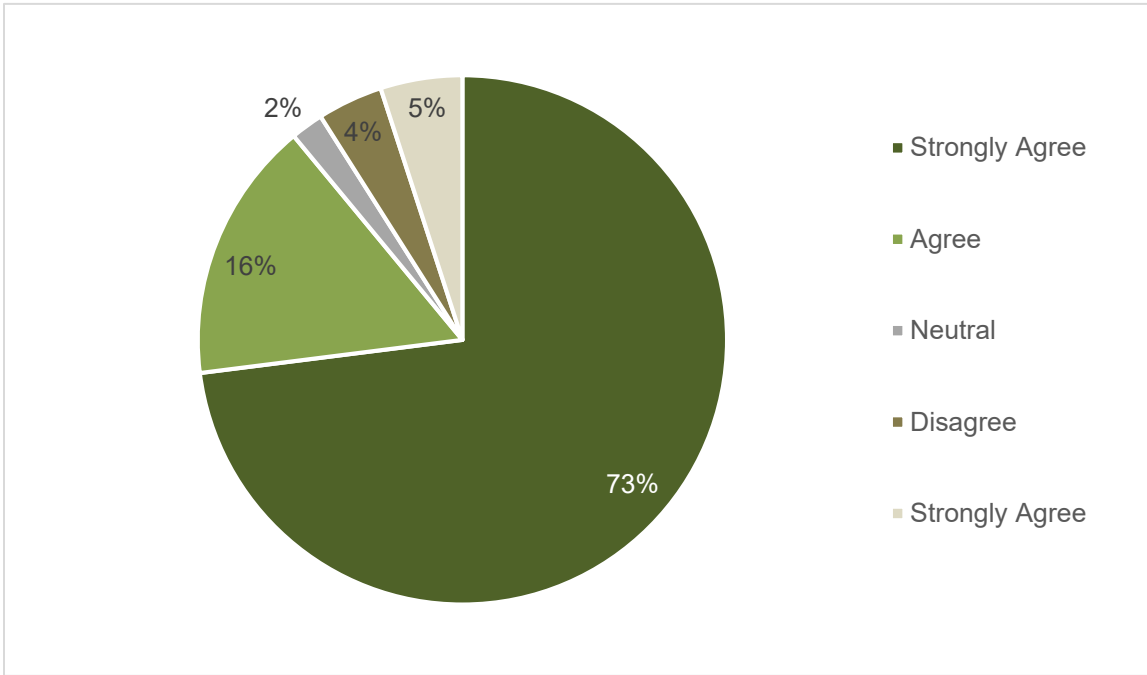
Question 4 – The ERS representative answered all of my questions completely.

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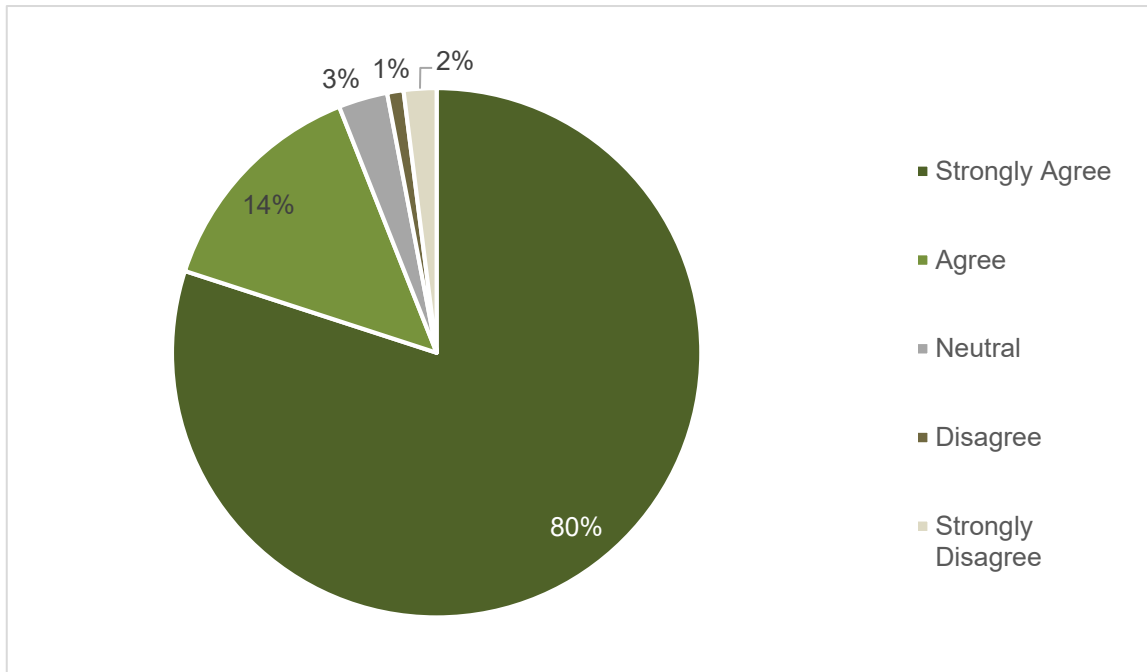
# Customer Satisfaction Surveys

