

AGENDA ITEM DETAILS

- Subject:** Agency Update
- Legislative Update
 - Legislative Appropriations Request Update
 - Plan Year 2021 Fall Enrollment
 - RISE Project Update
 - Survey of Employee Engagement
 - State Employee Charitable Campaign update
 - 1836 San Jacinto building update
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Legislative Update – ERS responded to Legislative Requests for Information (RFI) from various House and Senate Committees during the interim on pension and health care related issues. Committees will use this information to publish interim reports and/or draft legislation or budget riders during the next Legislative Session.

The 87th Legislative Session will open at noon on January 12, 2021. Along with challenges related to conducting a public legislative session in the midst of a pandemic, the Texas Comptroller of Public Accounts has warned of declining revenues and tight budget constraints due to the negative impact on the state from COVID-19 and declining oil prices. ERS will continue to engage with leadership offices and members of the Legislature to alert them of the critical needs of the ERS, LECOSRF and JRS2 retirement funds as reflected in our Legislative Appropriations Request.

Legislative Appropriations Request Update – ERS submitted the 2022-23 Legislative Appropriation Request on October 9, 2020. In addition to the 20-21 base amount, ERS requested additional funds to achieve actuarial soundness for the three pre-funded pension plans (ERS, LECOSRF and JRS 2).

As a result of aggressive contracting practices, continual monitoring of cost management opportunities, identifying and addressing cost drivers, value-based initiatives, and diligent management of low administrative costs, ERS anticipates that baseline funding is sufficient to cover projected health benefit costs for the FY22-23 biennium.

On Friday, November 6, 2020 Porter Wilson presented the ERS Legislative Appropriations Request (LAR) during the Joint Budget Hearing. The hearing was held virtually with public testimony accepted through written submissions. The ERS budget presentation focused on the imperative funding needs for the three pre-funded ERS pension plans which are projected to have no Trust fund available to pay benefits. Known as fund depletion, the current projections show this happening to the ERS Trust on or about the year 2061.

Plan Year 2021 Fall Enrollment – Fall Enrollment for Medicare-eligible retirees and their families was held October 26 – November 13. ERS mailed custom Personal Benefits Enrollment Statement packets to 98,982 members to provide them with information on their current enrollment, eligible coverage options and Plan Year 2021 changes.

In Plan Year 2021, we have two health plan transitions for Medicare-eligible retirees:

- The insurer of the HealthSelectSM Medicare Advantage Plan preferred provider organization (MA PPO) is changing from Humana to UnitedHealthcare.
- KelseyCare Advantage Medicare HMO will no longer be offered in the Texas Employees Group Benefits Program (GBP).

Members participated in Fall Enrollment in the following ways:

- Retirees made 4,030 changes to coverage for themselves and their dependents.
- We received 2,178 phone calls:
 - 402 at ERS and
 - 1,776 at ACT.
- More than 1,100 retirees participated in 29 webinars and 18 phone sessions, held instead of our usual Fall Enrollment fairs. The number of attendees for this year's webinars greatly exceeded fair attendees in recent years—most likely due to interest in the new HealthSelect MA PPO insurer, the availability of more webinars to provide information about that change and the convenience of attending from home.

In December, ERS is holding additional webinars with more information about the value-added programs UnitedHealthcare will offer to HealthSelect MA PPO participants.

RISE Project Update – RISE (Retirement Insurance System Enhancement) is the name given to the major system project to update the system that ERS uses to manage customer operations, from benefits enrollment to paying retirement annuities. After an earlier attempt to seek a vendor who would be able to provide insurance services that integrate with the pension system was unsuccessful, ERS decided to begin the project anew. The new project has an expanded scope that includes pension administration, as well as insurance benefits administration, since staff determined that an integrated system is a critical need. ERS contracted with Grant Thornton to lead a comprehensive process that gathered staff throughout the agency to complete a list of requirements and expectations of a modern pension and benefits system solution. Grant Thornton and supporting consultants from Provaliant provided a framework and experience with system implementations in Texas and across the U.S.

Once the full set of requirements was defined, Grant Thornton developed seven options for ERS to consider, with pros and cons of each approach. Options ranged from “off the shelf” solutions to full custom options. After sessions with informative discussions, staff decided to choose a Commercial Off The Shelf (COTS) option. This option will provide ERS a single system that will support both pension and benefits administration and will use a single database. This is important to ERS in order to provide customers with a better overall experience. An “off the shelf” system delivers functionality that does not have to be designed from scratch. The team will look for a system that functionally provides the requirements specified by ERS. The system should be able to be configured to meet some of ERS' unique needs, such as statutory requirements unique to Texas. Grant Thornton provided market analysis indicating there were enough interested and capable vendors to provide competitive and successful bids.

The work on the RFP has started. Grant Thornton is supporting the process providing advice and deliverables based on their experience with other system's RFP's on a national basis.

ERS is completing an additional assessment to define the project risks and the monetary value to those risks. This assessment will help determine the financial viability required of potential bidders and the types and amounts of performance guarantees that should be included in the vendor contract.

