



Legislative Appropriations Request for Fiscal Years 2024-2025

Submitted to the Office of the Governor, Budget Division, and the Legislative Budget Board

By The Employees Retirement System of Texas – August, 2022

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.



Legislative Appropriations Request

for Fiscal Years 2024 and 2025

Submitted to the
Office of the Governor, Budget Division,
and the Legislative Budget Board

by

Employees Retirement System of Texas

August, 2022



EMPLOYEES RETIREMENT SYSTEM OF TEXAS
 LEGISLATIVE APPROPRIATIONS REQUEST
 FOR FISCAL YEARS 2024 AND 2025

TABLE OF CONTENTS

Description	Page
Administrator’s Statement.....	1
Organizational Chart	13
Budget Overview.....	15
Summaries of Request	
2 A. Summary of Base Request by Strategy.....	16
2 B. Summary of Base Request by Method of Finance.....	19
2 C. Summary of Base Request by Object of Expense (OOE).....	30
2 D. Summary of Base Request by Objective Outcomes	31
2 E. Summary of Exceptional Items Request	32
2 F. Summary of Total Request by Strategy.....	33
2 G. Summary of Total Request Objective Outcomes	36
Strategy and Rider Information.....	
3 A. Strategy Request.....	39
3 B. Rider Revisions and Additional Request	67
Exceptional Item Requests.....	
4 A. Exceptional Item Request Schedule.....	75
4 B. Exceptional Item Strategy Allocation Schedule	81
4 C. Exceptional Items Strategy Request	86
Supporting Schedules.....	
6 A. Historically Underutilized Business (HUB)	89
6 C. Federal Funds Supporting	91
6 F.a Advisory Committee Supporting Schedule	93
6 H. Estimated Total of All Funds Outside the GAA	97
6 K. Part A Budgetary Impacts Related to Recently Enacted State Legislation Schedule.....	101
6 K. Part B Summary of Costs Related to Recently Enacted State Legislation Schedule.....	107





CERTIFICATE

Agency Name Employees Retirement System of Texas

This is to certify that the information contained in the agency Legislative Appropriations Request filed with the Legislative Budget Board (LBB) and the Governor's Office Budget Division (Governor's Office) is accurate to the best of my knowledge and that the electronic submission to the LBB via the Automated Budget and Evaluation System of Texas (ABEST) and the PDF file submitted via the LBB Document Submission application are identical.

Additionally, should it become likely at any time that unexpended balances will accrue for any account, the LBB and the Governor's Office will be notified in writing in accordance with Article IX, Section 7.01 (2022-23 GAA).

Chief Executive Officer or Presiding Judge

A handwritten signature in black ink, appearing to read "Porter Wilson".

Signature

Porter Wilson

Printed Name

Executive Director

Title

August 30, 2022

Date

Board or Commission Chair

Catherine Melvin
Digitally signed by Catherine Melvin
Date: 2022.08.31 09:28:29 -05'00'

Signature

Catherine Melvin

Printed Name

Chair

Title

August 30, 2022

Date

Chief Financial Officer

A handwritten signature in black ink, appearing to read "Machelle Pharr".

Signature

Machelle Pharr

Printed Name

Chief Financial Officer

Title

August 30, 2022

Date



327 Employees Retirement System

Mr. Jerry McGinty, Director
Legislative Budget Board

Ms. Sarah Hicks, Senior Advisor and Budget Director
Governor's Office

Thank you for your consideration of the Legislative Appropriations Request (LAR) for the Employees Retirement System of Texas (ERS). This request represents the funding necessary to provide retirement and insurance benefits to State of Texas employees, retirees and eligible family members. These benefits support the state's goal of recruiting and retaining the high-quality workforce necessary to continue providing effective and efficient state government services to the people of Texas. These critical state programs provide a secure retirement benefit for more than 121,000 retired Texans and their beneficiaries and operate health insurance plans that covers more than 538,000 people – one of every 54 Texans. The benefits ERS administers enhance the lives and livelihoods of countless Texans and bolster the state economy. The \$2.8 billion in annual pension payments reinvested into local communities and \$3.4 billion in medical claim payments delivered to Texas doctors, hospitals and pharmacies have a significant positive financial impact on the state's economy.

ERS is a constitutional trust fund administered by the ERS Board of Trustees. 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 protection, preservation and best interest of the trust's beneficiaries. To comply with that duty the Board adopted funding policies for the three prefunded pension plans and the group insurance benefit plan. Consistent with those policies, this request presents a plan to:

- Cover the normal cost for the service retirement for state employees, elected state officials, and district attorneys (ERS), the supplemental retirement plan for Law Enforcement and Custodial Officers (LECOSRF) and the Judicial Retirement Plan (JRS 2).
- Maintain actuarial soundness for the service retirement for state employees, elected state officials and district attorneys (ERS) obtained through the efforts of the 87th Legislature to eliminate the depletion of the Fund, pay down the unfunded liability and reach 100% funded status by at least 2054.
- Return the state's retirement plans for state district and appellate judges (JRS 2) and the supplemental retirement plan for law enforcement and custodial officer (LECOSRF) to actuarial soundness.
- Fund occupational and non-occupational disability retirement benefits – that are included in each retirement plan.
- Fund two death benefit programs: a \$5,000 lump-sum death benefit paid to survivors of state retirees and a \$554,000 special death benefit paid to the survivors of certain Texas public safety officers killed in the line of duty.
- Fund two insurance benefits: health insurance and basic life insurance, offered to both employees and retirees.

Accomplishments

On September 2, 2022 ERS celebrates its 75th Anniversary of serving the people who serve Texas. The first year of ERS' existence, 1947, payments of \$38,000 were made to 153 retirees. As of August 31, 2021, ERS has 115,086 retirees and beneficiaries receiving annuities and 142,808 employees actively contributing to the three pre-funded pension plans. ERS began administering health insurance in 1977 for state employees, adding employees of institutions of higher education (other than the University of Texas and Texas A & M university systems) and community colleges in 1991. As of August 31, 2021, ERS serves 538,000 employees, retirees and dependents participating in the Texas Employees Group Benefits Program (GBP). Texas relies on a diverse and highly-qualified workforce including judges, law enforcement officers, highway engineers and Child Protective Services caseworkers. State benefits serve a key role in recruiting and retaining this workforce which is critical to the safety, health and

327 Employees Retirement System

well-being of all Texans.

ERS continually reviews and actively invests Trust fund assets to achieve the highest risk-adjusted return possible within prevailing market conditions. Assets are allocated thoughtfully and diversified across risk. ERS completed an investment asset liability study in FY22 to evaluate the long-term funding and liquidity profile of the Trust. During FY24, ERS will perform the statutorily required experience study. The study evaluates recent economic and demographic experience to determine the proper assumptions the system should use for the annual actuarial valuation.

ERS has continued to improve the quality of employee health benefits while maintaining lower-than-average costs. The group benefit program quickly adapted to meet the needs of participants during COVID-19 and continued to do so during the FY21-22 biennium. Member cost share was temporarily waived for all in-network medical and mental health telemedicine services to ensure social distancing was not a barrier to important, ongoing services. All ERS health plans cover COVID-19 vaccination, including recommended booster shots at 100%. Effective January 15, 2022, the plan began covering up to eight FDA-authorized at-home rapid tests per participant per month. Two new anti-viral COVID medications are now covered formulary drugs. The federal government is currently covering the cost of the drugs with the plan paying the dispensing fees to cover pharmacy administration. ERS has continued to engage in aggressive contracting practices, monitoring cost management opportunities, identifying and addressing emerging cost drivers, encouraging healthy behaviors by health plan participants and diligently maintaining low administrative costs – all with a commitment to quality healthcare. 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.

Appropriations Request for the Retirement Program

Texas begins funding an employee's retirement benefit as soon as the worker enters the system, with contributions from both the employer and the employee. Funding continues throughout an employee's working career. The cost to provide the employee retirement benefits is called the normal cost. The normal cost is calculated by determining the current rate of employer and employee contributions needed to pay for future retirement benefits, assuming that retirement rates, investment earnings, and other assumptions match expectations. If a plan has unfunded liabilities, that amount is calculated in a different figure. The normal cost covers the cost of providing current benefits, not legacy costs.

The ERS Pension Funding Priorities and Guidelines policy approved by the ERS Board seeks to balance five main objectives:

- 100% payment of vested benefits,
- contribution stability and sound financing of benefits,
- intergenerational equity and responsibility,
- workforce parity, and
- quality of benefit.

The policy lays out positions for which the ERS Board is responsible, such as selection of the cost and smoothing methods. It also lays out key policy goals for the Texas Legislature as the plan sponsor:

Funding Period Goal for Unfunded Liabilities – Texas Constitution, Article XVI, Section 67 (a)(1) states "Financing of benefits must be based on sound actuarial principles." The ERS Pension Funding Priorities and Guidelines policy lays out a multilevel goal for the Legislature to achieve the requirement of that provision:

327 Employees Retirement System

- 1) Cover the normal cost.
- 2) Avoid trust fund depletion.
- 3) Meet the current statutory standard to finance all obligations (open 31-year amortization).
- 4) Match the funding period to an additional standard aligned with plan experience.

Senate Bill 321 and associated supplemental funding in House Bill 2 passed by the 87th Legislature dramatically changed the trajectory of the ERS pension plan which previously had a funding depletion date. Provisions adopted in SB 321 set forth a plan for the state's commitment to pay off the unfunded liability no later than 2054. The state committed to an annual payment structure referred to as a Legacy Payment. By implementing the Legacy Payment and a new benefit structure for future state employees hired on or after September 1, 2022, the state has reduced the risk of future unfunded liabilities. Immediately upon passage of SB 321, ERS began implementation efforts including the development of policies and administrative rules, technical changes and employer communication and education and is on target for the September 1, 2022 go-live.

As a result of the passage of SB321, all four of the objectives in the funding policy are on target to be met for the ERS pension plan. However, none of the objectives are currently being met for LECOSRF or JRS 2 plans. Each year that the funding situation is not addressed depletes the funds sooner and increases costs to the state.

Baseline Request for the Retirement Program

Employee and Elected Class Retirement Plan: \$1.0 billion GR/GRD (\$1.4 billion All Funds)

The baseline assumes a continued state contribution of 9.5% of payroll and an agency payroll contribution of 0.5% per year. The member contribution is assumed at 9.5% in both FY24 and FY25 for employees hired before September 1, 2022 and 6.0% for employees who are members of the new plan and begin state service on or after September 1, 2022.

Employee and Elected Class Retirement Plan Legacy Payment: \$730.3 million GR/GRD (\$1.02 billion All Funds)

The baseline assumes \$510 million each year of the 2024-25 biennium utilizing the method of finance included in HB 2, 87th Regular Legislature, which includes \$85.7 million annually from federal funds which may not be received. The legacy payment is anticipated to be short for the 2022-23 biennium by the federal fund allocation and to a lesser extent some GR dedicated and Other Special State Funds. ERS is seeking a supplemental appropriation to cover the shortfall of \$190.2 million.

LECOSRF Plan: \$19.3 million GR/GRD (\$19.4 million All Funds)

The baseline assumes a state contribution of 0.5% payroll and approximately \$15 million in court fees collected under Section 133.102 of the Local Government code. The member contribution is assumed at 0.5% for employees hired before September 1, 2022 and 2% for employees who begin state service on or after September 1, 2022. This baseline request is lower than the current normal cost and is insufficient to amortize the unfunded actuarial liability over a measurable period.

Judicial Retirement System Plan 1 (JRS 1): \$33.3 million GR/GRD

JRS 1 is a closed, pay-as-you go plan for justices assuming the bench prior to September 1, 1985. In a pay as you go plan, contributions must equal current benefit

327 Employees Retirement System

payments. Unlike the three pre-funded pension plans administered by ERS, in which approximately 60% of the benefit payments are from return on investments, JRS 1 annuities are paid almost entirely by general revenue. As you can see from the request, pay as you go plans cost the state more than pre-funded plans.

Judicial Retirement System Plan 2 (JRS 2): \$20.1 million GR/GRD (\$28.5 million All Funds)

The baseline assumes a state contribution of 15.663% of payroll and a member contribution of 9.5%. This baseline request is lower than the current normal cost and is insufficient to amortize the unfunded actuarial liability over a measurable period.

Financial Assistance to Survivors of Certain Law Enforcement Officers and Fire Fighters: \$103.7 million GR/GRD

In addition to other line-of-duty death benefit applications and payments paid under Government Code, Chapter 615, ERS has also received a significant number of requests for applications for line-of-duty death benefits related to COVID-19 during the last two years. Chapter 615 benefits are not paid from ERS trust funds; instead they are listed in the General Appropriations Act as an estimated appropriation and paid directly from GR/GRD. The baseline assumes benefit funding at the FY23 appropriated level. This is an estimated appropriation and actual expenditures fluctuate annually.

Retiree Death Benefit: \$27.5 million GR/GRD

The baseline assumes lump-sum benefit funding at the FY23 appropriated level.

Exceptional Item Requests for the Retirement Program

Cover Normal Costs: \$43.2 million GR/GRD (\$45.3 million All Funds)

Increase payroll contributions to meet plan Normal Cost for both LECOSRF and JRS 2. This would require an additional 1% state contribution to LECOSRF and an additional 3.587% state contribution for JRS 2. As noted above, the normal cost is the cost to provide the employee retirement benefits. The normal cost is calculated by determining the current rate of employer and employee contributions needed to pay for future retirement benefits, assuming that retirement rates, investment earnings, and other assumptions match expectations.

Address Unfunded Liabilities: \$855 million GR

Once the normal cost is addressed, there are several options to address the unfunded liabilities for LECOSRF and JRS 2. In the LAR, we have requested a single lump sum payment for each of the funds. Other options include a two year annual payment plan or amortize with the actuarially sound contribution increase required above the normal cost. While the option to amortize the cost over a 31-year period lowers the cost for the biennium, the total cost is much higher due to the interest.

ERS Retirement Plan Legacy Payment Method of Finance F exchange: \$171.4 million GR

HB2 87th Regular Session included \$85.68 million per year from federal funds in the legacy payment. During FY22, only \$6.9 million of the federal funds were collected. ERS continues to work with the agencies to provide information to assist their federal cognizant agencies in understanding the purpose of the payment. In addition to

327 Employees Retirement System

questions from their federal cognizant agencies, many agencies have indicated that they are unable to provide the federal funds without reductions to those programs. ERS is seeking supplemental GR in the 88th Legislative Session for the shortfall in the legacy payment and to replace the federal funds in the 2024-25 biennium with general revenue.

Appropriations Request for the Group Benefits Program (Health Coverage)

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. National health care costs continue to rise. The major factors contributing to cost increases are: general increases in the price and utilization of medical care services; the development of expensive new technologies and medical procedures; a rise in chronic diseases due in part to an aging population; the escalating obesity epidemic; and increases in both the cost and use of pharmaceuticals, particularly specialty drugs.

During FY21, the plan experienced a large cost increase as members sought medical care at closer to historical norms, after a year of avoiding in person medical care due to the prevalence of COVID. In addition, there was an increase due to the number of COVID-19 cases, which continued to be high in FY22 largely due to the tail end of the Delta surge and the Omicron variant. Although continued COVID-19 waves are expected near-term, the impact to subsequent years is likely to be less as population immunity continues to build and new medications and treatments lead to better outcomes. The projected trend for HealthSelect of Texas® combined medical and pharmacy plan costs for plan year 2023 is 5.7% (3.9% medical benefit, 10.0% prescription drug benefit).

While many factors associated with recent health care cost increases are beyond ERS' control, the agency has successfully kept administrative costs low, allowing more funding to flow into direct health care services. ERS continues to put downward pressure on direct medical expenses through careful utilization management, prepayment claims auditing, participant cost sharing, improved coordination of benefits, and other cost management tools, including rebidding the third-party administrator contracts for our medical and prescription drug plans. Due to the success of ERS' contracting process and other cost containment activities, there has not been a significant increase in member or state contributions in more than five years. ERS recently issued a request for proposal (RFP) for pharmacy benefit management services. During FY23, ERS will solicit and evaluate proposals for a third party administrator for HealthSelect of Texas®.

ERS continues to promote employee wellness and engagement of employees in health choices. ERS sends monthly agency report cards to every agency and higher education institution that provides processing and contact information to ERS. ERS promotes the HealthSelectShoppERS member rewards program encouraging employees through incentives to "shop" for medical procedures and services. During the first 18 months of the program, approximately 81,000 households enrolled of which 40% were activated with a 16% incentive shop conversion rate resulting in almost \$866,000 net program claim savings. As of February 2022, 1,975 incentives totaling \$184,150 were paid into a health care flexible spending accounts (FSA).

Baseline Request for the Group Benefits Program: \$2.95 billion GR/GRD; \$4.1 billion All Funds

As a result of aggressive contracting practices, continual monitoring of cost management opportunities, identifying and addressing cost drivers, value-based initiatives, and diligent maintenance of low administrative costs, ERS projects that FY23 baseline funding will be sufficient to cover projected health benefit costs in each year of the 2024-25 biennium. The projections for the 2024-25 biennium are based on an estimated average net health plan benefit cost trend of 6.5% per year and estimated average GBP cost trend of 6.4% per year and projected enrollment growth of 2.15% (weighted average of growth rates of 0% for actives and 5% for retirees).

Baseline Request for the Probation Health Insurance: \$144.5 million

327 Employees Retirement System

All contributions received from the state, active employees of community supervision and corrections departments, and retired employees of community supervision and corrections departments for basic, optional and voluntary coverages under the group benefits program are paid into the employees life, accident, and health insurance and benefits fund. ERS projects that FY23 baseline funding will be sufficient to cover projected health benefit cost in each year of the 2045-25 biennium for this program.

