



Photo courtesy of TPWD



# Strategic Plan

Fiscal Years 2021 – 2025

JUNE 1, 2020

# Strategic Plan

## EMPLOYEES RETIREMENT SYSTEM OF TEXAS

**FISCAL YEARS 2021-2025**

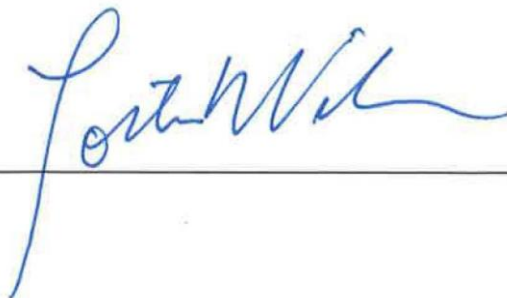
BY

PORTER WILSON  
EXECUTIVE DIRECTOR

Board Member	Dates of Term	Hometown
<b>Ilesa Daniels, Chair</b> Elected	September 1, 2015 – August 31, 2021	Houston
<b>I. Craig Hester</b> Appointed by the Chief Justice of the Supreme Court of Texas	November 1, 2005 – August 31, 2022	Austin
<b>Brian Barth</b> Elected	September 1, 2019 – August 31, 2025	Austin
<b>Catherine Melvin</b> Elected	September 1, 2017 – August 31, 2023	Austin
<b>James Kee, Ph.D</b> Appointed by the Speaker of the House	December 1, 2018 - August 31, 2020	San Antonio

**June 1, 2020**

Signed: \_\_\_\_\_



# Contents

Agency Mission.....	1
Goals and Action Plans.....	2
Redundancies and Impediments.....	10
Supplemental Schedules	
• Budget Structure.....	13
• Measure Definitions .....	16
• Historically Underutilized Business Plan.....	27
• Agency Workforce Plan .....	28
• Report on Customer Service.....	33
• Assessment of Advisory Committees .....	42





## 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, 2019

Years to amortize the ERS unfunded actuarial accrued liability: Infinite  
 Years to amortize the LECOS unfunded actuarial accrued liability: Infinite  
 Years to amortize the JRS 2 unfunded actuarial accrued liability: Infinite  
 Active contributing members:  
 Regular class: 141,865  
 LECO: 36,296  
 JRS 1 and 2: 576  
 Retirees and beneficiaries:  
 Regular class: 115,155  
 LECO: 13,981  
 JRS 1 and 2: 789  
 Average annual annuity:  
 Regular class: \$20,645  
 LECO: \$5,505 (+ regular class)  
 JRS 2: \$75,849

### How Does ERS Plan to Support Members' Retirement Income Security?

#### Return to and Maintain Actuarial Soundness for the Prefunded Retirement Plans:

- Attain funding required to achieve actuarial soundness by increasing state contributions, identifying potential one-time infusions of assets, and assisting in legislative deliberations regarding additional sources of revenue.
- Assist the legislature in developing statutory changes to ensure contributions equivalent to an actuarially sound rate when higher than the normal cost and pay off of the current unfunded liability within at least 31 years consistent with the ERS Pension Funding Policy.
- Evaluate opportunities to identify new dedicated revenue streams to support the State's initiative to reduce pension obligation debt.
- Continue to educate stakeholders on the higher cost of LECO members to pension liabilities in contrast to average pension members.
- Maintain and update ERS retirement plans funding policy as required to address changes in funding status and liabilities.

#### Managing Trust Assets

- Continue to look for opportunities to strengthen the trust's asset allocation in response to continuously evolving market conditions.
- Update the trust fund's liquidity profile and educate stakeholders on the role growing liquidity needs place on the ability to diversify assets and generate desired returns.
- Continue to expand programs to enhance members' and stakeholders' investment and financial literacy through June 2023.

#### Retention of Current Workforce

- Evaluate opportunities for phased retirement to allow for smoother transitions for members without negatively impacting retirement benefits for long serving employees.

#### Recruitment of Future Workforce

- Serve as subject matter experts for the State of Texas leadership on pension models structured to attract a skilled workforce to state agencies.
- Highlight ability to transfer and grow benefits as individuals move 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

ERS provided retiree annuity payments benefit the Texas economy. Approximately 95% of ERS retirees live and spend in Texas. Retirement benefits should be funded over the employee's working career, allowing investment earnings to compound and grow. Of the \$2.6 billion in annual annuity payments distributed in Fiscal Year 2019, almost two-thirds of the revenue was generated from investment earnings. Additionally, sound pension funding policies and practices contribute to the state's economic well-being and is a consideration of credit-rating agencies in determining the creditworthiness of the state.

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. In a recent survey conducted by ERS, 76% of participants responded that the State of Texas defined benefit pension plan is a major reason they work for the state.

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, 2019:

	ERS	LECO	JRS 2
Normal Cost Rate	13.76%	2.08%	23.14%
ASC Rate	23.26%	3.91%	27.84%
Funded Ratio (Actuarial Valuation)	70.5%	65.3%	87.5%
Funding Period	Infinite	Infinite	Infinite

The adoption of a policy by the governing board and plans 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 ERS Board of Trustees adopted a funding policy in May 2018 clearly outlining its goals related to plan administration. The funding policy includes the following key policy statement laying out a multi-level funding period goal to achieve funding on sound actuarial procedures, compliant with Texas Constitution, Article XVI, Section 67(a)(1):

1. Avoid Trust Fund Depletion – prevent the depletion of retirement trust funds for the pre-funded plans.
2. Meet Current Statutory Amortization Standards – using the current valuation methodology for the actuarially sound contribution rate, which is an open 31-year amortization period.
3. Match Funding Period to Additional Standard – upon meeting the 31 year funding period, close the amortization period and reset the funding period goal to match the average years of service at retirement for the ERS plan.

## Other Considerations

Given current contributions and funding levels, and investment return assumptions, ERS pre-funded plans fail to meet any of these standards. This will be a major communication focus of staff during the 2021 Texas Legislature. The ERS pension fund is established by the Texas Constitution, which states: *Financing of benefits must be based on sound actuarial principles*. The specific contribution rates for the employer are established each biennium in the General Appropriations Act.

Employee contribution amounts for ERS are established in Texas Government Code § 815.402. During the 84th legislative session, the employee contribution was increased to 9.5%. Many employees new to state government are surprised when they receive their first paycheck and realize almost 17% is deducted for retirement savings – not only the 9.5% contribution for State of Texas Retirement, but also 1% for 401(k) savings in the TexaSaver deferred compensation plan and 6.2% for Social Security. (The 1% contribution to a TexaSaver 401(k) is voluntary, and employees can stop the deduction at any time.)

