

# FY22 Accomplishments

- ✓ Achieved the highest level of relative performance in the history of the Trust, outperforming the policy benchmark by more than \$600 million.

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- ✓ Implemented new contract with PayFlex as administrator for the TexFlex<sup>SM</sup> program and transitioned members to the new administrator.

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- ✓ Managed and coordinated the completion and audit of the FY21 Annual Comprehensive Financial Report (ACFR) for ERS, receiving the Certificate of Achievement for Excellence in Financial Reporting for the 32nd consecutive year.

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- ✓ Enrolled more than 28,000 households in the HealthSelectShoppERS<sup>SM</sup> program, saving almost \$525,000 in net health care claims and providing 875 member incentives equaling more than \$133,000 in TexFlex funds.

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- ✓ Responded to global workforce issues by implementing new recruitment and retention strategies and streamlining a number of work processes, including the Customer Benefits Division's Action Beyond the Call initiative, which helped reduce contact center hold times and benefits processing timelines.

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- ✓ Entered into letter of intent with office tenant for 1836 San Jacinto.

**Worked with GBP administrators to implement benefits and operational changes during the COVID-19 Federal Public Health Emergency, including access to rapid and at-home COVID tests at no cost to participants and coverage of antiviral therapies molnupiravir and Paxlovid.**

In FY22, ERS engaged with members through:

### Communication

- 496,004 phone calls
- 1,550 counseling sessions
- 40,000 emails

### Education

- 110 webinars and other educational events



## Preparing a cash balance benefit for Group 4, ERS' newest members

The Texas legislature combined increased funding with a new benefit structure for state retirement benefits in 2021. The new cash balance retirement benefit structure is effective for state employees who began work after Aug. 31, 2022. The new benefit provides lifetime monthly retirement payments with opportunity for increases. Each change the Legislature has made to retirement benefits since 2009 has created a new employee retirement group, the latest creating Group 4.

As with retirement benefits for Groups 1, 2 and 3, employees earn a lifetime benefit when they become eligible and choose to retire. Unlike the previous retirement groups, Group 4 annuity amounts are based on the employee's account balance, instead of salary and years of service. The balance is made up of employees' mandatory contributions over their state agency careers plus guaranteed annual interest. Accounts can earn more than the minimum when ERS Retirement Trust Fund investments exceed certain benchmarks. No matter what happens with ERS' investments, the employees' accounts will never lose value. At retirement, the state matches the account balance (employee contributions + annual interest) by 150%. The entire new balance (employee contributions + annual interest + 150% state match) and the member's age at retirement are the basis for the annuity calculation. Gain sharing continues in retirement, when Group 4 retirees' annuities can permanently increase depending on ERS' investment performance.

**As with Groups 1, 2 and 3, Group 4 employees earn a lifetime retirement benefit.**

Throughout FY22, ERS worked to implement the benefit, drafted new policies, revised system processes, worked with human resources professionals at state agencies, and created communications and trainings—all to help ensure ERS could start enrolling Group 4 employees on Sept. 1, 2022. As of Oct. 31, 2022, ERS had enrolled almost 5,000 new state agency employees in Group 4.

Cash balance retirement structures are not new in Texas. The Texas County & District Retirement System and Texas Municipal Retirement System have offered cash balance plans for decades. Fiscal Year 2023 is the first year the State of Texas is providing a cash balance benefit. We anticipate it will serve the 21<sup>st</sup> century workforce well, and that state retirement benefits will remain a significant draw to recruit and retain a qualified workforce ready to meet the needs of a growing state.



# FISCAL YEAR 2022 AT A GLANCE



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12/7/2022



# Retirement

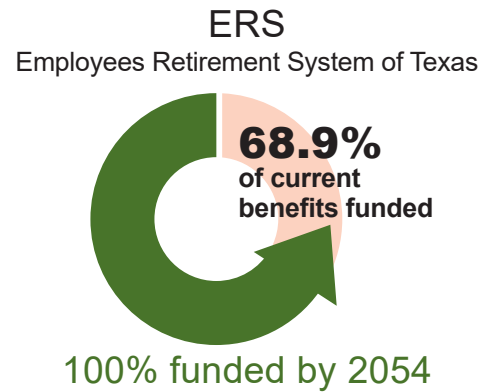
ERS administers benefits that contribute to a secure retirement for state employees, elected officials, law enforcement and custodial officers, and judges. These benefits are paid through the ERS Fund, the Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOSRF) and the Judicial Retirement System (JRS) Plans 1 and 2. LECOS-eligible retirees receive benefits from the ERS Fund plus a supplemental benefit from the LECOSRF.