Agency Authority and Policy on Criminal Background Checks

In accordance with Texas Government Code, Chapter 411.1402, ERS may obtain criminal history record information maintained by the Texas Department of Public Safety (DPS), the Federal Bureau of Investigation, or another law enforcement agency for all job applicants, consultants and contractors, and the agency may use the information to evaluate an applicant for employment. All ERS job postings state that the agency conducts a criminal history check on the primary and secondary candidate(s) recommended for the position. Criminal history checks may also be conducted on current or former employees when circumstances necessitate such checks. Only the Executive Director or designee may approve a request for a criminal history check on current or former employees.

ERS will conduct an FBI fingerprint check on all applicants, including internal candidates, selected to fill "covered person" positions. Covered persons are defined in the ERS Investments Policy as all ERS Investments staff, Investment Accounting staff, the Investment Compliance Auditor, the Deputy Executive Director and Executive Director. A conviction is not an automatic cause for an adverse personnel action. However, failure to report a conviction may result in corrective action up to and including termination of employment. ERS will review all criminal convictions individually and in relationship to the position.

Conclusion

ERS is proud of its role in supporting the employees of state agencies and institutions of higher education, the dynamic Texas economic engine, and the core missions of the state. We look forward to working with the 88th Legislature to determine how the state's benefit programs can continue to best meet the needs of the state, active employees, retirees, agency employers, and Texas citizens.

Sincerely,

Porter Wilson,
Executive Director

327 Employees Retirement System

ERS Board of Trustees

Board Members	Dates of Terms	Hometowns
Catherine A. Melvin, Chair	September 1, 2017 - August 31, 2013	Austin, Texas
James (Jim) Kee, Ph.D., Vice-Chair	September 1, 2020 - August 31, 2026	Waco, Texas
Brian R. Barth	September 1, 2019 - August 31, 2025	Austin, Texas
Neika Clark	September 1, 2021 - August 31, 2027	Houston, Texas
I. Craig Hester	September 1, 2005 - August 31, 2028	Austin, Texas
John Rutherford	May 2022 - August 31, 2024	Houston, Texas

ERS Plan

Actuarial Valuation Results



Funded Status	8/31/2020 valuation	8/31/2021 valuation
Unfunded Liability	\$14.7 B	\$14.1 B
Funded Ratio	66.0%	68.0%
Projected Depletion Date	2061	Never
	Meets Funding Guidelines and Priorities	
Cover Normal Cost	✓	✓
Avoid Trust Fund Depletion	✗	✓
Meet Statutory 31 Year ASC Rate	✗	Approx. 2024
Meet Additional Funding Standards	✗	100% funded in 2054

As of August 31, 2021 Valuation

All of the funding goals will be met following the Legacy Payment Schedule

LECOS and JRS 2

Actuarial Valuation Results



Funded Status	LECOS	JRS 2
Unfunded Liability	\$653 M	\$95 M
Funded Ratio	60.5%	84.6%
Projected Depletion Date	2050	2076
	Meets Funding Guidelines and Priorities	
Cover Normal Cost	X	X
Avoid Trust Fund Depletion	X	X
Meet Statutory 31 Year ASC Rate	X	X
Meet Additional Funding Standards	X	X

As of August 31, 2021 Valuations

With projected depletion dates, none of the vital funding goals are being met.

Funding Options for LECOS and JRS2



Requires two steps

Provide funding for ongoing normal costs and a one-time payment to address the unfunded liability

Fund Normal Cost	LECOS	JRS2
Increase State Contribution	+1%	+3.587%
Annual Cost to the State	\$20 million	\$3 million



Address Unfunded Liability	LECOS	JRS2
One-time Payment	\$750 million	\$105 million
One-time vs Payroll Option Savings to the State	\$1.2 billion (over 31 years)	\$175 million (over 31 years)

Costs are projected as of 8/31/21 valuation and will be updated for the 8/31/22 valuation and FY24-25 payrolls.

Funding Options for LECOS and JRS2



Requires two steps

Provide funding for ongoing normal costs and an additional payroll contribution increase to address unfunded liability

Fund Normal Cost	LECOS	JRS2
Increase State Contribution	+1%	+3.587%
Annual Cost to the State	\$20 million	\$3 million



Address Unfunded Liability (31 yrs)	LECOS	JRS2
Increase State Contribution	+1.89%	+4.17%
Annual Cost to the State	\$37 million	\$4 million

	LECOS	JRS2
Annual Total	\$57 million	\$7 million

Costs are projected as of 8/31/21 valuation and will be updated for the 8/31/22 valuation and FY24-25 payrolls.



Board of Trustees



Catherine Melvin
Chair



James Kee, Ph.D.
Vice-Chair



Brian Barth



Neika Clark



I. Craig Hester



John R. Rutherford

Consulting Actuary

Investment Advisory Committee

Group Benefits Advisory Committee



Porter Wilson
Executive Director
FTEs:423



Anthony Chavez
Director of Internal Audit
FTEs: 5

Medical Board



Cathy Terrell
Deputy Executive Director
FTEs: 289



Cynthia Hamilton
General Counsel
FTEs: 19



Jennifer Chambers
Director of Government Relations
FTEs: 5



Diana Kongevick
Director of Group Benefits
FTEs: 16



David T. Veal
Chief Investments Officer
FTEs: 81



William S. Nail
Special Advisor



Kathryn Tesar
Director of Benefits Communications
FTEs: 11.4



Robin Hardaway
Director of Customer Benefits
FTEs: 112



Bernie Hajovsky
Director of Enterprise Planning Office
FTEs: 8



Machele Pharr
Chief Financial Officer
FTEs: 33



DeeDee Sterns
Director of Human Resources
FTEs: 6



Chuck Turner
Chief Information Officer
FTEs: 72



Wendy McAdams
Director of Operations Support
FTEs: 16



Gabrielle Schreiber
Director of Procurement & Contract Oversight
FTEs: 17.6



Budget Overview - Biennial Amounts
88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System											
Appropriation Years: 2024-25											
	GENERAL REVENUE FUNDS		GR DEDICATED		FEDERAL FUNDS		OTHER FUNDS		ALL FUNDS		EXCEPTIONAL ITEM FUNDS
	2022-23	2024-25	2022-23	2024-25	2022-23	2024-25	2022-23	2024-25	2022-23	2024-25	2024-25
Goal: 1. Administer Comprehensive and Actuarially Sound Retirement Programs											
1.1.1. ERS Retirement Program	917,418,200	930,941,588	69,545,678	70,887,316	228,120,188	231,504,688	159,670,378	162,133,820	1,374,754,444	1,395,467,412	
1.1.2. LECOS Retirement Program	17,985,120	18,895,178	363,838	396,508	102,141	110,834			18,451,099	19,402,520	788,805,040
1.1.3. Judicial Retirement System - Plan 2	20,181,978	20,123,384					8,387,862	8,363,164	28,569,840	28,486,548	111,523,734
1.1.4. Judicial Retirement System - Plan 1	33,390,650	33,329,520							33,390,650	33,329,520	
1.1.5. Public Safety Death Benefits	63,401,679	77,799,150	24,172,847	25,933,050					87,574,526	103,732,200	
1.1.6. Retiree Death Benefits	24,436,966	27,500,000							24,436,966	27,500,000	
1.1.7. Legacy Payments	678,300,000	678,300,000	28,589,091	52,020,000	13,733,232	171,360,000	116,022,538	118,320,000	836,644,861	1,020,000,000	
Total, Goal	1,755,114,593	1,786,888,820	122,671,454	149,236,874	241,955,561	402,975,522	284,080,778	288,816,984	2,403,822,386	2,627,918,200	900,328,774
Goal: 2. Provide Employees and Retirees with Quality Group Benefits											
2.1.1. Group Benefits Program	2,620,200,768	2,729,992,000	212,744,920	222,494,820	642,665,552	669,163,728	471,266,408	491,936,796	3,946,877,648	4,113,587,344	
2.1.2. Probation Health Insurance	142,211,168	144,516,432							142,211,168	144,516,432	
Total, Goal	2,762,411,936	2,874,508,432	212,744,920	222,494,820	642,665,552	669,163,728	471,266,408	491,936,796	4,089,088,816	4,258,103,776	
Total, Agency	4,517,526,529	4,661,397,252	335,416,374	371,731,694	884,621,113	1,072,139,250	755,347,186	780,753,780	6,492,911,202	6,886,021,976	900,328,774
Total FTEs									424.0	436.0	0.0

2.A. Summary of Base Request by Strategy

9/1/2022 8:50:15PM

88th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

Goal / Objective / STRATEGY	Exp 2021	Est 2022	Bud 2023	Req 2024	Req 2025
1 Administer Comprehensive and Actuarially Sound Retirement Programs					
1 <i>Ensure Actuarially Sound Retirement Programs</i>					
1 ERS RETIREMENT PROGRAM	673,554,590	677,020,738	697,733,706	697,733,706	697,733,706
2 LECOS RETIREMENT PROGRAM	7,932,269	8,749,839	9,701,260	9,701,260	9,701,260
3 JUDICIAL RETIREMENT SYSTEM - PLAN 2	14,339,980	14,326,566	14,243,274	14,243,274	14,243,274
4 JUDICIAL RETIREMENT SYSTEM - PLAN 1	18,525,660	16,725,890	16,664,760	16,664,760	16,664,760
5 PUBLIC SAFETY DEATH BENEFITS	29,102,818	35,708,426	51,866,100	51,866,100	51,866,100
6 RETIREE DEATH BENEFITS	11,886,006	10,686,966	13,750,000	13,750,000	13,750,000
7 LEGACY PAYMENTS	0	516,866,616	319,778,245	510,000,000	510,000,000
TOTAL, GOAL 1	\$755,341,323	\$1,280,085,041	\$1,123,737,345	\$1,313,959,100	\$1,313,959,100
2 Provide Employees and Retirees with Quality Group Benefits					
1 <i>Manage GBP for State and Higher Education Employees</i>					
1 GROUP BENEFITS PROGRAM	1,935,610,558	1,890,083,976	2,056,793,672	2,056,793,672	2,056,793,672

2.A. Summary of Base Request by Strategy

9/1/2022 8:50:15PM

88th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (AREST)

327 Employees Retirement System

Goal / Objective / STRATEGY	Exp 2021	Est 2022	Bud 2023	Req 2024	Req 2025
2 PROBATION HEALTH INSURANCE	69,519,574	69,952,952	72,258,216	72,258,216	72,258,216
TOTAL, GOAL 2	\$2,005,130,132	\$1,960,036,928	\$2,129,051,888	\$2,129,051,888	\$2,129,051,888
TOTAL, AGENCY STRATEGY REQUEST	\$2,760,471,455	\$3,240,121,969	\$3,252,789,233	\$3,443,010,988	\$3,443,010,988
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				\$0	\$0
GRAND TOTAL, AGENCY REQUEST	\$2,760,471,455	\$3,240,121,969	\$3,252,789,233	\$3,443,010,988	\$3,443,010,988

2.A. Summary of Base Request by Strategy

9/1/2022 8:50:15PM

88th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

Goal / Objective / STRATEGY	Exp 2021	Est 2022	Bud 2023	Req 2024	Req 2025
<u>METHOD OF FINANCING:</u>					
General Revenue Funds:					
1 General Revenue Fund	1,911,179,549	2,305,657,903	2,211,868,626	2,330,698,626	2,330,698,626
SUBTOTAL	\$1,911,179,549	\$2,305,657,903	\$2,211,868,626	\$2,330,698,626	\$2,330,698,626
General Revenue Dedicated Funds:					
994 GR Dedicated Accounts	105,361,365	146,971,436	188,444,938	185,865,847	185,865,847
SUBTOTAL	\$105,361,365	\$146,971,436	\$188,444,938	\$185,865,847	\$185,865,847
Federal Funds:					
555 Federal Funds	438,153,647	427,364,872	457,256,241	536,069,625	536,069,625
SUBTOTAL	\$438,153,647	\$427,364,872	\$457,256,241	\$536,069,625	\$536,069,625
Other Funds:					
6 State Highway Fund	277,129,137	329,146,208	350,533,381	350,533,381	350,533,381
573 Judicial Fund	4,209,973	4,206,280	4,181,582	4,181,582	4,181,582
998 Other Special State Funds	24,437,784	26,775,270	40,504,465	35,661,927	35,661,927
SUBTOTAL	\$305,776,894	\$360,127,758	\$395,219,428	\$390,376,890	\$390,376,890
TOTAL, METHOD OF FINANCING	\$2,760,471,455	\$3,240,121,969	\$3,252,789,233	\$3,443,010,988	\$3,443,010,988

*Rider appropriations for the historical years are included in the strategy amounts.

2.B. Summary of Base Request by Method of Finance

9/1/2022 8:50:15PM

88th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: **327**

Agency name: **Employees Retirement System**

METHOD OF FINANCING	Exp 2021	Est 2022	Bud 2023	Req 2024	Req 2025
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GENERAL REVENUE

1 General Revenue Fund

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2020-21 GAA)

\$1,959,750,113	\$0	\$0	\$0	\$0
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Regular Appropriations from MOF Table (2022-23 GAA)

\$0	\$1,940,712,246	\$1,962,753,215	\$0	\$0
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Estimated Appropriation Revision

\$16,081,149	\$14,970,714	\$29,309,591	\$0	\$0
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Regular Appropriations

\$0	\$0	\$0	\$2,330,698,626	\$2,330,698,626
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RIDER APPROPRIATION

Art IX, Sec. 18.25 Contingency for HB 2384 (86R, 2019)

\$2,053,628	\$0	\$0	\$0	\$0
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Art IX, Sec. 18.57 Contingency for SB 1264 (86R, 2019)

\$4,824,187	\$0	\$0	\$0	\$0
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2.B. Summary of Base Request by Method of Finance
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

9/1/2022 8:50:15PM

Agency code: **327**

Agency name: **Employees Retirement System**

METHOD OF FINANCING	Exp 2021	Est 2022	Bud 2023	Req 2024	Req 2025
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GENERAL REVENUE

Art IX, Sec. 18.50 Contingency for SB 1071 (87R, 2021)

\$0	\$552,605	\$552,605	\$0	\$0
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Art IX Sec. 18.28 Contingency for SB3 weather emergencies resulting in an increase for retirement & group insurance for Railroad Commission

\$0	\$1,733,215	\$1,733,215	\$0	\$0
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SUPPLEMENTAL, SPECIAL OR EMERGENCY APPROPRIATIONS

HB 2, Sec. 46 Contingency for SB 321 (87R, 2021)

\$0	\$339,150,000	\$339,150,000	\$0	\$0
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HB 2, Sec. 46, Contingency for SB 321 87th R 2021 Revision to Legacy Payment

\$0	\$118,830,000	\$(118,830,000)	\$0	\$0
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Comments: Additional GR received in 2022 as determination made regarding federal and other funds

LAPSED APPROPRIATIONS

Regular Appropriations from MOF Table (2020-21 GAA)

\$(71,529,528)	\$0	\$0	\$0	\$0
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2.B. Summary of Base Request by Method of Finance
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

9/1/2022 8:50:15PM

Agency code: **327** Agency name: **Employees Retirement System**

METHOD OF FINANCING		Exp 2021	Est 2022	Bud 2023	Req 2024	Req 2025
<u>GENERAL REVENUE</u>						
Regular Appropriations from MOF Table (2022-23 GAA)		\$0	\$(110,290,877)	\$(2,800,000)	\$0	\$0
TOTAL,	General Revenue Fund	\$1,911,179,549	\$2,305,657,903	\$2,211,868,626	\$2,330,698,626	\$2,330,698,626
TOTAL, ALL	GENERAL REVENUE	\$1,911,179,549	\$2,305,657,903	\$2,211,868,626	\$2,330,698,626	\$2,330,698,626

GENERAL REVENUE FUND - DEDICATED

994 General Revenue Dedicated Accounts
REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2020-21 GAA)		\$109,428,625	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2022-23 GAA)		\$0	\$148,097,503	\$151,085,646	\$0	\$0
Estimated Appropriation Revision		\$0	\$7,009,998	\$8,770,201	\$0	\$0
Regular Appropriations						

2.B. Summary of Base Request by Method of Finance
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

9/1/2022 8:50:15PM

Agency code: **327**

Agency name: **Employees Retirement System**

METHOD OF FINANCING	Exp 2021	Est 2022	Bud 2023	Req 2024	Req 2025
<u>GENERAL REVENUE FUND - DEDICATED</u>	\$0	\$0	\$0	\$185,865,847	\$185,865,847
<i>RIDER APPROPRIATION</i>					
Art IX, Sec. 18.57 Contingency for SB 1264 (86R, 2019)	\$268,377	\$0	\$0	\$0	\$0
<i>SUPPLEMENTAL, SPECIAL OR EMERGENCY APPROPRIATIONS</i>					
HB 2, Sec. 46 Contingency for SB 321 (87R, 2021)	\$0	\$26,010,000	\$26,010,000	\$0	\$0
HB2, Sec. 46 Contingecy for SB 321 (87th R, 2021) Revision to Legacy Payment	\$0	\$(26,010,000)	\$2,579,091	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2020-21 GAA)	\$(4,335,637)	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2022-23 GAA)	\$0	\$(8,136,065)	\$0	\$0	\$0

2.B. Summary of Base Request by Method of Finance
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