**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, 2019**

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

HealthSelect<sup>SM</sup> average annual medical and pharmacy claims cost per participant: \$5,384

Effective cost management reduced annual HealthSelect costs by: \$9.8B

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

Increase in medical and mental health virtual visits: 78%

Percentage of HealthSelect participants satisfied with network services: 83.58%

- Competitive Comprehensive Group Benefits**
- Evaluate new or alternate offerings to existing programs and incorporate those determined to be cost-effective and to add value to the Texas Employees Group Benefits Program.
  - Research long-term care insurance options and implement a program offering by August 2022.
- Promote Health and Well-being**
- 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.
  - Continue to increase participation in wellness and condition management programs.
- Data Driven**
- Enhance data analysis capabilities to provide more detailed information about GBP operations by August 2021.
  - 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.

**Sustaining Competitive Group Benefits Programs Supports the Statewide Objectives**

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 a recent survey of state agency and institution of higher education employees, 85% of respondents considered GBP benefits a valuable part of their total compensation or retirement package. Further, 64% of respondents stated their health coverage was a major reason they remain in state employment.

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.

In 2019, the ERS Board of Trustees adopted the Texas Employees Group Benefits Program Policy and Guidelines to:

- formalize the goals of and establish 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;

- establish priorities to guide the development of the GBP Legislative Appropriation Request; and
- ensure 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.

### Other Considerations

Health care costs continue to increase at high and volatile rates. ERS works to manage rising health care costs while maintaining a competitive benefit structure within the plan. Value-based contracting is one example that incentivizes providers to control cost by tying reimbursements to quality standards. In addition to efforts by ERS to manage plan costs, state agencies and institutions of higher education, as the employers, are asked to support wellness initiatives to help promote the value of prevention and the improved health of employees over the long-term. This benefits the employer and the plan, as well as the participant.

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. Federal rules regarding healthcare will continue to significantly influence ERS plan design.

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 health needs in the HealthSelect plans, virtual visits are a convenient alternative to office visits, offering lower-cost convenient care through 24-hour access to online physician visits. Use of virtual visits has increased significantly since September 1, 2017, when ERS eliminated the related copay for HealthSelect of Texas® participants.

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, 2019

Achieved 99.6% satisfaction rate from ERS visitors

Noncontributing members:

ERS: 125,935

LECO: 22,207

JRS 2: 187

### How Will ERS Engage Stakeholders for Informed Decision Making?

#### Educate Stakeholders on ERS Programs

- Strengthen engagement with benefits coordinators at agencies and institutions across the state to ensure an understanding of the importance of their role and provide them with the appropriate tools to be successful.
- Increase financial literacy education for stakeholders to enhance member understanding of how various programs work together to provide retirement security.
- Conduct retirement education seminars through June 2023.
- Improve self-service functionality by June 2023.
- Increase mobile capabilities for stakeholders.

#### Engage Plan Sponsor (Legislature) and Agencies and Institutions of Higher Education (Employer)

- Inform policy makers of the importance of benefits in recruiting and retaining a quality workforce.
- Provide updated benefits and wellness toolkits and training to benefit coordinators annually.

#### Increase ERS' Understanding of Retirement and GBP Stakeholder Needs

- Evaluate additional communication channels to engage members more effectively through June 2023.
- Implement recommendations to enhance communications and re-assess by 2023 to ensure communications remain relevant and comprehensive.
- Continue targeted communications with non-contributing members in two-year increments.
- Review design of public website and update for better usability every three to four years.
- Continuously seek stakeholder input for informed program decision-making and administration.

## 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.

## 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 how well the current benefit programs serve members and 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.

Similar to other state agencies, ERS must prioritize competing needs with available resources in determining which projects move forward and when. 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.

**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, 2019	How will ERS Enhance Its Performance and Accountability?
<p>Investment expense as basis points of net position: 14.19</p> <p>Percentage of time the ERS OnLine system is available to customers: 98.49%</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>• Complete identification of alternatives for improving group benefits and pension administration services by August 2021.</li> <li>• Transition to the state's central Human Resource and Payroll system by July 2021.</li> <li>• Modify the plan to address physical space needs to incorporate opportunities identified in the recent pandemic and implement the plan by June 2021.</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, 2020.</li> <li>• Complete 360° feedback for all levels of management by August 2021 and continue the leadership training initiative.</li> <li>• Continue to explore new recruitment and retention strategies.</li> </ul>

**Enhancing ERS Performance and Accountability Supports the Statewide Objectives**

During 2020, ERS has made headway in identifying all the requirements to replace the current pension and insurance administration systems. 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 including the implementation of an automated system to facilitate the review and scoring of contract proposal responses. ERS continues to review and refine its business operations to eliminate outdated and inefficient processes and procedures including the identification of opportunities for robotic automation to allow staff more time for analysis. Document imaging, storage, workflow and retention is being addressed throughout the agency to create efficiencies for members, vendors and our staff whether the work is occurring onsite or offsite.

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.

During FY20, ERS implemented 360° feedback for all senior leadership positions to identify opportunities for professional development and improved communication. Succession planning remains at the forefront of ERS. ERS will continue to roll out 360° feedback for each management level to inform and enhance professional development. Through a monthly electronic newsletter, ERS staff are made aware of training opportunities, major initiatives underway and highlights of ERS staff engaged in those initiatives.

#### Other Considerations

ERS efforts to continually improve the security of member data are sometimes challenged by the types of requests for information received from other agencies and stakeholders. Our commitment to protecting member data is one of our priorities. This has the potential to create issues with our ability to provide certain pieces of requested data to other state agencies, institutions of higher education and other groups.