## Retirement Plan Membership

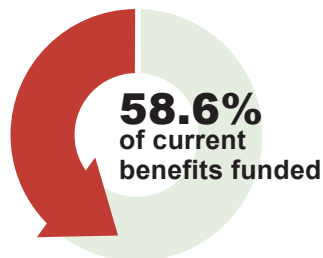
Fund/plan	Contributing members	Non-contributing members*	Retirees and beneficiaries
<b>ERS and LECOS</b>	133,751 including 31,075 contributing to LECOS	155,148 including 32,371 with benefits in LECOS	122,720 including 15,923 receiving benefits from LECOS
<b>JRS 1 and 2 (combined)</b>	585	192	800

\*Members no longer employed by the state with money still on account with ERS

## Funding for State of Texas Pension Plans Administered by ERS

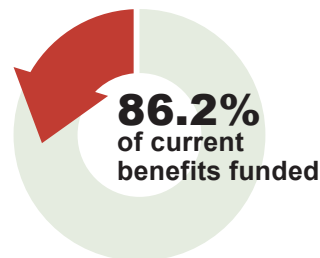


### LECOSRF Law Enforcement and Custodial Officer Supplemental Retirement Fund



Fund depletes by 2045

### JRS 2 Judicial Retirement System of Texas Plan 2



Fund depletes by 2069

**\$2.9 billion: Amount paid to retirees and beneficiaries (all funds)**

**\$1,806 per month or \$21,670 per year:**  
Average ERS plan annuity for FY22

**ERS makes annuity payments to retirees or beneficiaries living in 253 of Texas' 254 counties, benefiting local economies.**

## Retirement Fund Investments

About 60% of the annuity payments from the ERS Retirement Trust Fund (all funds collectively) come from investment earnings, with the remainder coming from participant and state contributions. FY22 was a challenging year for investment returns due to rampant inflation, with a one-year return of -1.59% that brought the fiscal year-end Fund total to \$33.3 billion. Even so, ERS maintains a well-diversified investment portfolio designed to provide superior performance through the ups and downs in financial markets. Over the last five years, the Trust has averaged net returns of 8.27% per year, performance that ranks in the top 5% of its peer group of public pension plans.

## ERS Investment Performance –

Period ending Aug. 31, 2022

Period	30-Year	20-Year	10-Year	5-Year	3-Year	1-Year
Net Return	N/A	7.61%	8.30%	8.27%	9.66%	-1.59%

**TEXA\$AVER<sup>SM</sup>** Employees can boost their retirement savings through the Texa\$aver 401(k) / 457 Program. Participation in the voluntary savings program grew by 4,712 participants, or 1.85%, in FY22. More than 80% of participants automatically enrolled in Texa\$aver since January 2008 have stayed in the program, benefitting from expanded, flexible investment options and lower-than-average fees. Retirees and former employees can keep Texa\$aver accounts they opened when working for the state, but cannot contribute to them.

## Texa\$aver 401(k) / 457 Program

\$4.2 billion in total assets (as of Aug. 31, 2022)			
401(k)*	401(k) Roth	457*	457 Roth
\$3,041,374,275	\$94,208,522	\$1,161,254,393	\$82,461,465
225,635 accounts	8,596 accounts	33,683 accounts	6,895 accounts
99,267 accounts contributing	5,168 accounts contributing	17,229 accounts contributing	4,305 accounts contributing

\*Including 401(k) Roth and 457 Roth amounts shown

# Insurance

The Texas Employees Group Benefits Program (GBP) provides insurance coverage for health, life, dental, vision, accidental death & dismemberment (AD&D) and disability.

- **528,569:** Participants in all GBP health plans (**200,351 employees, 127,691 retirees, 194,269 dependents, and 6,258 survivors and others**)
- **\$940 million:** Participants' share of health care costs, including premium contributions, copays, coinsurance and deductibles
- **\$3.73 billion:** Amount paid in claims by the self-funded ERS health plans (HealthSelect of Texas®, Consumer Directed HealthSelect<sup>SM</sup>, HealthSelect<sup>SM</sup> Prescription Drug Program and HealthSelect<sup>SM</sup> Medicare Rx)
  - Less than 3% of overall expenditures for HealthSelect of Texas go toward administration – far less than the average for large, private health plans.
- **98,612:** Number of participants (members and dependents) enrolled in the HealthSelect<sup>SM</sup> Medicare Advantage plan; This represents approximately 81% of the eligible Medicare population.
- **One in 56:** Proportion of Texans covered by GBP health insurance plans

## TEXFLEX<sup>SM</sup>

Employees save money on federal taxes when they contribute to TexFlex<sup>SM</sup> flexible spending accounts (FSAs) to pay eligible health care, dependent care, dental and/or vision expenses.

- **39,884:** Number of health care, dependent care and limited-purpose FSAs
- **\$59.1 million:** Amount contributed to TexFlex FSAs by state employees

*FSAs are authorized and regulated by section 125 of the Internal Revenue Code.*

In FY22, pre-tax payments for GBP health plan premiums and to TexFlex FSAs resulted in estimated savings of:

- **\$124.2 million in Federal Insurance Contributions Act (FICA) tax and federal income tax for participants and**
- **\$41.9 million in FICA taxes for the state.**