## Contact Center Assistance Results

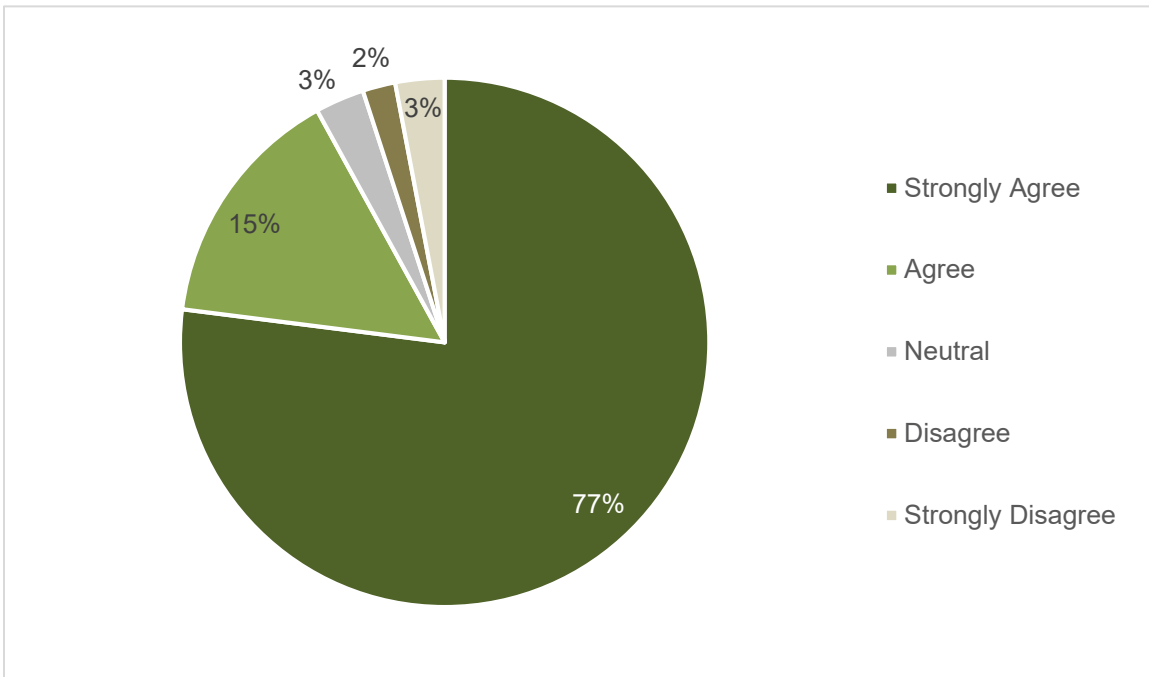
Question 1 – Overall, I am satisfied with the service I received from ERS.