# 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
Texas Constitution, Article XVI, Sections 67 (a)(1) and 67 (b)(3)	Interpretation of the 10% contribution as maximum within any one year limits options to reduce the state's pension debt. Interpretation that one time funding is included in the 10% contribution limits options to reduce the state's pension debt.	Focus on the primary constitutional provision that requires funding to be based on actuarially sound principles.	The state is accruing additional liabilities at a 7% rate each year that the actuarially sound contribution is not contributed.
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.	Require benefits coordinators to participate in specific training offered by ERS for benefits coordinators.	Increase coordinators' knowledge of employee benefit programs. Reduce the frequency with which inaccurate or incomplete information is provided to employees.
Government Code § 2101.0115 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

---

## 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. Percentage of Participants in HMOs

## **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

<b>Outcome Measures: Percentage of ERS Retirees Expressing Satisfaction with Member Benefit Services</b>	
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 are received throughout the year with Satisfied/Extremely Satisfied, When Expected/Sooner, and Amount Expected/More ranked as satisfied. All other responses rank as unsatisfied. 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.
<b>Outcome Measures: Number of Years to Amortize the ERS Unfunded Actuarial Accrued Liability</b>	
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.
<b>Outcome Measures: Number of Years to Amortize the LECOS Unfunded Actuarial Accrued Liability</b>	
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 year.
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 Yearsto 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 Comprehensive Annual Financial Report (CAFR). 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 Combining Statement of Changes in Fiduciary Net Position in the agency's Comprehensive Annual Financial Report
Methodology:	Total Administrative Expense for Fund 0955 from the Combining Statement of Changes in Fiduciary Net Position is divided by the total of the sum of active, non-contributing, and retired members and beneficiaries to arrive at cost per member. 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:	Combining Statement of Changes in Fiduciary Net Position and the Other Supplementary Information – Schedule 4, Administrative & Investment Expenses/Expenditures in the agency's Comprehensive Annual 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 from the JRS 2 Fund 0993.
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 from the Judicial Retirement System Plan 1 Fund 0001
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.

### Output Measure: Number of JRS 1 Annuitants Added to Annuity Payroll

Definition:	The number of Judicial Retirement System Plan 1 retirees and beneficiaries added to annuity payroll from the JRS 1 Fund 0001
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 report from the annuity payroll system totals the number of annuitants added to the payroll from the JRS 1 Fund.
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 1 Accounts Maintained

Definition:	The number of Judicial Retirement System Plan 1 accounts maintained from the JRS 1 Fund
Purpose:	This measure shows the demand for the agency's services to provide for the payment of JRS 1 benefits as required by law by totaling the number of member accounts belonging to contributing and non-contributing members.
Data Source:	JRS 1 member files
Methodology:	The automated reports total the number of contributing and non-contributing accounts from the JRS 1 Fund.
Data Limitations:	JRS 1 is a pay-as-you-go plan. State judicial officers who first held office before September 1, 1985 are eligible for membership in JRS 1. This is a closed plan that has not had any new covered members since 1985. Judges who took office for the first time on or after September 1, 1985 are in the JRS 2 plan.
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 claim for retiree death benefits under Section 814 .501, Government Code is filed, 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 medical claims received by the claims administrator that are paid 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 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 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 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, HealthSelect Medicare Advantage or health maintenance organizations (HMOs)
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, HealthSelect Medicare Advantage and HMOs, 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.
Data Limitations:	None
Calculation Method:	Non-cumulative
New Measure:	Continuous without change
Target Attainment:	Actual performance higher than the target is desirable.

**Explanatory Measure: Percentage of Participants in HMOs**

Definition:	The percentage of all participants in the GBP who are members of HMOs
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:	A percentage is computed by dividing the number of GBP participants enrolled in HMOs by the total of all GBP participants 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 all HealthSelect costs that are attributable to treatment for mental health or substance abuse
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 Administrative Performance Report (MAPR)
Methodology:	The total dollar amount of medical claims paid by the HealthSelect claims administrator for mental health care and substance abuse treatment is divided by the total dollar amount of medical claims paid by the HealthSelect claims administrator 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.

**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.

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	0.00%
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 TexaSaver 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 - 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

### 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:

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



## II. CURRENT WORKFORCE PROFILE

### A. Critical Workforce Skills

There are several critical skills that are important to ERS' ability to operate. Without these skills, ERS could not provide basic benefit and retirement services. These skills are listed below:

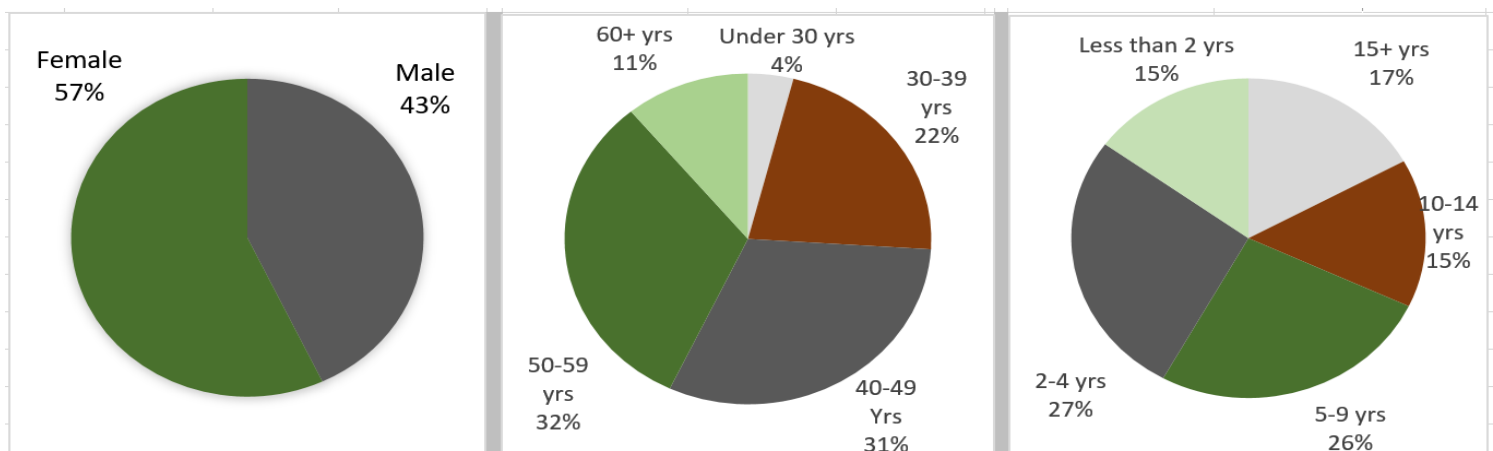
- Ability to interpret legislation
- Ability to communicate detailed information
- Ability to write guidelines and procedures for a targeted audience
- Ability to use automated benefit systems
- Ability to transition business processes from manual systems to web-based investment systems
- Ability to develop long-term and short-term goals for the investment program
- Ability to manage alternative asset classes
- Ability to establish and maintain a sound technological infrastructure
- Ability to adapt to a changing environment
- Risk management skills
- Quality assurance skills

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

### B. Workforce Demographics

As of April 30, 2020, the ERS had 368 employees, including part-time and full-time staff, to carry out the mission of the agency. ERS offers competitive benefits to enhance the lives of its members. The following charts illustrate the demographic make-up of ERS' workforce.

#### Workforce Breakdown



#### Gender

ERS' workforce is composed of 57% females and 43% males.