9/1/2022 8:50:15PM

METHOD OF FINANCING	Exp 2021	Est 2022	Bud 2023	Req 2024	Req 2025
Agency code: 327 Agency name: Employees Retirement System					
<u>FEDERAL FUNDS</u>					
	\$33,682	\$0	\$0	\$0	\$0
Art IX, Sec. 18.57 Contingency for SB 1264 (86R, 2019)	\$1,159,700	\$0	\$0	\$0	\$0
<i>SUPPLEMENTAL, SPECIAL OR EMERGENCY APPROPRIATIONS</i>					
HB 2, Sec. 46 Contingency for SB 321 (87R, 2021)	\$0	\$85,680,000	\$85,680,000	\$0	\$0
HB 2, Sec. 46 Contingency for SB321 87th R 2021 Revision to Legacy Payment	\$0	\$(78,813,384)	\$(78,813,384)	\$0	\$0
Comments: Unclear to what extent federal funds will be received. Funding for the full legacy payment for FY23 is still needed					
<i>LAPSED APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2020-21 GAA)	\$(15,771,338)	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2022-23 GAA)	\$0	\$(25,019,414)	\$0	\$0	\$0

2.B. Summary of Base Request by Method of Finance
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

9/1/2022 8:50:15PM

Agency code: **327**

Agency name: **Employees Retirement System**

METHOD OF FINANCING	Exp 2021	Est 2022	Bud 2023	Req 2024	Req 2025
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OTHER FUNDS

SUPPLEMENTAL, SPECIAL OR EMERGENCY APPROPRIATIONS

HB 2, Sec. 46 Contingency for SB 321 (87R, 2021)

\$0	\$52,020,000	\$52,020,000	\$0	\$0
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LAPSED APPROPRIATIONS

Regular Appropriations from MOF Table (2020-21 GAA)

\$(10,400,118)	\$0	\$0	\$0	\$0
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Regular Appropriations from MOF Table (2022-23 GAA)

\$0	\$(16,507,060)	\$0	\$0	\$0
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TOTAL, State Highway Fund No. 006	\$277,129,137	\$329,146,208	\$350,533,381	\$350,533,381	\$350,533,381
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573 Judicial Fund No. 573

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2020-21 GAA)

\$4,181,582	\$0	\$0	\$0	\$0
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Regular Appropriations from MOF Table (2022-23 GAA)

\$0	\$4,181,582	\$4,181,582	\$0	\$0
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2.B. Summary of Base Request by Method of Finance
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

9/1/2022 8:50:15PM

Agency code: **327**

Agency name: **Employees Retirement System**

METHOD OF FINANCING	Exp 2021	Est 2022	Bud 2023	Req 2024	Req 2025
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OTHER FUNDS

Estimated Appropriation Revision

	\$28,391	\$24,698	\$0	\$0	\$0
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Regular Appropriations

	\$0	\$0	\$0	\$4,181,582	\$4,181,582
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TOTAL, Judicial Fund No. 573

	\$4,209,973	\$4,206,280	\$4,181,582	\$4,181,582	\$4,181,582
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998 Other Special State Funds

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2020-21 GAA)

	\$25,153,135	\$0	\$0	\$0	\$0
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Regular Appropriations from MOF Table (2022-23 GAA)

	\$0	\$28,252,226	\$28,521,927	\$0	\$0
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Regular Appropriations

	\$0	\$0	\$0	\$35,661,927	\$35,661,927
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RIDER APPROPRIATION

2.B. Summary of Base Request by Method of Finance
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

9/1/2022 8:50:15PM

Agency code: **327**

Agency name: **Employees Retirement System**

METHOD OF FINANCING		Exp 2021	Est 2022	Bud 2023	Req 2024	Req 2025
<u>OTHER FUNDS</u>						
Art IX, Sec. 18.57 Contingency for SB 1264 (86R, 2019)						
		\$56,750	\$0	\$0	\$0	\$0
<i>SUPPLEMENTAL, SPECIAL OR EMERGENCY APPROPRIATIONS</i>						
HB 2, Sec. 46 Contingency for SB 321 (87R, 2021)						
		\$0	\$7,140,000	\$7,140,000	\$0	\$0
HB2, Sec. 46, Contingency for SB321 87thR 2021 Revision to Legacy Payment						
		\$0	\$(7,140,000)	\$4,842,538	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>						
Regular Appropriations from MOF Table (2020-21 GAA)						
		\$(772,101)	\$0	\$0	\$0	\$0
Regular Appropriations from MOF Table (2022-23 GAA)						
		\$0	\$(1,476,956)	\$0	\$0	\$0
TOTAL,	Other Special State Funds	\$24,437,784	\$26,775,270	\$40,504,465	\$35,661,927	\$35,661,927
TOTAL, ALL	OTHER FUNDS	\$305,776,894	\$360,127,758	\$395,219,428	\$390,376,890	\$390,376,890

2.B. Summary of Base Request by Method of Finance

9/1/2022 8:50:15PM

88th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: **327**

Agency name: **Employees Retirement System**

METHOD OF FINANCING	Exp 2021	Est 2022	Bud 2023	Req 2024	Req 2025
GRAND TOTAL	\$2,760,471,455	\$3,240,121,969	\$3,252,789,233	\$3,443,010,988	\$3,443,010,988

FULL-TIME-EQUIVALENT POSITIONS

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2020-21 GAA)	408.5	0.0	0.0	0.0	0.0
Regular Appropriations from MOF Table (2022-23 GAA)	0.0	415.0	415.0	0.0	0.0
Regular Appropriations from MOF Table (2024-25 GAA)	0.0	0.0	0.0	436.0	436.0

LAPSED APPROPRIATIONS

Regular Appropriations from MOF Table (2020-21 GAA)	(7.4)	(4.0)	0.0	0.0	0.0
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REQUEST TO EXCEED ADJUSTMENTS

Request to Exceed Adjustments (2022-2023 GAA)	0.0	0.0	9.0	0.0	0.0
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TOTAL, ADJUSTED FTES	401.1	411.0	424.0	436.0	436.0
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**NUMBER OF 100% FEDERALLY FUNDED
FTEs**

2.C. Summary of Base Request by Object of Expense
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

9/2/2022 2:16:58PM

327 Employees Retirement System

OBJECT OF EXPENSE	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
1002 OTHER PERSONNEL COSTS	\$2,719,482,631	\$3,193,726,577	\$3,187,173,133	\$3,377,394,888	\$3,377,394,888
3001 CLIENT SERVICES	\$40,988,824	\$46,395,392	\$65,616,100	\$65,616,100	\$65,616,100
OOE Total (Excluding Riders)	\$2,760,471,455	\$3,240,121,969	\$3,252,789,233	\$3,443,010,988	\$3,443,010,988
OOE Total (Riders)					
Grand Total	\$2,760,471,455	\$3,240,121,969	\$3,252,789,233	\$3,443,010,988	\$3,443,010,988

2.D. Summary of Base Request Objective Outcomes
88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation system of Texas (ABEST)

9/1/2022 8:50:16PM

327 Employees Retirement System

Goal/ Objective / Outcome	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
1 Administer Comprehensive and Actuarially Sound Retirement Programs 1 <i>Ensure Actuarially Sound Retirement Programs</i>					
KEY 1 % of ERS Retirees Expressing Satisfaction with Member Benefit Services	98.01%	97.00%	97.00%	97.00%	97.00%
2 # of Years to Amortize the ERS Unfunded Actuarial Accrued Liability	33.00	32.00	31.00	30.00	29.00
3 # Years to Amortize the LECOS Unfunded Actuarial Accrued Liability	999,999,999.00	999,999,999.00	999,999,999.00	999,999,999.00	999,999,999.00
4 # of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability	999,999,999.00	999,999,999.00	999,999,999.00	999,999,999.00	999,999,999.00
5 ERS Time-weighted Rate of Return (5 Year Rolling Basis)	11.17%	7.00%	7.00%	7.00%	7.00%
6 ERS Annual Operating Expense Per Member	54.35	62.00	62.00	62.00	62.00
KEY 7 Investment Expense as Basis Points of Net Position	12.00	16.00	16.00	16.00	16.00
8 Percent of Time the ERS On-line System is Available to Customers	98.44%	98.00%	98.00%	98.00%	98.00%
2 Provide Employees and Retirees with Quality Group Benefits 1 <i>Manage GBP for State and Higher Education Employees</i>					
KEY 1 Percent of HealthSelect Participants Satisfied with TPA Services	90.20%	85.00%	85.00%	85.00%	85.00%

2.E. Summary of Exceptional Items Request
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022
 TIME : 8:50:16PM

Agency code: 327

Agency name: **Employees Retirement System**

Priority	Item	2024			2025			Biennium	
		GR and GR/GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds
1	Cover Normal Costs	\$21,595,925	\$22,664,387		\$21,595,925	\$22,664,387		\$43,191,850	\$45,328,774
2	Address Unfunded Liabilities	\$855,000,000	\$855,000,000		\$0	\$0		\$855,000,000	\$855,000,000
3	Legacy Payment Method of Finance	\$85,680,000	\$0		\$85,680,000	\$0		\$171,360,000	\$0
Total, Exceptional Items Request		\$962,275,925	\$877,664,387		\$107,275,925	\$22,664,387		\$1,069,551,850	\$900,328,774

Method of Financing

General Revenue	\$961,879,417	\$961,879,417		\$106,879,417	\$106,879,417		\$1,068,758,834	\$1,068,758,834
General Revenue - Dedicated	396,508	396,508		396,508	396,508		793,016	793,016
Federal Funds		(85,569,166)			(85,569,166)			(171,138,332)
Other Funds		957,628			957,628			1,915,256
	\$962,275,925	\$877,664,387		\$107,275,925	\$22,664,387		\$1,069,551,850	\$900,328,774

Full Time Equivalent Positions

Number of 100% Federally Funded FTEs

2.F. Summary of Total Request by Strategy
88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE : 9/1/2022
TIME : 8:50:17PM

Agency code: 327 Agency name: Employees Retirement System

Goal/Objective/STRATEGY	Base 2024	Base 2025	Exceptional 2024	Exceptional 2025	Total Request 2024	Total Request 2025
1 Administer Comprehensive and Actuarially Sound Retirement Program						
1 <i>Ensure Actuarially Sound Retirement Programs</i>						
1 ERS RETIREMENT PROGRAM	\$697,733,706	\$697,733,706	\$0	\$0	\$697,733,706	\$697,733,706
2 LECOS RETIREMENT PROGRAM	9,701,260	9,701,260	769,402,520	19,402,520	779,103,780	29,103,780
3 JUDICIAL RETIREMENT SYSTEM - PLAN 2	14,243,274	14,243,274	108,261,867	3,261,867	122,505,141	17,505,141
4 JUDICIAL RETIREMENT SYSTEM - PLAN 1	16,664,760	16,664,760	0	0	16,664,760	16,664,760
5 PUBLIC SAFETY DEATH BENEFITS	51,866,100	51,866,100	0	0	51,866,100	51,866,100
6 RETIREE DEATH BENEFITS	13,750,000	13,750,000	0	0	13,750,000	13,750,000
7 LEGACY PAYMENTS	510,000,000	510,000,000	0	0	510,000,000	510,000,000
TOTAL, GOAL 1	\$1,313,959,100	\$1,313,959,100	\$877,664,387	\$22,664,387	\$2,191,623,487	\$1,336,623,487

2.F. Summary of Total Request by Strategy
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 9/1/2022
 TIME : 8:50:17PM

Agency code: 327		Agency name: Employees Retirement System				
<i>Goal/Objective/STRATEGY</i>	Base 2024	Base 2025	Exceptional 2024	Exceptional 2025	Total Request 2024	Total Request 2025
2 Provide Employees and Retirees with Quality Group Benefits						
1 <i>Manage GBP for State and Higher Education Employees</i>						
1 GROUP BENEFITS PROGRAM	\$2,056,793,672	\$2,056,793,672	\$0	\$0	\$2,056,793,672	\$2,056,793,672
2 PROBATION HEALTH INSURANCE	72,258,216	72,258,216	0	0	72,258,216	72,258,216
TOTAL, GOAL 2	\$2,129,051,888	\$2,129,051,888	\$0	\$0	\$2,129,051,888	\$2,129,051,888
TOTAL, AGENCY STRATEGY REQUEST	\$3,443,010,988	\$3,443,010,988	\$877,664,387	\$22,664,387	\$4,320,675,375	\$3,465,675,375
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST						
GRAND TOTAL, AGENCY REQUEST	\$3,443,010,988	\$3,443,010,988	\$877,664,387	\$22,664,387	\$4,320,675,375	\$3,465,675,375

2.F. Summary of Total Request by Strategy
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 9/1/2022
 TIME : 8:50:17PM

Agency code: 327		Agency name: Employees Retirement System				
Goal/Objective/STRATEGY	Base 2024	Base 2025	Exceptional 2024	Exceptional 2025	Total Request 2024	Total Request 2025
General Revenue Funds:						
1 General Revenue Fund	\$2,330,698,626	\$2,330,698,626	\$961,879,417	\$106,879,417	\$3,292,578,043	\$2,437,578,043
	\$2,330,698,626	\$2,330,698,626	\$961,879,417	\$106,879,417	\$3,292,578,043	\$2,437,578,043
General Revenue Dedicated Funds:						
994 GR Dedicated Accounts	185,865,847	185,865,847	396,508	396,508	186,262,355	186,262,355
	\$185,865,847	\$185,865,847	\$396,508	\$396,508	\$186,262,355	\$186,262,355
Federal Funds:						
555 Federal Funds	536,069,625	536,069,625	(85,569,166)	(85,569,166)	450,500,459	450,500,459
	\$536,069,625	\$536,069,625	\$(85,569,166)	\$(85,569,166)	\$450,500,459	\$450,500,459
Other Funds:						
6 State Highway Fund	350,533,381	350,533,381	0	0	350,533,381	350,533,381
573 Judicial Fund	4,181,582	4,181,582	0	0	4,181,582	4,181,582
998 Other Special State Funds	35,661,927	35,661,927	957,628	957,628	36,619,555	36,619,555
	\$390,376,890	\$390,376,890	\$957,628	\$957,628	\$391,334,518	\$391,334,518
TOTAL, METHOD OF FINANCING	\$3,443,010,988	\$3,443,010,988	\$877,664,387	\$22,664,387	\$4,320,675,375	\$3,465,675,375
FULL TIME EQUIVALENT POSITIONS	436.0	436.0	0.0	0.0	436.0	436.0

2.G. Summary of Total Request Objective Outcomes
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation system of Texas (ABEST)

Date : 9/1/2022
 Time: 8:50:17PM

Agency code: 327 Agency name: Employees Retirement System

Goal/ Objective / Outcome	BL 2024	BL 2025	Excp 2024	Excp 2025	Total Request 2024	Total Request 2025
1 Administer Comprehensive and Actuarially Sound Retirement Programs						
1 <i>Ensure Actuarially Sound Retirement Programs</i>						
KEY 1 % of ERS Retirees Expressing Satisfaction with Member Benefit Services						
	97.00%	97.00%			97.00%	97.00%
2 # of Years to Amortize the ERS Unfunded Actuarial Accrued Liability						
	30.00	29.00	30.00	29.00	30.00	29.00
3 # Years to Amortize the LECOS Unfunded Actuarial Accrued Liability						
	999,999,999.00	999,999,999.00	1.00	1.00	1.00	1.00
4 # of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability						
	999,999,999.00	999,999,999.00	1.00	1.00	1.00	1.00
5 ERS Time-weighted Rate of Return (5 Year Rolling Basis)						
	7.00%	7.00%			7.00%	7.00%
6 ERS Annual Operating Expense Per Member						
	62.00	62.00			62.00	62.00
KEY 7 Investment Expense as Basis Points of Net Position						
	16.00	16.00			16.00	16.00
8 Percent of Time the ERS On-line System is Available to Customers						
	98.00%	98.00%			98.00%	98.00%
2 Provide Employees and Retirees with Quality Group Benefits						

2.G. Summary of Total Request Objective Outcomes

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation system of Texas (ABEST)

Date : 9/1/2022

Time: 8:50:17PM

Agency code: 327

Agency name: Employees Retirement System

Goal/ Objective / Outcome

	BL 2024	BL 2025	Excp 2024	Excp 2025	Total Request 2024	Total Request 2025
1 <i>Manage GBP for State and Higher Education Employees</i>						
KEY 1 Percent of HealthSelect Participants Satisfied with TPA Services	85.00%	85.00%			85.00%	85.00%



3.A. Strategy Request

88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 1 Provide Retirement Program for Employees and Retirees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
Output Measures:						
1	Number of ERS Annuitants Added to Annuity Payroll	5,078.00	6,287.00	6,349.00	6,412.00	6,476.00
KEY 2	Number of ERS Accounts Maintained	282,177.00	285,000.00	290,000.00	295,000.00	300,000.00
Explanatory/Input Measures:						
1	Number of ERS Annuitants	116,469.00	118,615.00	120,987.00	123,407.00	125,875.00
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$673,554,590	\$677,020,738	\$697,733,706	\$697,733,706	\$697,733,706
TOTAL, OBJECT OF EXPENSE		\$673,554,590	\$677,020,738	\$697,733,706	\$697,733,706	\$697,733,706
Method of Financing:						
1	General Revenue Fund	\$459,583,336	\$451,947,406	\$465,470,794	\$465,470,794	\$465,470,794
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$459,583,336	\$451,947,406	\$465,470,794	\$465,470,794	\$465,470,794
Method of Financing:						
994	GR Dedicated Accounts	\$27,332,660	\$34,102,020	\$35,443,658	\$35,443,658	\$35,443,658
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$27,332,660	\$34,102,020	\$35,443,658	\$35,443,658	\$35,443,658
Method of Financing:						
555	Federal Funds					

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 1 Provide Retirement Program for Employees and Retirees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
	00.327.001 ERS Retirement	\$114,460,430	\$112,367,844	\$115,752,344	\$115,752,344	\$115,752,344
CFDA Subtotal, Fund	555	\$114,460,430	\$112,367,844	\$115,752,344	\$115,752,344	\$115,752,344
SUBTOTAL, MOF (FEDERAL FUNDS)		\$114,460,430	\$112,367,844	\$115,752,344	\$115,752,344	\$115,752,344
Method of Financing:						
6	State Highway Fund	\$63,571,430	\$69,216,971	\$71,458,905	\$71,458,905	\$71,458,905
998	Other Special State Funds	\$8,606,734	\$9,386,497	\$9,608,005	\$9,608,005	\$9,608,005
SUBTOTAL, MOF (OTHER FUNDS)		\$72,178,164	\$78,603,468	\$81,066,910	\$81,066,910	\$81,066,910
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$697,733,706	\$697,733,706
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$673,554,590	\$677,020,738	\$697,733,706	\$697,733,706	\$697,733,706
FULL TIME EQUIVALENT POSITIONS:		401.1	411.0	424.0	436.0	436.0
STRATEGY DESCRIPTION AND JUSTIFICATION:						

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 1 Provide Retirement Program for Employees and Retirees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
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The Employees Retirement System of Texas (ERS) is the administrative body for the State Employees Retirement Plan; authorized by Article XVI, Section 67(b) 3, Texas Constitution, and governed by Title 8, Subtitle B, and Texas Government Code. The retirement program administered by the ERS is a defined benefit retirement plan and covers employees of most state agencies, statewide elected officials, and legislators. ERS member contribution rate is assumed at the current rate of 9.5% of salary for 2024 and 2025 for employees hired before September 1, 2022. The member contribution rate for employees who begin state service after September 1, 2022 is 6%. The state contributes 9.5% of gross payroll each year of the biennium. Employing state agencies contribute 0.5% of their gross payroll each year of the biennium. These contributions are held in the trust and combined with investment earning to fund retirement benefits.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

ERS is a pre-funded defined benefit retirement plan. An actuarial valuation is conducted each year which examines annual experience and projects future funding based on actuarial assumptions. Any significant deviation between future experience and actuarial assumptions can affect the outcome of these projections. The Legacy Payment is a critical component of the funding for the ERS Retirement Plan. Combined with on-going member, state and agency contributions, the legacy payment eliminates the current unfunded liability on or before 2054. SB321, 87th Regular Session created a new defined cash balance benefit for employees who begin service on or after September 1, 2022, reducing the risk of future significant unfunded liabilities.