Since this project required a great deal of collaboration, it was initially feared that it might have to be held until ERS staff returned to the workplace. However, the project team quickly pivoted to virtual meetings and managed to keep the project on track and on schedule. Everyone involved has worked diligently and it has been an outstanding effort from all involved in the project.

Survey of Employee Engagement Results – In February 2020, ERS employees had an opportunity to anonymously provide feedback on the ERS workplace through the Survey of Employee Engagement (SEE). The survey is widely used in state government to measure employee engagement at the workplace. It is created and administered by the Institute for Organizational Excellence at the University of Texas at Austin.

Employee response to the survey was high, reported the survey's authors. “As a general rule, rates higher than 50% suggest soundness,” they wrote. The ERS response rate was 89.9%.

According to the survey's authors, overall scores of about 350 are considered desirable. ERS' overall survey score was 395— a slight decrease from the score recorded in the 2018 SEE.

There is always room for improvement. ERS' three lowest scores—in internal communication, information systems, and pay— continue to be areas of focus.

Climate Analysis

Several questions on the survey are designed to assess the overall climate at ERS. The survey results groups some of these to provide a climate analysis.

Atmosphere: Safe and free of harassment.

Score: 432 – substantial strength. (2018 Score: 431)

Ethics – Employees are ethical in their behavior and ethical violations are appropriately handled.

Score: 430 – substantial strength (2018 Score: 429)

Fairness: Employees believe that equal and fair opportunity exists for them and others.

Score: 402 – strength. (2018 Score: 407)

Feedback: The opportunity to provide information so improvements can occur.

Score: 366 – although lower than other categories, still considered a strong and desirable score. (2018 Score: 356)

Management: The extent to which ERS leadership is accessible, visible and effectively communicate.

Score: 378 – strength. (2018 Score: 389)

Leadership of each division gets a detailed score sheet for their area. Following review of their results, they work with the Director of Human Resources to develop an action plan to address any areas of opportunity. In general, ERS employees score internal communication, pay, and information systems as the lowest items, although pay is the only construct score (at 276) that the SEE analysis would categorize as an area of concern. Of the three related pay questions that make up the overall construct score, the one that scores the lowest asks employees to rate whether they believe that their pay keeps up with the cost of living. For many years, pay has been the lowest score on the SEE, in keeping with similar scores at agencies across the state.

State Employee Charitable Campaign Update – ERS historically has been a champion for charitable giving through the State Employees Charitable Campaign (SECC). Since its creation in 1993 by the Texas Legislature, SECC has raised over \$189 million to provide support for the environment, disease research, animals and people in need across the State of Texas and around the world. Employees can give to SECC-affiliated charities through payroll deduction or with a one-time donation of cash, check or (new this year) credit/debit card.

Last fall, nine out of 10 ERS employees donated through the State Employee Charitable Campaign (SECC), exceeding the 11% statewide participation rate. ERS was recognized by SECC for our participation rate and money raised (\$56,000 in 2019) among mid-sized agencies. Despite the additional challenges ERS employees faced in submitting pledge forms and payments this fall, the campaign raised \$61,431 from seven out of 10 ERS employees. The amount raised exceeded our \$57,000 fundraising goal by 8%.

Three ERS employee volunteers lead this campaign: Nancy McCarthy (Investments), Liza Dier (Customer Benefits) and Amy Chamberlain (Executive Office). With most of the agency working remotely, the campaign co-chairs developed new processes for collecting signed (including digitally signed) pledge forms and payments by email, mail and the ERS building drop box, and our drive-thru flu shot clinic in September. The co-chairs enlisted the support of other employee volunteers to inspire and facilitate giving with the following activities:

- developed digital promotional materials using “givERS” as a theme, and incorporated themes and logos into digital signatures and virtual background for internal use during September-October;
- maintained an internal webpage with campaign information, a “thermometer” graphic showing progress toward the fundraising goal, and a division leaderboard showing participation rates by division;

- provided a weekly email to employees through a co-worker serving as “SECC ambassador” in each division, who also answered questions, collected forms and thanked co-workers for becoming one of the givERS;
- provided updates for division directors and SECC messages for Porter Wilson to include in his regular emails to all employees;
- promoted SECC with articles in the internal employee newsletter and with an SECC Trivia Game during the regular Friday Lunch Break hosted by Human Resources via Zoom;
- held mid-campaign and end-of-campaign drawings for prizes among donors who gave by certain deadlines;
- collected pledges and payments at the September drive-thru flu shot clinic, which was the only – person SECC activity.

1836 San Jacinto Building Update – The construction of the 1836 San Jacinto Building has continued to progress. Since our last board meeting in August, the exterior of the building was completed for all office floors and the first floor retail space. The exterior of the garage levels are ongoing. The permanent power for the building was turned on. The building dry-in was completed. The conditioned air was turned on. Landscape and hardscape work is ongoing. The drywall, tape, float, and paint were completed on each office floor and retail space.

Some future milestones to look forward to during the next few months are the commissioning of the building, substantial completion, and owner move-in.

Despite the pandemic’s effect on commercial office and retail space, there has been tenant interest in the space. Building tours are ongoing with possible future tenants.

ATTACHMENTS:

1. Slides – Agency Update