#### Age

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

#### Agency Tenure

Fifty-eight percent of ERS' workforce has five years or more of state service, and 42% 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 April 30, 2020 to the statewide civilian workforce.

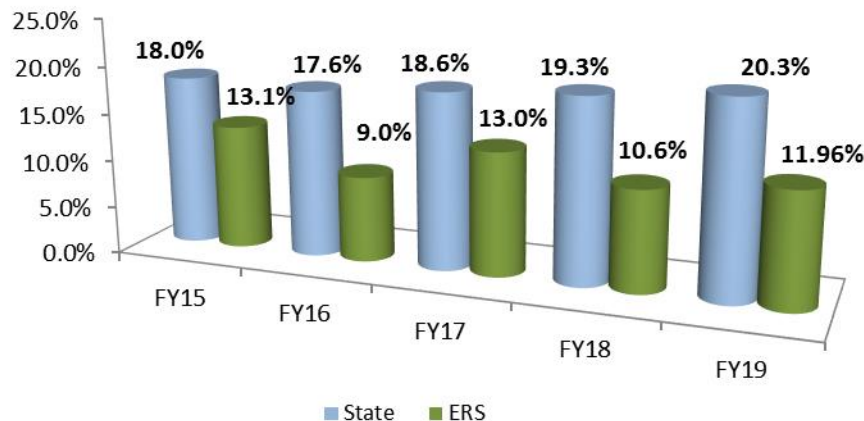
Job Category	African-American		Hispanic-American		Females	
	ERS %	State %	ERS %	State %	ERS %	State %
Officials, Administration	7%	8%	7%	22%	53%	38%
Professional <sup>1</sup>	7%	11%	16%	20%	61%	54%
Technical	14%	14%	14%	29%	30%	55%
Administrative Support	0%	14%	33%	26%	80%	71%
Skilled Craft	0%	10%	100%	51%	0%	12%
Service and Maintenance	0%	13%	50%	52%	0%	52%

Source document for state percentage: Equal Employment Opportunity and Minority Hiring Practices Report Fiscal Years 2017-2018 (Chart 1), published by the Texas Workforce Commission

There are five 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 only three staff in Operation Services and Maintenance Services units, and 15 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 2015 through 2019. During this time, ERS' turnover rate was below the statewide turnover rate.



As of May 31, 2020 the agency turnover rate is 7.82%.

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

## Turnover by Length of Service

Length of State Service	ERS Turnover % by Service FY19	State Turnover % by Service FY19
Fewer than 2 years	14.4%	47.4%
2 to 4.99 years	12.5%	23.4%
5 to 9.99 years	12.9%	13.8%
10 to 14 .99 years	8.2%	11.9%
15 years and more	6.6%	15.0%
Overall Turnover	11.96%	20.3%

The highest percentage of turnover for state employees continues to be for those who have fewer than two years of service. The turnover rate for ERS employees who leave with fewer than two years of service is significantly lower than the state's percentage. ERS makes every effort to minimize turnover in this category by offering opportunities to cross-train employees for career development opportunities, professional development training for career growth, paying competitive salaries and offering a good work atmosphere with a flexible work environment.

## 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.

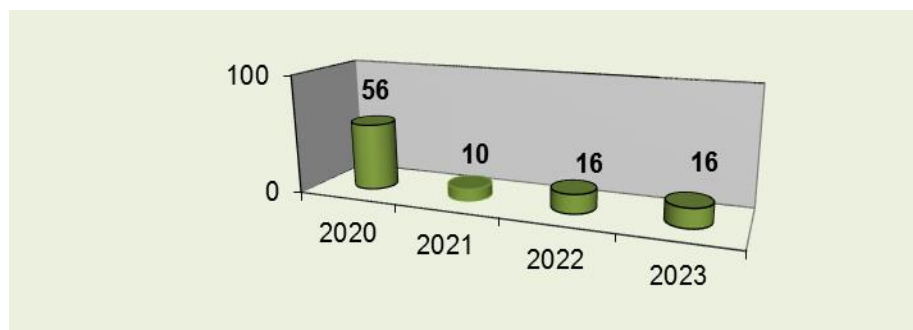
Length of State Service	ERS Turnover % by Age FY19	State Turnover % by Age FY19
Under 30 years	21.9%	38.3%
30 to 39 years	15.6%	19.8%
40 to 49 years	6.9%	14.0%
50 to 59 years	10.0%	16.1%
60 years and over	17.28%	22.0%
Overall Turnover	11.96%	20.3%

During Fiscal Year 2019, 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 the limited data available, ERS projects that during the next three fiscal years, approximately 11% of ERS' workforce will be eligible to retire, taking with them institutional knowledge and expertise. ERS continues 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 that 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. 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 the 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 both to the needs of our customers and to program changes resulting from federal and state legislation. Employees must continue to receive cross-training, formal training and re-training 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, management and supervision skills
- Learnability, resilience, agility and collaboration skills
- Problem solving skills
- Ability to effectively communicate with internal and external customers
- Investment skills
- Ability to develop long-term and short-term goals for the investment program
- Ability to manage alternative asset classes, and private real estate, private equity and hedge funds
- Project management skills
- Technology skills
- Contract management skills
- Change management skills
- Process analysis
- Strategic planning
- Risk management skills

# Customer Service Report

Fiscal Years 2019-2020

---

---

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

The ERS Customer Benefits Division handles approximately 445,500 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:

- 92% of survey respondents rate the ERS telephone/email representative as courteous and professional.
- Visitors to ERS give their experience a 99% satisfaction rate.
- New retirees rate ERS' handling of their first annuity payment with a 96% 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

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

(Data are primarily from the ERS Comprehensive Annual Financial Report for Fiscal Year 2019.)

### Strategy A.1.1. ERS Retirement Plan

- Active employees — 141,965
- Retired employees — 115,155
- Inactive members — 125,935 (terminated employees who retain ERS membership)

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

- Active officers — 573
- Retired officers — 472

### Strategy A.1.4. JRS Retirement Plan 1

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

- Surviving spouse lump-sum benefits awarded — 17
- Guardians receiving payments on behalf of surviving children — 116

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

- 1,535 retiree deaths

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

541,725 members and participants:

- Active employees — approximately 39.5% of the total
- Retired employees — approximately 21.8% of the total
- Dependents/others — approximately 38.7% of the total

### Strategy B.1.2. Probation Health Insurance

Included in Strategy B.1.1

---

# Customer Satisfaction Surveys

ERS conducted a random sample of email and phone call interactions with 65,664 surveys sent during the period of September 1, 2018 through April 30, 2020. We received 7,568 survey responses, representing an 11.5% 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.

---

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.