The above funding request assumes state contributions of 9.5% of payroll in both years of the biennium. No growth in payroll is assumed. The appropriation is requested to be “estimated” since it is payroll driven. The above funding request does not include the agency contributions of 0.5% of payroll which are included in the individual agencies’ appropriations nor member contributions.

The method of finance reflects proportionality as provided by the LBB.

3.A. Strategy Request

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 1 Provide Retirement Program for Employees and Retirees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
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EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL CHANGE	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2022 + Bud 2023)	Baseline Request (BL 2024 + BL 2025)		\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$1,374,754,444	\$1,395,467,412	\$20,712,968	\$20,712,968	FY 2023 projected contributions were used for each year of the 2024-25 biennium with no growth assumed.
			<u>\$20,712,968</u>	Total of Explanation of Biennial Change

3.A. Strategy Request

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 2 Provide Retirement Program for Law Enf and Corr Officers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
Output Measures:						
1	Number of LECOS Annuitants Added to Annuity Payroll	866.00	997.00	1,007.00	1,017.00	1,027.00
2	Number of LECOS Accounts Maintained	67,065.00	68,275.00	69,555.00	70,755.00	71,955.00
Explanatory/Input Measures:						
1	Number of LECOS Annuitants	15,962.00	16,578.00	16,910.00	17,248.00	17,593.00
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$7,932,269	\$8,749,839	\$9,701,260	\$9,701,260	\$9,701,260
TOTAL, OBJECT OF EXPENSE		\$7,932,269	\$8,749,839	\$9,701,260	\$9,701,260	\$9,701,260
Method of Financing:						
1	General Revenue Fund	\$7,706,464	\$8,537,531	\$9,447,589	\$9,447,589	\$9,447,589
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$7,706,464	\$8,537,531	\$9,447,589	\$9,447,589	\$9,447,589
Method of Financing:						
994	GR Dedicated Accounts	\$175,243	\$165,584	\$198,254	\$198,254	\$198,254
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$175,243	\$165,584	\$198,254	\$198,254	\$198,254
Method of Financing:						
555	Federal Funds					

3.A. Strategy Request

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 2 Provide Retirement Program for Law Enf and Corr Officers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
	00.327.003 LECOS Retirement	\$50,562	\$46,724	\$55,417	\$55,417	\$55,417
CFDA Subtotal, Fund	555	\$50,562	\$46,724	\$55,417	\$55,417	\$55,417
SUBTOTAL, MOF (FEDERAL FUNDS)		\$50,562	\$46,724	\$55,417	\$55,417	\$55,417
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$9,701,260	\$9,701,260
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$7,932,269	\$8,749,839	\$9,701,260	\$9,701,260	\$9,701,260

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

The ERS is the administrator of the Law Enforcement and Custodial Officer Supplemental Retirement Fund Plan(LECOSRF). The program provides supplemental retirement benefits to certain certified peace officers or custodial officers as specified in Texas Government Code, Title 8, Subtitle B. The LECOSRF provides an enhanced benefit to address physical hazards associated with eligible certified peace officer, custodial officer and correctional officer positions. Current state and member contributions do not cover normal costs and no contributions are available to amortize unfunded liabilities.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 2 Provide Retirement Program for Law Enf and Corr Officers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
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LECOSRF is a pre-funded defined benefit retirement plan. An actuarial valuation is conducted each year which examines annual experience and projects future funding based on actuarial assumptions. Any significant deviation between future experience and actuarial assumptions can affect the outcome of these projections. Among the many factors that can affect the program are: growth of the covered employee population, across the board pay raises that are above or below assumptions, significant turns in the investment markets and retirement rates that are different from the assumptions, such as accelerated retirements as a result of a retirement incentive program.

The above funding request assumes 0.5% state contribution, \$15 million in court fees and member contributions with no growth in payroll for Fiscal Years 2024 and 2025.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2022 + Bud 2023)	Baseline Request (BL 2024 + BL 2025)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$18,451,099	\$19,402,520	\$951,421	\$951,421	FY 2023 projected contributions were used for each year of the 2024-25 biennium with no growth assumed.
			\$951,421	Total of Explanation of Biennial Change

3.A. Strategy Request

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 3 Provide Retirement Program for State Judicial Officers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
Output Measures:						
1	Number of JRS-2 Annuitants Added to Annuity Payroll	53.00	22.00	55.00	20.00	55.00
2	Number of JRS-2 Accounts Maintained	813.00	825.00	855.00	870.00	900.00
Explanatory/Input Measures:						
1	Number of JRS-2 Annuitants	549.00	555.00	599.00	604.00	652.00
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$14,339,980	\$14,326,566	\$14,243,274	\$14,243,274	\$14,243,274
TOTAL, OBJECT OF EXPENSE		\$14,339,980	\$14,326,566	\$14,243,274	\$14,243,274	\$14,243,274
Method of Financing:						
1	General Revenue Fund	\$10,130,007	\$10,120,286	\$10,061,692	\$10,061,692	\$10,061,692
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$10,130,007	\$10,120,286	\$10,061,692	\$10,061,692	\$10,061,692
Method of Financing:						
573	Judicial Fund	\$4,209,973	\$4,206,280	\$4,181,582	\$4,181,582	\$4,181,582
998	Other Special State Funds	\$0	\$0	\$0	\$0	\$0
SUBTOTAL, MOF (OTHER FUNDS)		\$4,209,973	\$4,206,280	\$4,181,582	\$4,181,582	\$4,181,582

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 3 Provide Retirement Program for State Judicial Officers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025	
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)						\$14,243,274	\$14,243,274
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$14,339,980	\$14,326,566	\$14,243,274	\$14,243,274	\$14,243,274	

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

The ERS is the administrator of the Judicial Retirement System of Texas, Plan Two (JRS 2), created under Article XVI, Section 67 of the Texas Constitution and governed by Title 8, Subtitle E, Texas Government Code. This strategy is part of the ERS goal of administering comprehensive and actuarially sound retirement programs. JRS 2 is a prefunded defined benefit plan that covers state judicial officers who first took office on or after September 1, 1985. Under Sections 840.103 and 840.106, Texas Government Code, combined state and member contributions should be sufficient to finance any liability over a period that does not exceed 30 years by one or more years. Current state and member contributions do not cover normal cost and no contributions are available to amortize unfunded actuarial liabilities.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 3 Provide Retirement Program for State Judicial Officers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
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The JRS 2 program is a defined benefit pension plan. The funding needs of a defined benefit program is calculated by making actuarial assumptions about the future demographics of the covered employee group and about trust fund investment earnings. Any significant deviation between experience and actuarial assumptions can affect the funding calculation. A few of the many factors which can affect the program include pay raises for judicial officers, significant turns in the investment markets, and legislation which increases the number of covered positions.

The above funding request assumes state contributions of 15.663% of payroll and member contributions of 9.5%. The appropriation is requested to be “estimated” since it is payroll driven.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
<u>Base Spending (Est 2022 + Bud 2023)</u>	<u>Baseline Request (BL 2024 + BL 2025)</u>	<u>CHANGE</u>	<u>\$ Amount</u>	<u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>
\$28,569,840	\$28,486,548	\$(83,292)	\$(83,292)	FY 2023 projected contributions were used for each year of the 2024-25 biennium with no growth assumed.
			\$(83,292)	Total of Explanation of Biennial Change

3.A. Strategy Request

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 4 Provide Payment of JRS-1 Benefits as Required by Law. Estimated. Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
Output Measures:						
1	Number of JRS-1 Annuitants Added to Annuity Payroll	10.00	10.00	10.00	10.00	10.00
2	Number of JRS-1 Accounts Maintained	10.00	10.00	10.00	10.00	10.00
Explanatory/Input Measures:						
1	Number of JRS-1 Annuitants	285.00	274.00	263.00	253.00	242.00
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$18,525,660	\$16,725,890	\$16,664,760	\$16,664,760	\$16,664,760
TOTAL, OBJECT OF EXPENSE		\$18,525,660	\$16,725,890	\$16,664,760	\$16,664,760	\$16,664,760
Method of Financing:						
1	General Revenue Fund	\$18,525,660	\$16,725,890	\$16,664,760	\$16,664,760	\$16,664,760
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$18,525,660	\$16,725,890	\$16,664,760	\$16,664,760	\$16,664,760
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$16,664,760	\$16,664,760
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$18,525,660	\$16,725,890	\$16,664,760	\$16,664,760	\$16,664,760
FULL TIME EQUIVALENT POSITIONS:						

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 4 Provide Payment of JRS-1 Benefits as Required by Law. Estimated. Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
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STRATEGY DESCRIPTION AND JUSTIFICATION:

The ERS is the administrative body for the Judicial Retirement System of Texas Plan One (JRS 1), created under Article XVI, Section 67, Texas Constitution, and governed by Title B, Subtitle D, Texas Government Code. Benefits under JRS 1 are paid by direct appropriation from General Revenue. State Judicial officers who first held office before September 1, 1985 are eligible for membership in the 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.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

External Factors affecting the JRS 1 program include pay raises for state judicial officers and the demographics of the Plan’s membership.

Funding for Fiscal Years 2024 and 2025 is requested at the projected FY23 level. The appropriation is requested to be “estimated” since it is a pay-as-you-go plan.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2022 + Bud 2023)	Baseline Request (BL 2024 + BL 2025)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$33,390,650	\$33,329,520	\$(61,130)	\$(61,130)	FY 2023 projected contributions were used for each year of the 2024-25 biennium with no growth assumed.
			\$(61,130)	Total of Explanation of Biennial Change

3.A. Strategy Request

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 5 Provide Benefits to Beneficiaries of Public Safety Workers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
Output Measures:						
1	Number of Death Benefit Claims Processed	71.00	55.00	63.00	63.00	63.00
2	Number of Beneficiaries Receiving Benefits	144.00	163.00	179.00	197.00	217.00
Objects of Expense:						
3001	CLIENT SERVICES	\$29,102,818	\$35,708,426	\$51,866,100	\$51,866,100	\$51,866,100
TOTAL, OBJECT OF EXPENSE		\$29,102,818	\$35,708,426	\$51,866,100	\$51,866,100	\$51,866,100
Method of Financing:						
1	General Revenue Fund	\$25,602,818	\$24,502,104	\$38,899,575	\$38,899,575	\$38,899,575
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$25,602,818	\$24,502,104	\$38,899,575	\$38,899,575	\$38,899,575
Method of Financing:						
994	GR Dedicated Accounts	\$3,500,000	\$11,206,322	\$12,966,525	\$12,966,525	\$12,966,525
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$3,500,000	\$11,206,322	\$12,966,525	\$12,966,525	\$12,966,525

3.A. Strategy Request

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 5 Provide Benefits to Beneficiaries of Public Safety Workers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$51,866,100	\$51,866,100
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$29,102,818	\$35,708,426	\$51,866,100	\$51,866,100	\$51,866,100

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

Chapter 615 Texas Government Code provides for a lump sum payment by the state, plus monthly dependent benefits, to the survivors of public law enforcement or firefighting personnel who are killed in the line of duty. In addition certain survivors qualify for the payment of funeral expenses. The ERS is the administrative body for this program.

House Bill 1278, 84th Legislative Session, doubled the one-time and monthly payment amounts for financial assistance paid to the survivors of certain law enforcement officers, firefighters and other public employees killed in the line of duty.

House Bill 1526, 85th Legislative Session, modified Government Code Section 615.003, increasing lump sum payments to survivors to \$500,000.

House Bill 3625, 86th Legislative Session, adjusted the lump sum payment in an amount equal to the percentage change in Consumer Price Index for all Urban Consumers, published by the Bureau of Labor Statistics (CPI) for the preceding year. After adjusting for CPI-U, the lump sum payment to survivors for an eligible death occurring on or after September 1, 2022 is \$554,000.

3.A. Strategy Request

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 5 Provide Benefits to Beneficiaries of Public Safety Workers. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

Payments under this Program are directly dependent on the number of public safety officers killed in the line of duty each year within the State. The benefits paid under Chapter 615 are available only when the qualified individual suffers a death resulting from a line-of-duty accident or illness caused by line-of-duty work under hazardous conditions.

Funding for Fiscal Year 2024 and 2025 is based on Fiscal Year 2023 appropriations. The appropriation is requested to be “estimated” since it is event driven. FY24 and FY 25 projections assume an additional 30 deaths per year.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL CHANGE	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2022 + Bud 2023)	Baseline Request (BL 2024 + BL 2025)		\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$87,574,526	\$103,732,200	\$16,157,674	\$16,157,674	FY 2023 estimated appropriations were used for each year of the 2024-25 biennium.
			<u>\$16,157,674</u>	Total of Explanation of Biennial Change

3.A. Strategy Request

9/2/2022 2:24:23PM

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 6 Provide Lump-sum Retiree Death Benefits. Estimated. Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
Output Measures:						
1	Number of Retiree Death Benefits Paid	3,033.00	2,257.00	2,586.00	2,586.00	2,586.00
Efficiency Measures:						
1	Average Number of Business Days to Process Retiree Death Benefits	18.00	32.00	7.00	7.00	7.00
Objects of Expense:						
3001	CLIENT SERVICES	\$11,886,006	\$10,686,966	\$13,750,000	\$13,750,000	\$13,750,000
TOTAL, OBJECT OF EXPENSE		\$11,886,006	\$10,686,966	\$13,750,000	\$13,750,000	\$13,750,000
Method of Financing:						
1	General Revenue Fund	\$11,886,006	\$10,686,966	\$13,750,000	\$13,750,000	\$13,750,000
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$11,886,006	\$10,686,966	\$13,750,000	\$13,750,000	\$13,750,000
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$13,750,000	\$13,750,000
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$11,886,006	\$10,686,966	\$13,750,000	\$13,750,000	\$13,750,000
FULL TIME EQUIVALENT POSITIONS:						

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 6 Provide Lump-sum Retiree Death Benefits. Estimated. Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
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STRATEGY DESCRIPTION AND JUSTIFICATION:

Section 814.501, Texas Government Code, provides that the State shall pay a lump sum death benefit of \$5,000 to the survivor or estate of a person retired under any of the retirement programs administered by the ERS Board of Trustees.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

This strategy is affected by the annual mortality rate of ERS retired members.