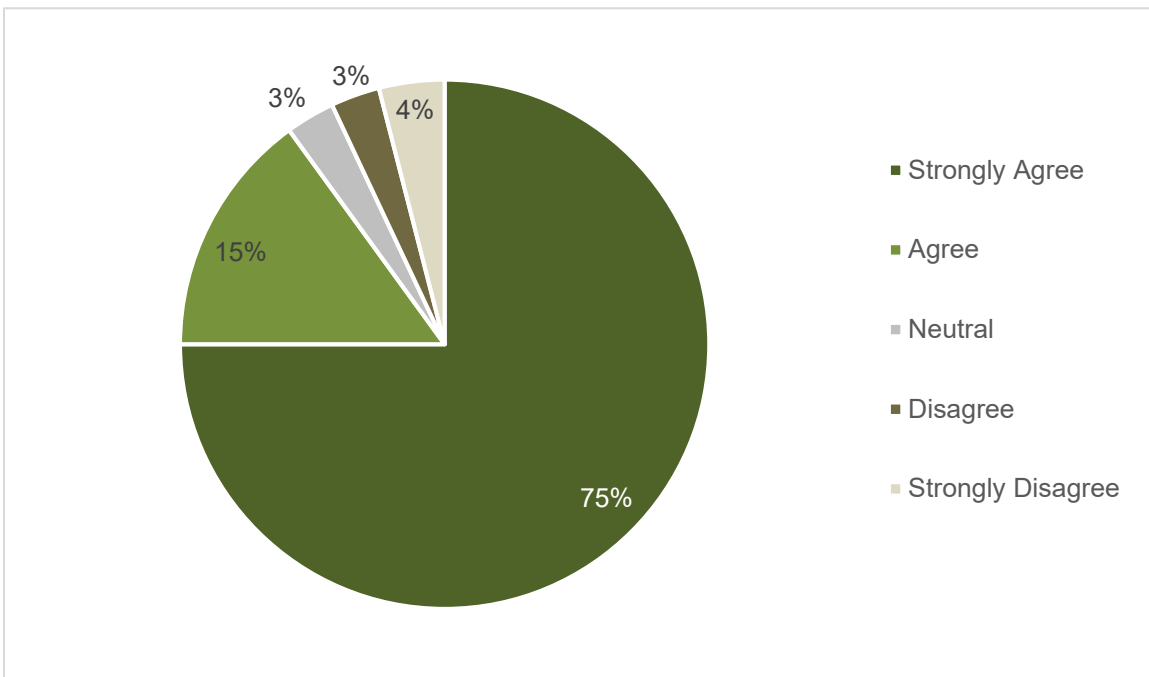
Question 2 –The ERS representative was courteous and professional.



Question 3 – The ERS representative answered my questions in terms I understood.



Question 4 – The ERS representative answered all of my questions completely.



# Targeted Surveys

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## Annuity Check Payment Services

In FY23, ERS paid more than \$2.9 billion in annuity payments to 124,504 retired state employees and beneficiaries. Our customers rely on the funds they have earned and have high expectations for prompt and accurate payment.

ERS sends every new annuitant a satisfaction survey within 75 days after the first annuity payment. We target a specific service, sending the survey shortly after the service is complete. Among new annuitants 20% completed and returned the survey, which meets statistical validity requirements. The surveys are returned via fax or mail.

## The following is a sample survey.

ERS is committed to providing excellent service to our customers. We know how important prompt and correct payment of your annuity is to you. As a new retiree, we want you to tell us how we're doing. If you have any questions that require a response from ERS, please include your name and contact information, otherwise, this is an anonymous survey. Thank you for taking a few minutes to complete this survey.

1. Did ERS inform you about the payment process?  
 Yes  No  Not Sure
2. Did you receive retirement counseling from ERS?  
 Yes  No
3. Did you receive your annuity check in the timeframe you expected?  
 Sooner  When Expected  Later
4. Was your annuity check for the amount that you expected?  
 More  Amount Expected  Less
5. Overall, how satisfied are you with your annuity check delivery?  
 Not satisfied  Satisfied  Extremely satisfied

# Targeted Surveys

## Annuity Check Payment Services Results

### Cumulative Annuity Survey September 1, 2022 through April 30, 2024

| Did ERS inform you about the payment process? | Yes | No | Not Sure |  | TOTAL |
|---|-----|----|----------|--|-------|
|   | 97% | 2% | 1%       |  | 100%  |

| Did you receive retirement counseling from ERS? | Yes/ Individual | Yes/ Phone | Yes/ Group | No |      |
|---|-----------------|------------|------------|----|------|
|   | 9%              | 89%        | 0%         | 2% | 100% |

| Did you receive your annuity check in the time frame you expected? | Sooner | When Expected | Later |  |      |
|--|--------|---------------|-------|--|------|
|  | 11%    | 84%           | 5%    |  | 100% |