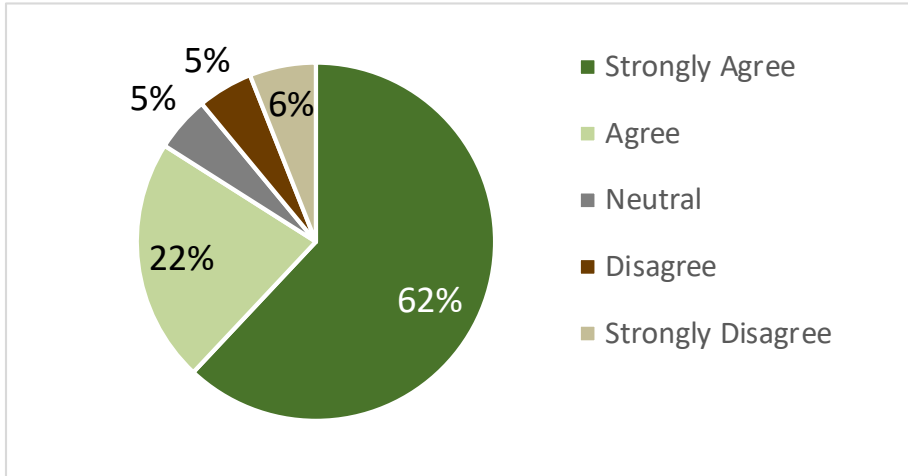
---

# Customer Satisfaction Surveys

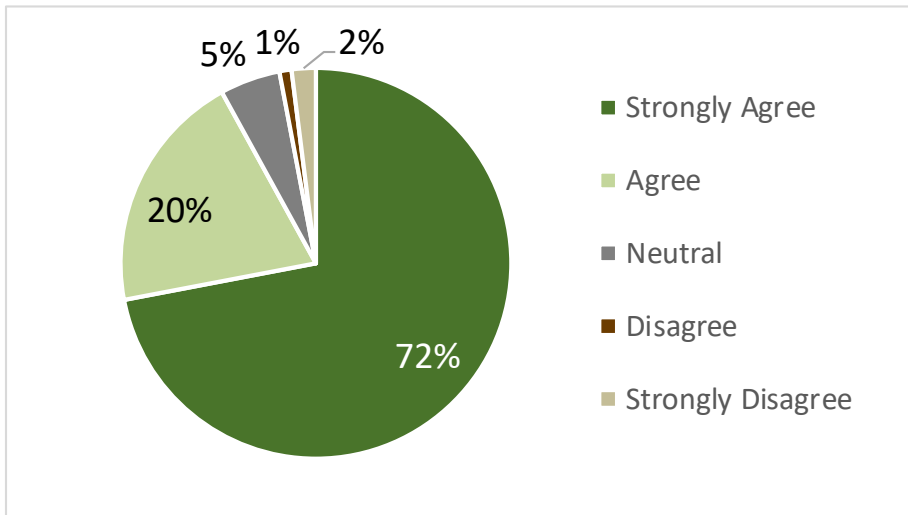
---

## Contact Center Assistance Results

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

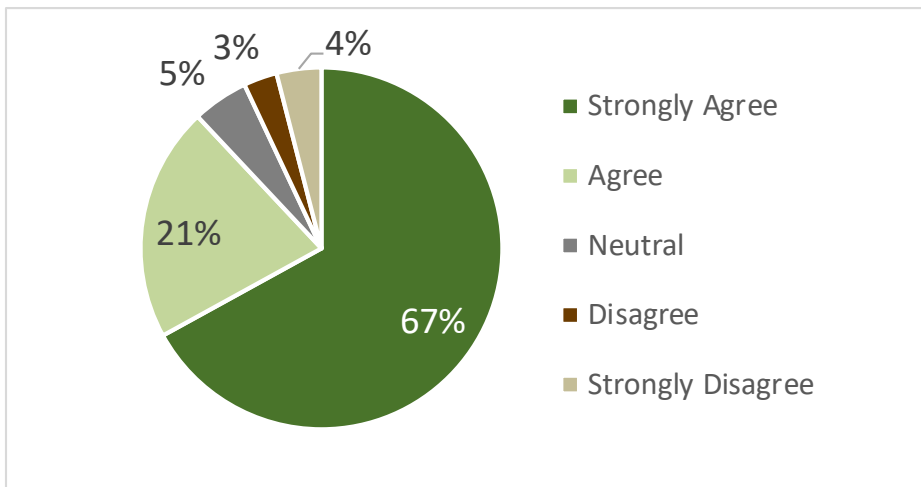


Question 2 –The ERS representative was courteous and professional.

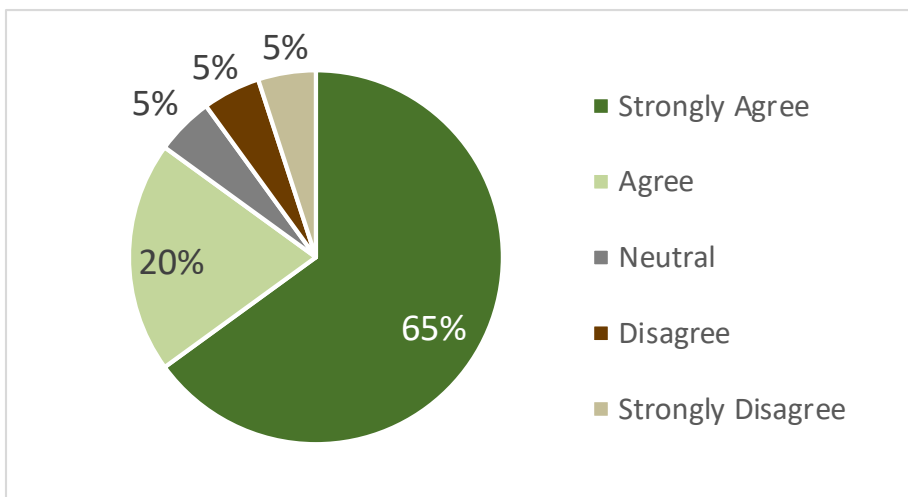




Question 3 – The ERS representative answered my questions in terms I understood.