Funding for Fiscal Years 2024 and 2025 is based on FY23 appropriations. The appropriation is requested to be “estimated” since it is event driven.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL CHANGE</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
<u>Base Spending (Est 2022 + Bud 2023)</u>	<u>Baseline Request (BL 2024 + BL 2025)</u>		<u>\$ Amount</u>	<u>Explanation(s) of Amount (must specify MOFs and FTEs)</u>
\$24,436,966	\$27,500,000	\$3,063,034	\$3,063,034	FY 2023 projected contributions were used for each year of the 2024-25 biennium with no growth assumed.
			\$3,063,034	Total of Explanation of Biennial Change

3.A. Strategy Request

88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 7 Legacy Payments Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$0	\$516,866,616	\$319,778,245	\$510,000,000	\$510,000,000
TOTAL, OBJECT OF EXPENSE		\$0	\$516,866,616	\$319,778,245	\$510,000,000	\$510,000,000
Method of Financing:						
1	General Revenue Fund	\$0	\$457,980,000	\$220,320,000	\$339,150,000	\$339,150,000
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$0	\$457,980,000	\$220,320,000	\$339,150,000	\$339,150,000
Method of Financing:						
994	GR Dedicated Accounts	\$0	\$0	\$28,589,091	\$26,010,000	\$26,010,000
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$0	\$0	\$28,589,091	\$26,010,000	\$26,010,000
Method of Financing:						
555	Federal Funds					
	00.327.001 ERS Retirement	\$0	\$6,866,616	\$6,866,616	\$85,680,000	\$85,680,000
CFDA Subtotal, Fund	555	\$0	\$6,866,616	\$6,866,616	\$85,680,000	\$85,680,000
SUBTOTAL, MOF (FEDERAL FUNDS)		\$0	\$6,866,616	\$6,866,616	\$85,680,000	\$85,680,000

Method of Financing:

3.A. Strategy Request

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 7 Legacy Payments Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
6	State Highway Fund	\$0	\$52,020,000	\$52,020,000	\$52,020,000	\$52,020,000
998	Other Special State Funds	\$0	\$0	\$11,982,538	\$7,140,000	\$7,140,000
SUBTOTAL, MOF (OTHER FUNDS)		\$0	\$52,020,000	\$64,002,538	\$59,160,000	\$59,160,000
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$510,000,000	\$510,000,000
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$0	\$516,866,616	\$319,778,245	\$510,000,000	\$510,000,000

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

The 87th Texas Legislature through the passage of Senate Bill 321 (which added Section 815.407 to Texas Government Code) set forth a plan to amortize the unfunded actuarial accrued liabilities no later than 2054 utilizing an annual payment structure referred to as a Legacy Payment. SB321 also created a new benefit structure for employees hired on or after September 1, 2022 to minimize future risk of unfunded liabilities. The 87th Texas Legislature appropriated the first legacy payments in House Bill 2 equating to \$510 million per year for each year of the 2022-23 biennium. SB321 requires ERS to provide an update on the actuarial determined amount before each session to ensure the unfunded liability is paid no later than 2054.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

327 Employees Retirement System

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs
 OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs Service Categories:
 STRATEGY: 7 Legacy Payments Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
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HB2 used current benefit contribution method of finance for legacy payments. Federal funds have been delayed and a significant portion of the federal funds is not expected to be received for the 2022-23 biennium creating a shortfall in the legacy payment for the second year of the biennium. Some general revenue dedicated and other federal funds were not received for the full amount for the 2022-23 biennium. In order to meet the plan envisioned by SB321, a supplemental appropriation from general revenue is requested to offset the shortfall from the federal funds and other funding sources. Additionally, ERS is requesting that the federal funds included in the method of finance be exchanged for general revenue to avoid similar shortfalls in legacy payments until the unfunded liability is paid off.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2022 + Bud 2023)	Baseline Request (BL 2024 + BL 2025)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$836,644,861	\$1,020,000,000	\$183,355,139	\$183,355,139	HB2 87th Regular Session was used for the base request for the 2024-25 biennium
			\$183,355,139	Total of Explanation of Biennial Change

327 Employees Retirement System

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees Service Categories:
 STRATEGY: 1 Provide Basic Insurance Program to General State Employees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
Output Measures:						
	1 In-Network Services as a Percentage of Total Services	91.49 %	91.50 %	90.00 %	90.00 %	90.00 %
	2 In-Network Mental Health Services as % of Total Mental Health Services	94.26 %	94.86 %	90.00 %	90.00 %	90.00 %
	3 Prescription Drug Program Costs as Percent of Total HealthSelect Costs	19.56 %	20.00 %	20.00 %	20.00 %	20.00 %
Efficiency Measures:						
KEY	1 Percent of Medical Claims Processed within 22 Business Days	98.63 %	98.00 %	98.00 %	98.00 %	98.00 %
	2 % of Electrnc Retail Pharmacy Claims Processed within 15 Business Days	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
KEY	3 HealthSelect Admin Fees as Percent of Total HealthSelect Costs	2.57 %	3.00 %	3.00 %	3.00 %	3.00 %
Explanatory/Input Measures:						
	1 # Employees, Retirees & Dependents Covered by GBP Health Care Plans	538,009.00	529,915.00	529,915.00	537,864.00	545,932.00
	2 % of Eligible Retirees & Spouses Enrolled in Medicare Advantage Plan	78.46 %	80.80 %	80.00 %	80.00 %	80.00 %

Objects of Expense:

3.A. Strategy Request

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees Service Categories:
 STRATEGY: 1 Provide Basic Insurance Program to General State Employees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
1002	OTHER PERSONNEL COSTS	\$1,935,610,558	\$1,890,083,976	\$2,056,793,672	\$2,056,793,672	\$2,056,793,672
TOTAL, OBJECT OF EXPENSE		\$1,935,610,558	\$1,890,083,976	\$2,056,793,672	\$2,056,793,672	\$2,056,793,672
Method of Financing:						
1	General Revenue Fund	\$1,308,225,684	\$1,255,204,768	\$1,364,996,000	\$1,364,996,000	\$1,364,996,000
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$1,308,225,684	\$1,255,204,768	\$1,364,996,000	\$1,364,996,000	\$1,364,996,000
Method of Financing:						
994	GR Dedicated Accounts	\$74,353,462	\$101,497,510	\$111,247,410	\$111,247,410	\$111,247,410
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$74,353,462	\$101,497,510	\$111,247,410	\$111,247,410	\$111,247,410
Method of Financing:						
555	Federal Funds					
	00.327.002 ERS Insurance	\$323,642,655	\$308,083,688	\$334,581,864	\$334,581,864	\$334,581,864
CFDA Subtotal, Fund	555	\$323,642,655	\$308,083,688	\$334,581,864	\$334,581,864	\$334,581,864
SUBTOTAL, MOF (FEDERAL FUNDS)		\$323,642,655	\$308,083,688	\$334,581,864	\$334,581,864	\$334,581,864
Method of Financing:						
6	State Highway Fund	\$213,557,707	\$207,909,237	\$227,054,476	\$227,054,476	\$227,054,476

3.A. Strategy Request

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees Service Categories:
 STRATEGY: 1 Provide Basic Insurance Program to General State Employees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
998	Other Special State Funds	\$15,831,050	\$17,388,773	\$18,913,922	\$18,913,922	\$18,913,922
SUBTOTAL, MOF (OTHER FUNDS)		\$229,388,757	\$225,298,010	\$245,968,398	\$245,968,398	\$245,968,398
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$2,056,793,672	\$2,056,793,672
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$1,935,610,558	\$1,890,083,976	\$2,056,793,672	\$2,056,793,672	\$2,056,793,672

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

Chapter 1551, §1551.211 of the Texas Insurance Code, created the Texas Employees Group Benefits Program (GBP) and established the ERS as the administrative body for that program. Under this statute, the State will provide a program of health care insurance and other appropriated insurance coverage to be funded by employee and state funds. This strategy supports the ERS goal of providing a comprehensive health care program while effectively and efficiently managing the program.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

3.A. Strategy Request

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees Service Categories:
 STRATEGY: 1 Provide Basic Insurance Program to General State Employees. Estimated. Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
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National health care costs continue to rise faster than incomes levels and the overall rate of inflation. Major factors contributing to cost increases include general increase in the price and utilization of medical care services; the development of new technologies and medical procedures; a rise in chronic disease due in part to an aging population and the escalating obesity epidemic, and increase in both the cost and use of pharmaceuticals, particularly specialty drugs.

The current contribution strategy provides for full funding for the monthly premium contributions for full-time state employees and eligible retirees and a 50% contribution for eligible dependents of employees and retirees. The above funding request does not include the agency contribution of 1.0% of payroll which is included in the individual agencies' appropriations. The appropriation is requested to be "estimated" since it is FTE driven.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL CHANGE	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2022 + Bud 2023)	Baseline Request (BL 2024 + BL 2025)		\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$3,946,877,648	\$4,113,587,344	\$166,709,696	\$166,709,696	FY 2023 projected contributions were used for each year of the 2024-25 biennium. Enrollment growth is projected at 2.15% (weighted average of 0% growth rate for actives and 5% for retirees)
			\$166,709,696	Total of Explanation of Biennial Change

327 Employees Retirement System

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees Service Categories:
 STRATEGY: 2 Insurance Contributions for Local CSCD Employee Estimated Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
Explanatory/Input Measures:						
	1 # CSCD Employees, Retirees, & Dependents Covered by GBP	12,690.00	12,516.00	12,400.00	12,300.00	12,200.00
Objects of Expense:						
	1002 OTHER PERSONNEL COSTS	\$69,519,574	\$69,952,952	\$72,258,216	\$72,258,216	\$72,258,216
TOTAL, OBJECT OF EXPENSE		\$69,519,574	\$69,952,952	\$72,258,216	\$72,258,216	\$72,258,216
Method of Financing:						
	1 General Revenue Fund	\$69,519,574	\$69,952,952	\$72,258,216	\$72,258,216	\$72,258,216
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$69,519,574	\$69,952,952	\$72,258,216	\$72,258,216	\$72,258,216
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$72,258,216	\$72,258,216
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$69,519,574	\$69,952,952	\$72,258,216	\$72,258,216	\$72,258,216
FULL TIME EQUIVALENT POSITIONS:						
STRATEGY DESCRIPTION AND JUSTIFICATION:						

3.A. Strategy Request

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

327 Employees Retirement System

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees Service Categories:
 STRATEGY: 2 Insurance Contributions for Local CSCD Employee Estimated Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
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Chapter 1551, §1551.114.of the Texas Insurance Code, Participation by Community Supervision and Corrections Departments:
 All contributions received from the state, active employees of community supervision and corrections departments, and retired employees of community supervision and corrections departments for basic, optional, and voluntary coverages under the group benefits program shall be paid into the employees life, accident, and health insurance and benefits fund.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

This strategy is affected by the number of participants and is limited to:

- (1) active employees of a community supervision and corrections department;
- (2) retired employees of a community supervision and corrections department who retire on or after September 1, 2004, and who:
 - (A) have been employed by one or more community supervision and corrections departments for a total of at least 10 years of creditable service; and
 - (B) meet all the requirements for retirement benefits prescribed by the Texas County and District Retirement System; and
- (3) eligible dependents of the active employees and retired employees

The current contribution strategy provides for funding for the monthly premium contributions for full-time state employees and eligible retirees and a 50% contribution for eligible dependents of employees and retirees.

327 Employees Retirement System

GOAL: 2 Provide Employees and Retirees with Quality Group Benefits
 OBJECTIVE: 1 Manage GBP for State and Higher Education Employees Service Categories:
 STRATEGY: 2 Insurance Contributions for Local CSCD Employee Estimated Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
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EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		<u>BIENNIAL</u>	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2022 + Bud 2023)	Baseline Request (BL 2024 + BL 2025)	CHANGE	\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$142,211,168	\$144,516,432	\$2,305,264	\$2,305,264	FY 2023 projected contributions were used for each year of the 2024-25 biennium.
			\$2,305,264	Total of Explanation of Biennial Change

3.A. Strategy Request

9/1/2022 8:50:17PM

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

SUMMARY TOTALS:

OBJECTS OF EXPENSE:	\$2,760,471,455	\$3,240,121,969	\$3,252,789,233	\$3,443,010,988	\$3,443,010,988
METHODS OF FINANCE (INCLUDING RIDERS):				\$3,443,010,988	\$3,443,010,988
METHODS OF FINANCE (EXCLUDING RIDERS):	\$2,760,471,455	\$3,240,121,969	\$3,252,789,233	\$3,443,010,988	\$3,443,010,988
FULL TIME EQUIVALENT POSITIONS:	401.1	411.0	424.0	436.0	436.0

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Machelle Pharr	Date: August 26, 2022	Request Level: Base
Current Rider Number	Page Number in 2022- 2023 GAA	Proposed Rider Language		

1	I-36	<p>Performance Measure Targets. The following is a listing of the key performance target levels for the Employees Retirement System. It is the intent of the Legislature that appropriations made by this Act be utilized in the most efficient and effective manner possible to achieve the intended mission of the Employees Retirement System. In order to achieve the objectives and service standards established by this Act, the Employees Retirement System shall make every effort to attain the following designated key performance target levels associated with each item of appropriation.</p>		
		<u>2022</u>	<u>2024</u>	<u>2023</u> <u>2025</u>
		<p>Performance Measure Targets</p> <p>A. Goal: ADMINISTER RETIREMENT PROGRAM</p> <p>Outcome (Results/Impact):</p> <p>Percent of ERS Retirees Expressing Satisfaction with Benefit Services 97% 97%</p> <p>Investment Expense as Basis Points of Net Assets 16.00 16.00</p> <p>A.1.1. Strategy: <u>ERS RETIREMENT PROGRAM</u></p> <p>Output (Volume):</p> <p>Number of ERS Accounts Maintained 291,000 295,000 298,000 300,000</p> <p>B. Goal: <u>ADMINISTER GROUP BENEFITS PROGRAM</u></p> <p>Outcome (Results/Impact):</p> <p>Percent of HealthSelect Participants Satisfied with Network Services 85% 85%</p> <p>B.1.1. Strategy: <u>GROUP BENEFITS PROGRAM</u> Efficiencies:</p> <p>Percent of Medical Claims Paid -within 22 Business Days 98 % 98%</p> <p>HealthSelect Administration Fees as Percentage of Total HealthSelect Costs 3% 3%</p>		
		<p>Justification for change: Update Years</p>		
3	I-37	<p>Updated Actuarial Valuation. The Employees Retirement System shall contract with an actuary to perform a limited actuarial valuation of the assets and liabilities of the Employees Retirement System as of February 28 in those years when the Legislature meets in regular session. The purpose of the valuation shall be to determine the effect of investment, salary, and payroll experience on the unfunded liability, the amortization</p>		

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Machelle Pharr	Date: August 26, 2022	Request Level: Base
Current Rider Number	Page Number in 2022- 2023 GAA	Proposed Rider Language		
		<p style="color: blue;">period, and the state contribution rate which results in a 30-year amortization period of the Retirement System.</p> <p style="color: blue;"><u>Justification for change: SB321 87th Regular Session requires the actuary to provide the actuarial determined amount to pay off the unfunded liability by no later than 2054 before each session. As a result the limited valuation is no longer needed and is an unnecessary expense.</u></p>		
4	I-38	<p>State Contribution to Employees Retirement Program. The amount specified above in A.1.1, ERS Retirement Program, is based on a state contribution of 9.5 percent of payroll for each fiscal year of the 20242-253 biennium, including annual membership fees of \$3 for contributing members for each fiscal year. Included in appropriations made in this Act is a total of \$694,098,766 \$697,733,706 in fiscal year 20242 and \$696,662,555 in fiscal year 20253 for the ERS Retirement Program.</p> <p>Justification for change: Updated years and amounts</p>		
5	I-38	<p>State Contribution to the Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOS). The amount specified above in A.1.2, LECOS Retirement Program, is based on 0.5 percent of covered payroll each fiscal year of the 20242-253 biennium for LECOS members.</p> <p>Justification for change: Updated years.</p>		
6	I-38	<p>State Contribution to Judicial Retirement Program (JRS-2). The amount specified above in A.1.3, Judicial Retirement System - Plan 2, is based on a state contribution of 15.663 percent of payroll for each fiscal year of the 20242-243 biennium for contributing members.</p> <p>Justification for change: Updated years.</p>		
7	I-38	<p>State Contribution to Group Insurance for General State Employees. Funds identified above for group insurance are intended to fund:</p> <ul style="list-style-type: none"> a. the total cost of the basic life and health coverage for all active and retired employees; b. fifty percent of the total cost of health coverage for the spouses and dependent children of all active and retired employees who enroll in coverage categories which include a spouse and/or dependent children; and c. the incentive program to waive participation in the Group Benefits Plan (Opt-Out). 		