| Was your annuity check for the amount you expected? | More | Amount Expected | Less |  |      |
|---|------|-----------------|------|--|------|
|   | 6%   | 87%             | 7%   |  | 100% |

| Overall, how satisfied are you with your annuity check delivery? | Extremely Satisfied | Satisfied | Not Satisfied | No Comment/ Other |      |
|--|---------------------|-----------|---------------|-------------------|------|
|  | 57%                 | 40%       | 2%            | 1%                | 100% |

|                            |            |  |  |  |  |
|----------------------------|------------|--|--|--|--|
| <b>Total % Satisfied**</b> | <b>97%</b> |  |  |  |  |
|----------------------------|------------|--|--|--|--|



**This was my first visit**

Yes  No

[www.ers.texas.gov](http://www.ers.texas.gov)

The receptionist was sensitive to confidential matters

5 4 3 2 1

I am pleased with the overall quality of service

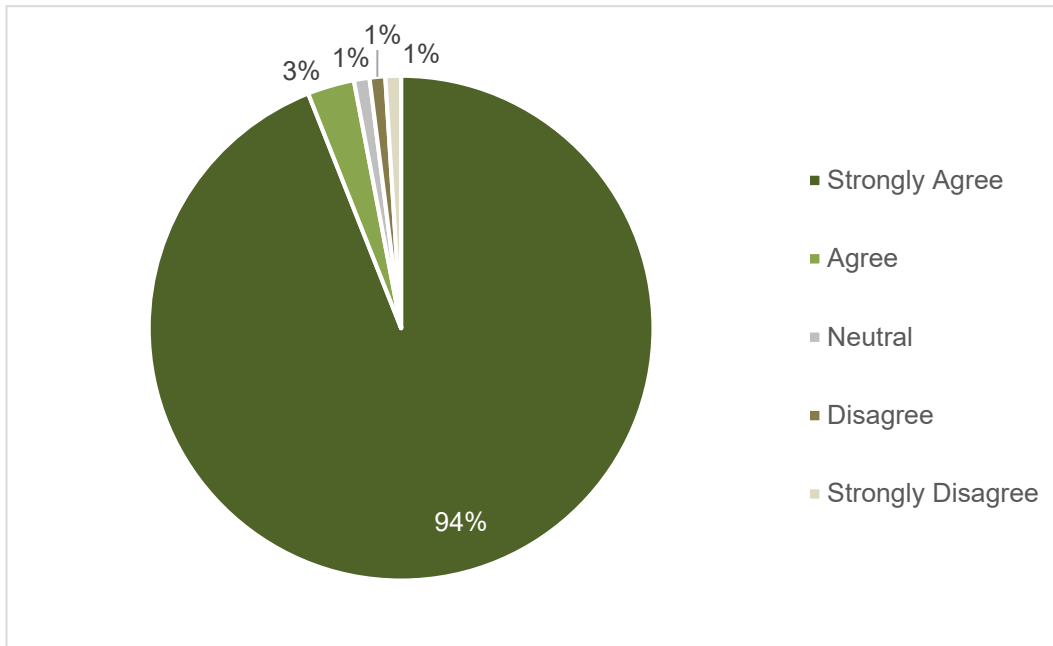
5 4 3 2 1

**Thank you for your comments regarding the service you just received.**

**After completing the survey, you may either mail it to the address on back of the brochure or leave it with the receptionist.**

**I am pleased with the overall quality of service**

**FY23-FY24 YTD**



APPENDIX  
Certification of Compliance With Cybersecurity Training



CERTIFICATE

Employees Retirement System of Texas

Pursuant to the Texas Government Code, Section 2056.002(b)(12), this is to certify that the agency has complied with the cybersecurity training required pursuant to the Texas Government Code, Sections 2054.5191 and 2054.5192.

Chief Executive Officer or Presiding Judge

*Porter Wilson*

Signature

PORTER WILSON

Printed Name

EXECUTIVE DIRECTOR

Title

5-17-24

Date

Board or Commission Chair

*Brian R. Barth*

Signature

BRIAN R. BARTH

Printed Name

CHAIR, BOARD OF TRUSTEES

Title

5.17.2024

Date







200 E. 18th Street • Austin, Texas 78701

[www.ers.texas.gov](http://www.ers.texas.gov)

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