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



---

# Targeted Surveys

## Annuity Check Payment Services

In FY19, ERS paid more than \$2.3 billion in annuity payments to 115,155 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 60 days after retirement. We target a specific service, sending the survey shortly after the service is complete. Among new annuitants 17.6% 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, 2018 through April 30, 2020

Did ERS inform you about the payment process?	Yes	No	Not Sure		TOTAL
	96%	2%	2%		100%

Did you receive retirement counseling from ERS?	Yes/ Individual	Yes/ Phone	Yes/ Group	No	
	27%	69%	1%	3%	100%

Did you receive your annuity check in the time frame you expected?	Sooner	When Expected	Later		
	11%	85%	4%		100%

Was your annuity check for the amount you expected?	More	Amount Expected	Less		
	5%	88%	7%		100%

Overall, how satisfied are you with your annuity check delivery?	Extremely Satisfied	Satisfied	Not Satisfied	No Comment/ Other	
	57%	39%	2%	2%	100%

<b>Total % Satisfied</b>	<b>96%</b>				
--------------------------	------------	--	--	--	--

# Targeted Surveys

## Personal Benefit Counseling Services

ERS offers in-person counseling services to active employees and retirees through appointments and walk-ins. Members are provided a survey and, following the counseling session, are asked to complete and return it to ERS. As with our surveys for telephone and email interactions, these surveys are evaluated as they are received to assess performance and address areas that require improvement.

### The following is a sample survey.

The Employees Retirement System of Texas (ERS) is committed to providing excellent service to our customers. We want you to tell us how we are doing. Thank you for taking a few minutes to complete this survey.

ERS Customer Service toll-free (877) 275-4377

\_\_\_\_\_

Your name (optional)

\_\_\_\_\_

Date

**The business I had with ERS today was related to:**

Retirement

Insurance

Other (specify)

\_\_\_\_\_

\_\_\_\_\_

**I am a**

Current state agency employee

Current higher education institution employee

Retired state agency employee

Retired higher education institution employee

Other (specify)

\_\_\_\_\_

\_\_\_\_\_

**This was my first visit**

Yes  No

\_\_\_\_\_

**5 = Strongly Agree**

**4 = Agree**

**3 = No Opinion**

**2 = Disagree**

**1 = Strongly Disagree**

**Circle only one**

I received quality service from ERS staff

**5 4 3 2 1**

I received courteous service from ERS staff

**5 4 3 2 1**

ERS staff member I visited was knowledgeable

**5 4 3 2 1**

ERS staff member I visited was receptive to my questions

**5 4 3 2 1**

The materials I received were useful

**5 4 3 2 1**

The waiting area was clean and comfortable

**5 4 3 2 1**

The office was clean, comfortable and private

**5 4 3 2 1**

The receptionist was polite

**5 4 3 2 1**

The receptionist provided assistance

**5 4 3 2 1**

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**

I met with \_\_\_\_\_

(name of ERS staff member if you remember)

Comments: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**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.**

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

# Targeted Surveys

## Personal Benefit Counseling Services

### Cumulative Customer Satisfaction Survey September 1, 2018 through April 30, 2020

	Strongly Agree/ Agree	Strongly Disagree/ Disagree	No Opinion	Total
I received quality service by ERS staff.	99.6%	0.4%	0.0%	100%
I received courteous service by ERS staff.	99.6%	0.4%	0.0%	100%
The ERS staff member I visited was knowledgeable.	99.6%	0.0%	0.4%	100%
The ERS staff member I visited was receptive to my questions.	99.2%	0.4%	0.4%	100%
The materials I received were useful.	98.1%	0.0%	1.9%	100%
The waiting area was clean and comfortable.	100%	0.0%	0.0%	100%
The office was clean, comfortable and private.	100%	0.0%	0.0%	100%
The receptionist was polite.	99.6%	0.0%	0.4%	100%
The receptionist provided assistance.	100%	0.0%	0.0%	100%
The receptionist was sensitive to confidential matters.	97.4%	0.4%	2.2%	100%
I am pleased with the overall quality of service.	99.6%	0.4%	0.0%	100%

# Assessment of Advisory Committees

To assist in the process required by Chapter 2110, Texas Government Code, state agencies should submit an assessment of advisory committees. ERS has two advisory committees: Investment Advisory Committee and the Group Benefits Advisory Committee. Information on these two committees is presented below.

## SECTION A: INFORMATION SUBMITTED THROUGH ADVISORY COMMITTEE SUPPORTING SCHEDULE IN LEGISLATIVE APPROPRIATIONS REQUEST

<b>Committee Name:</b>	Investment Advisory Committee		
<b>Number of Members:</b>	8		
<b>“Committee Status (Ongoing or Inactive):”</b>	Ongoing	Note: An inactive committee is a committee that was created prior to the 2014-15 biennium but did not meet or supply advice to an agency during that time period.	
<b>Date Created:</b>	8/5/1966	<b>Date to Be Abolished:</b>	As determined by the Board
<b>“Budget Strategy (Strategies) (e.g. 1-2-4)”</b>	1-1-1 & 1-1-2	<b>Strategy Title (e.g. Occupational Licensing)</b>	Provide actuarially sound levels of retirement funding as defined by state law for ERS and LECOS retirees.
<b>“Budget Strategy (Strategies)”</b>	1-1-3	<b>Strategy Title</b>	Provide actuarially sound level of retirement funding as defined by state law for JRS 2 retirees.

**Advisory Committee Costs:** This section includes reimbursements for committee member costs and costs attributable to agency staff support.

Committee Members' Direct Expenses	"Expended Exp 2019"	"Estimated Est 2020"	"Budgeted Bud 2021"
Travel	\$15,379	\$9,950	\$16,000
Personnel	\$0	\$0	\$0
Number of FTEs	0.0	0.0	0.0
Other Operating Costs	\$11,200	\$22,800	\$22,800
Total, Committee Expenditures	\$26,579	\$31,750	\$38,800

Committee Members' Indirect Expenses	"Expended Exp 2019"	"Estimated Est 2020"	"Budgeted Bud 2021"
Travel	\$0	\$0	\$0
Personnel	\$10,000	\$5,000	\$5,000
Number of FTEs	0.2	0.1	0.1
Other Operating Costs	\$0	\$0	\$0
Total, Committee Expenditures	\$10,000	\$5,000	\$5,000

Method of Financing	"Expended Exp 2019"	"Estimated Est 2020"	"Budgeted Bud 2021"
Method of Finance			
955 - S.E.R.S. Trust Account	\$36,759	\$36,750	\$43,800
Expenses / MOFs Difference:	\$36,759	\$36,750	\$43,800

Meetings Per Fiscal Year	4	4	4
<b>Committee Description:</b>	The Investment Advisory Committee (IAC) was established at the discretion of the Board of Trustees as authorized in the Texas Administrative Code § 63.17(b). It is composed of at least five and not more than nine members. The members are selected by the Board of Trustees on the basis of experience in the management of a financial institution or other business in which investment decisions are made or as a prominent educator in the fields of economics, finance or other investment-related area.		