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Machelle Pharr	Date: August 26, 2022	Request Level: Base
Current Rider Number	Page Number in 2022- 2023 GAA	Proposed Rider Language		
8	1-38	<p>In no event shall the total amount of state contributions allocated to fund coverage in an optional health plan exceed the actuarially determined total amount of state contributions that would be required to fund basic health coverage for those active employees and retirees who have elected to participate in that optional health plan.</p> <p>During each fiscal year, the state's monthly contribution shall be determined by multiplying (1) the per capita monthly contribution as certified herein by (2) the total number of full-time active and retired employees, subject to any adjustment required by statute, enrolled for coverage during that month.</p> <p>For each employee or retiree that waives participation in the Group Benefit Program and enrolls in allowable optional coverage, the Employees Retirement System shall receive \$60 per month in lieu of the "employee-only" state contribution amount, and such amounts are included above in Strategy B.1.1, Group Benefits Program. The waived participant may apply up to \$60 per month towards the cost of the optional coverage.</p> <p>Each year, upon adoption of group insurance rates by the Board of Trustees, the Employees Retirement System must notify the Comptroller, the Legislative Budget Board, and the Governor of the per capita monthly contribution required in accordance with this rider for each full-time active and retired employee enrolled for coverage during the fiscal year.</p> <p>It is the intent of the Legislature that the Employees Retirement System control the cost of the group insurance program by not providing rate increases to health care providers participating in HealthSelect during the 2024²-25³ biennium.</p> <p>Justification for change: Updated years.</p>		
		<p>Excess Benefit Arrangement Account. There is hereby appropriated to the Employees Retirement System all funds transferred or deposited into the Excess Benefit Arrangement Account established in the General Revenue-Dedicated Account No. 5039, for the purpose of paying benefits as authorized by Government Code, §815.5072.</p>		

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Machelle Pharr	Date: August 26, 2022	Request Level: Base
Current Rider Number	Page Number in 2022- 2023 GAA	Proposed Rider Language		
		No Change.		
9	I-38	<p>Transfer of Retirement Contributions and Group Insurance. Appropriations made in this and other articles of this Act for Retirement and Group Insurance contributions shall be transferred by each agency from the Employees Retirement System to the agency based on estimated amounts by funding source for each fiscal year. Transfers should be made no later than September 15 of the year in which the payments are to be made. Adjustments and return of excess appropriation authority to the Employees Retirement System shall be completed by October 30 of the subsequent fiscal year.</p> <p>No Change.</p>		
10	I-38 & I-39	<p>Federal Funds for Medicare Part D Prescription Drug Program. The Employees Retirement System (ERS) is hereby authorized to receive employer reimbursements of all federal funds applicable to Medicare Part D prescription drug reimbursement relating to benefits administered by ERS. Any federal funds received by ERS shall be deposited to the Employees Life, Accident and Health Insurance and Benefits Fund No. 973, or to such fund as established by the Legislature or the State Comptroller of Public Accounts to pay health claims for retired employees.</p> <p>No Change.</p>		
11	I-39	<p>Appropriations for the Deferred Compensation Trust Fund and the TexaSaver Trust Fund. All money deposited into the Deferred Compensation Trust Fund, Employees Retirement System No. 0945 and the TexaSaver Trust Fund No. 0946 pursuant to Government Code, §609.512 are hereby appropriated to the system for the 20242-253 biennium for the purposes authorized by law.</p> <p>Justification for change: Updated fiscal years.</p>		
12	I-39	<p>Tobacco User Monthly Premium Fee. The Employees Retirement System, pursuant to the provisions of Insurance Code, §1551.3075, shall automatically apply a \$30 monthly tobacco user fee to any individual aged 18 or older covered under the state health plan unless the individual, during the individual's enrollment period, certifies that the individual does not use tobacco products. The Comptroller of Public Accounts shall deposit revenue from the fee (estimated to be \$10,093,766-\$10,917,405 in each year of the 20242-253 biennium) into the Employees Life, Accident, Health Insurance and Benefits Trust Account.</p> <p>Justification for change: Updated fiscal years and amounts</p>		

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Machelle Pharr	Date: August 26, 2022	Request Level: Base
Current Rider Number	Page Number in 2022- 2023 GAA	Proposed Rider Language		
13	I-39	<p>Notification of Contracts Greater than \$10 Million. It is the intent of the Legislature that the agency shall submit notice to the Legislative Budget Board at least ten business days prior to issuing a request for proposals for a contract, as defined in Article IX, Section 7.04 of this Act, with a value reasonably expected to exceed \$10 million. The notice shall be provided consistent with the agency's fiduciary duties. The notice shall be provided on a form prescribed by the Legislative Budget Board. The notice shall include:</p> <ul style="list-style-type: none"> a. a brief description of the request for proposals; and b. criteria that will be evaluated, as identified in the request for proposals. <p>Additionally, the notice shall provide the following if ERS' processes have changed substantively from the prior request for proposals subject to this notice provision:</p> <ul style="list-style-type: none"> a. an explanation of the agency's evaluation process; b. guidelines for evaluators; c. methodology for evaluating additional factors not anticipated during planning; and d. methods for verifying the mathematical accuracy of the evaluation. <p>In addition to the requirements of this rider, the agency shall comply with all the reporting requirements under Article IX, Sec 7.11, Notification of Certain Purchases or Contract Awards, Amendments, and Extensions, of this Act.</p> <p>Justification for change: No Changes</p>		
14	I-39	<p>Health Clinic at a State Agency or Institution of Higher Education. Out of appropriations made in this and other articles of this Act for the Group Benefits Program, the board of trustees may operate or contract with a person to operate an onsite, or near-site, health clinic at a state agency or institution of higher education. The board may only operate or contract for a clinic if the board determines that:</p> <ul style="list-style-type: none"> a. the clinic can be operated on a cost-neutral or cost-positive basis to the health plan; b. there is sufficient health plan participation in the area where the proposed clinic will operate; and 		

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Machelle Pharr	Date: August 26, 2022	Request Level: Base
Current Rider Number	Page Number in 2022- 2023 GAA	Proposed Rider Language		

		<p>c. no funds will be spent by the board for the cost of acquiring or building the clinic, capital expenses, or acquiring equipment.</p> <p>No Change.</p>
15	I-39	<p>Health Related Institutions Savings. It is the intent of the legislature that the HealthSelect of Texas network administered under the Employees Retirement System of Texas Group Benefits Program shall maintain competitive and favorable contracted provider rates with Health Related Institutions receiving appropriations under this Act. The Employees Retirement System may initiate and continue innovative value- based plan design models and partnerships with the Health Related Institutions.</p> <p>No Change.</p>
16	I-40	<p>Right to Shop Incentive It is the intent of the legislature that the Employees Retirement System incentivize participants to shop for lower cost care within the health plan in order to achieve shares savings. In accordance with the existing laws, the agency may contract with one or more third-party vendors for this purpose.</p> <p>No Change</p>
17	I-40	<p>Alternative Delivery Methods for Group Benefits Programs. It is the intent of the legislature that the Employees Retirement System (ERS) engage a third party vendor to examine alternative methods to deliver the current benefits supplied under the Group Benefits Program and that ERS provide a report to the chairs of the Senate Finance and Health and Human Services committees, the chairs of the House Appropriations and Insurance committees, and the Governor on the findings of the third party vendor no later than August 31, 2022³.</p> <p>Updated years</p>

3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Machelle Pharr	Date: August 26, 2022	Request Level: Base
Current Rider Number	Page Number in 2022-2023 GAA	Proposed Rider Language		

Sec. 17.03	IX-79	<p>Payroll Contribution for Group Health Insurance.</p> <p>(a) Notwithstanding any other provision of this Act, out of appropriations made elsewhere in this Act to state agencies and institutions of higher education for the state fiscal biennium beginning September 1, 2021, each agency and institution of higher education shall contribute, in an amount equal to 1.0 percent of the total base wages and salaries for each benefits eligible employee of a state agency or institution of higher education during the state fiscal biennium beginning September 1, 2021-2023 to the Employees Retirement System's Group Benefits Program.</p> <p>(b) For purposes of this section "institution of higher education" does not include components within the University of Texas and Texas A&M Systems.</p> <p>(c) State agencies and institutions of higher education shall contribute pursuant to this section to the Employees Retirement System to increase state funding for group health coverage by the value of the 1.0 percent contribution, estimated to be \$144,140,691-\$149,871,249 in All Funds for state agencies and \$88,273,527\$88,847,608 in All Funds for institutions of higher education for the 20242-253 biennium.</p> <p>(d) The calculation of base salary for purposes of the reductions made under this section excludes longevity pay, hazardous duty pay, benefit replacement pay, overtime pay, and other payments that are not part of the base salary of the employee.</p> <p>(e) Transfers made under this section shall be consistent with provisions requiring salaries and benefits to be proportional to the source of funds.</p> <p>(f) The Texas Higher Education Coordinating Board shall administer the requirements of this section for public community/junior colleges.</p> <p>(g) The Comptroller of Public Accounts shall promulgate rules and regulations as necessary to administer this section.</p> <p>Justification for change: Updated years and amounts</p>
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3.B. Rider Revisions and Additions Request

Agency Code: 327	Agency Name: Employees Retirement System	Prepared By: Machelle Pharr	Date: August 26, 2022	Request Level: Base
Current Rider Number	Page Number in 2022-2023 GAA	Proposed Rider Language		
Sec. 17.06	IX-80	<p>Additional Payroll Contribution for Retirement Contribution.</p> <p>(a) Notwithstanding any other provision of this Act, out of appropriations made elsewhere in this Act to state agencies for the state fiscal biennium beginning September 1, 2021, each agency shall contribute, in an amount equal to 0.5 percent of the total base wages and salaries for each eligible employee of a state agency during the state fiscal biennium beginning September 1, 2021-2023 to the Employees Retirement System's Retirement Program.</p> <p>(b) State agencies shall contribute pursuant to this section to the Employees Retirement System to increase the state contribution for retirement by the value of the 0.5 percent contribution, estimated to be \$76,482,740 <u>\$74,752,304</u> for state agencies for the 20242-253 biennium.</p> <p>(c) The calculation of base salary for purposes of the reductions made under this section excludes longevity pay, hazardous duty pay, benefit replacement pay, overtime pay, and other payments that are not part of the base salary of the employee.</p> <p>(d) Transfers made under this section shall be consistent with provisions requiring salaries and benefits to be proportional to the source of funds.</p> <p>(e) The Comptroller of Public Accounts shall promulgate rules and regulations as necessary to administer this section.</p> <p>Justification for change: Updated years and amounts.</p>		

4.A. Exceptional Item Request Schedule
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022
 TIME: 8:50:42PM

Agency code: 327 Agency name: Employees Retirement System

CODE	DESCRIPTION	Excp 2024	Excp 2025
	Item Name: Cover Normal Costs for LECOS and JRS 2 Item Priority: 1 IT Component: No Anticipated Out-year Costs: Yes Involve Contracts > \$50,000: No Includes Funding for the Following Strategy or Strategies: 01-01-02 Provide Retirement Program for Law Enf and Corr Officers. Estimated. 01-01-03 Provide Retirement Program for State Judicial Officers. Estimated.		
1002	OTHER PERSONNEL COSTS	22,664,387	22,664,387
	TOTAL, OBJECT OF EXPENSE	\$22,664,387	\$22,664,387

METHOD OF FINANCING:

1	General Revenue Fund	21,199,417	21,199,417
555	Federal Funds		
00.327.001	ERS Retirement	110,834	110,834
994	GR Dedicated Accounts	396,508	396,508
998	Other Special State Funds	957,628	957,628
	TOTAL, METHOD OF FINANCING	\$22,664,387	\$22,664,387

DESCRIPTION / JUSTIFICATION:

This request is part of the ERS goal of administering comprehensive and actuarially sound retirement programs and supports the objective of obtaining proper funding for the program. The first objective of the Pension Funding Priorities and Guidelines established by the ERS Board of Trustees is to cover the normal cost. Texas begin funding an employees' retirement benefit as soon as the worker enters the system with contributions from the employer and the employee. Funding continues throughout an employee's working career. The cost to provide the employee retirement benefits is called the normal cost. The normal cost is calculated by determining the current rate of employer and employee contributions needed to pay for future retirement benefits, assuming the retirement rates, investment earnings, and other assumptions match expectations. This would require an additional 1% state contribution to LECOSRF and an additional 3.587% state contribution for JRS 2.

EXTERNAL/INTERNAL FACTORS:

The above request assumes \$15 million annually in court fees collected under Section 133.102 of the Local Government Code in addition to a state contribution of 1.5% of payroll and member contributions for LECOSRF. This request assumes a state contribution of 19.25% of payroll for JRS 2. No growth in payroll is assumed for Fiscal Year 2024 and 2025. ERS will conduct an actuarial valuation as of August 31, 2022 and the updated normal costs will be available December 2022.

PCLS TRACKING KEY:

4.A. Exceptional Item Request Schedule
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/1/2022**
 TIME: **8:50:42PM**

Agency code: **327** Agency name: **Employees Retirement System**

CODE	DESCRIPTION	Excp 2024	Excp 2025
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DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :

Current state and member contribution rates do not cover the normal cost for LECOSRF and JRS 2. An additional 1% state contribution for LECOSRF and an additional 3.587% state contributions for JRS 2 are required to cover the normal cost of the plans.

ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:

	2026	2027	2028
	\$22,664,387	\$22,664,387	\$22,664,387

4.A. Exceptional Item Request Schedule
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022
 TIME: 8:50:42PM

Agency code: 327 Agency name: Employees Retirement System

CODE	DESCRIPTION	Excp 2024	Excp 2025
	Item Name: Address Unfunded Liabilities for LECOSRF and JRS 2 Item Priority: 2 IT Component: No Anticipated Out-year Costs: No Involve Contracts > \$50,000: No Includes Funding for the Following Strategy or Strategies: 01-01-02 Provide Retirement Program for Law Enf and Corr Officers. Estimated. 01-01-03 Provide Retirement Program for State Judicial Officers. Estimated.		

OBJECTS OF EXPENSE:

1002	OTHER PERSONNEL COSTS	855,000,000	0
	TOTAL, OBJECT OF EXPENSE	\$855,000,000	\$0

METHOD OF FINANCING:

1	General Revenue Fund	855,000,000	0
	TOTAL, METHOD OF FINANCING	\$855,000,000	\$0

DESCRIPTION / JUSTIFICATION:

This request is part of the ERS goal of administering comprehensive and actuarially sound retirement programs and supports the objective of obtaining proper funding for the program. The second objective of the Pension Funding Priorities and Guidelines established by the ERS Board of Trustees is to avoid fund depletion. Then, meet the statutory standard for actuarial soundness as established in Texas Government Code 811.006. Once the normal cost is addressed, there are several options to address the unfunded liabilities for LECOSRF and JRS 2. In the LAR, we have requested a single lump sum payment for each of the funds. Other options include a two year annual payment plan or amortize with the actuarially sound contribution increase required above the normal cost. The two year annual payment has a slightly higher cost. While the option to amortize the cost over a 31 year period lowers the cost for the biennium, the total cost is much higher due to the interest.

EXTERNAL/INTERNAL FACTORS:

The above request assumes \$15 million annually in court fees collected under Section 133.102 of the Local Government Code in addition to a state contribution of 1.5% of payroll and member contributions for LECOSRF. This request assumes a state contribution of 19.25% of payroll for JRS 2. No growth in payroll is assumed for Fiscal Year 2024 and 2025. ERS will conduct an actuarial valuation as of August 31, 2022 and the updated normal costs will be available December 2022.

PCLS TRACKING KEY:

4.A. Exceptional Item Request Schedule
88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **9/1/2022**
TIME: **8:50:42PM**

Agency code: **327** Agency name: **Employees Retirement System**

CODE	DESCRIPTION	Excp 2024	Excp 2025
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4.A. Exceptional Item Request Schedule
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022
 TIME: 8:50:42PM

Agency code: 327 Agency name: **Employees Retirement System**

CODE	DESCRIPTION	Excp 2024	Excp 2025
	Item Name: Exchange the Method of Finance for the Legacy Payment		
	Item Priority: 3		
	IT Component: No		
	Anticipated Out-year Costs: Yes		
	Involve Contracts > \$50,000: No		
	Includes Funding for the Following Strategy or Strategies: 01-01-07 Legacy Payments		
 OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	0	0
	TOTAL, OBJECT OF EXPENSE	\$0	\$0
 METHOD OF FINANCING:			
1	General Revenue Fund	85,680,000	85,680,000
555	Federal Funds		
00.327.001	ERS Retirement	-85,680,000	-85,680,000
	TOTAL, METHOD OF FINANCING	\$0	\$0

DESCRIPTION / JUSTIFICATION:

HB2 87th Regular Session included \$85.68 million per year from federal funds as part of the legacy payment total of \$510 million per year. During FY22, only \$6.9 million of the federal funds were collected. ERS continues to work with the agencies to provide information to assist with their federal cognizant agencies in understanding the purpose of the payment. In addition to questions from their federal cognizant agencies, many agencies have indicated that they are unable to provide the federal funds without reductions to those programs. ERS is seeking supplemental GR in the 88th Legislative Session for the shortfall in the legacy payment and to replace the federal funds in the 2024-25 biennium with general revenue.

EXTERNAL/INTERNAL FACTORS:

87th Legislature passed SB321 adding Section 815.407 to Subchapter E, Chapter 815 of the Government Code providing that each fiscal year the state shall make an actuarially determined payment in the amount necessary to amortize the system's unfunded actuarial liabilities by not later than the fiscal year ending August 31, 2054.

PCLS TRACKING KEY:

4.A. Exceptional Item Request Schedule
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022
 TIME: 8:50:42PM

Agency code: 327 Agency name: **Employees Retirement System**

CODE	DESCRIPTION	Excp 2024	Excp 2025
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DESCRIPTION OF ANTICIPATED OUT-YEAR COSTS :

Supplemental funding in HB2 for the Legacy Payment provided for in SB321 87th Regular Legislative Session included the current method of finance for benefits. In addition to questions from their federal cognizant agencies, agencies have indicated that they are unable to provide the federal funds without reductions to their programs.