State/Federal Authority	Select Type	Identify Specific Citation
State Authority	Admin Code	Title 34, Part IV, Chapter 63, § 63 .17 (b)
State Authority	Statute	Texas Government Code, Title 8, Subtitle B, Subchapter A, § 815 .509

**SECTION B: ADDITIONAL COMMITTEE INFORMATION**

<p>1. When and where does this committee typically meet and is there any requirement as to the frequency of committee meetings?</p>	<p>The committee meets at the discretion of the Board of Trustees. These are usually quarterly and coincide with the Board of Trustees meetings (February/March, May, August and December) at ERS.</p>
<p>2. What kinds of deliverables or tangible output does the committee produce? If there are documents the committee is required to produce for your agency or the general public, please supply the most recent iterations of those.</p>	<p>The committee provides the ERS Board of Trustees with advice regarding the ERS Investment Policy. The committee provides academic and practical background on investment issues at hand; and assistance to ERS staff with updates on investment asset classes, risk management, best practices and asset allocation.</p>
<p>3. What recommendations or advice has the committee most recently supplied to your agency? Of these, which were adopted by your agency and what was the rationale behind not adopting certain recommendations, if this occurred?</p>	<p>The IAC reviews investment strategies and related policies of ERS to provide comments and recommendations to assist the Board of Trustees in adopting prudent and appropriate investment policies. Also, the IAC recommends asset mix, portfolio strategy, investment policies and eligible securities. The IAC recommended adoption of the most recent asset allocation study to the Board of Trustees at the August 2017 Joint Meeting of the IAC and Board of Trustees. The IAC serves as a good source for staff on industry trends and as a resource independent of consultants who also are aligned with staff because of their same fiduciary duty to ERS. IAC members also serve on the TexaSaver Product Review Committee and on internal Investment Committees for certain asset classes.</p>
<p>4a. Does your agency believe that the actions and scope of committee work is consistent with their authority as defined in enabling statute and relevant to the ongoing mission of your agency?</p>	<p>Yes</p>
<p>4b. Is committee scope and work conducted redundant with other functions of other state agencies or advisory committees?</p>	<p>No</p>
<p>5a. Approximately how much staff time (in hours) was used to support the committee in Fiscal Year 2019?</p>	<p>Approximately 160 hours monthly</p>
<p>5b. Please supply a general overview of the tasks entailed in agency staff assistance provided to the committee.</p>	<p>Transmission of documentation needed for IAC preparation for each Board meeting. Phone updates by the CIO and Deputy CIO and occasional meetings with staff. Preparation of joint meeting minutes. Review of travel reimbursement requests.</p>
<p>6. Have there been instances where the committee was unable to meet because a quorum was not present?</p>	<p>No</p>
<p>7a. What opportunities does the committee provide for public attendance and participation, and how is this information conveyed to the public (e.g. online calendar of events, notices posted in Texas Register, etc.)?</p>	<p>Information is posted for the record with Board notices in accordance with the Open Meetings Act. The IAC meets publicly in the Joint Meetings of the Board of Trustees and the IAC. The IAC does not meet independently of the Board although individual committee members may meet with staff.</p>
<p>7b. Do members of the public attend at least 50 percent of all committee meetings?</p>	<p>Yes</p>
<p>7c. Are there instances where no members of the public attended meetings?</p>	<p>No</p>
<p>8. Please list any external stakeholders you recommend we contact regarding this committee.</p>	
<p>9a. In the opinion of your agency, has the committee met its mission and made substantive progress in its mission and goals?</p>	<p>Yes</p>
<p>9b. Please describe the rationale for this opinion.</p>	<p>The IAC has met its mission by utilizing the members' skills and experience in different areas of the investment world to consistently provide expertise to the Board in the areas of asset allocation, new asset classes, new markets and prudent diversification in order to assist the Board in carrying out their fiduciary responsibility. The IAC was pivotal in moving to international investments and the private asset classes, which in turn has helped with strong returns over the years.</p>

10. Given that state agencies are allowed the ability to create advisory committees at will, either on an ad-hoc basis or through amending agency rule in Texas Administrative Code:	
10a. Is there any functional benefit for having this committee codified in statute?	No
10b. Does the scope and language found in statute for this committee prevent your agency from responding to evolving needs related to this policy area?	No
10c. If "Yes" for Question 10b, please describe the rationale for this opinion.	
11a. Does your agency recommend this committee be retained, abolished or consolidated with another committee elsewhere (either at your agency or another in state government)?	Retain
11b. Please describe the rationale for this opinion.	The IAC assists the Board of Trustees in carrying out its fiduciary duties with regard to the investment of the assets of the system and related duties. The IAC reviews investment strategies and related policies of ERS to provide comments and recommendations to assist the Board of Trustees in adopting prudent and appropriate investment policies. In addition, together with the ERS staff, they utilize their investment expertise to advise the Board of Trustees on asset mix, portfolio strategy and investment policies. The Board benefits from their investment expertise and independent opinion.
12a. Were this committee abolished, would this impede your agency's ability to fulfill its mission?	Yes
12b. If "Yes" for Question 12a, please describe the rationale for this opinion.	In the event this committee was abolished, the Board would lose a valuable resource in terms of information flow, investment perspective, pros and cons for decision making with different investments, asset allocation and portfolio strategy.
13. Please describe any other suggested modifications to the committee that would help the committee or agency better fulfill its mission.	No other changes other than the recommendation to keep the committee are suggested.



**SECTION A: INFORMATION SUBMITTED THROUGH ADVISORY COMMITTEE SUPPORTING SCHEDULE IN LEGISLATIVE APPROPRIATIONS REQUEST**

<b>Committee Name:</b>	Group Benefit Advisory Committee		
<b>Number of Members:</b>	11		
<b>“Committee Status (Ongoing or Inactive):”</b>	Ongoing		
<b>Date Created:</b>	12/13/2017	<b>Date to Be Abolished:</b>	As determined by the Board
<b>“Budget Strategy (Strategies) (e.g. 1-2-4)”</b>	2-1-1	<b>Strategy Title (e.g. Occupational Licensing)</b>	Group Benefits Program

**Advisory Committee Costs:** This section includes reimbursements for committee member costs and costs attributable to agency staff support.

Committee Members’ Direct Expenses	“Expended Exp 2019”	“Estimated Est 2020”	“Budgeted Bud 2021”
Travel	\$2,990	\$997	\$3,000
Personnel			
Number of FTEs			
Other Operating Costs			
<b>Total, Committee Expenditures</b>	<b>\$2,990</b>	<b>\$997</b>	<b>\$3,000</b>

Committee Members’ Indirect Expenses	“Expended Exp 2019”	“Estimated Est 2020”	“Budgeted Bud 2020”
Travel	\$0	\$0	\$0
Personnel	\$19,500	\$21,000	\$21,000
Number of FTEs	0.2	0.2	0.2
Other Operating Costs	\$0	\$0	\$0
<b>Total, Committee Expenditures</b>	<b>\$19,500</b>	<b>\$21,000</b>	<b>\$21,000</b>

Method of Financing	“Expended Exp 2019”	“Estimated Est 2020”	“Budgeted Bud 2021”
Method of Finance			
955 - S.E.R.S. Trust Account	\$22,490	\$21,997	\$24,000
Expenses / MOFs Difference:	\$22,490	\$21,997	\$24,000

<b>Meetings Per Fiscal Year</b>	2	2	2
<b>Committee Description:</b>	The Group Benefit Advisory Committee (GBAC) is a part of the agency’s ongoing efforts to incorporate a full spectrum of stakeholder and expert input and opinions in the planning and development of employee benefit programs offered under the Texas Employees Group Benefits Program (GBP).		

State/Federal Authority	Select Type	Identify Specific Citation
State Authority	Admin Code	Title 34, Part IV, Chapter 63, § 63 .17 (b)
State Authority	Statute	Texas Government Code, Title 8, Subtitle B, Subchapter A, § 815 .509

**SECTION B: ADDITIONAL COMMITTEE INFORMATION**

Committee Bylaws: Please provide a copy of the committee's current bylaws and most recent meeting minutes as part of your submission.

<p>1. When and where does this committee typically meet and is there any requirement as to the frequency of committee meetings?</p>	<p>The GBAC meets twice annually, during October and March, or as close to such time as is possible to convene a quorum of the members as established in the charter approved by the ERS Board of Trustees (Board).</p>
<p>2. What kinds of deliverables or tangible output does the committee produce? If there are documents the committee is required to produce for your agency or the general public, please supply the most recent iterations of those.</p>	<p>Contents of GBAC meetings focus on: (1) the maintenance and structure of programs within the GBP; (2) benefit design and administration trends; and (3) emerging factors that may impact GBP programs in the future. Agenda content may also include items for which ERS staff requests specific input from the GBAC. The scope of agenda items may evolve as GBP programs mature, changes in market trends occur, and new information or data becomes available, with the intention to allow committee work to adapt to changing environments and stakeholder needs. Agenda items will seek to promote understanding of market environments, cost trends, program performance and legislative initiatives within stakeholder groups, and will facilitate discussion of innovative strategies to improve the value of benefits for participants. The Committee may be asked to review and comment on strategies and initiatives to: change existing benefit design; create new benefit choices; comment on methods to incent participation in underutilized programs, or promote the selection of cost-effective high-value health care options.</p>
<p>3. What recommendations or advice has the committee most recently supplied to your agency? Of these, which were adopted by your agency and what was the rationale behind not adopting certain recommendations, if this occurred?</p>	<p>At the October 2019 meeting, committee members voiced their support for proposed changes to the existing tobacco certification policy. Committee members were in favor of expanding the policy to include e-cigarettes and vaping products effective September 1, 2020. The ERS Board of Trustees formally approved expansion of the tobacco policy at its March 2020 meeting.</p>
<p>4a. Does your agency believe that the actions and scope of committee work is consistent with their authority as defined in its enabling statute and relevant to the ongoing mission of your agency?</p>	<p>Yes</p>
<p>4b. Is committee scope and work conducted redundant with other functions of other state agencies or advisory committees?</p>	<p>No</p>
<p>5a. Approximately how much staff time (in hours) was used to support the committee in Fiscal Year 2019?</p>	<p>Approximately 300 hours were expended in FY 2019</p>
<p>5b. Please supply a general overview of the tasks entailed in agency staff assistance provided to the committee.</p>	<p>Meeting agenda and presentation content development for committee meetings. Receiving, reviewing and ranking applications for open committee positions. Development of nominations for consideration by the Board.</p>
<p>6. Have there been instances where the committee was unable to meet because a quorum was not present?</p>	<p>No</p>
<p>7a. What opportunities does the committee provide for public attendance and participation, and how is this information conveyed to the public (e.g. online calendar of events, notices posted in Texas Register, etc.)?</p>	<p>Notice of committee meetings are posted to the ERS public website prior to a scheduled meeting. Additional notices may be provided to primary agency stakeholder groups as determined by ERS staff. Notices, at a minimum, include the date, time, and location of a GBAC meeting, and contain general information on the agenda items to be considered by the Committee.</p>
<p>7b. Do members of the public attend at least 50% of all committee meetings?</p>	<p>No</p>
<p>7c. Are there instances where no members of the public attended meetings?</p>	<p>Yes</p>
<p>8. Please list any external stakeholders you recommend we contact regarding this committee.</p>	

9a. In the opinion of your agency, has the committee met its mission and made substantive progress in its mission and goals?	Yes
9b. Please describe the rationale for this opinion.	Committee members, who are program participants, experts or industry professional, bring their knowledge and insights on health and voluntary benefits to ensure the programs offer value and meet the needs of our members and retirees, and their dependents.
10. Given that state agencies are allowed the ability to create advisory committees at will, either on an ad-hoc basis or through amending agency rule in Texas Administrative Code:	
10a. Is there any functional benefit for having this committee codified in statute?	No
10b. Does the scope and language found in statute for this committee prevent your agency from responding to evolving needs related to this policy area?	No
10c. If "Yes" for Question 10b, please describe the rationale for this opinion.	N/A
11a. Does your agency recommend this committee be retained, abolished or consolidated with another committee elsewhere (either at your agency or another in state government)?	Retain
11b. Please describe the rationale for this opinion.	During the Fiscal Year 2016 Texas Sunset Advisory Commission (Sunset) review of ERS, Sunset staff identified an opportunity for the agency to improve benefits administration and design by establishing an advisory committee to obtain regular stakeholder and expert input. Since its inception, the Committee has provided staff and trustees with valuable insights into the Group Benefits Program.
12a. Were this committee abolished, would this impede your agency's ability to fulfill its mission?	
12b. If "Yes" for Question 12a, please describe the rationale for this opinion.	In the event this committee was abolished, the Board would lose a valuable resource for input on the benefit programs offered through the GBP.
13. Please describe any other suggested modifications to the committee that would help the committee or agency better fulfill its mission.	No other changes other than the recommendation to keep the committee are suggested.



200 E. 18th Street • Austin, Texas 78701  
[www.ers.texas.gov](http://www.ers.texas.gov)