ESTIMATED ANTICIPATED OUT-YEAR COSTS FOR ITEM:

2026	2027	2028
<hr/>	<hr/>	<hr/>
\$85,680,000	\$85,680,000	\$85,680,000

4.B. Exceptional Items Strategy Allocation Schedule

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022

TIME: 8:50:43PM

Agency code: **327** Agency name: **Employees Retirement System**

Code	Description	Excp 2024	Excp 2025
Item Name: Cover Normal Costs for LECOS and JRS 2			
Allocation to Strategy: 1-1-2 Provide Retirement Program for Law Enf and Corr Officers. Estimated.			
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	19,402,520	19,402,520
TOTAL, OBJECT OF EXPENSE		\$19,402,520	\$19,402,520
METHOD OF FINANCING:			
1	General Revenue Fund	18,895,178	18,895,178
555	Federal Funds		
00.327.001	ERS Retirement	110,834	110,834
994	GR Dedicated Accounts	396,508	396,508
TOTAL, METHOD OF FINANCING		\$19,402,520	\$19,402,520

4.B. Exceptional Items Strategy Allocation Schedule

88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022

TIME: 8:50:43PM

Agency code: **327**

Agency name: **Employees Retirement System**

Code	Description	Excp 2024	Excp 2025
Item Name: Cover Normal Costs for LECOS and JRS 2			
Allocation to Strategy: 1-1-3 Provide Retirement Program for State Judicial Officers. Estimated.			
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	3,261,867	3,261,867
TOTAL, OBJECT OF EXPENSE		\$3,261,867	\$3,261,867
METHOD OF FINANCING:			
1	General Revenue Fund	2,304,239	2,304,239
998	Other Special State Funds	957,628	957,628
TOTAL, METHOD OF FINANCING		\$3,261,867	\$3,261,867

4.B. Exceptional Items Strategy Allocation Schedule
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022
 TIME: 8:50:43PM

Agency code: **327** Agency name: **Employees Retirement System**

Code	Description	Excp 2024	Excp 2025
Item Name: Address Unfunded Liabilities for LECOSRF and JRS 2			
Allocation to Strategy: 1-1-2 Provide Retirement Program for Law Enf and Corr Officers. Estimated.			
STRATEGY IMPACT ON OUTCOME MEASURES:			
	<u>3</u> # Years to Amortize the LECOS Unfunded Actuarial Accrued Liability	1.00	1.00
OBJECTS OF EXPENSE:			
	1002 OTHER PERSONNEL COSTS	750,000,000	0
TOTAL, OBJECT OF EXPENSE		\$750,000,000	\$0
METHOD OF FINANCING:			
	1 General Revenue Fund	750,000,000	0
TOTAL, METHOD OF FINANCING		\$750,000,000	\$0

4.B. Exceptional Items Strategy Allocation Schedule
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022
 TIME: 8:50:43PM

Agency code: **327** Agency name: **Employees Retirement System**

Code	Description	Excp 2024	Excp 2025
Item Name: Address Unfunded Liabilities for LECOSRF and JRS 2			
Allocation to Strategy: 1-1-3 Provide Retirement Program for State Judicial Officers. Estimated.			
STRATEGY IMPACT ON OUTCOME MEASURES:			
	<u>4</u> # of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability	1.00	1.00
OBJECTS OF EXPENSE:			
	1002 OTHER PERSONNEL COSTS	105,000,000	0
TOTAL, OBJECT OF EXPENSE		\$105,000,000	\$0
METHOD OF FINANCING:			
	1 General Revenue Fund	105,000,000	0
TOTAL, METHOD OF FINANCING		\$105,000,000	\$0

4.B. Exceptional Items Strategy Allocation Schedule

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022

TIME: 8:50:43PM

Agency code: **327** Agency name: **Employees Retirement System**

Code	Description	Excp 2024	Excp 2025
Item Name: Exchange the Method of Finance for the Legacy Payment			
Allocation to Strategy: 1-1-7 Legacy Payments			
STRATEGY IMPACT ON OUTCOME MEASURES:			
<u>2</u>	# of Years to Amortize the ERS Unfunded Actuarial Accrued Liability	30.00	29.00
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	0	0
TOTAL, OBJECT OF EXPENSE		\$0	\$0
METHOD OF FINANCING:			
1	General Revenue Fund	85,680,000	85,680,000
555	Federal Funds		
00.327.001	ERS Retirement	-85,680,000	-85,680,000
TOTAL, METHOD OF FINANCING		\$0	\$0

4.C. Exceptional Items Strategy Request
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022
TIME: 8:50:43PM

Agency Code: **327** Agency name: **Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs

OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs

STRATEGY: 2 Provide Retirement Program for Law Enf and Corr Officers. Estimated.

Service Categories:

Service: 06 Income: A.2 Age: B.3

CODE DESCRIPTION	Excp 2024	Excp 2025
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STRATEGY IMPACT ON OUTCOME MEASURES:

<u>3</u> # Years to Amortize the LECOS Unfunded Actuarial Accrued Liability	1.00	1.00
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OBJECTS OF EXPENSE:

1002 OTHER PERSONNEL COSTS	769,402,520	19,402,520
Total, Objects of Expense	\$769,402,520	\$19,402,520

METHOD OF FINANCING:

1 General Revenue Fund	768,895,178	18,895,178
555 Federal Funds		
00.327.003 LECOS Retirement	110,834	110,834
994 GR Dedicated Accounts	396,508	396,508
Total, Method of Finance	\$769,402,520	\$19,402,520

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Cover Normal Costs for LECOS and JRS 2

Address Unfunded Liabilities for LECOSRF and JRS 2

4.C. Exceptional Items Strategy Request
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022
TIME: 8:50:43PM

Agency Code: **327** Agency name: **Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs

OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs

STRATEGY: 3 Provide Retirement Program for State Judicial Officers. Estimated.

Service Categories:

Service: 06 Income: A.2 Age: B.3

CODE DESCRIPTION	Excp 2024	Excp 2025
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STRATEGY IMPACT ON OUTCOME MEASURES:

<u>4</u> # of Years to Amortize the JRS-2 Unfunded Actuarial Accrued Liability	1.00	1.00
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OBJECTS OF EXPENSE:

1002 OTHER PERSONNEL COSTS	108,261,867	3,261,867
Total, Objects of Expense	\$108,261,867	\$3,261,867

METHOD OF FINANCING:

1 General Revenue Fund	107,304,239	2,304,239
998 Other Special State Funds	957,628	957,628
Total, Method of Finance	\$108,261,867	\$3,261,867

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Cover Normal Costs for LECOS and JRS 2

Address Unfunded Liabilities for LECOSRF and JRS 2

4.C. Exceptional Items Strategy Request
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022
TIME: 8:50:43PM

Agency Code: **327** Agency name: **Employees Retirement System**

GOAL: 1 Administer Comprehensive and Actuarially Sound Retirement Programs

OBJECTIVE: 1 Ensure Actuarially Sound Retirement Programs

STRATEGY: 7 Legacy Payments

Service Categories:

Service: 06 Income: A.2 Age: B.3

CODE	DESCRIPTION	Excp 2024	Excp 2025
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STRATEGY IMPACT ON OUTCOME MEASURES:

<u>2</u> # of Years to Amortize the ERS Unfunded Actuarial Accrued Liability	30.00	29.00
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METHOD OF FINANCING:

1 General Revenue Fund	85,680,000	85,680,000
555 Federal Funds		
00.327.001 ERS Retirement	(85,680,000)	(85,680,000)
Total, Method of Finance	\$0	\$0

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Exchange the Method of Finance for the Legacy Payment

6.A. Historically Underutilized Business Supporting Schedule
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

Date: 9/1/2022
 Time: 8:50:43PM

Agency Code: 327 Agency: Employees Retirement System

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

A. Fiscal Year - HUB Expenditure Information

Statewide HUB Goals	Procurement Category	% Goal	HUB Expenditures FY 2020			Total Expenditures FY 2020			HUB Expenditures FY 2021			Total Expenditures FY 2021
			% Actual	Diff	Actual \$	% Goal	% Actual	Diff	Actual \$	% Goal	% Actual	Diff
11.2%	Heavy Construction	0.0 %	0.0%	0.0%	\$0	\$0	0.0 %	0.0%	0.0%	\$0	\$0	
21.1%	Building Construction	21.1 %	3.5%	-17.6%	\$921,729	\$26,475,306	21.1 %	9.9%	-11.2%	\$2,469,430	\$24,935,279	
32.9%	Special Trade	32.9 %	67.0%	34.1%	\$214,560	\$320,419	32.9 %	117.9%	85.0%	\$134,179	\$113,855	
23.7%	Professional Services	23.7 %	12.5%	-11.2%	\$245,285	\$1,958,952	23.7 %	0.0%	-23.7%	\$0	\$2,012,714	
26.0%	Other Services	26.0 %	30.7%	4.7%	\$6,237,248	\$20,289,359	26.0 %	33.4%	7.4%	\$7,089,003	\$21,227,651	
21.1%	Commodities	21.1 %	34.5%	13.4%	\$650,517	\$1,883,295	21.1 %	37.2%	16.1%	\$606,662	\$1,629,985	
	Total Expenditures		16.2%		\$8,269,339	\$50,927,331		20.6%		\$10,299,274	\$49,919,484	

B. Assessment of Attainment of HUB Procurement Goals

Attainment:

For fiscal year 2020, the agency exceeded the HUB procurement goal for Special Trade by 34.1%, Other Services by 4.7%, and Commodities by 13.4%.

For fiscal year 2021, the agency exceeded the HUB procurement goal for Special Trade by 85.0%, Other Services by 7.4%, and Commodities by 16.1%

Applicability:

The Heavy Construction category is not applicable to agency operations in either fiscal year 2020 or 2021.

Factors Affecting Attainment:

For fiscal year 2020, the goal of Building Construction and Professional Services were not met; however, ERS effectively utilized subcontractors as specified above in goal performance.

For fiscal year 2021, the goal of Building Construction was not met; however, ERS effectively utilized subcontractors as specified above in goal performance. The goal of Professional Services category was not met because the competitive bidding process resulted in contracts awarded to non-HUB vendors and subcontracting opportunities were not identified.

C. Good-Faith Efforts to Increase HUB Participation

Outreach Efforts and Mentor-Protégé Programs:

ERS attended 5 economic opportunity forms/conferences.

Agency Code: 327 Agency: Employees Retirement System

We participated in HUB-related meetings, trainings, and Economic Opportunity Forums (EOF) (e.g. vendor fair, spot bid fairs, conferences).
No mentor-protégé partnerships were requested or sponsored.

HUB Program Staffing:

Below is the data detailing the staffing levels dedicated to increasing participation of HUBs.

- Staff 1 - 50% weekly hours with HUB
- Staff 2 - 15% weekly hours with HUB
- Staff 3 - 15% weekly hours with HUB
- Staff 4 - 15% weekly hours with HUB
- Staff 5 - 10% weekly hours with HUB
- Staff 6 - 10% weekly hours with HUB

These staff members are actively engaged in increasing participation of HUBs and perform the following activities and /or act as ERS' representatives at forums and/or conferences.

When applicable, staff provides potential bidders with a link to certified HUBS for subcontracting opportunities.

They attend virtual and in-person HUB conferences and share information on how to contract with ERS in order to encourage and increase participation.

Staff solicit more certified HUBs than required on all applicable bid opportunities.

Whenever possible, they contact HUBs directly for procurements that are under the competitive procurement threshold for bidding.

Current and Future Good-Faith Efforts:

ERS's offerings do not generally lend themselves to subcontracting opportunities as a large percentage of ERS' contracts are performed directly by primary vendors, who may in some cases rely on established contracted business partners. However, ERS will continue to comply with the statewide HUB procurement goals. Further, ERS will continue to make good faith efforts to meet its HUB goals. ERS continues to have more opportunities in fiscal year 2023 with renovations to 200 E. 18th Street. ERS' HUB program staffing will continue to include Director of Procurement and Contract Oversight, Manager of Contract Oversight and Purchasing, Purchasing and HUB Coordination Supervisor, and three additional purchasers. ERS' purchasers will continue to participate in HUB-related meetings and forums as well as Economic Opportunity Forums (EOF). ERS is also willing to meet one-on-one with HUB vendors as is allowable under law. ERS will continue to work with non-HUB vendors who are interested in becoming HUB-certified.

6.C. Federal Funds Supporting Schedule

88th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

		327 Employees Retirement System				
CFDA NUMBER/ STRATEGY		Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
00.327.001	ERS Retirement					
1 - 1 - 1	ERS RETIREMENT PROGRAM	114,460,430	112,367,844	115,752,344	115,752,344	115,752,344
1 - 1 - 7	LEGACY PAYMENTS	0	6,866,616	6,866,616	85,680,000	85,680,000
	TOTAL, ALL STRATEGIES	\$114,460,430	\$119,234,460	\$122,618,960	\$201,432,344	\$201,432,344
	ADDL FED FNDS FOR EMPL BENEFITS	0	0	0	0	0
	TOTAL, FEDERAL FUNDS	\$114,460,430	\$119,234,460	\$122,618,960	\$201,432,344	\$201,432,344
	ADDL GR FOR EMPL BENEFITS	\$0	\$0	\$0	\$0	\$0
00.327.002	ERS Insurance					
2 - 1 - 1	GROUP BENEFITS PROGRAM	323,642,655	308,083,688	334,581,864	334,581,864	334,581,864
	TOTAL, ALL STRATEGIES	\$323,642,655	\$308,083,688	\$334,581,864	\$334,581,864	\$334,581,864
	ADDL FED FNDS FOR EMPL BENEFITS	0	0	0	0	0
	TOTAL, FEDERAL FUNDS	\$323,642,655	\$308,083,688	\$334,581,864	\$334,581,864	\$334,581,864
	ADDL GR FOR EMPL BENEFITS	\$0	\$0	\$0	\$0	\$0
00.327.003	LECOS Retirement					
1 - 1 - 2	LECOS RETIREMENT PROGRAM	50,562	46,724	55,417	55,417	55,417
	TOTAL, ALL STRATEGIES	\$50,562	\$46,724	\$55,417	\$55,417	\$55,417
	ADDL FED FNDS FOR EMPL BENEFITS	0	0	0	0	0
	TOTAL, FEDERAL FUNDS	\$50,562	\$46,724	\$55,417	\$55,417	\$55,417
	ADDL GR FOR EMPL BENEFITS	\$0	\$0	\$0	\$0	\$0

6.C. Federal Funds Supporting Schedule

9/1/2022 8:50:44PM

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

		327 Employees Retirement System				
CFDA NUMBER/ STRATEGY		Exp 2021	Est 2022	Bud 2023	BL 2024	BL 2025
 <u>SUMMARY LISTING OF FEDERAL PROGRAM AMOUNTS</u>						
00.327.001	ERS Retirement	114,460,430	119,234,460	122,618,960	201,432,344	201,432,344
00.327.002	ERS Insurance	323,642,655	308,083,688	334,581,864	334,581,864	334,581,864
00.327.003	LECOS Retirement	50,562	46,724	55,417	55,417	55,417
TOTAL, ALL STRATEGIES		\$438,153,647	\$427,364,872	\$457,256,241	\$536,069,625	\$536,069,625
TOTAL, ADDL FED FUNDS FOR EMPL BENEFITS		0	0	0	0	0
TOTAL, FEDERAL FUNDS		\$438,153,647	\$427,364,872	\$457,256,241	\$536,069,625	\$536,069,625
TOTAL, ADDL GR FOR EMPL BENEFITS		\$0	\$0	\$0	\$0	\$0

SUMMARY OF SPECIAL CONCERNS/ISSUES

Assumptions and Methodology:

The method of finance reflects proportionality as provided by the LBB.

Potential Loss:

6.F.a. Advisory Committee Supporting Schedule ~ Part A
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

Date: 9/1/2022
 Time: 8:50:46PM

Agency Code: 327 Agency: Employees Retirement System

GROUP BENEFIT ADVISORY COMMITTEE

Statutory Authorization: Tx Govt Code Section 815.509
 Number of Members: 11
 Committee Status: Ongoing
 Date Created: 12/31/2017
 Date to Be Abolished:
 Strategy (Strategies): 2-1-1 GROUP BENEFITS PROGRAM

Advisory Committee Costs	Expended Exp 2021	Estimated Est 2022	Budgeted Bud 2023	Requested BL 2024	Requested BL 2025
Committee Members Direct Expenses					
TRAVEL	\$0	\$3,000	\$3,000	\$3,750	\$3,750
Other Expenditures in Support of Committee Activities					
AGENCY SUPPORT PERSONNEL	21,000	21,000	21,000	26,250	26,250
Total, Committee Expenditures	\$21,000	\$24,000	\$24,000	\$30,000	\$30,000
Method of Financing					
General Revenue Fund	\$21,000	\$24,000	\$24,000	\$30,000	\$30,000
Total, Method of Financing	\$21,000	\$24,000	\$24,000	\$30,000	\$30,000
Meetings Per Fiscal Year	2	2	2	2	2

Agency Code: 327 Agency: **Employees Retirement System**

Description and Justification for Continuation/Consequences of Abolishing

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 program offered under the Texas Employees Group Benefits Program (GBP).

6.F.a. Advisory Committee Supporting Schedule ~ Part A
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

Date: 9/1/2022
 Time: 8:50:46PM

Agency Code: **327** Agency: **Employees Retirement System**

INVESTMENT ADVISORY COMMITTEE

Statutory Authorization: Tx Govt Code Section 815.509
 Number of Members: 9
 Committee Status: Ongoing
 Date Created: 08/5/1966
 Date to Be Abolished:
 Strategy (Strategies): 1-1-1 ERS RETIREMENT PROGRAM
 1-1-2 LECOS RETIREMENT PROGRAM
 1-1-3 JUDICIAL RETIREMENT SYSTEM - PLAN 2

Advisory Committee Costs	Expended Exp 2021	Estimated Est 2022	Budgeted Bud 2023	Requested BL 2024	Requested BL 2025
Committee Members Direct Expenses					
TRAVEL	\$587	\$17,500	\$19,000	\$23,750	\$23,750
OTHER OPERATING COSTS	18,000	38,000	42,000	42,000	42,000
Other Expenditures in Support of Committee Activities					
AGENCY SUPPORT PERSONNEL	15,000	15,000	15,000	18,750	18,750
Total, Committee Expenditures	\$33,587	\$70,500	\$76,000	\$84,500	\$84,500
Method of Financing					
General Revenue Fund	\$33,587	\$70,500	\$76,000	\$84,500	\$84,500
Total, Method of Financing	\$33,587	\$70,500	\$76,000	\$84,500	\$84,500
Meetings Per Fiscal Year	4	4	4	4	4

Agency Code: 327 Agency: **Employees Retirement System**

Description and Justification for Continuation/Consequences of Abolishing

Established at the discretion of the Board of Trustees as authorized in the TAC subsection 63.17(b). Composed of at least 5 and not more than 9 members. The members are selected by the Board of Trustees on the basis of experience in the management of 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.

**6.H. Estimated Total of All Agency Funds Outside the GAA Bill Pattern
Employees Retirement System of Texas**

ESTIMATED GRAND TOTAL OF AGENCY FUNDS OUTSIDE THE 2024-25 GAA BILL PATTERN	\$	54,694,164,682
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Retirement Trust Fund (0955)

Beginning Balance in FY 2022		\$	33,608,244,434
Actual Revenues FY 2022		\$	583,583,456
Estimated Revenues FY 2023		\$	4,312,390,932
	FY 2022-23 Total	\$	38,504,218,822
Estimated Beginning Balance in FY 2024		\$	32,476,215,970
Estimated Revenues FY 2024		\$	4,547,988,987
Estimated Revenues FY 2025		\$	4,800,078,906
	FY 2024-25 Total	\$	41,824,283,862

Constitutional or Statutory Creation and Use of Funds:

The ERS Retirement Trust Fund is created by Government Code, Section 815.310. Funds in the account are used to pay retirement annuities and to operate the retirement system.

Method of Calculation and Revenue Assumptions:

Revenues to the trust fund include member contributions, state contributions including the legacy payment, investment income, and other revenues. Investment income can vary widely from year to year. State contributions are dependent upon legislative action. For this document, other revenue is assumed to remain constant at the FY 2022 level for FY 2024-25. Investment Income is calculated using the 7.00% assumption approved by the Board as of May, 2020. State contributions are estimated at the LAR Base Level of 9.50% of payroll .

**6.H. Estimated Total of All Agency Funds Outside the GAA Bill Pattern
Employees Retirement System of Texas**

Insurance Fund (0973)/(3973)

Beginning Balance in FY 2022	\$	3,103,412,976
Actual Revenues FY 2022	\$	3,347,055,192
Estimated Revenues FY 2023	\$	<u>3,524,612,676</u>
FY 2022-23 Total	\$	9,975,080,844
Estimated Beginning Balance in FY 2024	\$	2,958,754,749
Estimated Revenues FY 2024	\$	3,524,612,676
Estimated Revenues FY 2025	\$	<u>3,524,612,676</u>
FY 2024-25 Total	\$	10,007,980,101

Constitutional or Statutory Creation and Use of Funds:

The Insurance Fund is created by Insurance Code, Section 1551.401. Funds in the account are used for all payments of any coverages provided for under the Group Benefits Program and for payment of expenses of administering the program.

Method of Calculation and Revenue Assumptions:

Revenues to the trust fund include member contributions, state contributions, investment income, and other revenues. It is assumed that contributions from the state and the members for FY 2022 will be at the FY 2021 levels with no increase in enrollment.

**6.H. Estimated Total of All Agency Funds Outside the GAA Bill Pattern
Employees Retirement System of Texas**

LECOS Trust Fund (0977)

Beginning Balance in FY 2022	\$	1,116,041,412
Actual Revenues FY 2022	\$	2,665,882
Estimated Revenues FY 2023	\$	99,598,456
FY 2022-23 Total	\$	1,218,305,751
Estimated Beginning Balance in FY 2024	\$	1,020,050,193
Estimated Revenues FY 2024	\$	101,642,360
Estimated Revenues FY 2025	\$	103,829,338
FY 2024-25 Total	\$	1,225,521,892

Constitutional or Statutory Creation and Use of Funds:

The LECOS Trust Fund is created by Government Code, Section 815.317. Funds in the account are used to pay law enforcement and custodial officer supplemental retirement and death benefits to law enforcement and custodial officers and to pay for the administration of the fund.

Method of Calculation and Revenue Assumptions:

Revenues to the trust fund include member contributions, state contributions, investment income, and other revenues. Investment income can vary widely from year to year. It is assumed that contributions from the state for FY 2022 and FY 2023 will be established at the current level of 0.50%. Investment income is calculated using the 7.00 % assumption approved by the Board as of May, 2020.

6.H. Estimated Total of All Agency Funds Outside the GAA Bill Pattern
Employees Retirement System of Texas

JRS II Trust Fund (0993)

Beginning Balance in FY 2022	\$	585,179,731
Actual Revenues FY 2022	\$	6,892,584
Estimated Revenues FY 2023	\$	332,174,341
FY 2022-23 Total	\$	924,246,656
Estimated Beginning Balance in FY 2024	\$	849,484,582
Estimated Revenues FY 2024	\$	372,091,462
Estimated Revenues FY 2025	\$	414,802,783
FY 2024-25 Total	\$	1,636,378,827

Constitutional or Statutory Creation and Use of Funds:

The JRS II Trust Fund is created by Government Code, Section 840.305. Funds in the account are used to pay judicial retirement benefits and administrative expenses.

Method of Calculation and Revenue Assumptions:

Revenues to the trust fund include member contributions, state contributions, investment income, and other revenues. Investment income can vary widely from year to year. State contributions are dependent upon legislative action. Investment income is calculated using the 7.00 % assumption approved by the Board as of May, 2020. State contributions are estimated at the LAR baseline request level of 15.663%.

6.K. Part A Budgetary Impacts Related to Recently Enacted State Legislation Schedule

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022
TIME: 8:50:47PM

Agency code: 327

Agency name: Employees Retirement System

	Exp 2021	Bud 2022	Est 2023	Est 2024	Est 2025
Expanded or New Initiative:					
1. Relating to pricing of and health plan cost-sharing requirements for prescription insulin.					
Legal Authority for Item:					
87th Legislation S.B. 827					
Description/Key Assumptions (including start up/implementation costs and ongoing costs):					
Senate Bill 827 modifies Texas Insurance Code, Chapter 1358 to limit a participant's cost-share for prescription insulin to \$25 for a 30-day supply regardless of the amount or type of insulin needed to fill the participant's prescription. Prescription insulin is defined as a prescription drug that contains insulin and is issued to treat diabetes. The bill would apply to the HealthSelect Prescription Drug Program and the Consumer Directed HealthSelect Prescription Drug Program under Chapter 1551. The bill does not apply to the HealthSelect Medicare Rx Plan. A health plan is not prevented from requiring an enrollee to use an insulin that is on the plan's prescription drug formulary. The health plan's formulary must include at least one insulin from each therapeutic class.					
State Budget by Program:					
Health Insurance					
IT Component:					
No					
Involve Contracts > \$50,000:					
No					
Objects of Expense					
Strategy: 2-1-1 GROUP BENEFITS PROGRAM					
1002 OTHER PERSONNEL COSTS	\$0	\$0	\$1,569,977	\$1,616,779	\$1,665,282
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$1,569,977	\$1,616,779	\$1,665,282
TOTAL, Objects of Expense	\$0	\$0	\$1,569,977	\$1,616,779	\$1,665,282
Method of Financing					
GENERAL REVENUE FUNDS					
Strategy: 2-1-1 GROUP BENEFITS PROGRAM					
1 General Revenue Fund	\$0	\$0	\$1,157,073	\$1,191,566	\$1,227,312
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$1,157,073	\$1,191,566	\$1,227,312
SUBTOTAL, GENERAL REVENUE FUNDS	\$0	\$0	\$1,157,073	\$1,191,566	\$1,227,312
GR DEDICATED					
Strategy: 2-1-1 GROUP BENEFITS PROGRAM					
994 GR Dedicated Accounts	\$0	\$0	\$89,489	\$92,156	\$94,921
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$89,489	\$92,156	\$94,921
SUBTOTAL, GR DEDICATED	\$0	\$0	\$89,489	\$92,156	\$94,921
FEDERAL FUNDS					
Strategy: 2-1-1 GROUP BENEFITS PROGRAM					

6.K. Part A Budgetary Impacts Related to Recently Enacted State Legislation Schedule

88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022

TIME: 8:50:47PM

Agency code: 327

Agency name: Employees Retirement System

	Exp 2021	Bud 2022	Est 2023	Est 2024	Est 2025
555 Federal Funds	\$0	\$0	\$136,588	\$140,660	\$144,880
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$136,588	\$140,660	\$144,880
SUBTOTAL, FEDERAL FUNDS	\$0	\$0	\$136,588	\$140,660	\$144,880
OTHER FUNDS					
Strategy: 2-1-1 GROUP BENEFITS PROGRAM					
6 State Highway Fund	\$0	\$0	\$172,697	\$177,846	\$183,181
998 Other Special State Funds	\$0	\$0	\$14,130	\$14,551	\$14,988
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$186,827	\$192,397	\$198,169
SUBTOTAL, OTHER FUNDS	\$0	\$0	\$186,827	\$192,397	\$198,169
TOTAL, Method of Financing	\$0	\$0	\$1,569,977	\$1,616,779	\$1,665,282

6.K. Part A Budgetary Impacts Related to Recently Enacted State Legislation Schedule

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022
TIME: 8:50:47PM

Agency code: 327

Agency name: **Employees Retirement System**

	Exp 2021	Bud 2022	Est 2023	Est 2024	Est 2025
Expanded or New Initiative: 2. Relating to coverage for diagnostic imaging for breast cancer under certain health benefit plans					
Legal Authority for Item: 87th Legislation S.B. 1065					
Description/Key Assumptions (including start up/implementation costs and ongoing costs):					
Senate Bill 1065 amends Insurance Code, Chapter 1356 to define “Diagnostic imaging” as an imaging examination using mammography, ultrasound imaging, or magnetic resonance imaging that is designed to evaluate (a) abnormality detected by a physician or patient in a breast, (b) an abnormality seen by a physician on a screening mammogram, (c) abnormality previously identified as benign in a breast for which follow-up imaging is recommend by a physician (d) individual with personal history of breast cancer or dense breast tissue. SB 1065 also states that a health benefit plan that provides coverage for screening mammogram must provide coverage for diagnostic imaging that is no less favorable than the coverage for a screening mammogram.					
State Budget by Program: Health Insurance					
IT Component: No					
Involve Contracts > \$50,000: No					
Objects of Expense					
Strategy: 2-1-1 GROUP BENEFITS PROGRAM					
1002 OTHER PERSONNEL COSTS	\$0	\$0	\$719,041	\$759,035	\$801,582
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$719,041	\$759,035	\$801,582
TOTAL, Objects of Expense	\$0	\$0	\$719,041	\$759,035	\$801,582
Method of Financing					
GENERAL REVENUE FUNDS					
Strategy: 2-1-1 GROUP BENEFITS PROGRAM					
1 General Revenue Fund	\$0	\$0	\$529,933	\$559,409	\$590,766
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$529,933	\$559,409	\$590,766
SUBTOTAL, GENERAL REVENUE FUNDS	\$0	\$0	\$529,933	\$559,409	\$590,766
GR DEDICATED					
Strategy: 2-1-1 GROUP BENEFITS PROGRAM					
994 GR Dedicated Accounts	\$0	\$0	\$40,985	\$43,265	\$45,690
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$40,985	\$43,265	\$45,690
SUBTOTAL, GR DEDICATED	\$0	\$0	\$40,985	\$43,265	\$45,690
FEDERAL FUNDS					
Strategy: 2-1-1 GROUP BENEFITS PROGRAM					
555 Federal Funds	\$0	\$0	\$62,557	\$66,036	\$69,738
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$62,557	\$66,036	\$69,738
SUBTOTAL, FEDERAL FUNDS	\$0	\$0	\$62,557	\$66,036	\$69,738

6.K. Part A Budgetary Impacts Related to Recently Enacted State Legislation Schedule

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022
TIME: 8:50:47PM

Agency code: 327

Agency name: **Employees Retirement System**

	Exp 2021	Bud 2022	Est 2023	Est 2024	Est 2025
OTHER FUNDS					
Strategy: 2-1-1 GROUP BENEFITS PROGRAM					
6 State Highway Fund	\$0	\$0	\$79,095	\$83,494	\$88,174
998 Other Special State Funds	\$0	\$0	\$6,471	\$6,831	\$7,214
SUBTOTAL, Strategy 2-1-1	\$0	\$0	\$85,566	\$90,325	\$95,388
SUBTOTAL, OTHER FUNDS	\$0	\$0	\$85,566	\$90,325	\$95,388
TOTAL, Method of Financing	\$0	\$0	\$719,041	\$759,035	\$801,582

6.K. Part A Budgetary Impacts Related to Recently Enacted State Legislation Schedule

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022
TIME: 8:50:47PM

Agency code: 327

Agency name: **Employees Retirement System**

	Exp 2021	Bud 2022	Est 2023	Est 2024	Est 2025
Expanded or New Initiative: 3.Relating to the state contribution to the Employees Retirement System of Texas					
Legal Authority for Item: 87th Legislation S. B. 321					
Description/Key Assumptions (including start up/implementation costs and ongoing costs):					
Senate Bill 321 requires the State to make an annual amortization payment toward eliminating the ERS unfunded liability by August 31, 2054 in addition to required contributions. Based on the updated actuarial valuation as of February 28, 2021 projected to August 31, 2021, the annual level dollar necessary to amortize the system's unfunded actuarial liabilities by the fiscal year ending August 31, 2054 is \$510 million per year. Additionally, SB321 restructures the retirement benefit for members of the employee and the elected class hired on or after September 1, 2022 into a cash balance benefit. Law Enforcement and Custodial Officers (LECO) will continue to receive enhanced benefits from the LECO Supplemental Retirement Fund (LECOSRF). All members of ERS hired on or after September 1, 2022 would contribute 6% of pay into individual accounts and LECOSRF members hired on or after September 1, 2022 would contribute an additional 2%.					
State Budget by Program: State Retirement					
IT Component: No					
Involve Contracts > \$50,000: No					
Objects of Expense					
Strategy: 1-1-7 LEGACY PAYMENTS					
1002 OTHER PERSONNEL COSTS	\$0	\$516,866,616	\$319,778,245	\$510,000,000	\$510,000,000
SUBTOTAL, Strategy 1-1-7	\$0	\$516,866,616	\$319,778,245	\$510,000,000	\$510,000,000
TOTAL, Objects of Expense	\$0	\$516,866,616	\$319,778,245	\$510,000,000	\$510,000,000
Method of Financing					
GENERAL REVENUE FUNDS					
Strategy: 1-1-7 LEGACY PAYMENTS					
1 General Revenue Fund	\$0	\$457,980,000	\$220,320,000	\$339,150,000	\$339,150,000
SUBTOTAL, Strategy 1-1-7	\$0	\$457,980,000	\$220,320,000	\$339,150,000	\$339,150,000
SUBTOTAL, GENERAL REVENUE FUNDS	\$0	\$457,980,000	\$220,320,000	\$339,150,000	\$339,150,000
GR DEDICATED					
Strategy: 1-1-7 LEGACY PAYMENTS					
994 GR Dedicated Accounts	\$0	\$0	\$28,589,091	\$26,010,000	\$26,010,000
SUBTOTAL, Strategy 1-1-7	\$0	\$0	\$28,589,091	\$26,010,000	\$26,010,000
SUBTOTAL, GR DEDICATED	\$0	\$0	\$28,589,091	\$26,010,000	\$26,010,000
FEDERAL FUNDS					
Strategy: 1-1-7 LEGACY PAYMENTS					
555 Federal Funds	\$0	\$6,866,616	\$6,866,616	\$85,680,000	\$85,680,000

6.K. Part A Budgetary Impacts Related to Recently Enacted State Legislation Schedule
 88th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022
 TIME: 8:50:47PM

Agency code: 327

Agency name: Employees Retirement System

	Exp 2021	Bud 2022	Est 2023	Est 2024	Est 2025
SUBTOTAL, Strategy 1-1-7	\$0	\$6,866,616	\$6,866,616	\$85,680,000	\$85,680,000
SUBTOTAL, FEDERAL FUNDS	\$0	\$6,866,616	\$6,866,616	\$85,680,000	\$85,680,000
OTHER FUNDS					
Strategy: 1-1-7 LEGACY PAYMENTS					
6 State Highway Fund	\$0	\$52,020,000	\$52,020,000	\$52,020,000	\$52,020,000
998 Other Special State Funds	\$0	\$0	\$11,982,538	\$7,140,000	\$7,140,000
SUBTOTAL, Strategy 1-1-7	\$0	\$52,020,000	\$64,002,538	\$59,160,000	\$59,160,000
SUBTOTAL, OTHER FUNDS	\$0	\$52,020,000	\$64,002,538	\$59,160,000	\$59,160,000
TOTAL, Method of Financing	\$0	\$516,866,616	\$319,778,245	\$510,000,000	\$510,000,000

6.K. Part B Summary of Costs Related to Recently Enacted State Legislation Schedule

88th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 9/1/2022
TIME: 8:50:47PM

Agency code: 327

Agency name: **Employees Retirement System**

ITEM	EXPANDED OR NEW INITIATIVE	Exp 2021	Bud 2022	Est 2023	Est 2024	Est 2025
1	Relating to pricing of and health plan cost-sharing requirements for prescription insulin.	\$0	\$0	\$1,569,977	\$1,616,779	\$1,665,282
2	Relating to coverage for diagnostic imaging for breast cancer under certain health benefit plans	\$0	\$0	\$719,041	\$759,035	\$801,582
3	Relating to the state contribution to the Employees Retirement System of Texas	\$0	\$516,866,616	\$319,778,245	\$510,000,000	\$510,000,000
Total, Cost Related to Expanded or New Initiatives		\$0	\$516,866,616	\$322,067,263	\$512,375,814	\$512,466,864
METHOD OF FINANCING						
	GENERAL REVENUE FUNDS	\$0	\$457,980,000	\$222,007,006	\$340,900,975	\$340,968,078
	GR DEDICATED	\$0	\$0	\$28,719,565	\$26,145,421	\$26,150,611
	FEDERAL FUNDS	\$0	\$6,866,616	\$7,065,761	\$85,886,696	\$85,894,618
	OTHER FUNDS	\$0	\$52,020,000	\$64,274,931	\$59,442,722	\$59,453,557
Total, Method of Financing		\$0	\$516,866,616	\$322,067,263	\$512,375,814	\$512,466,864

FULL-TIME-EQUIVALENTS (FTES):



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